Knowledge, evidence and learning for development

Formalising informal trade in North Africa

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Question

What interventions to facilitate the transition of trade from the informal to the formal sector have worked in North Africa?

Contents

1. Overview

Africa's informal economy, defined as the market-based production of *legal* goods and services that are deliberately concealed from public authorities, is estimated to represent 43% of its official gross domestic product (GDP) and over half of its employment (Abid, 2016: p.571). In North Africa, the informal economy represents approximately 40% of GDP (Abid, 2016: p.571). Informal cross-border trade (ICBT) is a major component of this economy, and may exceed formal cross-border trade in value in certain African countries (Lesser & Moisé-Leeman, 2009: p.12). ICBT is defined as illegal trade in legal goods by formal or informal firms or traders.[1] The trade is illegal because it is unrecorded or incorrectly recorded by public authorities and because it fully or partly evades trade-related regulations and duties. A typology of ICBT is provided in Figure 1.

Figure 1: Types of ICBT

Category A	Category B	Category C
Informal (unregistered) traders or firms operating entirely outside the formal economy	Formal (registered) firms *fully* evading trade-related regulations and duties (e.g., avoiding official border crossing posts)	Formal (registered) firms *partially* evading trade-related regulations and duties by resorting to illegal practices (e.g., under-invoicing)

Source: Lesser & Moisé-Leeman, 2009

In the past ten years, a growing body of research on the magnitude/ characteristics, determinants and implications of ICBT in Africa has emerged. This literature provides numerous recommendations on interventions to facilitate the transition of trade from the informal to the formal sector, some of which are already being pursued in the field. However, evidence on what interventions have *worked* remains a gap for two reasons (United Nations Economic Commission for Africa [UNECA], African Union [AU] & African Development Bank [ADB], 2017: p.44). First, data on ICBT flows is limited by definition and collecting this data is fraught with challenges. Second, interventions to formalise trade have not been prioritised by African policymakers and donors due to a lack of awareness of the magnitude and economic potential of ICBT.

This review summarises the state of the evidence on ICBT in North Africa, including its magnitude/ characteristics, determinants and implications (Section 2). Based on this evidence, it identifies a number of interventions that could facilitate the formalisation of this trade and discusses the extent to which they are already being implemented in the region (Section 3). Evidence on which of these interventions have worked best to curb ICBT in North Africa or elsewhere is recommended as an area for future research. They include:

- **Trade facilitation measures.** These interventions aim to reduce the high "transaction costs" that are often associated with formal trading by reducing, simplifying and modernising export or import processes. While few trade facilitation measures have been implemented in North Africa's land borders, they have potential to reduce incentives for ICBT by shrinking the current cost differential between formal and informal trade.
- **Simplified trade regimes.** Simplified trade regimes waive duties, taxes and/ or other regulatory requirements for low-value consignments of traded goods, which represent an

[1] Trade in *illicit* goods is not categorised as ICBT in the literature. This is because the drivers and implications of trade in illicit goods are different from the drivers and implications of ICBT, and thus the policy responses to curb illicit trade are different.

important share of ICBT. Like trade facilitation measures, they serve to make formal trade less costly, but specifically for small traders. They have been implemented successfully by regional economic communities in West, East and South Africa, but not North Africa.

- **Support services for formal trading**. These interventions address financial, information, skills and other supply-side constraints that act as a barrier to formalisation. They include assistance and services to help traders understand and comply with trade-related regulations, access formal markets and value chains and improve productivity. There are few examples of such interventions in North Africa. Indeed, the region is notable for its lack of business support services for small- and medium-sized enterprises (SMEs).
- **Strengthening border enforcement.** Interventions to improve the integrity of border agencies by reducing corruption and arbitrary application of trade-related regulations can encourage the formalisation of trade. These may be particularly important in North Africa, where evidence suggests a lack of effective border security is a key driver or ICBT. Tunisia is the only country with a national plan to address this issue.
- **Regional development strategies and Special Economic Zones (SEZs).** A lack of formal employment opportunities is the foremost push factor for ICBT. Therefore, promoting regional development in hitherto marginalised borderlands may be the most effective strategy for formalising cross-border trade in the long-run. SEZs, which offer various incentives to businesses to establish operations in particular (usually under-developed) zones, have proven effective in promoting formal employment and export-led growth in borderlands in other regions. The Tunisian government has announced plans to introduce a free trade zone in Ben Guerdane by 2018, which may constitute a model for promoting formal intra-regional trade in the future.

