**Subverting Borders, Precarity and Vulnerability: The Socio-economic Impact of Covid-19 on Informal Cross-border Traders Between Rwanda and RDC**

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***Abstract***

*The aim of this study is to understand the effects of the Covid-19 pandemic on the activities of informal cross-border traders. Using quantitative and qualitative mixed methods, the study highlights some of the challenges faced by informal cross-border traders, particularly during the period of the Covid-19 pandemic. The result suggests that while most informal cross-border traders were already living a precarious life and prone to poverty, the Coronavirus pandemic has significantly exacerbated their livelihood status. In this context, the lockdown measures and the travel restriction between DRC and Rwanda to contain the spread of the pandemic have had a toll on informal, small-scale cross-border activities. Moreover, newly adopted border policies which encourage group purchase of merchandises appear to have further negative consequences for small-scale cross-border traders, by excluding those with meagre capital, and raises new issues related to the delivery and quality of goods.*

***Key words****: Covid-19; Cross-border; DRC; Informal; ICBT; Pandemic; Rwanda.*

***JEL****: E26 & O17*

1. **Introduction**

Although the informal sector occupies a central position in most developing countries’ economies, it remains a source of vulnerability in various economic sectors, including the cross-border trade. This paper argues that an effective approach to addressing the impact of the pandemic should investigate the extent to which the crisis has heightened existing precarities and social vulnerabilities at the outset.

More than being simply a voluntary move toward a salutary self-employment (De Soto 1989), in most developing countries, the surge of informalization often entails the adverse incorporation of masses—and often vulnerable portions of the population—into various forms of survivalist economic activities or petty trading (Phillips 2011). Notably, within the Great Lakes region, such informal economic activities sometimes take the form of cross-country transactions, with socio-economic implications across borders and at regional level. Despite the Rwandan (Rukundo 2015) and Congolese governments’ efforts to dampen the impact of informality and reduce poverty incidence, informal sector households remain the most vulnerable to social and economic shocks. In this perspective, the Covid-19 pandemic crisis has impacted several households by disrupting the normal course of their economic activities through mobility restrictions (Bashizi *et al.* 2021). It follows that the pandemic impacts get even more critical for the small-scale, informal cross-border traders.

The refugee crisis of the past few decades in the Great Lakes region has played an important role in the development of the informal cross-border trade (ICBT) in the region. As they travelled across borders, refugees were involved in various economic activities in the different geographical areas they occupied. Moreover, the cross-border trade in the region is also “eased by the ethnic interconnections between the different border areas” (Titeca, 2009: 2), with pre-colonial history of trade across kingdoms and tribal boundaries. Today, the ICBT makes up a remarkable portion of economic activities in the region, with a significant role in national and regional economies (Titeca & Kamanuka 2012). To illustrate, an estimate of 4,600 citizens from the DRC and Rwanda cross the border between Kamembe and Bukavu every day, working “to facilitate the transfer of goods and services” (Search for Common Ground 2019: 2) and around 50,000 people cross per day at the “Petite” and “Grande barrière”(Bedford 2019) between Rubavu and Goma. Statistical data between the two countries have shown that both the “formal” and “informal’ cross-border trade have had an important contribution in both countries’ economies (Search for Common Ground 1019: 16).[[3]](#footnote-3)

In the region, ICBT activities are largely related to food products. Moreover, since gender occupies an important dimension in the informal sector (Lufungula, 2006), women tend to be over-represented in informal cross-border activities in these two countries. For some scholars, these activities are described as “informal” because they often entail unregistered economic activities (Titeca & Kamanuka, 2012; Lemaître et al., 2016) by the administrative authorities—and activities for which social actors avoid the payment of “official” taxes. Yet, many people working in these activities pay taxes on both export and import transactions. Crossing borders, for example, requires the possession of travel documents at official border points. Hence, to a certain extent, “informal’ economic activities of small cross-border traders make unofficial contributions to the national economy. For all these reasons, the term “small-scale informal cross-border trade” is not unanimous among the authors. We are witnessing a coexistence, or a continuum between the “informal” and the “formal” in cross-border relations (Afican Export-import Bank report, 2019). To be sure, our use of the adjectives “formal” and “informal” should not be apprehended in terms of relationship to legal frameworks, but rather as differences in degrees or forms of regulations (Rubbers, 2007).

This paper explores the social vulnerability of small-scale economic actors involved in the cross-border trade between Rwanda and the DRC. Particular attention is given to the workers’ perception of change in their material conditions before and after the pandemic crisis. The paper has therefore a threefold objective. At the outset, this research aims to measure the vulnerability of informal cross-border traders. The next objective is to highlight the structural limitations faced by those traders. Finally, the paper seeks to show how the pandemic might heighten existing constraints faced by traders, and by doing so put them in a more vulnerable and precarious position. To shed more light on the complexity of factors affecting informal actors, the research uses a mixed methodology, based on data collected through quantitative surveys and qualitative interviews across the border cities of Gisenyi and Goma as well as Kamembe and Bukavu. The research uses data sample of men and women involved in cross-border trade between the Democratic Republic of Congo and the Republic of Rwanda to understand how the Covid-19 pandemic has and continues to affect Informal Cross-Border Trade (ICBT) activities.

The lockdown that has been put in place by most economies worldwide to limit the spread of the disease has been a source of countless problems in this specific context. Informal cross-border traders who were already in a precarious situation thus found themselves—with the ban on crossing the borders between Rwanda and the DRC—left behind, with heightened vulnerabilities. With the travel restriction, the purchase of merchandises is now made in groups, which has consequences of further exclusion for the people with meagre capital, and raises new issues related to the delivery and quality of goods. Another concern is related to the problem of informal taxes and the hassles that have increased. Thus, this study contends that the crisis caused by the pandemic has had a significant impact on the economies, with increasing precarities and vulnerabilities for the informal cross-border traders.

