Biashara
Mapping the Informal Trade Ecosystem at the Border
Trade Mark East Africa

Final Report, General

emerging futures lab
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emerging futures lab (EFL) is a multidisciplinary innovation consulting practice founded by Niti Bhan in 2007 to serve Samsung's need for human centered design research and concept strategy to grasp the opportunities of the African continent. Today, EFL is a registered business in Helsinki, Finland, with research footprint in East Africa (Nairobi) and India (Bangalore).

emerging futures lab specializes in the cash based informal and rural economies of the developing world, primarily in sub Saharan Africa. Our experience includes understanding the reasons that drove the successful adoption of the prepaid airtime business model by the rural informal sector in Philippines, India, Malawi (IDRC); household energy consumption behaviour and marketing strategy for solar products in Rwanda and Kenya; innovation diffusion pathways in the informal trade of consumer electronics and ICT devices in East Africa; market analysis, sizing and valuing informal cyber cafe industry (Village Telco), and the last mile of the sustainable agricultural value chain from farm to fork for the government of The Netherlands across the region.

We've evolved from primarily private sector innovation consulting (mobile, ICT, business models, renewable energy, finance) to focusing on the application of design methods and "design thinking" for government and public services. We bring a people centered approach to conceptualizing programs, interventions, and policies while ensuring end users (beneficiaries) are at the center of our strategies.

Our practice drives our theoretical work, and our thinking is captured here http://nitibhan.com/blog

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Table of Contents

Mapping the Informal Trade Ecosystem at the Borderland of Uganda & Kenya

From November 2015 to May 2016 for TradeMark East Africa

Synopsis
Borderland Biashara Ecosystem - diagram 6

Introduction
Framing the Problem Space 11
Summary of Literature Review 14
Assumptions 15
Research Questions 16

Overview of the Borderland Economy
Busia - Malaba 18
Landscape of Informal Trade 19
The comparative advantage of infrastructure 20
The Borderland as an Ecosystem
The border as a magnet of opportunity 21
The border is more diverse 21
Participant origin - table 22
The border's competitive advantage 23
The border as an incomprehensible intangible 23
The border did not always benefit equally 24
Busia border's unique inclusiveness 24

Dynamics of Informal Trade
Borderland Biashara Value Web - diagram 26
The Value Web of Biashara 28
Value Creator - diagram 28
Biashara is the Network 29
Biashara Growth Strategies 29
Cash flow management 30
Inventory tracking 30
Business drivers 30
Scale and reach relate to infrastructure access 31
Location matters more than premises 31

Characteristics of the Trading Ecosystem
Value creation as a network effect 32
Insights from segmenting traders 35
Hidden Middle 36
Boosters and Value Creators 36
Biashara demographics - tables 36
The Boost from B2B to B2C 38
The Cost of doing Business 39
Wither Informality? 41

Informal Sector Trade Logistics
Cross Border Trade Transport System - Matrix 43
Matatus, mobiles, and M-Pesa 46
Banking is a burden 47
Working capital 47
Agency and relationship 47

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# Insights from the Borderland Case Study

**Challenges common to all borderlands**

- Borderland populations in constant flux
  - Borderland Information Services
  - Introduction to Trade and Opportunities
  - Building experience and networks
- Location and business growth
  - Predictability & reliability
  - Discoverability of goods and services
  - Facilitating bridge to the formal
- Irregular and unpredictable cash flows
  - Risk Mitigation and Uncertainty
  - Volatile costs
  - Products and services designed to suit
- Taxation without Recognition
  - Harassment of Irregulars as an NTB
  - Status and identity
  - Recognizing Biashara at the Borderland
- Trade facilitation infrastructure
  - Design to benefit biashara growth
- The Future: What does success look like to biashara?
  - Visualizing futures
  - The next generation of traders
  - Future of local biashara
  - Ambitions, Goals and aspirations - Table

## Methodology for Borderland Ecosystem Mapping

## Appendix

- Informal Trade Flows Landscape Map
- Impact Creator’s Value Web
- Hidden Middle Trader Profiles
- A Long Distance Trucker’s Story
- East African Community ICBT flows
- Fieldwork Overview

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“The borderland is a gold mine of opportunity”
Synopsis

The economic ecosystem of the borderland differs from that of the interior only in the intensity of its activity, and consequently, the scale and variety of its opportunities. Nobody is pushed into the informal by lack of opportunities. In fact, it’s the reverse - lack of salaried jobs and access to relevant training are the barriers to entering the minuscule formal sector. Like fish in water, the so called “informal” is the initial starting state for everyone looking to earn a living. A penniless young man leaving his father’s farm can find work by walking to the loading docks of Busia and hauling goods for daily wages. The farmwife who needs some cash for school fees or to purchase tea, salt, or oil, can take her produce into Busia on market day during the harvest season. These livelihood activities that provide an “entrance” into the cash economy with little or no seed capital are known as “kibarua” (as distinguished from biashara).

It is the entrepreneurial and the ambitious who take the extra step to trading as a fulltime profession. Trading isn’t for everyone. It takes talent, skills, capital, experience and hard work to build a reasonably stable business in an environment of uncertainty. The borderland’s thriving markets attracts these entrepreneurs like a magnet from as far away as Nakuru in Kenya, or Kibuku in Uganda. There is a sizable population of professional fulltime traders operating out of Busia and Malaba on both sides of the border.

Fresh produce is the only category of products visibly segregated by gender. Women are seen to dominate the trade on market day, with many coming over from Uganda to the Kenyan side as they can earn more for the same quantity. Traditionally, husbands would allocate some land for wives to farm. This was to provide food and cash for sundry goods and school fees. This is most likely why women have cornered the market. There are men who deal in vegetables, aggregating produce from farms on the Ugandan side to bring to market for both wholesale and retail, and even having a stall but they won’t be seen in the fresh produce section of the soko. One young man, in fact, was actually doing this trade in order to establish a stable business with which he hoped to woo a wife. His aim was to pursue higher studies after his bride took over the day to day operations.

Upcountry, there are many young market women who might aggregate from neighbouring farms to take to town, often acting as brokers and intermediaries in the local produce market. This is their opportunity to enter the cash economy, and building a professional network as traders.
Borderland Biashara Ecosystem

Regulatory

Peripheral Basic support

Finance and Mobile Technology

Transport and Logistics

Handcart

Trade

Boda Boda - Bicycle & Motorcycle

Small (retail) trader

Medium (retail and wholesale) trader

Bus/Truck – long distance

Matatu, lorry (Van) - short distance

Wholesale trader

Heartland Trader

Broker

Mobile Phone Services

Money Changer

Mobile Money Agent

Food

Bar

Barber

Emerging Futures Lab

May 2016 – Final Report
Synopsis

For others, it is a flexible and convenient opportunity to earn cash money if they choose not to practice fulltime or throughout the natural year. Many women go to market days only seasonally depending on the needs of the farm or children. Others stop for the first few years after marriage, returning only when the children are in school. Vegetables grown in the kitchen garden offer the lowest barrier to earning some capital for trade or cash for livelihood needs.

On the other hand, both men and women trade in every other category from foodstuffs like grains, cereals, fresh and dried fish, all the way to shoes, clothes, plastic housewares and various miscellany. More women than men sell fruit and eggs. More men sell jua kali items made of metal, wood or clay.

Gender is not a barrier to achieving scale or reach i.e wholesale and regional trade, however trusted social networks and working capital are prerequisites for success.

There is a relationship between the choice of products traded and the complexity of their customs procedures vis a vis the trader’s education level and literacy in English, although experience can mitigate some of the challenges. The decision to rent (or build) a shop or stall is more complex and dependent on many factors, as its not necessary even for a trader of brand new clothes from Nairobi to have a shopfront or permanent storage in the marketplace.

Instead, fulltime traders can be segmented by the amount of inventory purchased every month, although they themselves track only the frequency and periodicity of their need to refresh supplies. The minimum capital required was found to be approximately $600 a month, if they were to support themselves from trading as a profession.

Traders themselves do not distinguish between wholesale/retail, or cross border trade, its all biashara. Nobody turns down a customer for being too small, even the biggest wholesalers will sell half a kilo of goods or a single nail. The choice of source is driven by availability and accessibility. This is related to the price and the relationship with the supplier, and these two are often indistinguishable as regular customers who bring in ready business can always negotiate a better price. On the other hand, inadequate infrastructure and irregularities in the supply chain mean that there’s no guarantee of a steady and reliable flow of goods. This is particularly noticeable in seasonal goods such as agricultural staples and fish which are traded in higher volumes.
Similarly, seasonal variations in demand have also been noticed. A woman who makes regular rounds of 6 nearby market towns changes her products in response to these cycles, while egg traders know that school holidays means the children are home and love eggs.

Specialty items, on the other hand, are sourced from particular locations, and/or through networks where relationships are built and maintained in order to get preference (first dibs) on fresh stock or the best quality mitumba. This is considered a competitive advantage for the trader as it builds her reputation amongst her customer base as the source of quality products or unique items.