2. Informal trade in North Africa

This section reviews the body of evidence on ICBT in North Africa, including its magnitude/ characteristics, determinants and implications for regional development. This informs the subsequent discussion on what interventions can facilitate the transition of this trade to the formal sector.

The strength of the body of evidence is limited (see DFID, 2014: p.20). Its size is small. Indeed, one of the reviewed studies notes that “while there is a wealth of excellent studies on West, South, and East Africa… there has been very little research on borderlands and informal trade in North Africa” (Gallien, 2017: p.8). Additionally, the studies suffer from methodological limitations discussed in the next sub-section which undermine their quality. On the plus side, the evidence is generated using data from a range of border locations in North Africa such that most countries in the region are represented. Egypt is the exception: the review identified very little evidence on ICBT patterns in this country.

Magnitude and characteristics

A note on measuring informal trade

Data on ICBT is, by definition, limited (UNECA et al., 2017: p.44). The literature employs two approaches to measuring the phenomenon (UNECA, 2013: p.3). The first is the “trade gap” method which calculates the difference between reported imports and exports of two trading partners. The difference constitutes “missing imports” (i.e. exports from country A to country B that are reported in country A’s customs data but not in Country B’s) and is used to proxy the level of informality in the countries’ bilateral trade. The second approach collects primary data on trading activities at specific borders. Collected data may include directly observed traded goods, containerised vehicles and border warehouse stocks that are not recorded by customs authorities. Additionally, it may include interviews with informal traders, border officials and local civil society.

Both approaches to measuring ICBT have shortcomings. The trade gap method generates inaccurate estimates since divergences in countries’ customs data frequently arise from differences in data collection and reporting methods, rather than informality (Lesser & Moisé-Leeman, 2009: p.12). Primary studies offer “snap shots” of ICBT at specific border posts, but do not easily generate aggregate estimates of ICBT at the country or regional level. They usually only measure land freight with neighbouring countries, excluding goods traded informally in international markets by air or by sea. Moreover, different primary studies use different definitions of ICBT and diverse measurement methods leading to difficulties in aggregating and comparing estimates (Lesser & Moisé-Leeman, 2009: p.11).

Due to a lack of formal reported trade data for North African countries, the majority of literature on ICBT in the region takes the second approach to estimating its magnitude and characteristics, focusing on specific borders (Ayadi, Benjamin, Bensassi, & Raballand, 2013: p.8). This evidence is summarised below.

Morocco-Algeria

Gallien (2017) conducts a case study of ICBT along the northern part of the Morocco-Algeria border using interview and ethnographic data. The research finds that despite the border’s closure to formal trade in 1994, there remains “a thriving smuggling economy” (p.22). Among the goods transported informally from Algeria to Morocco, fuel is dominant followed by cheap consumer goods (e.g. cigarettes), construction materials, agricultural equipment and some fabrics. In the other direction, Morocco exports fruits, vegetables and traditional fabrics informally to Algeria. However, since 2015, ICBT in some goods has slowed following an increase in border security infrastructure on the Algerian side. The majority of informal cross-border traders are young, uneducated men from the rural border communities that are also engaged in subsistence agriculture. However, formal businesses in border towns and cities also nurture informal supply chains, often employing “women from lower social classes” to transport goods between the countries (p. 28).

Algeria-Tunisia

Ayadi et al. (2013) combine the trade gap method with interview and informal vehicle data collected from various border locations in Tunisia’s Kasserine governorate to estimate the magnitude of Tunisia’s ICBT with Algeria. The research estimates that 7% of Tunisia’s total annual imports are informal goods from Algeria, though it notes that this figure may be an underestimate given that ICBT occurs at numerous, unofficial points on the Algeria-Tunisia border. Moreover, the level of ICBT has increased in recent years, according to the interview evidence. Fuel accounts for the largest share of these informal imports in value terms, followed by air conditioners, tyres and clothing. Numerous individuals and organisations are involved. The most visible are transporters carrying goods across the border, street vendors and ad hoc traders, but wholesalers and currency changers play an important role.