The analytical framework used in this work has therefore twofold components. On one hand, the research applies the general measure of vulnerability of informal cross-border traders to poverty. On the other hand, this is further appreciated in parallel with the negative effects of Covid-19 on ICBT activities. The analytical assumption here is that the Covid-19 pandemic heightens existing social vulnerabilities across social groups. Notably, the use of vulnerability analysis is multifaceted and extensive. This is generally tailored to a specific location or context, which in turn, allows the development of adapted measures in targeted communities to address short and long-term constraints. Researchers (Dutta et *al*. 2011) have shown that the event of natural catastrophes or other perturbations of the economic environment primarily affects mostly vulnerable segments of the population. In this respect, risk prevention becomes therefore an important public policy concern: health risks, risks associated with economic shocks, which with globalization—as seen during the Covid-19 pandemic— have chain consequences.

The rest of the paper is structured as follows: The section 2 presents an attempt to theorize precarity and vulnerability of the informal cross-border trade. This is followed by a section 3 on methodological considerations of this research. Section 4 presents results and discussions on the demographic data of this research based on secondary data collected. The last section concludes with a proposed framework attempt on addressing the impact of the pandemic on the CBT and present key policy recommendations.

1. **Theorizing Precarity and Vulnerability in the Informal Cross-border Trade**

To investigate and analyse the impact of the pandemic crisis on a specific social group, it is necessary to comprehend the precarity and vulnerability of such group at the outset. Hence, any plausible attempt to research the extent of the impact of the Covid-19 crisis on the ICBT between the DRC and Rwanda has to start by establishing the degree or the form of precarity and vulnerability associated with such economic activities. The historically bounded notion of precarity (Han 2018) and its related notion of social vulnerability are therefore fundamental in analysing how the pandemic has affected traders’ livelihood and in the attempt to draw a framework for addressing the impact of the Covid-19.

Later historical development of the global economy—especially in Europe and North America in the last century—has seen the possibility of reversal of prevalent social orders. An illustration to this is provided with cases of middle classes falling into poverty, and, therefore, precarity due to significant changes in the political and economic scene of a given society (Han, 2018). The notion of precarity and the resulting social vulnerability associated to it can be understood in more dynamic terms as a temporary or permanent condition characterized by labour insecurity, or the lack of a stable occupational identity (Standing 2011). Yet, as a socio-economic term, precarity cannot be dissociated from the concept of structural inequality, which explains precarity in terms of exclusion and exploitation.

In this respect, the prevalence of unregulated forms of employment and economic activities in capitalist societies raises issues on the precariousness of such economic activities and social vulnerability. Coined by Keith Hart (1973) in his research on Africa’s urban markets, the concept of informality became reference to distinct forms of employment—those without an official recognition. It is notable, however, that Hart’s (1973) distinction between the formal and informal sector is fundamentally based on an understanding of the informal sector as composed of self-employment ventures. Such a view on the informal sector would therefore seem essentially optimistic as informality is said to refer to a voluntary move toward deregulation, and as such it would seem to bring positive outcomes to the social actors involved (De Soto 1989). This view is contested by another perspective, contending that because it often implies adverse incorporation of the working class into a capitalist chain of production—with unequal power relation— informal economy entails negative effects on national economies as well as on the actors’ well-beings (Philipps 2011; Clara 2020). Likewise, it follows that precarity appears fundamentally attached to the very nature of the informal economy. Because it is characterized by the disenfranchisement of the institutionalized control of production by both opportunist entrepreneurs and defenceless workers (Castles & Portes 1989), the informal sector is heterogeneous. Hence, any legitimate attempt to investigate one or another aspect of the informal economy needs to take into account differentiation between labour fractions (Parry 2013)—which often implies an in-depth understanding of the relationship between the formal and informal sector.

From this perspective, the informal cross-border trade can be understood as unregulated, unofficial form of economic activities that take place across two or more national borders (Ama et *al*. 2013; Clara 2020)**.** It goes without saying that, adopting a definition of informalization that goes beyond the legalistic framework (Wilson 2011), this research categorizes informal cross-border traders as one heterogeneous group comprising diverse individuals with different identities, and unequal social positions to capital and privilege. Arguably, such internal diversity explains on the one hand existing economic disparities within the group, and the prevailing precarity and vulnerability of the most destitute of the group on the other hand. At the outset, it appears that the nature of many small and medium scale cross-border trade activities does not often lead to an official recognition of such activities as registered business entities in either country. However, there is also the fact that many cross-border traders (Ama et *al.* 2013) do not declare their products as marketable nor register as economic actors with certain state agents’ complicity. The trend being that, very often, small-scale cross-border traders pass as consumers of goods rather than traders to avoid taxes (Titeca & De Herdt 2010). Even so, the mere payment of taxes—whether formal or informal taxes—, or the declaration of business products, or the registration of such small-scale trade activities to civil authorities in the city should not be considered as the sole criterion to consider one’s activity as formal or informal (Titeca & De Herdt 2010; Tegera & Johnson 2007).

In consonance with existing scholarship on the conceptualization of informality (Philipps 2011; Castels & Portes 1989; Tokman 1978), it should be noted that the relationship between the informal and formal economy is not always linear, as in some context officially recognized economic activities are mixed with other unregulated operations. For illustration, this can be the case, for instance, of cross-border traders whose activities are recognized in one country, or who pay official customs duty in the border, and yet do not declare some of their products and operations. This tends to be often the case for many of the small and medium-scale cross-border trade activities which are often survival economic activities. Given the degree of such activities—with low capital and returns (Titeca & Kimanuka, 2012)— and the lack of a juridical protection, they are therefore prone to precarity and vulnerability, which expose them to external shocks as demonstrated by Clara (2020) in Nigeria.