Alice, a haberdasher renting a shop in Malaba, goes as far as to source leather uppers and rubber soles from Nairobi, getting local cobblers to make shoes in custom designs in limited editions. Its cheaper than a large inventory yet permits her to offer a wide variety in the right size. Teresia's customers come early on Monday mornings to quickly sift through her stock of new clothes from Nairobi for their own stalls back on the Uganda side of the border. She is simultaneously a wholesaler and a retailer. Ruth, with her gleaming storefront, runs a variety (mali mali) store and dreams of becoming a wholesaler. (photos with brief description)

Training and apprenticeships are possible entry points among traders in all categories. It could be as simple as joining your elder sister at her shop in Malaba after finishing high school in Nakuru, to learn and earn while she explores new lines of business to establish. Or, it could be more organized, such as the labour pool who work the truckyard, aspiring to becoming a trucker, and then, later on, a regional intermediary (brokers, merchant traders).

There are clearly marked career paths available to both young women and men enterprising enough to enter this ecosystem. Trucker's seconds (navigators) gain experience at the wheel for short bursts; apprentice merchants manage the shop when required; all understand that it takes time - at minimum 3 to 4 years - to work their way up to a higher grade, or to leverage this experience into their own trade.

Traders recognize the experience, skills, expertise, and quality of their value creation network as elements that distinguish their profession.
“KiSwahili is the regional lingua franca, born from centuries of trade.”
Introduction

The informal economy of East Africa must be addressed strategically for the sustainable impact of trade related growth initiatives in the region to take root and flourish. Recognized for its size, reach and importance to livelihoods, it is still nonetheless considered terra incognita by both institutional and market researchers as well as business analysts.

Trade Mark East Africa (TMEA) was established with the aim of growing sustainable, inclusive prosperity in East Africa through trade. They believe that this will require significant investments in working to expand, and potentially formalise, informal trade. We were requested to deliver insights to support the design of their second phase of operations, viz.

- To better understand the particular issues affecting informal trade in key borders within the EAC Region, South Sudan and the Democratic Republic of Congo (DRC)
- To also understand how TMEA could position itself to develop structured programmes aimed at growing and formalising informal trade in tandem with their objective of inclusive, sustainable prosperity through increased trade.

In light of Trade Mark East Africa’s mandate in the East African region and their goals for the near future, the borderland economy was selected as the starting point. Economic activity intensifies near the borders, clustering around key nodes on trading routes in the region. Businesses sprout up to take advantage of the constant flow of traffic. People are attracted by the opportunities offered by the hustle and bustle unlike the sleepier pace in most market towns further upcountry.

We approached the borderland as an ecosystem in its own right, distinct from the more agriculture dominated economy across rural East Africa, with greater emphasis on trade and services. The vast majority of this activity falls within the informal sector, as is the case with the bulk of the region's economy. Considering it an ecosystem allowed us to take a holistic view of the entire operating environment of the borderland economy.

Our second decision was to step back from the labels of informal economy and informal trade with all their contradictory definitions, categorization and implications of illegality to consider only what is colloquially known as *biashara*. The KiSwahili word biashara can mean business, commerce, trade, the business enterprise itself as well as barter. This choice included a far greater range of activities being conducted at the border than just the conventional meaning of the English word "trade".
At the same time, it excluded tax evasion by formal firms, smuggling, and other illicit activities at the border, since these are not considered biashara per se. They are commonly referred to as magendo, meaning contraband.

Our hypothesis at inception was that the economic activity of the borderland ecosystem, while distinct from the surrounding region, linked back to the hinterlands through relationships and social networks, informal trade flows, and value transactions. That there was a complex web of value exchange, underwritten by trust, at the last mile of trade (biashara) which, if we were able to discover and map the key nodes, we could identify touchpoints for interventions which would offer the maximum return for resources invested.

Our belief was that there were actors in the informal trade ecosystem whose reach and impact on their communities and local economies were relatively greater than that of others in the informal trading ecosystem. An analogy would be "influencers" in social media. This was the starting point for our exploratory user research to map and understand the Borderland Biashara Ecosystem.

Further, to identify the opportunities to design interventions which offer the optimal impact we needed to understand not only the relationship between the borderland and its surrounding region but also the way the biashara links to the formal economy. This background framing was done through a rigorous review of the literature on informal trade in the region, and state of art thinking on the informal sector of the economy.

It is against this backdrop that this report will include a summary of findings from the literature, an introduction to the methodology and its adaptation for robustly mapping the borderland opportunities, as well as the synthesis of our discoveries using the principles of human centered design ethnography to identify end user needs and opportunity spaces for innovative services, products, and programmes aimed at enabling social and economic development through trade.
“Most of our assumptions have outlived their uselessness. ”
Marshall McLuhan
Framing the Problem Space

Twenty years of literature was reviewed, starting with Dr Chris Ackello-Ogutu's groundbreaking study on informal cross border trade in the region in the 1990s. A broad range of topics related to informal trade in Eastern Africa, the informal economy, and region specific reports on informal cross border trade and gender related issues was covered. Around 60 documents were included in the synthesis, and the review helped shape the framing of the exploratory research in the field, as well as the lenses by which to assess the team's observations.

The notable points can be summarized as follows:

- From the beginning, there has been no harmonization in the definition of informal cross border trade (ICBT), or, the informal economy, particularly in the context of the region. This lack of differentiation between criminal and/or illicit activities, and the everyday commerce and trade in informal and rural marketplaces has painted the entire informal sector with the broad brush of shadowy criminality.

- Data shows that the informal sector in the East African Community nations, and their neighbours, not only provides the majority of the population with opportunities to generate revenue, but the bulk of this activity is in wholesale and retail trade - local, national, regional, and global. In Kenya, approximately 70% of the estimated 80% of those employed in the informal sector are in trade, that is, biashara. Yet little is known about this informal trade sector demographic, not even in Uganda where the Uganda Bureau of Statistics (UBOS) has over a decade of data from monitoring informal cross border trade at key border posts, such as with the Democratic Republic of Congo and Kenya. Census, household, and social research surveys overlook the scope, scale, type of goods and reach of the actors in the trade.

- This leads to implicit assumptions made in the majority of the research that the informal sector is one single undifferentiated mass, all of whom are uniformly underprivileged, and all their economic activities are no more than survival driven livelihood strategies. This is particularly notable in the gender dimension studies across the entire region which barely acknowledged the existence of successful businesswomen, as well as assumptions made on type of goods traded.

- Further, there were implicit assumptions underlying the research and the recommendations in the literature reviewed that implied there was little understanding of the way the informal economy operated as a trading
and that interpretations of observed behaviour were being made from the lens of the formal economy in which the majority of the researchers were immersed.

It could be said that “non tariff barriers” to growth for the informal trade sector includes programming designed for a size that did not fit all, much less the majority of professional traders, regardless of gender or product category. Solutions and services often did not fit the context and the operating environment of the intended target audience.

The key assumptions synthesized from the entire body of literature were listed in the inception report as part of the Validation exercise from observations and interviews in the field. These are given below:

- All traders are not alike. How would we segment them? One size does not fit all.
- People may have more than one occupation. What are the other sources of income?
- All informal biashara actors are not poor. What attributes distinguish the most vulnerable from the successfully established?
- Are there archetypes (user profiles) with greater influence and impact on the ecosystem than others?
- What is the role and importance of social and cultural human factors in trade and related activities.
- ICBT grounded in the context of the rural and informal economy.

The discoveries from the analysis and synthesis of the two rounds of fieldwork that relate to commonly held assumptions have been integrated into this report, and also in the additional data provided in the appendix.

This framing analysis led to the research questions that acted as anchors for the exploratory survey and the in-depth design ethnography at the Busia/Malaba borderland. These have been shared overleaf.
The goals of the Discovery phase were to discover and map the value web of borderland biashara, and identify and describe the archetypes that are representative of this activity for the more indepth qualitative research that took place in the Validation phase.

1. Who are the key actors in the Borderland Biashara Ecosystem? Why? What are their roles?

2. How crucial is the ‘border’ in promoting the biashara? What distinguishes this economic ecosystem from the surrounding region? Patterns informing demand and supply.

3. What are the local patterns of biashara? Goods, services, currency, information. How far do they extend from the border i.e. the limits of the borderland ecosystem as distinguished from the rest of the local region, and the impact of its intensity.

4. What are the drivers & triggers initiating biashara, especially trade in the border area? (i.e. tradition, situation, (lack of) education, (lack of) opportunities, etc.)

5. What are the market forces acting on the borderland ecosystem, including globalization?
“Busia market offers everyone a chance to earn”
This assignment will examine in detail the characteristics of trade through an assessment of one borderland economy in the region, that of Eastern Uganda to Western Kenya. The geographical scope was broadly defined from Jinja in Eastern Uganda to Kisumu in Western Kenya, and to encapsulate the key borders of Busia and Malaba.

Since the key characteristic of the methodology used - exploratory user research - is immersion in the operating environment, Busia town was made the base of operations for both the Discovery and the Validation phases of fieldwork.