Tunisia-Libya

Using the same approach but collecting data from the Ras Ajdir crossing on the Tunisia-Libya border, Ayadi et al. (2013) estimate that *half* of Tunisia's trade with Libya is informal. As a result, they conclude that "it is probable that Tunisia's level of informal trade [with Algeria and Libya] is in fact greater than that of official bilateral trade… [and] that the level of regional integration is far higher than the official statistics would indicate" (p.28). Again, Tunisian fuel imports from Libya represent the largest share of the value of this trade. Gallien (2015) also collects data on ICBT on the Tunisia-Libya border. In addition to fuel, the research finds that textiles and cheap manufactured goods from outside of the region (particularly, Dubai, Turkey, China and South East Asia) represent a high proportion of ICBT, usually flowing from Libya to Tunisia. Formal and informal wholesalers in border towns such as Ben Gardane dominate this trade. They place orders for cheap manufactures based on their knowledge of local demand, organise cross-border transport convoys and then distribute the goods to retailers around the country (Ayadi et al., 2013: p.10). The transporters tend to be young men (aged 30 on average) with primary education (Ayadi et al., 2013: p.26).

Libya-Egypt

There is little available data on ICBT between Libya and Egypt. Hüsken's article (2017) provides observations on informal trading at the northern part of the Libya-Egypt border. It finds that the majority of ICBT is small consignments of household goods (such as cigarettes, tea, clothes and Chinese mobile phones) that is smuggled from Egypt to Libya via official check-points. Larger consignments traded informally via unofficial check-points or via sea also occurs, but to a lesser extent. Informal traders largely consist of young, low-skilled men belonging to local tribes in the borderland.

Summary

Research on ICBT in Sub-Saharan Africa finds that it "represents a significant proportion of regional cross-border trade" (Lesser & Moisé-Leeman, 2009: p.12). The same appears true for North Africa. Indeed, for Morocco, Algeria, Tunisia and Libya, it is likely that ICBT with neighbouring countries exceeds formal bilateral trade. However, while ICBT in Sub-Saharan Africa is dominated by food commodities and low-quality consumer goods, fuel is relatively more important in North Africa (Lesser & Moisé-Leeman, 2009: pp.12-13). Moreover, disadvantaged women (usually with no alternative income source) represent 60-70% of ICBT in other African regions but may play a smaller role in North Africa (Koroma, Nimarkoh, You, Ogalo & Owino, 2017: p.vi; Lesser & Moisé-Leeman, 2009: p.16). Indeed, the studies reviewed here emphasise the importance of wholesalers, usually SMEs, for nurturing informal supply chains in the region. Employing the typology of ICBT presented in Section 1, this suggests that categories B and C are relatively more prevent in North Africa, while category A is relatively more prevalent in Sub-Saharan Africa.

Determinants

Price differences across countries and the resulting arbitrage opportunities provide the underlying incentives for cross-border trade in North Africa. In particular, fuel is significantly cheaper in oil-rich Algeria and Libya than Morocco and Tunisia due to greater supply and government subsidies in the former (Gallien, 2017: p.22; Ayadi et al., 2013: p.4). Additionally, many international imports are less expensive in Algeria and Libya due to lower tariff rates in these countries (Ayadi et al, 2013: pp.12-19; Gallien, 2015: p.7; Gallien, 2017: p.27). The factors that "pull" and "push" this trade into the informal sector include:

