Simplified Certificate of Origin

**The Regional Opportunity**
In Africa, it is estimated that informal cross-border trade (ICBT) represents roughly 43 percent of the official gross domestic product (GDP). The majority of East Africa’s informal trade involves staple food commodities, livestock, and consumer goods, and often consists of small, irregular consignments in border areas. These small consignments, when added together make up a significant segment of East Africa’s intra-regional trade. Traders, many of whom are women, use insecure trading routes to smuggle foodstuffs and goods across borders. They are ill-informed about revisions to customs policies that eliminate duties on certain goods. Unfortunately, since informal cross-border trade data is not captured, it is not reflected in official statistics. As a result, the region’s policymakers do not have reliable data to inform their decisions on domestic and regional trade issues.

**The East Africa Trade Hub’s Strategic Approach**
USAID’s East Africa Trade Hub is strengthening the capacity of the East African Community (EAC) to analyze impact and monitor implementation of regional policies. The Trade Hub’s trade policy activities support regional development and integration by focusing on:

- Developing common regulatory standards that are consistent with global standards
- Building technical capacity to implement mutually agreed upon trade facilitation measures
- Introducing improved policies for reducing tariffs and other formal trade restrictions

To bring informal traders into the formal economy, the EAC has introduced the Simplified Certificate of Origin (SCO). The SCO is a customs document used to clear goods with a commercial value not more than $2,000 that have been grown or made in five partner states of the EAC. SCO-eligible goods originating within the EAC Partner States can be cleared across borders without paying duty, making it cheaper and easier to conduct cross-border trade.

The EAC adopted SCO in 2007. Goods eligible for clearance through the SCO are provided in a list of products, known as the EAC List of Originating Goods Commonly Traded by Small-Scale Cross-Border Traders. It includes agricultural commodities like maize and beans, fish, textiles, cosmetics, office supplies, and household goods. In total, 370 products currently qualify.

A large number of informal traders are women; at some EAC borders upwards of 70 percent of informal traders are women.
traders are women. Trading activities play a crucial role in improving their household incomes. As informal traders, they face harassment from unscrupulous agents, and endure risks to personal safety and security travelling traditional panya/bush trade routes that cross porous borders. The ease of use of SCO is changing the way these women are doing business. The SCO form is straightforward and does not require a middle man to facilitate customs clearance. Traders clear their consignments quickly, safely and with less hassle. The savings resulting from lower costs to trade can be passed along to the consumer in the form of lower prices.

The Trade Hub is helping the EAC to train customs officials and promote use of SCO. The Trade Hub is supporting Joint Border Committees (JBCs), the working groups of agencies operating at border posts, to organize SCO seminars for officials, traders and the private sector. In 2013, the Trade Hub conducted SCO workshops at JBC meetings in Malaba, Busia, Namanga and Isebenia. Local Cross-border Trade Associations were invited to participate and over 250 low volume traders learned about the provisions and benefits of SCO. These sensitization activities continue to focus on borders in Rwanda, Tanzania and Uganda.

Informal traders have been pleased with the results. Now that they know the procedures for using the SCO waiver, they can use formal channels to cross borders and stop risky trading practices. Lonah Otikoi, a trader in (Malaba or Busia) says, “Before, even when you were carrying small goods, it would take a half a day or a whole day. Now, it takes a few minutes... So business is fair at the border nowadays and we’re happy about it. We hope that as time goes by, we’ll be big business people.”

The Trade Hub supports SCO’s waiver of duties as a way to reduce the price of goods in the region and support small cross-border traders. Introduction of the SCO at borders will also reduce smuggling and corruption that traditionally took place when traders tried to avoid paying import duties. By encouraging previously smuggled goods to be cleared formally, SCO should lead to more accurate formal trade statistics.

Is use of SCO showing results? Anecdotally, there are signs of success. Joseph Kosure, Senior Assistant Director of Trade for the Kenyan Ministry of Trade observes, “An increased number of traders now formally transacting business between Kenya and their Ugandan counterparts”. Mr. Kosure does not think that the volume of trade is increasing but it has become more formalized and can now be captured. Formally, the data is still coming in, and indicates a positive trend. New tools like the EAC Trade Helpdesk, tradehelpdesk.eac.int, are being used by EAC Partner States to collect trade data, including SCO statistics. As more information is added to the Trade Helpdesk, it will provide policymakers with a more accurate picture of East African trade.