The region was explored and observations documented for four different routes of varying infrastructure and other characteristics in addition to trade flow information captured in the initial exploratory survey as well as later indepth interviews. This provided adequate data for a rough sketch of the landscape of the operating environment - the informal trade ecosystem, its routes, source centers, demand hubs, and the links to the formal economy. This is described overleaf.
The energy of biashara was obvious at the borderland markets throughout the working week. The intensity of trade observed along the better roads outside of Busia and Malaba was far more than any of the upcountry market towns like Nyeri or Nanyuki. Trading ties in this region were said to go back centuries as the kings of the Buganda loved the luxuries the Indian Ocean traders brought to the Swahili Coast.

Broadly speaking, Malaba was considered the locus of activity for the formal trade, while Busia was the hub of biashara. That is, for the penniless seeking to enter the cash economy, the markets and loading docks of Busia offered the opportunity that was not available in Malaba. This entry is known as kibarua, distinguishing it from biashara.

Conventional wisdom had it that Malaba was for those with capital, and local businessmen were speculating on the outcome of development to come (Northern Corridor and the OSBP infrastructure) by snapping up choice locations for petrol bunks, hotels, restaurants and bars, truck repair and other services for the trade logistics industry.

Until recently, the Busia Kisumu road was the boundary marker between the local Teso community and Malaba was the main town for the now defunct Teso District. Devolution was deemed too recent to have influenced local demographic change, and this was still reflected in the way each border town’s business structures were set up. This was also given as the reason why there was no tarmac road linking Malaba to Busia, and the informal trade flows between the two border towns was insignificant. The redistribution hub for the locale was identified as Andungosi (aka Adungosi), a market located at the intersection of two murram roads linking many smaller towns in the interior.

The formal trade routes from the container port of Mombasa followed the infrastructure laid down for the Northern Corridor, while the informal sector’s supply network’s were based more on trader’s personal relationships and margins of opportunity. Bungoma, Webuye, Eldoret, Kakamega, Kisumu were mentioned for industrial manufactured goods on the Kenyan side, while Siroti, Mbale, Tororo, and their hinterlands were mentioned for agricultural produce on the Ugandan side. This is in addition to the major trading hubs of Kampala, Nairobi, and to a lesser degree, Mombasa. Jinja was never mentioned. Traders origins were as diverse as their supply chains, though the support services sector tended to be from the neighbouring region. Evidence of comparative advantage offered by investment in new roads and other infrastructure was observed and documented.
Increased activity in construction of shops along the highway as well as dense market day crowds along the road to Bungoma through Mumias and Kakamega were noted. Micro-wholesale-retailers serving the interior tend to be found at the junctions, served by tarmac roads offering easy access at lower cost to wholesalers who provided free delivery within 75 to 100km radius for minimum order value starting at 10,000 Kenyan shillings. Where installed off tarmac, solar powered streetlamps were a magnet for women traders extending business hours as late as 9pm. Sometimes as many as 3 or 4 traders would squeeze in under the light of the single lamp, but more often, the relative safety of the bright LED light would embolden a woman to offer prepared snacks and drinks to customers on their way home from work in Busia or Malaba.
The Borderland as an Ecosystem

Even the margins at the borderland were seen to turn a profit. The rural intensity of the borderland’s impact fades after Kakamega on the Kenyan side and Soroti on the Ugandan.

The border as a magnet of opportunity

The borderland’s thriving markets attracts entrepreneurs like a magnet from as far away as Nakuru in Kenya, or Kibuku in Uganda. There is a sizable population of professional fulltime traders operating out of Busia and Malaba towns on both sides of the border. And the bustle of commercial activity is visible throughout the region. Families of traders as well as second generation traders were both noticeable - whether it was a sibling following her elders out to the border from Nakuru, or established business parents seedfunding a youngster’s new line of business.

The border is more diverse

The first Asian (muhindi) trader arrived in Busia only 20 years ago from Nairobi, but his subsequent success attracted others, and the community has grown to 20 families in Kenya, and some few more on the Uganda side of the border. Until then, the trading Asian community had clustered around the railway towns such as Bungoma and Eldoret. Ethnic Somali traders have also discovered the attraction at this border, cornering the consumer electronics market in Busia, and establishing a Dahabshiil agent in Malaba. The muhindi pioneer has been accepted as his community’s social and cultural leader, and shared that Busia’s opportunities were open to all credible newcomers.
Enterprising Kenyans were known to live on the Ugandan side of the border where the cost of living was almost half that on the Kenyan side but cross over everyday for business. Common wisdom had it that food was cheaper in Uganda but purchasing power and consumer demand was stronger in Kenya. This was noted by the established shopkeepers in the traditional trade as well as by the street vendors. Nominally organized currency traders could be seen in bright yellow offering forex at competitive rates. The Kenyan shilling was in demand on both sides of the border, and was freely used in Busia, Uganda’s markets. Locals often preferred this to taking the risk of discovering newspaper scraps slid in-between the UGX notes during hastily conducted transactions. Leave that scam for the newcomers crossing through. Fresh produce was also sourced according to where supply might be had at that season, taking advantage of variations in natural geography within a 60 to 100 kilometer radius. These benefits were not seen to extend beyond the borderland itself.

While the comparative advantages of costs and competitive advantages of currency differentials were embraced, the border itself was barely perceived as the national boundary between two countries. Crossing the border was easy as walking through the market, and some traders did this as frequently as 10 times a day. Local culture and language were not bound by the same lines as those on the maps, and neither were the relationships between communities. This blurring of boundaries was reflected in the informal sector’s perception of the formal economy - it was all lumped under the bureaucracy and paperwork imposed on citizens by the distant governing authorities in Nairobi and Kampala. The regulations and the rules to be followed were those immediately applicable, necessary and extremely local. The market fees to be paid to sell in the soko, or the customs duties to be paid for a few sacks of dried fish.
For the average trader in the informal sector, as long as she had paid her dues to the local authorities, she considered herself and her biashara as acting within the law, by society and by custom.

This was also reflected in the way weights and measures were used in trade. Akeema Margaret, a wholesaler of grains and cereals in Malaba, Uganda, mentioned the recent introduction of formal standardized weights and measures (“the white man’s standardization”) in her market as a hindrance to her trade and profits. The majority of her customers were Kenyan and they placed their orders in the local customary measures — a goro goro — and the price and quantity differential between the formal and informal systems was to their advantage, approximating 125 grammes of difference per measure.

**The border did not always benefit equally**

Only in Busia do wheelchair owners from all over Uganda congregate as it is to their economic advantage to do so. Documented, and observed were the handicapped professionals who crossed the border numerous times a day ferrying goods. In the past 25 years, the Busia tricyclists have created a strong community with initiative and resourcefulness in exploiting economic and political opportunities. Dialogue and negotiations have allowed them to conduct business without having to pay customs duties under the watchful eye of the authorities. They point out with satisfaction that there are no disabled people begging on the streets of Busia, not even on Fridays when Muslims give out alms to the poor. On the other hand, each new officer must be sensitized.

**Busia border’s unique inclusiveness**
“My network is working for me”
The above diagram synthesizes the types of values being exchanged by borderland traders with the key roles (formal and informal) in the borderland ecosystem. On regular basis, borderland traders are supported by these key roles to run his/her businesses. Furthermore, borderland traders were observed to be in unique position to act as intermediaries in supporting cross border trade. Quite a few opportunistic traders were observed to be exploiting this position and the context for more business opportunities, business favour, leading to lasting business relationships and cash flow.
Without a reliable supply and demand network, there is no trade. In biashara, the complex webs of give and take (Walther 2015) are the engine and the nervous system of the organic, living platform of trade. Running on trust and social relationships, offering you first call on centers of demand and sources of supply.

All that the mobile phone’s advent did for these massively interconnected human information systems network is speed up the throughput of the supply chain, and unleash the impact of immediate cash influxes into the system (through mobile money transfers). This provided a massive boost to the economy of the Busia Malaba borderland around a decade ago when the first affordable Nokias hit the market along with the flexibility of the prepaid plan.

Those on ambition’s ladder are nurturing their customers, and helping them grow into micro wholesalers themselves. A key biashara growth strategy is to slowly transform your primary customer base from primarily B2C – where revenue cap is linked to the regional socio-economic demographics; to B2B – where the sky is the limit in reach and network.

Nurturing the network is the key to a people-centric trade growth strategy.
After personal attributes, the next most important quality that contributes to establishing a successful business is the quality and quantity of the trader’s network. That is, their personal value webs of exchange - information on supply and demand; opportunities and experimentation. This is closely intertwined with the dynamics of trade and business practices, all of which are built on a foundation of personal and trusted relationships, both for goods, as well as cash flows.

Trust is key, but so is the knowledge that it must be earned by years of showing up. Access to goods, transportation, capital, is all predicated on your network. It’s the starting point for taking the business to the next level beyond the basics of buying and selling - its your network who calls you and asks you to buy and send something; its your regular customers who order from you regularly thus assuring you of a predictable income stream and estimation of inventory to stock.