i. *Increased profit opportunities in the informal sector.* Lower prices and costs can increase the profitability of ICBT relative to formal trade (Lesser & Moisé-Leeman, 2009: p.17). First, evasion of *import and export duties* lowers the relative price of informally traded goods allowing informal traders to undercut the formal market and sell greater volumes. Second, avoidance of "*transaction costs"* associated with formal trade increases informal traders' margins. These costs include the direct costs of compliance with trade-related regulations (e.g. payment of border agency fees, documentation/ certification costs etc.), as well as the indirect costs associated with waiting times and unpredictable procedures at the border. The profit differential between informal and formal trade is likely to be significant in North Africa. Tariff duties levied on formal intra-regional trade are high relative to other regions (Verdier-Chouchane, Ben Ali & Karagueuzian, 2016: p.181). Moreover, the region ranks worse than other developing country groupings against various indicators of trade transactions costs (Table 1). For example, the time required for documentary compliance when importing is greater than any other region. Similarly, the costs of documentary compliance and the time required for border compliance are higher than all regions except Sub-Saharan Africa and South Asia.[2]

Table 1: Indicators of trade transaction costs, 2016

	Time to import		***Cost to import***	
Region	Documentary compliance (hours)	Border compliance (hours)	Documentary compliance (USD)	Border compliance (hours)
Europe & Central Asia	30	27	99	234
East Asia & Pacific	73	73	117	446
Middle East	86	94	238	554
Latin America & Caribbean	90	63	119	680
Sub-Saharan Africa	114	151	315	703
South Asia	114	155	385	776
North Africa	118	148	274	496

Source: Doing Business Database, 2016, World Bank

ii. *Obstructed entry of goods in formal markets.* Quantity controls, such as import quotas and export bans, limit the supply of certain goods in formal import markets. If this results in excess demand, the resulting price increase may trigger ICBT (Lesser & Moisé-Leeman, 2009: p.20). Quantity controls are the most prevalent non-tariff barrier to trade in North Africa in terms of the number of products affected (Verdier-Chouchane et al., 2016: p.181). There is some evidence that they do encourage ICBT. For

[2] Note, the indicators measure countries' transaction costs associated with global trade, not just intra-regional trade. Given that North Africa's ports are much better developed than border-crossings in terms of infrastructure and processes, these indicators *under-estimate* the transaction costs associated with intra-regional trade.

example, Ayadi et al. (2013: p.18) find that half the vehicles entering Libya informally from Tunisia were carrying food products, which are banned for export under Tunisian law.

iii. *Supply-side constraints to formalisation.* Lack of access to finance, information and skills inhibit traders' entry into formal markets/ value chains (Afrika & Ajumbo, 2012: p.11). Investment in formalisation (e.g. firm registration, regulatory compliance, production upgrading et) is costly. Even when the return on this investment is net positive, most informal traders cannot access credit because they are SMEs or individuals lacking tangible business assets. Equally, information on regulatory requirements (e.g. quality standards and customs documentation) and formal market opportunities, as well as the skills required for compliance/ access, are often difficult for informal traders to obtain. These supply-side constraints are significant in North Africa. For example, a 2008 survey of micro- and small- firms in Morocco and Egypt by World Bank found that a lack of capital and information were among the biggest obstacles to formalisation (Gatti, Angel-Urdinola, Silva & Bodor, 2014: p.137).

iv. *Weak law enforcement and corruption at the border.* Weak law enforcement at the border due to a lack of security infrastructure or endemic corruption facilitates ICBT (Lesser & Moisé-Leeman, 2009: p.21). At a minimum, it allows informal traders to "get away with it". Additionally, it may further increase the transaction costs of formal trade, particularly when bribes are required to access official border posts. The case studies of North African borders provide extensive evidence of weak law enforcement and its role in facilitating regional ICBT. Gallien (2017) finds that there is no shortage of security presence at official and unofficial crossing points on the Morocco-Algeria and Tunisia-Libya borders, but informal trade is nevertheless tolerated. Customs officials usually fail to register cross-border trade, or mis-register goods against a small bribe. On the Algeria-Tunisia border, Ayadi et al. (2013: p.21) report that "there was a strong National Guard presence on all the roads in the region, [but] they were also remarkably relaxed about the levels of informal trade… there were virtually no customs officials to be found".

v. *Lack of formal employment opportunities.* This may be the "foremost push factor" for engaging in ICBT (Koroma et al., 2017: p.11). ICBT offers livelihood opportunities for unskilled labour that is unlikely to be absorbed by the formal sector where skilled workers are increasingly in demand. Indeed, the case studies find that the informal trade sector is the largest employer in North Africa's borderlands, which are characterised by low levels of industry and formal employment (Gallien, 2017: pp.9 – 21; Ayadi et al., 2013: p.25). Traders report that they resort to ICBT due to limited alternatives. Ayadi et al. (2013: p.25) interview 192 informal sector workers at the Ras Ajdir crossing on the Tunisia-Libya border and find that 55% would prefer jobs in the industrial, farming and tourism sectors.