While events such as an economic recession or a pandemic crisis have severe repercussion on the economy in general, their impact is more critical on activities already considered as vulnerable or precarious (Summer et *al.* 2020; Alon et *al.* 2020; Clara 2020). In analysing the impact of such shocks in the society, it becomes therefore imperative to investigate how they affect the most vulnerable segment of the population. Conspicuously, in the field of development studies, the emergence of the analysis of the socio-economic vulnerability of populations is still young and dates only from the early 2000s. Initially used for in-depth analysis of poverty, vulnerability analysis would later be applied in the analysis of the consequences of policies that keep social groups trapped in poverty. While conceptual approaches and methods of measuring vulnerability differ, they are all part of the risk assessment framework, allowing various researchers to compare and clarify different approaches. Alwang *et al.* (2001) compare approaches to vulnerability in the humanities, social sciences, life sciences, and risk management. Notably, sociology defines vulnerability as the insecurity of the well-being of individuals, households, and groups in the face of a changing environment. This “social” component of vulnerability resonates with the notion of assets far beyond economic significance and can be contrasted with vulnerability as apprehended in some economic reductionist research, which tend to give prevalence to income, consumption, and spending dimensions. The livelihood approach, on the other hand, reflects a rapprochement between economics and sociology (Ellis & Freeman 2005). Vulnerability is thus conceived as a changing, multidimensional state, making it difficult to be described by quantitative indicators alone.

1. **Methodology**

This study covers four border sites (i) the Ruzizi I and Ruzizi II between Bukavu (South Kivu province-DRC) and Kamembe (Western province-Rwanda), and petite and grande barrière between Goma (North Kivu province-DRC) and Gisenyi (Rwanda). These four border sites were mainly selected because of the relative importance of the informal trade and the similarity of activities. The research uses a mixed methodological approach in investigating the effect of the Covid-19 crisis on ICBT. Quantitative data (collected in 2019) are used in addition to qualitative data collected between September and October 2020. Quantitative data permit to underline the situation of informal small cross-board traders before the advent of the Covid-19, while qualitative data allow us to have an in-depth perception of the social vulnerability, and to capture the impact of the pandemic on the informal small cross-border traders between the DR Congo and the Republic of Rwanda. The target population is composed by the men and women for whom ICBT is the principal economic activity.

The main objective of the quantitative data is to underline the profile of the people who are involved in ICBT and the level of vulnerability experienced by the men and women who worked in ICBT before the Covid-19 pandemic. Based on a survey questionnaire, quantitative information on cross-border traders have been collected with the facilitation of the PFCGL (Projet de Facilitation du Commerce dans les Grands Lacs). The questionnaire comprised several variables including socio-demographic characteristics of cross-border traders, cross-border trade activities, household assets, food security, state institutions, the working environment, the risks associated with cross-border trade and the quality of life of the cross-border trader's household. Data collection was carried out during the period from June to July 2019. The technique used was the snowball[[4]](#footnote-4) because the target population (small informal cross-border traders) is scattered.

Overall, 205 people were randomly selected for this analysis, of whom 122 were Congolese and 83 Rwandans. The target population was, therefore, divided into two subgroups: Congolese and Rwandan Cross-border traders. The sample size was calculated in a way that would achieve the level of accuracy desired by the study, using the estimation of Qualtrics’ calculator. The following formula was used to calculate the sample size: Necessary Sample Size = (Z-score)²\* StdDev\*(1-StdDev) / (margin of error) A list of the people composing each subset was drawn anonymously, taking into account only the reference number of individuals from the population of interest. Each person in the target population had an equal known and positive selection probability. The randomness of the selection was ensured by the application of an appropriate random number-generating software. The rationale behind this sampling method is, therefore, that it reduces selection biases and aims to be more representative of the population of interest.

To measure risks and vulnerability, which are phenomena often associated with economic analyses, this study uses the vulnerability measured by the poverty approach. This part of the research focuses on the consumption and expenditure approach (Ligon & Schechter 2003). Methodologically, this approach remains the simplest to construct indicators, thresholds, and, therefore, standards such as the poverty line, which allows populations to be classified according to their position in relation to this line. After a descriptive and relatively static approach, the need to understand when and how individuals are at risk of falling into poverty, with a view to prevention, has emerged (Dutta *et al.* 2011). Methods for analysing vulnerability to poverty have been developed by many researchers (Ligon & Schechter 2004; Dutta *et al*. 2011), who propose a quantitative approach based on data collected from surveys of the target population, mainly using income and consumption information. This work distinguishes two groups of individuals, the non-poor and poor people based on their level of consumption. Each group has a specific vulnerability to poverty, depending on the type of shock. These shocks are external such as macroeconomic shock or price volatility, or idiosyncratic in nature as the disease of a member of the household. Shocks can push the poverty line or worsen the poverty situation when the individual is already poor. Several variables are analysed such as gender, age, education level, income, nationality, access to credit, annoyance etc.

Conversely, qualitative data allow us to apprehend the multidimensional socio-economic effects of the Covid-19 pandemic on the ICB traders between the Democratic Republic of Congo and the Republic of Rwanda. Data were collected between September and October 2020, through qualitative interview guides which addressed questions relative to the consequences of the Covid-19 pandemic on the economic activities and lives of small scale, informal cross-border traders. The data were collected in Goma (at the petite and grande barrières, as well as at the Kahembe market) and Bukavu (at the Ruzizi I and II borders). The interviewees were met either at the border or in the place of unloading, except for three Rwandan traders (in Goma) who were not physically accessible but whose responses were obtained through the intermediaries of the agents committed at the border. The data collection process typically involved going to the place of unloading and to some depots around the border, in order to talk to the traders. Primary data were collected through in-depth interviews as well as through direct observation. The use of these two techniques, and that of the secondary data, would prove effective for the triangulation, verification, and validation of the information collected. This, in turn, has allowed us an in-depth understanding of the environment, the social space, as well as the nature of the business activities reported--this is the case, for instance, of the elements related to the quality and the dimension of the economic activities. In practice, the interviews were conducted on two occasions: first, when the trucks were unloaded, where we found a large number of merchants were awaiting their import goods, but also in front of their respective depots. This made possible to have a more detailed observation of the various elements of this trade in this period of the pandemic. The purposive sampling of the respondents for qualitative interviews took into account demographic characteristics of the actors as well as the variety of the products of the cross-border trade.

Given the travel restriction within the region and between the DRC and Rwanda at the time of the data collection, the qualitative data collection adopted both in person as well as remote interviews techniques. About 20 Congolese and Rwandans traders, border officials, and associative representatives were interviewed. The following section will discuss the research findings through the integration of both statistical data and qualitative interviews; the ultimate objective being to show how the Covid-19 pandemic can heighten existing vulnerabilities and constraints of the informal cross-border traders.