Experience will inform you how much stock you need each market day but relationships will ensure greater stability in cash flow.

1. Grow volume of trade eg. move further along the continuum from B2C retail to increasing scale of B2B wholesale (see Ruth ambition, see egg wholesalers, see increasing regular customer base for various grain and fish people)

2. Grow revenue - move up the value chain of products traded. This can be from low margin products to higher margin products eg. mitumba to brand new clothes. From low value products to higher value products eg. rubber slippers retailing at KES 170 to leather shoes. This can also include building and maintaining a ‘stable’ (or network) of regular clientele who purchase or source (brokerage) from you and growing that stable.

3. Stabilize cash flow volatility through regular roster of clientele, accumulate capital - this is an interim step for each line of trade.

4. Diversify to multiply income streams and spread risk & mitigate volatility due to seasonality & supply chain hiccups - once a business has stabilized to the point that another person can look after it for short periods (or longer, thus employed), the entrepreneurial trader seeks additional lines to add. Thus, a wholesaler of eggs will sell fruits at another location, and startup a mitumba business to see if it will pick up.
At a smaller scale, during the early stages, a woman selling fresh produce may also sell seedlings or add some other necessities to her product mix such as soap or oil. This last behavior however has been observed at all levels and not just among those in the hidden middle. That is, not everyone succeeds and some may always struggle to earn a living but they’ll keep trying and experimenting to see what works.

The ultimate goal is to create either a portfolio of diverse goods that help mitigate the volatility of cash flow dependent on seasonality of demand, and/or a stable portfolio of B2B customers for a specific product. Servicing the network does not require a shopfront or inventory of tradeable goods.

<table>
<thead>
<tr>
<th>Monthly Inventory Purchases</th>
<th>Less than USD 600</th>
<th>USD 600 to USD 1000 - 1500</th>
<th>USD 1000 to USD 2500-3000</th>
<th>USD 3000 and upwards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part time trader and/or farmer</td>
<td>Entry level fulltime traders, proto employer &amp; apprentices</td>
<td>Value Creators, Professional Traders</td>
<td>Pre-formal SMEs, MSMEs</td>
<td></td>
</tr>
</tbody>
</table>

Due to the greater volatility in income streams, and uncertainty in the operating environment, the majority of traders were discovered to have their own system in place to track inventory. Leaner margins and unpredictable costs and charges mean that profits were not consistent. And for trading in the cash economy, one had to accumulate capital before restocking inventory. Thus, the currency value of the average inventory purchase, and the timing - frequency, periodicity - were captured for as many of the traders as possible.

Pattern analysis showed that fulltime traders were spending at least $600 a month in inventory, at the entry level stage, in order to earn enough for a modicum of living expenses. This figure may vary according to the specific location. While these numbers apply to the Busia Malaba borderland, the framework for segmentation will scale. The “Hidden Middle” of value creators tend to be found after trade has scaled past USD 1000 of inventory per month.

Building the network is a critical part of biashara growth strategy. Location, reach, and scale (volume, value) were also important drivers for business development, and tactics used reflect traders innate qualities as well as ambitions. Element of these are highlighted elsewhere in this report.
Scale and reach as functions of accessible infrastructure

It was noted that retailers of fresh produce at the entry level of trade were hampered in their ability to scale by lack of affordable infrastructure. While the fresh fish sector had organized their own cold chain permitting them a window of 24 to 48 hours during which sales and delivery could be safely made, there was no such provision, or organization at scale for fresh produce.

Leafy vegetables, tomatoes, and other delicate perishables had to be sold quickly under the hot sun, limiting the duration of their facility to provide a return to the farmwife. This capped the quantity that could be aggregated before delivery.

Location matters more than premises

Consistency and discoverability are important to the growth of the trader’s business, however, the decision to rent or buy a storefront of some kind is more complicated. Teresia has six years under the shade of the same tree, and since devolution has been paying daily rent in the form of market fees to the local county council. Yet this, along with her internal migrant background hampers her efforts to obtain a loan at the local bank. She’s neither local nor has a permanent address, in their eyes, she’s high risk.

Mobile phone numbers often replace the need for a street address, and affordable calls and mobile money payment systems are changing the logistics and delivery tracking of trade goods. This behaviour offers more chances to conduct trade without necessarily having to sit in the market. Thus, we discovered the erstwhile “hidden middle” - fulltime traders who weren’t considered part of the formal trade sector.
“One size does not fit all”
Characteristics of the Trading Ecosystem

- Personal, social, business network
- Skills and Experience
- Reputation and Trust
- Capital Accumulation
- Opportunity Identification and Experimentation

As the ladies in Malaba (ref: EASSI group interview) mentioned, literacy and English language facility both play a part in the choice of products traded across the borderline (as opposed to those who source locally from them for local or national trade). This is related to the complexity of customs procedures for different product categories. They themselves were very well aware of these as it was they who advised the rest of the members (170 women in the local chapter, both Kenya and Uganda).

The bulk of the women in their association had barely completed primary school and tended to trade in fresh produce, charcoal, and mitumba. Cereals and grains were the most complex due to various certificates and phytosanitary requirements, while boutique items, clothes and other "manufactured goods" fell somewhere in the middle. To enter into these segments, it was felt, some high school was required as well as facility with English. For most, this meant that they'd finished Form 2, while completing Form 4 was an achievement.

However, experience and natural aptitude, and ambition also played a significant role as Melisa, the chair of the association pointed out. She herself had risen up the ranks from her early days as a smuggler, floating across the river to Uganda lying flat on a raft made of jerry cans with her goods loaded on her belly.

Willingness to take risks, comfort with a greater degree of uncertainty, innate business sense and money management, relationship building and people skills, reputation and trustworthiness, together with hard work and perseverance were observed among the majority of the successful. In a market where word of mouth and trusted referrals can make or break a business, the trader's character was both highly visible and his or her personal brand equity.

Here, it should be noted that this educational breakdown didn't apply to the broader demographic identified as hidden middle in the borderland and only to the EASSI Malaba members which did focus on more vulnerable and marginalized actors. As traders move up the value chain, their associations change accordingly.
What is being temporarily labelled the "Hidden Middle" are the traders and merchants who have established stable streams of cash flow and working capital (businesses) in the region.

They may or may not have a storefront, or even a makeshift shack or a wooden shed, but they're fulltime professionals leveraging their extensive social/business networks, who buy and sell goods locally, nationally and regionally. Most source their products from both sides of the border through their supplier network, periodically making trips to Kampala and Nairobi, even Mombasa to check out new products and build their network.

They tend not to be as immediately visible to observers at the borderpost or on market day as the ladies who sell fresh produce. Their networks are working for them, as many explained, and to reach this stage of biashara is the ambition.

Their goal is to establish revenue streams that require less intensive labour and effort vis a vis the income generated, and to minimize the volatility of their income streams as far as possible.

This is a proven growth strategy, as the patterns of behaviour were observed across gender and type of goods.
Margaret has a 5m² stall in the Malaba soko in Uganda. She trades in grains and cereals, both wholesale and retail, as well as processing peanuts into flour (value add). She started out selling nuts 8 years ago, and was a wholesaler in omena for a while but it was too seasonal for reliable cash flow. In the past, she’s traveled for work as far as the Congo and Sudan, but now, due to the advent of the mobile phone, and a trusted network, she can afford to be more laid back and let her fingers do the walking. She has 10 customers from Eldoret, others in Webuye and Bungoma, all in Kenya, who buy grain from her. While she can still be seen to cross the border herself ~ 4 times a month, the frequency has declined as she can now arrange delivery by phone and accept payment through mobile money transfers. She herself doesn’t need to cross over to deliver the goods, the long distance matatu SACCOs have an organized system for package delivery.

Affordable and ubiquitous communication has had an impact on the scale, reach, and speed of trade. And this has allowed for the growth and opportunities that have led to greater purchasing power (ref: muhindi trader), whilst allowing many to transact from the comfort of their place of business. The flow of information that characterizes the bazaars - “the agora” - has been digitized and made virtual. The entire ecosystem leverages the power of the mobile phone to maximize its benefit to their line of business.

What distinguishes the range of traders and merchants in the Hidden Middle are characteristics that set them apart as entrepreneurs who have chosen this path as a fulltime profession, and/or have discovered a singular talent for it. They have worked their way up over the years and built businesses which offer them revenue streams for lifestyle choices beyond subsistence or survival, or are scrimping and saving towards this goal.
The "Hidden Middle" is not a single segment but may contain more than two already identified distinct sub segments. An analogy would be the way consumers are segmented by FMCG brands.

Two distinct segments already identified are:

"Optimizers" - those who optimize the conditions of the informal trade ecosystem, and its uncertainties, to maximize their revenue streams and opportunities. While this quality is common to all who have scaled their business up from livelihood/survival activity, this segment tends to remain in retail or support services. They are open to innovation and experimentation.

"Boosters" - this is again a temporary name for this segment, the largest visible demographic in the hidden middle. We have attempted to share their profiles, and range of scale and activities.