Implications for regional development

The benefits and costs of ICBT are well documented in the theoretical literature, though the net impact is disputed. ICBT can contribute to *poverty alleviation* by providing livelihood opportunities to unskilled workers and reducing the price of goods in import markets, as discussed in the previous sub-section. For example, Ayadi et al. (2013: p.25) find that 64% of informal traders/ transporters in Ras Ajdir are from households below the national poverty threshold which rely on

ICBT as their main source of income. The research also finds that low-income households in West Tunisia would be unable to afford fuel were it not for informal imports from Algeria.

However, ICBT is also likely to have negative economic and development effects, particularly in the longer term (Lesser & Moisé-Leeman, 2009, p.6). First, it creates *“unfair competition”* vis-a-vis formal producers by under-cutting prices in formal markets. It also reduces the incentives to invest in the formal economy, undermining private sector (and overall economic) development and further reducing formal employment opportunities. Second, ICBT *lowers the effectiveness of measures* to protect consumers’ and workers’ health, safety and environment. There is some anecdotal evidence of this problem in North Africa. Ayadi et al. (2013: p.20) find that round steel reinforcement bars exported from Algeria to Tunisia informally and not subject to quality inspections fail to meet the resistance standards usually required in Tunisia’s construction industry, potentially endangering labourers and civilians. Third, ICBT *erodes government revenues* due to both the customs duties and value-added tax forgone. Ayadi et al. (2013: p.27) estimate that the loss of public revenues due to ICBT in Tunisia is significant at 1.2 billion TND (approximately one sixth of total customs duties collected).

Therefore, interventions to curb ICBT may have long-run economic benefits, but if they do not provide alternative livelihood opportunities they could also contribute to increased poverty in the short- and medium-term (Afrika & Ajumbo, 2012: p.12).

3. Interventions to facilitate formal trade in North Africa

This section summarises the interventions that can help trade transition from the informal to the formal sector in North Africa, as identified by the literature. It discusses how each intervention addresses the key determinants of ICBT in North Africa discussed in Section 2, and the extent to which they are being implemented in the region.

Trade facilitation measures

Trade facilitation measures aim to reduce the direct and indirect transaction costs associated with formal trading by reducing, simplifying and modernising export or import processes (World Trade Organization, n.d.). They can thus reduce the incentives for conducting ICBT by shrinking the profit differential between informal and formal trade (see “Determinant i.”). Additionally, they may reduce supply-side constraints to formalisation by lowering the financial, information or skill requirements for compliance with trade-related regulations (see “Determinant iii.”). Examples of trade facilitation measures include:

- *Simplifying documentation requirements and processes.* This can be done by establishing a single window or one-stop shop for accessing/ submitting all trade-related documents; harmonising documentation requirements and processes across countries in the region; applying international standards for document formats and eliminating requests for redundant data. A number of studies estimate that the simplification and streamlining of documentation requirements for importation/exportation can significantly reduce transaction costs associated with formal trade (Lesser & Moisé-Leeman, 2009: p.27).
- *Lowering and stabilising non-tariff trade-related fees and charges.* These include, inter alia, administrative and inspection fees levied by border agencies, license fees, consular fees, terminal handling charges, standards conformity assessment costs, customs

brokers etc (UNECA North Africa, 2015: p.35). National policymakers can lower fees by periodically reviewing whether they reflect the cost of services rendered. Additionally, they can ensure their predictability and legitimacy by providing a clear legal basis for fee application and instructions for compliance (Lesser & Moisé-Leeman, 2009: p.30)