1. **Results and Discussion.**
	1. **Measuring informal cross-border traders’ vulnerability**

It is a known fact that social vulnerability is a very difficult concept to measure (Ligon & Schechter 2003; Han 2018). At this stage, measuring vulnerability would imply an anticipation of the likelihood of a non-poor individual falling into poverty or for a poor individual to fall further into poverty. This entails taking into account both the risks and constraints faced by the target population—which are unpredictable in many cases. A number of measures are commonly used by economists to understand the magnitude of the risks that hit a person or group of persons, and, ultimately, to grasp the level of their vulnerability.

Table 1: Socio-Demographic characteristics of the informal cross-border traders between the DRC and Rwanda

|  |  |
| --- | --- |
| Variables  | Nationality |
| **Education level**  | Congolese | Rwandese | Total  |
| Not Educated | 11(78.57) | 3(21.43) | 14(100) |
| Primary | 34(50.00) | 34(50.00) | 68(100) |
| Secondary | 65(62.50) | 39(37.50) | 104(100) |
| High education | 12(63.16) | 7(36.84) | 19(100) |
| **Gender**  |  |
| Man  | 24(47.06) | 27(52.94) | 51(100) |
| Female  | 98(63.64) | 56(36.36) | 154(100) |
| **Membership of association** |  |
| No | 44(53.66) | 38(46.34) | 82(100) |
| Yes | 78(63.41) | 45(36.59) | 123(100) |
| **Access to credit**  |  |
| No | 73(58.40) | 52(41.60) | 125(100) |
| Yes | 49(61.25) | 31(38.75) | 80(100) |

Source: From dataset collected in 2019. Percentages are in parenthesis.

Remarkably, in terms of education, the majority of the people surveyed have achieved a secondary education level (65 out of 122 for Congolese and 39 out of 83 for Rwandese). Another non-negligible number of them (68 out of 205) have attended primary education, whereas 14 of the 205 cross-border traders surveyed are uneducated. 19 out of 205 have reached higher education. While the above statistics appear to corroborate official statistics on literacy rates in the two countries, or draw even a rosier picture of the educational attainment of the informal traders to certain extent--considering that the DRC and Rwanda adult literacy rates amounted to respectively 77% and 73% in 2018 (World Bank 2020); the distribution of the population across education levels, on the other hand, suggests that the ICBT sector attracts mostly secondary and primary education level individuals, compared to other sectors. An important assumption here could suggest that people with higher education and those with professional training tend to join more stable employment ventures in the formal sector; or even in the event that they do engage in cross-border trade, they might bring a larger financial capital or make a creative use of their human and social capital, which in turn could lead to better business outcome compared to their less-educated counterparts. Thus, the ICBT becomes mostly populated by an already vulnerable portion of the population, with less education, and who engage in the ICBT in a survivalist move? This observation appears in consonance with existing scholarship on the informal economy, suggesting that, in the DRC, for instance, categorical distinctions such as education plays a crucial role in the choice of income generating activities as well as in the income disparities both between the formal and informal sectors, and within the informal sector (De Herdt & Marivoet 2018; Adoho & Doumbia 2018).

Gender is another notable dimension of ICBT. The majority of the people involved in the informal cross-border trade between the two countries of interest are women (75.12%). Indeed, only 51 (24 Congolese and 27 Rwandan) or 24.88% of the 205 informal traders surveyed in this study are men. In relation to gender, the above data corroborate Titeca and Kimanuka’s (2012) observation, that women are more engaged in the informal small cross-border trade between the DRC and Rwanda. Likewise, when appreciated in parallel with data on educational attainment, the gender component of the ICBT suggests that more women engage in the informal cross-border trade by lack of alternative livelihoods. In effect, many respondents in the qualitative interviews have indicated that the decision to join the ICBT represents the last resort to subsistence. Also, noteworthy, most traders surveyed favour collective power as it can be attested by the 60% of informal cross-border traders who indicate to belong to group or some forms of association. About 70% of informal cross-border traders in both countries indicate that they had never received any kind of formal credit in the development of their business, thus denoting a structural constraint associated with their activities. This argument will be discussed at length in the next section.

It is impossible to talk about precarity and vulnerability without reference to poverty. The measure of vulnerability in this study is approximated to the analysis of poverty. This measure will depend on the average level of income and consumption spending in the head of cross-border traders. Based on these two elements, the measurement of vulnerability or poverty therefore focuses on the situation of individuals at the lower level of distribution. In general, informal small cross-border traders are grouped in the category of the poor (Afrika & Ajumbo 2012). They are therefore exposed to insecurity, which remains a component of well-being that is interpreted as a degree of vulnerability to a decline in well-being.

Table 2: Monthly income level and total spending by small cross-border merchants in US$

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variable** | Obs |  Mean |  Std.Dev. |  Min |  Max |
| **Congolese** |
| **Total Expenditure**  | 122 | 65.55 | 49.81 | 40.08 | 534.97 |
|  **Income** | 122 | 186.16 | 81.14 | 106.81 | 494.06 |
| **Rwandese** |
|  **Total Expenditure**  | 83 | 60.72 | 25.29 | 40.47 | 206.77 |
|  **Income** | 83 | 175.26 | 62.74 | 107.06 | 394.06 |

Source: From dataset collected in 2019

By analysing the monthly income level of small cross-border merchants, we find that their average income is approximately also at the Guaranteed Interprofessional Minimum Wage (GIMW) of the Democratic Republic of Congo, which was set at nearly 7,075 CDF[[5]](#footnote-5) per day or about US$132.66 per month at the rate of 1600 FC per U.S. dollar. With a minimum income of about US$107 for both countries, it is clear that some cross-border traders live in precarious conditions and are therefore prone to poverty. In terms of monthly spending, we note that small cross-border traders are on average in the poor class. Given the cost of living in Congolese towns bordering Rwanda, a monthly expenditure of around US$66 (for the DRC) and US$61 (for Rwanda) per month could arguably cover only the living wage. These individuals at the bottom end of the income pyramid are therefore vulnerable and at risk of monetary poverty, which translates into the risk of being excluded from a certain material way of life.