It is this Booster segment that we believe are important to identify in the different regions, and to design strategies for interventions. The profiles may not always be the same in different borderlands as each border will have regional differences in products and markets, but their key characteristic is one which we believe will exist across the entire region (and possibly further). We have evidence over geography and context to link this behaviour to the nature of the informal economy - the importance of relationships, trust, social networks, word of mouth, reputation, and social capital as an asset and resource for trade and commerce.

The Booster/Hidden Middle segment:

- tends to buy inventory worth USD 1500 to USD 3000 a month
- has a roster of loyal customers - at minimum 5 to 7; scaling up to around 20 to 25
- these customers are often livelihood actors who are micro traders/retailers, who are from both sides of the border
- is more often literate and numerate, and tends to have completed primary schooling, often Form 2, or even Form 4
- have bank accounts, mobile money accounts, and relationships with their mobile money agent
- have a reliable established network of suppliers, vendors, service providers including daily transportation, and delivery
More than half of traders have more than one line of business

Gender vs Profession

- Trader
- Support System

<table>
<thead>
<tr>
<th>Gender</th>
<th>Trader</th>
<th>Support System</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>21</td>
<td>18</td>
</tr>
<tr>
<td>F</td>
<td>15</td>
<td>1</td>
</tr>
</tbody>
</table>
The Boost from B2C to B2B

- have established one main line of trade already, which can often be managed by a second person
- and have a foundation of reputation, consistency (i.e. can always be found under that tree for the past 6 years), trust
- have become known for providing quality goods i.e. word of mouth marketing
- is more likely to be female, given the observed gender proportions between traders and the support system actors

Their growth strategy, after establishing the first line of business (clothes, cereals, shoes, fish, whatever) is to develop their customer base from B2C at inception to more B2B as a means to scale volume and revenue.

Thus, as part of this strategy, it benefits them to enable, support and grow the trade of their customer network. The more their customers are able to sell, the better for them. (See Alice, and Ruth)

They provide advice on pricing, offer goods on credit regularly or at a pinch, take on the burden of crossing the border and its procedures on behalf of their customers, choose and provide the best quality (Teresia's customers come from Uganda at dawn on market day to pick out the best pieces), leverage their resources (working capital, supplier networks in source centers) to absorb the risk and costs, etc

They leverage their natural and developed advantages to benefit their entire network (value web) and not just their own nuclear family or community.

Further, they are often not local as the natural entrepreneurs are drawn to the borderland's opportunities, thus their reach is often greater across geographies.
“I pay my dues”
Different product categories are charged different daily rates to operate in the marketplace, and different rates are charged on soko days as opposed to regular workweek. Certain goods such as charcoal, vegetables, or mitumba, have the lowest daily fees (20 Kes) and offer the lowest rung in the ladder towards fulltime professional traderhood.

New entrants in Biashara were observed to consider those product categories that

1. fulfilled basic customer necessities
2. required lower initial investment, and
3. lower operational costs.

For instance, during the low season, consumers might consider new clothes a discretionary expense, but could never forgo the need for food. Better margins, a place to store and lock the products safely, transportation are all worked out later, as opportunity and funds arise.

| Akinyi’s Expense List: The people/services she needs to pay to run her business |
|---------------------------------|-----------------|----------|---------|----------------|
| **Expense Head (what she pays)** | **To**           | **When** | **How much** | **Currency** |
| Space and location              | Municipal employee | 7 days a week | 50 | KES | irregular |
| A Sack of Oranges               | Wholesaler        | 7 days a week | 2200 | KES | no |
| transport to and from           | Bodaboda (motor Cycle) | 7 days a week | 100 | KES | no |
| Tax for crossing border         | County Officers   | 7 days a week | 70 | KES | irregular |

Even the lowest rung of fulltime traders, by inventory, are now paying daily fees and taxes. Akinyi’s inventory averages just over USD 600 a month putting her in the most vulnerable of the fulltime trader segments. Her total daily cost of doing business is 2420 Kenyan shillings, of which 4.95% is tax revenue to the county government and the border authorities. Even on Sundays.

These costs are different on each side of the border. In Kenya it was noted that different county authorities had their own rates and days, there was no harmonization even between neighbouring market towns.
Whither informality?

Teresia is an early stage booster. Having established a stable line of business in new clothes sourced from Nairobi, she is now increasing the number of B2B customers she regularly supplies. Already, around 7 ladies come from Uganda on market days. Her costs are similar to Akinyi’s, but her monthly inventory is a minimum of USD 1000, and usually more. Thus her fees to the county are significantly lower as a percentage of her turnover than for Akinyi, though the two traders are a few rungs apart in scale and revenue. (See segmentation table on page 29)

If informality is considered that which is unrecognized by the state, or that which avoids paying taxes and duties, then there is nothing “informal” about wholesale, retail, or cross border trade. All bear the daily cost of doing business - municipal fees, council taxes, transportation costs, customs duties, even rent to be paid to the authorities for a permanent spot under the shade of a tree by the side of the road. The trader’s business might not have a name nor be registered, but that detail might be the only element that can technically be called informal. Her books might not meet the standards of a formal accounting firm but they are meticulously kept nonetheless, tracking her expenses and the profit made on every sale. The only difference in operating outside of the structures and regulations is that bookkeeping is a choice, not a chore.
“All I need is a good breakfast for me to earn.”
Informal Sector Trade Logistics

One of the entry points into regional, cross border, and national trade is offered to young men at the Busia truckyard. With luck and hardwork, a loader might jump at the chance to become a “turn boy”, a long distance trucker’s second. Assisting with the logistics of travel, turn boys take turns at the wheel, grabbing experience as and when possible. This role is looked upon as an apprenticeship offering practical experience. Truckers themselves build and maintain networks for biashara, as few think of this dangerous profession as an end goal in itself. While it pays almost as well as a middle management job (25000 to 35000 Kenyan shillings per month plus expenses), the majority of truck drivers are on the lookout for businesses to invest in, or fund their wives’ biashara. Newton, a truck driver waiting for his next job, has established a printing and business services shop in Malaba, and has a investment in a kinyozi (local barbershop).

Upward mobility in the transportation sector is not directly related to the mode of transport. That is, bicycle boda bodas do not aspire to own motorcycles, nor do motorcycle operators aspire to upgrade to a pickup truck. Entering a vehicle segment is a choice made by the operator - some, like Jimmy, an aging bicycle boda boda, feel that motorcycles are a young man’s game, and prefer the simplicity of a bicycle. “With a good, solid breakfast in me in the morning, everything I earn during the day is my profit,” he says, complaining about high maintenance costs, volatile fuel prices, and the risks of speeding with a fragile load on the back of a motorcycle.

Instead, growth strategies resemble those of the traders - to grow from one motorcycle to owning 5, each operated by either an employee, or on daily lease by an independent driver who will return both the vehicle as well as a set daily amount back to the owner at the end of the day.
Similarly, there are local handcart associations at strategic locations such as the bus stand, the truckyard, the market, and the border post. Many operators were simply hiring the carts for daily income, and the handcart owner might himself be running a store, or other biashara.

Again, resembling the trader’s strategies, transport owners and operators would seek to build and maintain a stable of regular clientele as a means to minimize volatility of cash flow. For instance, Teresia’s daily routine of setting up her new clothes display under her tree relied on the indispensable help of her regular handcart guy every morning and evening to move the sacks of clothing from storage at her home and back.

Reliability, dependability, and thus, trust that the goods would not disappear en route, are key characteristics for sustainable income streams at the last mile of trade. The risk is primarily related to accidents, and the uncertainty of the bureaucracy, and authority, met along the way. This cost is borne by the entire value chain from storefront to loader. If goods do not reach, then nobody gets paid, and all share the burden. This is the informal sector’s means of enforcing quality delivery in an operating environment where contracts are not the norm. The driver of the van will drive carefully if there are eggs in the back.
“Disruptive technologies typically enable new markets to emerge.”
Clayton Christensen
Under the topic of informal sector trade logistics, the role played by the mobile phone must be drawn out and highlighted. The advent of affordable devices, supported by low cost voice and text services, led to the mass adoption of communication technology that has permeated every level of the trading network. In particular, logistics of trade have been knit together by the invisible lines of communication afforded by the mobile phone. Further, in this region in East Africa, SIM based mobile money payment systems, such as that pioneered by Kenyan telco Safaricom - M-Pesa - have transformed the landscape of biashara, boosting opportunities for revenue growth through increasing the reliability, security, and speed at which cash flows. The market forces of instant communication and cash are continuously transforming the landscape of biashara, and the underlying web of value exchange networks.

Long distance delivery has become faster, cheaper, and easier. Akeema, an established grain and cereal wholesaler in Malaba, Uganda delivers supplies to her regular clientele in Kenya without having to travel herself, or pay someone trusted to go on her behalf. The sacks of grain are marked with the customer’s phone number, and the regular matatu SACCO coordinates pickup, transportation, and drop off. The last mile of delivery from the matatu stage in town may be all that the buyer needs to arrange. Payment is made via the phone, in this case, the Kenyan M-Pesa. Akeema has arrangements with mobile money agents, most of whom operate both Ugandan and Kenyan mobile money accounts as the cellular signals are equally available on both side of the border.