- *Expediting the release and clearance of goods from customs.* This reduces waiting times at the border and can be achieved through the separation of release from clearance (i.e. allowing goods to be released prior to the payment of duties subject to the deposit of a surety), pre-arrival clearance (i.e. allowing traders to submit clearance data to the customs administration for advance processing) and post clearance audits (i.e. conducting customs clearance subsequent to the release of the consignment at a Customs office or on the premises of the trader) (Lesser & Moisé-Leeman, 2009: p.32).
- *Automating customs management systems.* Automated systems for handling customs data and documentation, deployed at all border crossing points, helps shorten clearance times and also makes customs functions more transparent and efficient, reducing the indirect costs associated with unpredictable processes (see below) (Lesser & Moisé-Leeman, 2009: p.33). However, ensuring adequate telecom and IT infrastructure is a key challenge of automation in developing countries.
- *Enhancing transparency and predictability of trade-related regulations.* This can be done by publishing and advertising up-to-date information on trading rules and conditions, establishing enquiry points for cross-border traders in different parts of the country and consulting/ informing the private sector in advance of regulatory changes (Lesser & Moisé-Leeman, 2009: p.35).
- *Improving border agency coordination.* Reducing regulatory duplication and delays caused by multiple border agency requirements can greatly reduce trade transaction costs. This can be done, inter alia, by establishing one-stop-shops that integrate the functions and staff of different border agencies under one roof; concentrating documentation verification/ physical inspections within a single agency; and implementing electronic messaging between border agencies (Lesser & Moisé-Leeman, 2009: p.35).

As discussed in Section 2, North Africa performs poorly against various indicators of trade transaction costs. However, countries have begun implementing a number of trade facilitation measures, with Morocco and Tunisia “achieving some tangible results” (UNECA North Africa, 2015: p.21). Highlight interventions include (UNECA North Africa, 2015: p.31):

- An agreement between Tunisia and Libya on *mutual recognition of documents,* which has led to a significant reduction of required administrative and customs procedures for cross-border transactions.
- The development of the *Ras Ajdir common border crossing* on the Tunisia-Libya border which has simplified customs clearance procedures, although common control operations between the two countries are still not available.
- The appointment by the Tunisian Ministry of Commerce of a *trade dispute resolution body* which has helped to reduce delays resulting from disputes between operators.

However, more needs to be done to reduce and harmonise the required documentation for trade; coordinate the location and operations of border administrative agencies (currently extensive physical travel between agencies is required at most border crossings in the region); reduce the unpredictability of border waiting times (which, among other things, is exacerbated by a mismatch of weekends and public holidays across countries); improve decentralisation of decision-making to border agencies; improve the availability, quality and cost of non-customs trade and logistics services (e.g. technical control and inspection services, weighing scales etc.); reduce the diversity of software systems used in processing customs data across countries; and improve basic infrastructure and non-trade services, from power connections to banks and hotels, at the border (UNECA North Africa, 2015: pp.21-33).

Simplified trade regimes

Simplified trade regimes waive duties, taxes and/ or other regulatory requirements for low-value consignments of traded goods, which represent an important share of ICBT (Koromoa et al., 2017: p.17). Consignments valued below a certain threshold are subject only to the submission of a consolidated manifest or simplified documentation. Thus, like trade facilitation measures, simplified trade regimes reduce the costs associated with formal trade, but they are specifically targeted at small traders.

An example from the field is the Common Market for Eastern and Southern Africa (COMESA) simplified trade regime, which was introduced for selected commodities in 2007. It allows traders importing or exporting goods worth up to USD 1000 to benefit from a *Simplified Customs Document* and a *Simplified Certificate of Origin*. These certificates are issued and stamped at official border crossings free of charge (COMESA, 2017 pp. 2-3). Additionally, eligible traders do not require border inspections and benefit from reduced customs fees in certain countries (Soprano, 2014). Koroma et al. (2017: p.17) report that the intervention has directly addressed "the key challenge of lengthy customs procedures and documentation requirements that often turn ICBTs [informal cross-border traders] away from compliance". However, Soprano (2014) provides anecdotal evidence that many small informal traders are not benefitting from COMESA's simplified trade regime due to a lack of awareness. He suggests the intervention should be expanded to include better information provision on the simplified importing and exporting processes (see below).