Table 3: Transition matrix of small cross-border traders between DR Congo and Rwanda

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  Nationality  |  N | % |  Mean |  Sd |  Min |  Max |
| Poor |  Congolese | 84 | 40.98 | 49.02 | 3.58 | 40.08 | 58.91 |
|  |  Rwandese | 63 | 30.73 | 50.47 | 3.15 | 40.469 | 58.75 |
| Non-poor |  Congolese | 38 | 18.53 | 102.09 | 78.06 | 60.469 | 534.97 |
|  |  Rwandese | 20 | 9.76 | 93.04 | 35.78 | 60 | 206.77 |
| Total  | 205 | 100 |  |

Source: From dataset collected in 2019.

Using the Transition Matrix (table 3), we find that of the 205-small cross-border traders involved in this study, 147 small cross-border traders of which 84 are Congolese nationals (40.98%) and 63 Rwandan nationals (30.73%) live on less than $1.9 a day. Hence, according to the World Bank’s poverty threshold (Kuma, 2020), about 71.7% of small cross-border traders would be considered poor. These results show that most small traders are vulnerable and live a precarious life, as they can easily fall below the poverty threshold in case of business failure. Since vulnerability refers to the risk of the individual falling into poverty due to a standard of living below the poverty line, we use the Lorenz curve to measure that threshold. This measure allows us to compare the inequality of income between ICBT from DR Congo and Rwanda.

Figures 1 & 2: Lorenz curve (From dataset collected in 2019)





Figures 1 & 2 above show a typical Lorenz curve applied to the income of informal cross-border traders. These figures start from the coordinates (0,0), since a zero fraction of traders hold a zero fraction of the income. As it registers cumulative proportions, it is necessary that all the traders hold the totality of the income and its end therefore has the coordinates (1,1). If the incomes were distributed equally among the traders, that is, if everyone had the same income, it would follow that a proportion given by traders would benefit from the same proportion of income. Both figures show us that even in the head of informal cross-border traders, there is a certain income inequality because the Lorenz curve is distant from that of equidistributional. Comparing the two subpopulations, the second figure shows that income inequality is more pronounced among Congolese cross-border traders than Rwandese. However, there is no guarantee that one of two revenue distributions will dominate the other. Thus, in the event of an intersection, examining the Lorenz curves is not sufficient to reveal the least unequal distribution of income. To find out if the observed income levels are statistically different, we do the difference of means test, as shown in table 4.

Table 4: Difference of means test

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Group |  Obs  | Mean  | Std. Err. | Std. Dev.  |  [95% Conf. Interval] |
| Congolese  | 122 | 186.16  | 7.35  | 81.14  | 171.62  | 200.70 |
| Rwandese  |  83  | 175.26  | 6.89  | 62.74  | 161.56  | 188.96 |
| combined  |  205  | 181.74  | 5.19  | 74.27  | 171.52  | 191.97 |
| diff  |  10.91  | 10.57 | -9.93  | 31.73 |
| diff = mean(Congolese) - mean(Rwandese)  | t = 1.03 |
| Ho: diff = 0 degrees of freedom = 203 |
| Ha: diff < 0 Ha: diff != 0 Ha: diff > 0 |
| Pr(T < t) = 0.85 Pr(|T| > |t|) = 0.30 Pr(T > t) = 0.15 |

Source: From dataset collected in 2019 using stata 14.2.

The null hypothesis and the alternative are:

 H0: μg = μl or μg - μl = 0 H1: μg ≠ μl or μg - μl ≠ 0

where g denotes the average income of Congolese traders while l denotes the average income of Rwandan cross-border traders.

The critical value is 1.64 (see critical values table for statistics t). Comparing the observed value which is 1.03 and the critical value that is 1.64, it is clear that the critical value is out of the acceptance region. Thus, we reject the null hypothesis. This means that the incomes of Congolese informal cross-border traders are different from the incomes of Rwandan informal cross-border traders. Thus, we can confirm the existence of a difference in income between Rwandan and Congolese cross-border traders. This could mean, to a certain extent, socio-economic disparities between the countries. However, the value of P-value, which is 0.15, above the threshold wanted at 10%, does not allow us to say whether this difference in income is statistically significant. Moreover, this enterprise actually goes beyond the scope of this research and will thus not be pursued further.

Although there is a difference in income, many informal cross-border traders across the two countries are vulnerable to poverty. In most cases, such vulnerability to poverty puts them highly at risk, that is because their financial and material precarities expose them to certain disadvantages, and severe consequences in case of external shocks or socio-economic threats. Risks are often classified on the basis of their frequency, intensity, systemic nature (which affect several people at once), or idiosyncratic (isolated) and self-correlation. Their effects are often multidimensional. These results attest that a health hazard such as the Covid-19 might have dire consequences on the situation of small cross-border traders working between the DRC and Rwanda. While globally, the pandemic has had significant negative impacts with several social, economic, and political components and across various social groups, its effects on the most vulnerable segments of the population demonstrates the pervasiveness of structural injustice. The following section addresses the root causes of the informal cross-border traders’ vulnerability in terms of structural limitations as well as environmental constraints.

* 1. **Structural limitations or the constraints faced by informal cross-border traders[[6]](#footnote-6)**

Informal cross-border traders face numerous constraints linked to the very nature of the ICBT sector as well as other constraints that are specific to each type of business activity. Overall, the data gathered confirm Titeca and Kimanuka’s (2012) findings on the informal cross-border trade between the DRC and Rwanda, observing that major constraints are related to the lack of access to formal financial services, excessive taxation, as well as various forms of disturbance that the traders face while crossing the border. As previously indicated in Table 1, secondary data on cross-border traders provide evidence that only roughly 40% of the Congolese and 37% of the Rwandan respondents indicate to have some access to loans (either formal or informal). This relatively lower access to credit could be a specific feature of the microcredit in the region, the informal sector in general, the ICBT, or it could also be related to the dimension of the income generating activities explored. Microfinance’s preferential option for entrepreneurs with good business records and potential appears to have a practical entrepreneurial sustainability motive because it ensures that the credit will be repaid within the agreed terms and have an impact on the microenterprise. However, the same preference indicates that the very poor—who often have no business assets or prior training—may be neglected, with no potential access to the resources provided by the social enterprise (Yeboah et al. 2015). This information appears to support anecdotal evidence from qualitative interview accounts from both Congolese and Rwandan small-scale cross border traders, inferring that, given the nature and the dimension of their economic activities, formal loans seem out of the question.