This facility at the border offers flexibility, as well as opportunity. Traders, brokers, currency exchange agents, and transporters, all had anecdotes on the variety of arrangements available for cross border transactions, with and without the use of a bank account. These arrangements were within the limits of the law, for the most part, and were made to account for the barriers thrown up by lack of interoperability between telco service providers and their networks. Still however there were agents available in the central business district of Kampala who dealt in Kenyan M-Pesa transactions given the volumes of trade and the prevalence and preference of this service. Few were using the telcos own cross border transaction services, even with the help of the agents.

The majority of businesses surveyed did not use the services of the brightly uniformed moneychangers thronging the borderposts. They were mostly for transitory travellers such as bus passengers, tourists, and the newcomers. Ruth, a retailer with a storefront located 20km from the border mentioned that the Ugandan side of the border welcomed the stronger shilling from Kenya and her suppliers accepted KES payments enthusiastically.
Banking is a burden

Going to a bank was a time consuming chore. Few benefits were perceived, and an account was considered to provide little or no ROI except when required as a prerequisite such as by local Coca Cola wholesaler for registering a new distributor. However, everyone in the “hidden middle” segment (~ 1000 USD of inventory purchases monthly upwards) had an account at both a bank and their local mobile money service, though the former could be dormant for some. Many considered the bank account a trap for cash which could be better put to use as working capital generating returns on investment in inventory. Bank charges made no sense. Interestingly enough, traders at the higher end of the scale might even have two accounts in different banks, though neither seemed to be an active element of their trading activities.

Capital was meant to work, not sit idle

The concept of saving money (especially in a bank) i.e. leaving money to sit there idle and not working for them did not make sense for the majority of traders. Even those at the higher end of the scale preferred to put their money into property, either urban or rural, as that investment still provided an income stream of its own. For instance, the leading hardware trader in town rented out the ground floor of his house to 3 or 4 other families, while others invested in shopfronts, or shambas for growing crops. For the “hidden middle”, every penny spent was assessed from the perspective of its potential ROI. Teresia, a new clothes trader at the lower end of the “hidden middle” segment, had deliberately chosen not to rent a formal shopfront, preferring to invest that amount in more or better inventory. She used her mobile wallet to store cash.

Agency and relationships

Safety seems to be the major driving factor for the adoption of mobile money wallets. However, convenience of ‘handy’ access is what popularized it across all segments. Traders with their busy and long schedule cannot afford to stand in line at the bank, and prefer to save money in Mpesa or MTN etc. Further, traders like Teresia in Kenya and Akeema in Uganda built close and trusted relationships with their mobile money agent. They cooperate in many ways to save these traders time and money, such as coming personally to their place of business. Evidence yet again the role and importance of the trader’s network of relationships as a critical factor in their business development and financial management strategies.

A value web of give and take characterises biashara

There is more to the value web of biashara than meets the eye at the first instance. The fabric of relationships, and thus trust and references, is the informal sector’s equivalent of legal contracts, and the governance structures prevalent in more formal economies such as in Finland. While personal relationships based on trust have natural limits to scaling business growth, the strategies observed and documented elsewhere in this report evidence biashara’s workarounds to this challenge.
“We cook and sew for the boda boda drivers”
This research can be considered only the first layer in understanding the informal trade ecosystem at the borderland, and beyond. National and regional trade in the informal economy is a complex web of interlinked relationships and nodes, enabled by user behaviours and strategies emerging in response to its particular characteristics. Exploratory surveys that form the basis of this case study at the Busia Malaba borderland of Uganda and Kenya offer an introductory overview on generic challenges faced by the borderland traders and their support system, but are insufficient for programme specific strategy development, and pilot implementation. However, since one of the objectives of this exercise was the design of a robust methodology for borderland ecosystem mapping of the East African Community, some generic insights have been synthesized which can be said to apply to all or most of the region. These form the basis of the themes identified for the pilots.

These are:

**Borderland Information Services**

Border markets are more likely than not to have a wide variety of newcomers seeking a range of information.

The borderland's population is an ever changing melting pot due to the attraction of increasing trade and income opportunities. The majority of those surveyed had relocated from elsewhere seeking a better life. Those entering trade might be inexperienced newcomers or second generation traders expanding networks. Seasonal or permanent migration was observed to be a significant addition to their income streams. Additionally, many cross-border traders on daytrips on market day or regular in-transit truck drivers were observed seeking out information on amenities, or new products and services within the local ecosystem. The border towns were comfortable with the coming and going of strangers, and were welcoming to newcomers as the research associate discovered at both Namanga on the Kenya/Tanzania border, as well at the Busia Malaba borderland. Many participants shared their experiences of entering the trading business (or their current occupation), how they settled in, who helped them and how (information facilitation) and the challenges that they had to overcome at the outset.

**Introduction to Trading & Opportunities**

Location matters.

Depending on the locale, traders may or may not have fixed premises for trade, thus hampering their ability to build relationships and references. This was observed to have a direct relationship to their income generation ability as well cash flow stability. Predictability and discoverability were also important to the support network of money agents, transporters, as well as intermediaries like brokers and clearing agents. While stable regions such as the Busia Malaba borderland may offer informal opportunities for a regular
spot, such as under a particular tree, enabled by regular payments of council taxes and fees, the literature mentions the challenge faced by women traders crossing into the various border markets of the eastern Democratic Republic of Congo having to sell door to door carrying their goods with them due to harassment by local authorities. Either way, it was observed that there was a relationship between location and the ability of the biashara to grow, as there are numerous services and facilities available to those with an address for their business premises.

**Irregular and unpredictable cash flows**

Uncertainty of the cost of doing business is another challenge faced across the entire borderland biashara ecosystem. Many actors mentioned volatility of currency as one of their main business challenges, while others mentioned the unpredictable amounts to be paid to authority during transportation, both cross border and national. Lack of risk mitigation services such as insurance products designed to meet their needs added to the unknown costs. Breakage was particularly felt by wholesalers of eggs who shipped large quantities from Uganda to various towns and cities in Kenya. This factor drives biashara actors to focus on their inventory costs rather than profit margins or revenues, given the irregular and unpredictable nature of costs with impact on cash flows at the end of the day. This is also why biashara growth strategies focus on building loyal customer networks where relationships built over time allow for negotiability and flexibility when time and money cannot always be counted on due to the unexpected.

**Taxation without recognition**

Included in the daily cost of business are the market fees, council taxes, duties and other charges that must be paid. Again, this may depend on the national and local governments. In Uganda, traders often purchased an annual license to operate, while in Kenya, the devolution of government to the counties has added as much as 5% to the lowest income trader’s daily expenses. These are official charges and receipts are given in return. Yet none of these business people are counted as taxpayers. Business permits were introduced (DFID initiative, per TMEA feedback) in Busia county of Kenya but again these shopkeepers and store owners do not seem to be recognized. The majority of those surveyed claimed to pay customs duties on goods transported across the border, as well as numerous charges within country. As long as there is no official recognition of a trader’s status as fulltime professionals they will be subject to various forms of harassment. The hidden middle are not livelihood actors, as their investment levels in inventory demonstrate.
Infrastructure that directly benefits biashara income streams and boosts revenues

Trade facilitation infrastructure must bridge the formal with the informal

Once recognized as a value adding segment of the regional and national trade ecosystem, biashara actors will benefit from relevant and appropriate infrastructure designed to meet their needs. For instance, without tarmac, the key redistribution node of Adungosi at the last mile between Busia and Malaba is hampered in its ability to grow. And development in the region focuses on what is visible - whether in the data, or the documented trade flows. So roads, rails, and border posts are located based on the formal economy’s requirements rather than the majority of the local economy in that region. Malaba’s development is a case in point, where the local formal and economically advantaged segments derive the benefits of the investments being made. Investments can be seen in hotels, petrol pumps, spare parts showrooms, tyre sales and services, even a Mercedes customer outlet. While different borderlands will have different infrastructural needs, the frame of reference for identifying these gaps in the system must be that of local biashara.

The Future: What does success mean to professional traders?

The hidden middle segments were observed to have established stable revenue streams. Some had business permits at the entrance of their lockable shops overflowing with merchandise. They have built a reputation and garnered as many customers as possible in the region. Others were setting up businesses that could be managed by family members once up and running.

Value creators have established themselves as wholesalers, intermediaries, advisor and mentors to other upcoming traders. Where do they grow from here? What does future success look like to them and their networks?

Most of the traders stretched themselves to educate their children as far as they could. This new generation will need to have skills that they can readily apply to earn a dignified living. Many of our younger participants are already pursuing education or are planning to join vocational courses to realize their aspirations. What career paths are open for next generation of traders?