Simplified trade regimes are being implemented by regional economic communities in South and East Africa, but not in North Africa.

Support services for formal trading

Interventions in this category address financial, information, skills and other supply-side constraints that act as a barrier to formal trading by providing assistance to informal traders (see "Determinant iii."). They include:

- *Assistance to help traders understand and comply with trade-related regulations.* Provision of information material and training for smaller traders aimed at raising awareness of compulsory trade-regulations and compliance requirements can support their transition to the formal sector. Such assistance can be channelled through local trade promotion agencies or (private) business associations. Alternatively, a special advisory unit for SMEs can be set up within customs administrations (Lesser & Moisé-Leeman, 2009: p.39).
- *Assistance to help traders access formal markets and value chains.* Official trade promotion agencies and business associations can provide targeted and timely market intelligence and make information available on cross-border business opportunities; deliver tailored marketing and business development advice; organise trade fairs to link

corporations with smaller suppliers; and facilitate access to formal trade finance in view of enhancing cross-border trading opportunities in the formal sector (Lesser & Moisé-Leeman, 2009: p.40).

This review of the literature finds few examples of such interventions in North Africa. Indeed, a study of the Middle East and North Africa's informal sector by the World Bank finds that a lack of business support services for SMEs is notable in the region (Gatti et al, 2014: p.21).

Strengthening border enforcement

Interventions to improve the integrity of border agencies by reducing corruption and arbitrary application of trade-related regulations can encourage the formalisation of trade (see "Determinant iv") (Lesser & Moisé-Leeman, 2009: p.42). A commonly cited example is introducing *codes of good conduct* for border officials which set out standards of behaviour, rights and obligations in respect of the exercise of their public duties, and disciplinary measures in case of non-compliance. The World Bank's *Charter for Cross-Border Traders,* which has been piloted on the Malawi-Zambia border, represents best practice (Koroma et al., 2017, p.19). The document enshrines a basic set of rights and obligations for traders and officials using a mirror approach: each right of the former corresponds to an obligation for the latter, and vice versa. It also includes a credible complaints mechanism for traders, where violations of the Charter by officials can be reported via toll-free hotlines (Soprano, 2014). Finally, it emphasises maximum transparency at border, providing various information services to traders and promoting large-scale dissemination of the Charter (Koroma et al., 2017, p.19).

As discussed in Section 2, weak law enforcement and corruption at border crossings is pervasive in North Africa. However, Tunisia's Director of Industry and Trade has pledged to address this issue through the following measures (WTO, 2016: p.2; Brahim, 2016: p.6)

- Strengthening government controls on the borders including by outfitting by equipment and infrastructure with the use of the advanced technologies.
- Introducing firm repressive actions against those implicated in the smuggling activities. This includes tough punishment including imprisonment and high fines reaching the monetary value of products seized.
- Firmly fighting corruption and venality, and improving law enforceability.
- Applying an incentive monetary and promotion reward system for customs officers who are efficient in seizing smuggling transactions, and inversely, severe punitive system for implicated officers.

Regional development strategies and Special Economic Zones (SEZs)

Finally, since a lack of formal employment opportunities may be the foremost push factor for ICBT (see "Determinant v."), promoting regional private sector and economic development in hitherto marginalised borderlands may be the most effective strategy for formalising trade in the long-run. Regional development interventions are the subject of a large literature, a summary of which lies outside the scope of this report. However, SEZs are worthy of special mention since they specifically seek to promote regional development (often of remote or marginalised areas) through cross-border/ international trade. They include export processing zones, industrial parks, eco-industrial parks, technology parks, and innovation districts and their common features are streamlined trade procedures, efficient and expedited trade services, high-quality infrastructure, duty-free access for capital goods and other inputs and other investment incentives (Association of Southeast Asian Nations, 2016: p.4).

The Tunisian government has announced plans to introduce a free trade zone in Ben Guerdane by 2018 as part of its strategy to curb ICBT and promote regional private sector development (Marzouk, 2016). It will be North Africa's first SEZ situated on a land border, and may constitute a model for promoting formal intra-regional trade in the future.

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