In the absence of formal credit, or state-sponsor support, informal associations appear critical in promoting informal financial and technical assistance. Indeed, the weak access to formal credit among informal cross-border traders does not impede their abilities to make effective use of communal and associative ties in developing support networks and mechanisms in terms of informal credit or lending associations. This is the case, for instance, of the well-documented tontine-like organizations (*Likirimba* in Swahili or *Umusanzu* in Kinyarwanda). In such associations, each member would generally contribute a certain amount during each loan cycle. The overall group’s collected fund for the cycle is to be given alternatively to each group member. The waiting period for each new beneficiary of the common fund can vary from weeks to months, depending on the size of the association and the agreed terms. Yet, such informal financial assistance tends to be unsecured, and it often entails various social factors, such as the level of trust between traders.

Another often cited constraint by the informal cross-border traders interviewed between the two countries is the excessive taxation or custom duty in the Congolese side of the border. Moreover, in many cases, cross-border traders end-up paying more than the “official” tax or custom tariff as there appear to be inconsistencies in custom regulations across the borders. To certain extent, this continuous disturbance over tax or custom regulations in the border is caused by the lack of official business registration and the declaration of the commercial products by small-scale traders during the border crossing. It appears that for many small-scale traders, an official business recognition would imply stringent financial burdens which they try to avoid by not declaring their business or the commercial products. Indeed, a Congolese small-scale cross-border trader put it in the following terms:

*“There are several constraints associated with the need for documents for goods and for the purpose of taxation in this activity. With such a limited amount of capital, it is difficult to have all the required documents. If I start looking for the document, I might end-up losing all my business income. So, I prefer to use the money to buy at least 5 small baskets of tomatoes to sell across the border rather than to seek the documents. We leave the documents matters for those with a big capital.”*

Conversely, because many of those commercial activities are often unregistered and undeclared, small-scale traders often become at the mercy of predatory state agents and corrupt custom authorities as demonstrated in Nigeria (Clara 2020). Hence, although to many respondents, the cross-border trade seems to provide reasonable business returns due to comparative advantages in the production and purchasing power parity difference between the two countries, excessive taxation affects greatly the business outcome. This can be better illustrated by a respondent's annoyance and disappointment toward excessive taxation:

“*The constraints we have in this activity are enormous, and they are especially related to taxation and customs. State services that exaggerate, even services that are not even recognized. Authorities here at the border are using other people to collect illegal taxes. Which means that we end-up bribing custom agents. We can give up to 10,000CDF beyond what is justified.”*

It is worth noting, nonetheless, that such excessive taxation and custom tariffs do not affect all cross-border traders to the same degree. In fact, given the variation in the degree of vulnerability of each ICBT activity—whether based on the demographic characteristics of the trader or on the size of the income generating activity—, it is often lower-tier traders, with a very limited capital, who are most affected by excessive custom tariffs.

* 1. **The effects of Covid-19 on informal-cross border trade activities**

At the outset, whereas there seems to be little indication of the rise of new taxes from the Rwandan border during the pandemic, persistent tax and custom tariffs in the border still cause a toll to many small-scale businesses who have already been hit harder by the economic crisis caused by the pandemic. The picture is rather different from the Congolese side of the border, where traders complain about the rise of new informal (unofficial taxes) and harassment by the law enforcement agents and custom officers. The following account from a small-scale Congolese trader explains this:

*“In this business, I usually manage to save some money, but with coronavirus pandemic, nothing works. State services are exaggerating with unlimited taxes. When borders were open, crossing the border with goods was already done with negotiations. Currently, everyone is starving, and the harassment has increased.”*

However, from other interview accounts, it can be inferred that customs duty has not as much increased during the pandemic crisis as have border-crossing regulations. It is therefore contended that in many cases there are no new taxes, but rather, the new travel restrictions during the lockdown have made it difficult to most small-scale traders to not declare part or the totality of their commercial products as they were used to before the pandemic crisis. It appears that the nature of many small and medium scale cross-border trade does not often lead to an official recognition of such activities as registered business entities in either country. However, there is also the fact that many cross-border traders do not declare their products as marketable nor register as economic actors, the trend being that many very often small-scale cross-border traders pass as consumers of goods rather than traders to avoid taxes. This observation can be illustrated in the interview excerpts below.

*“It used to be possible to walk across the border and say it's a goat for home consumption but since the officers already know us it's impossible to lie. In theory we say that one should not pay tax for goods of this nature such as a small amount of livestock (one or two goats), but we always pay. There are other places where we used to move goods without letting the authorities know. But we found that it is sometimes more expensive than crossing the official border.*

Another respondent further argues, *“Before the Covid-19 pandemic, I did not see the declaration of gasoline to customs, but with the pandemic we now have to declare it…, which is new for us.”*

Moreover, because most small-scale businesses depend constantly on continuous influx of commercial goods, the closing of the border has severely impaired cross-border trade activities from traders with little capital, who often cannot afford a larger stock. Consequently, the border closing has delayed the circulation of goods in most cases, while in the worst case, there was a total interruption of sale caused by the supply cut-off. Additionally, the economic shock caused by the pandemic did not leave the ICBT sector unscathed. Indeed, the economic pressure caused the lockdown measures imposed by both governments as well as the decrease of the purchasing power of the Congolese Franc has led to an increase of goods’ prices in the market.

Ultimately, this has had serious financial strains on most small-scale business ventures. In fact, many small-scale informal businesses went bankrupt during the crisis. Those who remain in the businesses had to adjust their strategies, diversify their activities, or accept an important cut in their profit margins.