Finally, the region could leverage local natural resources and craft skills that many of the new generation traders inherit, boosting regional and national trade. What is the future evolution of the borderland ecosystem? Where to next for biashara?
Aspirations, Objectives, and Goals

Mid & Short Term

Increase Income
- Adding more items to sell OR Add value to current items
- Add wholesale function
- Experiment with (display) new merchandise
- Buying a boda boda, use for own trade and rent it out

Decrease Unpredictability of income
- Livestock raring
- Have more than one line of income

Reduce Efforts and Risks Involved in generating Income
- Build a house to rent it out
- Move from livelihoods incurring physical hardship to less physical efforts (Boda boda riding to selling clothes)

Long Term

Build a house and/or Land
- Sustainable livelihoods for future generations
- Future security
- Dignity

Educate Children

Have a family

Future security

Sustainable livelihoods for future generations

Dignity

Note: There is no particular order in the aspirations. Everything is important, is attained simultaneously and is constantly changing based on individual context
Design Challenge for Regional Programming

The challenge of crafting regional programmes that scale in a cost effective manner is one that must be met in conjunction with the need to design for fit. One size does not fit all, and the actors in the borderland’s informal economic ecosystem are not a homogenous mass.

As the discovery of the hidden middle shows, traders can be segmented by the scale and reach of their networks, and worth and value of their business activity. There are segments of value creators whose impact on their supply chains and trading networks are more significant than those of simple livelihood actors struggling to earn their keep. There are support system actors whose roles in the value creation ecosystem are critical for facilitating the economics of trade. There are insights that shed light on how to value the informal trade sector at each borderland, as well as estimate the size of various segments. All women traders are not poor. And, at some borders, the poor may not be the majority. All of these discoveries offer opportunities for the design of interventions tailored to facilitate the growth of cross border, national and regional trade with far reaching implications for social and economic development.

This implies that it will not be enough to simply discover and apply insights from the methodology developed to map the informal trade ecosystem if the rest of the programme design process is not adapted to match both the re-orientation and the outcomes.

**Robust Design Process**

![Robust Design Process Diagram](image)

That is, there is a need to develop an equivalent design process for programmes, projects, and pilots, that can be tested for robustness and scalability. Or, to reference the simplified people centered process for solution development as shown below, the methodology developed in this project will provide the insights that inform and inspire concepts for pilots and interventions, and help frame the design drivers for programmes and projects.

**NB:** Our thinking and explorations in this space are being collated here:

[https://emergingfutureslab.tumblr.com/](https://emergingfutureslab.tumblr.com/)
The accompanying handbook outlines the robust methodology designed to understand the entire trade ecosystem, along with the necessary worksheets.

It was prototyped based on a quick and dirty immersion at the Kenya Tanzania border prior to the inception of the discovery phase at the borderland designated for this project at Busia Malaba. It was further refined following the literature review, and validated during the second round of fieldwork.

It is designed as a baseline study for future borderland studies. This and future studies can be analyzed as a part (i.e. each in its own right) as well as a whole. Together they will create a foundation for the generic informal trade ecosystem understanding and inspire and inform the interventions and programming accordingly.

The methodology is based on principles and tools from human centered design planning, as adapted and customized for the informal economy by Emerging Futures Lab and incorporates original IP from primary field research.
Appendix
(1) Little or no flow from Busia to Malaba, or from Malaba to Busia.

(2) No direct tarmac.
Value creator
Ruth Wanyama, 28, Mali Mali Shop, Kenya

Ruth is a trader with a retail store-front for miscellaneous products like flip-flops, earrings, hair bands, etc, known colloquially as a *mali mali* store. She also stocks some processed foods such as milk, bread, soda, and eggs. She has been in the trade for last 10 years, since her marriage. The shop is approximately 20 kilometres from the Busia border on the highway to Kisumu.

Her peak customer flow is from Thursday to Sunday. Smaller traders around Nambale buy from her and she maintains the relationships affably, which means extending a few items on credit if required. She has a regular roster of smaller retail shopkeepers who rely on her to source goods from both Uganda and Kenya.

Every Monday, she takes about 30,000 Kenyan Shillings in cash to Busia in Uganda, purchasing 3 boda boda worth of goods. She pays to her suppliers in Uganda in Kenyan currency. On Thursdays, she receives delivery of at least 10,000 Kes worth of stock from her regular suppliers in Bungoma, and often, a similar amount from one of two other stockists. Delivery is free for a minimum order of ten thousand Kenyan shillings.

These orders she places by phone if its a known product. Every so often, she will go in person to see what is new and would be of interest to her customer base. Her ambition is become a wholesaler.
Alice, 30 something, School supplies & shoes, Kenya

Alice started her trading career in selling petticoats, curtains and other wall décor items about 9 years ago when she moved to Malaba from Kericho after her marriage. Her parents are mitumba (old) cloths traders back in home town. She got initial loan of 10000 KES from her husband who is an agent that helps formal businesses with 'clearing and forwarding' of their goods across border. This is her competitive advantage and enables her to provide goods to a roster of small retailers.

She gives 2000 to 3000 KES worth of merchandise on credit to each of the 15-20 women. They sell them and bring back money in a week. Initial customers were her neighbours and now she has about 6 women coming from as far as Bungoma since last 7 years. She has never been cheated by any one and all her customers vouch for her and send her many others like them. That's how her business has flourished. She doesn't only support many small traders but also has helped many to start their own sourcing business by sharing information.

She put her earnings in a shoe shop which she has established and handed it over to her younger sister, an aspiring trader to look after. Here too, she has created unique model of sourcing. Besides sourcing new and finishes shoes from Nairobi, she brings shoe soles and uppers. She hires a local cobbler to custom make shoes desired by customers.

While busy being serial entrepreneur, she also acts as an intermediary to aspiring cross border traders. She leverages her network that she has developed over the years and helps other Kenyan trader to get in to cross border business with Uganda.
Fred Wandera, 29, fish broker, Uganda

Fred, a fish broker from Busia, Uganda is ‘one stop shop’ for many a fish traders, mostly women from Kenya.

He is a member of fish association in the market and is generally found at a specific fish section on Mondays and Thursdays. He not only negotiates prices but also oversees packing of fish as it is very skillful to pack the dry fish in a long sack so they fit well.

Finally, he wades through the customs for his clients - women traders. He pays to fisheries department, market association, municipality and border officials on behalf of women traders, while he takes them on boda boda (bicycles) as he is also a cross border transporter. His work supports the needs of a number of women who retail fish on the other side of the border.

His very specific skills in this domain ensures him enough earning without any investment. He is aware that his skills are very valuable to fish traders who otherwise would have harder time to go through the hoops to buy the stock and transport across border to Kenya. He does this job all year long and invests his earnings from fish trade into his brick making business.
Teresia, 39, New Clothes trader, Kenya

Teresia, came with her two sons from a small village near Nakuru about 10 years back. She followed four of her other siblings to Malaba and started trading in household products. Now, she has specialized in trading new clothes for past six years from the same two locations, one of which is under the shade of a tree, for which she pays rent to the town council.

She displays her merchandise creatively on the tree branches on regular days. On Wednesdays and Saturdays - market days, she displays her merchandise on a partition cum display structure made of tree branches in an open air space inside Malaba Market. She pays 70-100 KES on the two market days and 30 KES on the rest of the days.

She buys her stock every two weeks from Nairobi and sometimes from Webuye. Every time she goes, she takes a minimum of 50,000 KES in Mpesa, though not more than 100,000 KES.

She is nurturing a regular customer base of clothes traders from Uganda who come every Monday morning for new stocks. When she needs to be away from her location, her son helps her out by manning the shop.

She keeps meticulous accounts of her revenues in a year wise notebook.
Akeema Margaret, 40, Grain and cereal wholesale, Uganda

Akeema has an established cereals and grains wholesale and retail business. She has regular wholesale customers from Eldoret, Bungoma and Webuye in Kenya to her location in Malaba, Uganda. They are loyal customers, and she runs her business without much effort. She says her network now does all the work for her. She sources her produce from Soroti in Uganda.

She pays license fees of 50000 UGX annually, 2000 KES (~64000 UGX) rent per month. While crossing into Kenya, for each sack she pays 100 KES in tax at the border and if transported in a lorry then it costs only 50 Kes per sack. She also processes groundnuts into flour, as value add.

She used to travel as far as the Congo and Sudan but now feels her cash flow and regular clientele have stabilized to the point where she can sit back and relax.
Harriet Nafula, Farmer & microwholesaler, Kenya

Harriet sells paw paws, pineapples at the main roadside open-air location in Busia, Kenya. She does this when the fruits are in season. She explores some other product categories such as tree seedlings from Uganda (which she buys in 5 KES and sells in 20 KES). She also keeps paw paw and other melon seeds for sale. While she is seated in one fixed location on the main road in Busia, she hires a wheelbarrow that her kids move around with selling more of her produce. She spreads her produce on three tables. People recognize her by her spot. At night, she stores her stock at a private building near by and pays 100 KES per week.

She buys her stock in large quantity on market days and ripens at home. She sells as the stock starts ripening. If her stock gets over while she is at her business, she send a boda boda to pick some up from her home.

Harriet is a farmer and has hired a farm help who helps her as and when needed on her farm along with her daughter. She grows arrowroots, maize and bananas which she sells from the farm itself. Trading offers her a flexible source of cash income, and can be done seasonally.

She has about 10 customers from Kakamega town about 100km inland in Kenya. She buys for them in wholesale regularly. She receives their orders over phone and then money over Mpesa. She buys for them from Uganda and sends the goods via matatus (vans).
The Tug of War of Long Distance Logistics

A Long Distance Trucker's Story

David Wambugu, 28
Nakuru, Kenya

David is a 28 year old truck driver from Nakuru, where he lives with his wife and 2 children. He is originally from Nyeri, where he was born. He is one of the youngest truck drivers in the business, and often looked down upon by police, other drivers and customs officials because they are not used to such a young driver of a large truck. The business of moving goods, containers and trailers is filled with old men with driving experience for years.

His wife stays at home, and takes care of the kids and household. She also runs a business they started together - 2 boda bodas and a grocery shop. David says he would like to sell the two bikes, but the wife insists otherwise.

David was fortunate to learn the tricks of this occupation in the early days of his career. He had to drop out of school in 2002, Form 2, after he was accused as one of the orchestrators of a school strike. His Dad, angry at his actions, kicked him out of home, and he was forced to find a means at the young age of 17.

For his first job, he started out as a loader for a wholesaler. There, he encountered trucks, truck drivers and the trucking business. After a while, he got into the business as a turnboy - an assistant for a truck driver. Turn Boys are like interns, taking on the grunt work of logistics travel, but, they also get to sit in on the drive, travelling everywhere the truck driver goes. Often, they get an opportunity to drive as well, while their driver takes a rest. This is how David started picking up on the skills of the trade. He got to travel around East Africa, as far as Sudan delivering goods and back. On their travels, they took turns driving, David behind the wheel on long stretches with no police checks. At times they delivered beers to Kampala and goods to South Sudan. As a quick learner, he quickly picked up on the nuances of truck driving, and his early experience would help him later on in his career.

Today, David works as a driver for a company in Naivasha. He earns 25,000 a month as a basic salary and 1,000 a day as mileage. He also has a turnboy, who earns 500 a day as mileage. They are parked at Busia, expecting some money from their boss in Naivasha to fill up the tank and head back to Naivasha. He is frustrated by his bosses antics, who won’t cough up money for fuel. Instead, he waits to get confirmation from their client for who they delivered salt to Kampala. Drivers like him, get caught up in the tug of war of logistics companies and their clients.

The client pays half the money when the trucks leave to deliver goods, the other half is expected after goods have been delivered. Sometimes, this second half is not paid immediately, and the logistics firm hold back on the trucks return trip until they receive payment from the company. This is why David and his turnboy are waiting at Busia.
They are waiting for fuel money. The boss will call in and Mpesa an amount of money for fuel to the lipa na Mpesa till number of the fuel station at Busia. At one point, David got a call from his boss, requesting if they can make the trip late evening if he can make the payment. David is angry and says NO, he won’t make the trip at night, and offers up some excuses on the trucks problems. He does not see the point of travelling back at night when the truck is empty. He complains about travelling at night for no reason, and says a lot of accidents are on the road are due to tired drivers half asleep drivers.

David’s income has been going up since he started as a loader, when he earned about 4,500 KES. He then moved up to earning 8,000 a month as a turnboy and made a great leap when he got hired as a driver for Express Kenya where he earned 35,000 a month and 10,000 mileage. He speaks fondly of how he got hired for this particular company, arriving late for the interview with only 20 KES in his pocket. At the gate, a guard wanted a bribe to let him in, but he declined, having worked out if he failed the interview, he would need the 20 to head back home. He was late for the interview, the last one. A Singh, did not take him seriously when he raised his arm to be interviewed last, and the old men around him scoffed at the thought of such a young man interviewing for the role. He got in and aced it! And succeeded at a task reversing the truck that most of the interviewees had failed at. He earned their respect and that of his new boss who hired him on the spot. Fortunately, the truck used for the interview was the exact same one he had worked with as a turnboy. He immediately got the job, and was assigned a delivery on the spot.

Later on, the company collapsed and he moved jobs, earning 20,000 at the next one, with 2,000 monthly increases and a mileage of 35,000. The company belonged to a Somali/Walalo, who got lucrative tenders to deliver goods for large organizations like the United Nations and South Sudanese army. He would go on long 3 month trips to as far as Malawi, and come back making return trips with other goods through Uganda, Rwanda. He later on switched jobs to a 25,000 a month job with 1,000 a day mileage.

For his age, he has been in and out of many jobs, which have earned him experience, adventure and life lessons. He has been to Ethiopia, South Sudan, Tanzania, Rwanda, Malawi, Uganda, and speaks fondly of how fortunate we are to live in Kenya. Kenya he says, is vastly superior in terms of free trade, enterprise, freedom and business. He recalls dangerous incidents in South Sudan with army officials, and how he would get into South Sudan without a passport by hiding in a truck cubicle beneath the chasis. One does not need a passport to travel within some countries in East Africa - Kenya, UG, TZ - but for countries like South Sudan, or Rwanda, a passport is required.
They would often get harassed in South Sudan by officials, and they had little wiggle room because it is a foreign country - hostile. Young kids with guns, army officials with an attitude, army officers bullying patrons at a pub - he loathed being helpless in these situations. He recalls a number of times when he had to pay bribes of 30 pounds in Sudan, even 200 pounds when he missed a checkpoint and was pulled over at gunpoint. Sudan, is a dangerous country.

David is conflicted about the long distance trucking business. On the one hand, he loves it, is passionate about it and gets an unsettling feeling when he sits at home idle. His heart always wants to wander and travel. He is young, so still has time to make up his mind and push on for some more years. But, he is certain he would like to leave this occupation at some point in the future. He does not want to wind up as one of the old men he meets on the road - with walking sticks and a pot belly. Life of the road he says, is full of pleasures and it is easy to wander off, and get trapped in the pleasures it has to offer. The beautiful women, young girls, prostitutes, alcohol and drugs. “You could easily contract HIV/AIDS, and that is the end of you”. Even accidents are a risk, fortunately, if you have kids, you have something to leave behind.

At the back of his mind, he would like to leave this job and settle down, have a stable life, where he can see his kids daily and watch them grown. He has an 11 year old and 2 year old son. He also has a child with another women. He is content. If he were to die today, at least he will have left behind some children. To settle down, he would need to set up a business.

He has already started earning extra income on the side, biashara. On his return trips from Uganda, he brings back chicken feed for suppliers in Nakuru who pay him half when he leaves, and half when he delivers. His boss is clueless and unaware of his side biashara. His youth and experience combine well, allowing him to spot opportunities and exercise his monetary ambitions, and simultaneously exert his experience from his years of work to tap into money making opportunities such as this chicken feed business. He reminds me of myself. Youth is a blessing, he has the risk appetite of a young person and the wisdom of an old truck driver. He has been through a lot, seen a lot, travelled the region and yet is still 28. If he can, he would not mind owning his own truck, and conducting his own logistics biashara. He would drive the truck himself, because, as a driver himself, he knows the sort of mischief drivers get to while on the road eg stealing fuel and reselling it.

He recalls of a time when one his employers fired all the truck drivers at once, for stealing 80 litres of fuel regularly. This is common, it happens, and why his
current boss tales precautions by paying for fuel via mpesa. David says there is an over supply of drivers, too many. It makes it easy for owners to hire and fire them at will. Some drivers even accept as low as 8,000 KES basic salary, or 12,000 KES to work as driver. It messes up the market pool for drivers, and diminishes their bargaining power.

In this job of his, you have to maintain a close network with other drivers, because ultimately, they will be your referrals for job opportunities. They frequently call each other up, when driving opportunities open up. Truck owners, look for new drivers through this approach, asking their current drivers if they know someone who can fill in, or get hired full time. The longest time he was jobless was for 6 months, when he relied on a business they ran with his wife in Nakuru.. A large retail shop. It met his income needs while he was out of work. Fortunately, one of his driver friends got in touch with his current job offer. Otherwise, he would have had to cough up 20,000 KES to get hooked up with a job. This also happens, people ask for money to hook you up with opportunities.
Fieldwork Overview

- **348** human hours of field immersion (12 hours of work day per researcher, 3 persons)
- Field work conducted in the Busia and Malaba region in Kenya and Uganda
- Replicable qualitative methodology developed that can be applied in other borderland ethnographic research projects

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<tr>
<th># of sessions</th>
<th>Type of Qualitative Method</th>
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<tbody>
<tr>
<td>15</td>
<td>Open ended discussions and context immersion</td>
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<tr>
<td>36</td>
<td>In-depth qualitative surveys of traders</td>
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<td>19</td>
<td>In-depth qualitative surveys of support services</td>
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<tr>
<td>8</td>
<td>In-depth ethnographic user profile studies</td>
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<tr>
<td>4</td>
<td>Short road trips and tours in and around the area for further immersion and broader sense making</td>
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