To address the urgent need for importation of primary necessities and other important goods, state agents and ICBT associations in both countries have encouraged small-scale traders to join with others and make orders by groups. In such a way, trucks of goods could be allowed to cross the border and the import of goods could be easily monitored, and taxes can be implemented. Yet, for many small-scale traders, this new monitoring of every product implies extra taxes for products that once used to be crossed without being declared. This is confirmed in the following interview account:

*“The constraints that we face in this activity lately are mainly related to the declaration of the goods—like gasoline for me. Before the Covid-19 pandemic, we did not declare gasoline to customs, we just paid 1000CDF until the destination of the goods, but today we have to pay more than 3000CDF when we join our goods together in the truck. This does not allow us to work well. And we are not sure that such amount enters in state coffers.”*

Furthermore, the very practice of grouping small traders in groups based on the nature of the business proves to be problematic to many traders to some extent. By several accounts, the grouping of goods often leads to business loss as the protection and quality of the products are not always guaranteed in such groups. Hence, the travel restriction between the two countries has had severe impact especially on most small-scale traders who invest in trade of basic necessities, which often requires them to physically move with their products to ensure their quality and protection. A trader explains in this line:

*“During this Covid-19 crisis, my activity has decreased significantly because when the goods arrive here, they are either very late or not in good condition because I am not the one on the ground. I can no longer feed my children well because the disease has disrupted everything.”*

This observation is supported by the following interview’s excerpt from the president of the association of cross-border traders in Goma.

*“This presents a problem especially for those who are in the minority and who are involved in trade of specific category of goods where there are not many people. But also, it also applies for the very small-scale traders who carry out clandestine activities and who cannot officially cross the border with their goods. On the other hand, even among those who join such associations, several traders pass here to claim their products. Sometimes some items get lost, sometimes they arrive in very bad condition, (…) The complaints become numerous. Small traders generally have low capital, ranging between $ 50 to $ 500. This situation is even harder for cross-border traders with a capital of less than $ 50 (…) Indeed, I confirm that small cross-border traders are the most affected by the pandemic and as you can notice, the market is empty compared to the situation before Covid-19.”*

Moreover, because the grouping of the products by category requires a certain business trust and possibly long-held connection between vendors and sellers across the border, the enterprising poor in the small-scale trade who lack the means and the social capital for such transaction tend to be excluded. For many, the choice faced is between staying in isolation and face business bankruptcy or taking the risk to engage in—sometimes costly— transactions with middlemen or brokers.

Ultimately, it is noteworthy that much of the reported constraints operate in consonance with one another and have negative effects in both side of the border, as the close relationship between supply and demand keeps both parties in a bind in the case of crisis. In fact, another fallout from the pandemic crisis is that even when traders have access to goods, the financial crisis faced by the large portion of the population decreases greatly the demands for some products. An informant put it in this way:

*“Really this pandemic brought unemployment to many people. We can feel it, because even the goods I send to Rwanda have not been sold. The losses are huge as the business is slowing down. Our former customers are no longer visible…A commodity that could be bought and sold on the same day now takes three to four days before (…) Several businesses from both sides of the border have thus been affected because most of the time now the goods produced are not being sold all. And the buyers came from Rwanda as well as here. As the borders are closed it is difficult.”*

* 1. **Toward a Framework for addressing the impact of the Covid-19 on the ICBT.**

A major policy change caused by the pandemic was the closing of the border between the DRC and Rwanda, and a stricter implementation of customs policies for all cross-border transactions. In this respect, the organization of small-scale traders into sectoral groups of import and trade of goods has emerged as a strategy to control the border transaction during the pandemic. However, given that numerous small-scale cross-border traders often do not always declare their products due to financial strains, this new stricter and indiscriminate implementation of customs duty to groups raises issues on heightened precarity and vulnerability across social groups. We consider two questions critical in proposing a framework to address the impact of the pandemic on the informal cross-border trade. What important strategies have emerged at the grassroot level to address the impact of the Covid-19? How effective are the stricter border control and customs as cross-border trade policy and strategy addressing the impact of Covid-19 on socioeconomic vulnerabilities?

Facing stringent constraints which heightened the precariousness of their material conditions of existence and vulnerabilities, several cross-border traders developed strategies to mitigate the crisis. A major sociological theoretical underpinning here suggests that even in difficult situations such as in the impacts of the pandemic on ICBT, humans are still capable to make a creative use of their individual or collective agency to mitigate the constraining structures while aiming to change their predicament, albeit in an incremental manner (Giddens 1984). It follows that any relevant attempt to change their situation should start from the understanding of the interplay of structure and agency in their reality. Social or economic change, in this respect, is therefore construed as a dialectical process between hampering the structure and heightening agency (Sen 2000). With this understanding, it is notable that cross-border traders studied developed a few strategies to face the constraints of the Covid-19 in their businesses.

To begin with, an emerging crucial tactic to face supply shortage of the products originating from the other side of the border, traders with better business prospects turn within national boundaries to seek for substitution goods in the hinterlands or in other rural or urban trade centres in the country. Once in a while, one hears tales of traders who have decided to expand their supply sources during the pandemic crisis to include goods produced in other regions within the same country. An account from one of the Congolese traders can better illustrate this.

*“Prices have unfortunately already increased with the exchange rate and Covid-19. The problems encountered in this activity are the multiplicity of taxes and sometimes the theft of goods. In any case my family cannot go hungry while I am in this activity. Corona virus has not affected my activities very much, because the goods also come from Rwanda and Masisi, and it is only in Rwanda that it is impossible to cross nowadays.”*

While from a certain national economic perspective this might appear flattering to some, it is noteworthy that expansion of the supply pool to larger production source, anecdotal evidence suggests that in short and medium term, this has negative effects for small-scale and medium traders. Remarkably, whereas successful entrepreneurs with a relative larger capital and those whose goods are produced in the hinterlands can afford to expand their supply source, the majority of the enterprising poor or survivalist traders, who made-up the larger part of the cross-border traders do not have such option. Indeed, expanding the supply pool to distant towns and provinces within the country entails extra transportation cost and additional time

in the business cycle, a luxury most survivalist traders can surely not afford.

Hence, a top-down implementation of such economic policies without much consideration of their consequences on the poor, would leave many small-scale traders with no other viable alternative. Faced with such constraints, a few would seek for unofficial, sometimes, more perilous ways to cross the border with their goods. Some respondents have already noted such move:

*“I know that with the complicity of the security services in certain places along the Ruzizi river, some people cross with some goods like embers at night. I do not know of a product that goes to Rwanda now. However, people pass through Rwanda to go to other countries without any problem.”*

Yet, even such illegal border crossing does not come without hassle, as many corrupt security guards take advantage of this situation to “tax” such activities. Another strategy adopted by the traders is the diversification of their income generating activities in order to face the covid-19 constraints. Other traders go as far as shifting entirely their business activities and move into a different economic sector. Still, not everyone has the financial means, or the human and social capital to diversify their income generating activities. Consequently, the very poor would still be left on their own account, spiralling deeper into poverty.

Conversely, the Covid-19 pandemic may appear to have presented an opportunity for stringent customs control to the proponents of the formalization of the cross-border trade. In particular, the grouping of small-scale would seem an ideal strategy to control every transaction of goods between the two countries. While the idea is not new among borders’ authorities (Afrika & Ajumbo 2012), the crisis has nevertheless presented the material condition for its stricter implementation. It goes without saying that a “formalized” cross-border trade might suggest better control of economic transactions, customs and taxes. Paradoxically, however, this view is shared by a handful of traders who perceive the grouping of small cross-border traders through cooperatives as an opportunity to reduce informal taxes.

While from a border control and fiscal policy point of view this might be encouraging (Afrika & Ajumbo 2012), the argument is not so simple from a social development point of view. Indeed, the lines between a presupposed promotion of safety and control in cross border business activities and economic exploitation as well as exclusions for the poor could not be blurrier. Hence, a sound framework to address informal cross-border vulnerabilities should pay a particular attention to the variations with the ICBT group. Ultimately, socio-economic policies should be more inclusive by taking into account the need of the poor.

1. **Conclusion and Recommendations**

The socio-economic crisis caused by Covid-19 has and continues to impact economic activities all around the world. The Coronavirus pandemic has affected all segments of the population, while having more severe consequences for those already living in precarious conditions. Indeed, while the people engaged in the informal cross-border trade between the DRC and Rwanda were already considered to be in a precarious position—which is associated with the very nature of ICBT activities—and thus vulnerable to extreme poverty, the Coronavirus pandemic has significantly exacerbated their situation. Moreover, whereas the formal sector is able to mobilize resources and aid from states and other formally established organisations in terms of economic assistance in times of crisis, the informal sector often does not benefit from such supports. Indeed, for many cross-border traders with a meagre income, the pandemic crisis has precipitated their bankruptcy. Others have experienced a marked decrease in their business operations. Another constraint decried by informal cross-border traders is related to the very strategy adopted by civil servants in both countries to mitigate the spread of the virus while encouraging some form of economic of activities through the group purchases of goods across borders. Most traders have criticized the inadequacy of group purchases, which are subject to increased harassment by state agents committed at the borders. In relation to the above, we can make the following recommendations:

As the cross-border trade sector is full of people with a very low capital and who have this activity as their only a source of income. It is therefore more than urgent at government and development organization level to adopt policies which protect the well-being of such vulnerable segment of the population. Specifically, it would be imperative to adopt policies which do not prevent the smooth running of their economic activities without proposing them a viable economic activity. On the other hand, it both governments should reach an agreement on possible ways that can allow the smooth development of small-scale cross-border trade while promoting at the same time both nations’ respective socio-economic development and regional integration. It is also imperative that border services be computerised, especially on the DRC side where the system is still manual, which does not facilitate by tracing migratory flows and controlling them. Training in the professional ethics of border agents is of paramount importance in curbing the problem of cross-border merchant harassment. Additionally, both countries should also need to reach an agreement on customs policies for the cross-border trade which—in short-term—must protect the interest of the small-scale traders. Moreover, to raise awareness of small-scale traders’ rights and built an accountable collective voice, governments and international development agencies should encourage and help in improvement of the operation of traders’ associations.

In terms of research perspectives, this study raises several questions that future research would need to explore. At the outset, one may ask, how does one make sure that the grouping of “informal” small-scale traders into groups and association is fair, inclusive and does not exclude the most vulnerable? To what extent does this practice reduce the financial burden of the survivalist traders? What prerequisite infrastructures and policies are necessary between the two countries before the implementation of such an approach?

Beyond the border control, some respondents have indicated that the Covid-19 crisis could also be perceived as an opportunity to promote better national infrastructures and economic integration in each country so as to mitigate what many see as an excessive dependency to another country. Yet even such a position raises a few questions from which this research may draw some policy recommendations for both countries and the region, in general. One could not help but wonder, for instance, to what extent national measures can be encouraged and promoted without negatively affecting the regional welfare and integration? Conversely, at regional level, what measures should be encouraged which promote both regional integration as well as national economies?

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3. According to 2018’s statistical data, the DRC informal cross border exports to Rwanda had an estimated value of 2.094.866 (in Rwandese Francs) whereas the estimated value of Rwanda exports to DRC amounted to 108.837.254 (in RWF) in the same year. Conversely, the estimated value of the “formal” DRC exports to Rwanda for 2018 was 7,867,123,485 (RWF), whereas the value of the “formal” Rwanda exports to DRC amounted to 103,849,951,064 in the same year (Search for Common Ground 1019: 16). [↑](#footnote-ref-3)
4. A snowball sampling is a sampling technique in which individuals in a particular sample size are asked to identify other people with the same characteristics to be included in the sample (Goodman 2011). This technique has been used due to lack of exhaustive statistics on small-scale informal cross-border traders. [↑](#footnote-ref-4)
5. 22 mai 2018. – DÉCRET n° 18/017 portant fixation du salaire minimum interprofessionnel garanti, des allocations familiales minima et de la contre-valeur du logement (J.O.RDC., 1er juin 2018, n° 11, col. 47) [↑](#footnote-ref-5)
6. For this research purpose, the data discussed in this section do not show relative weight of these constraints for the traders as they were not asked to rank them. [↑](#footnote-ref-6)