

INFORMAL SECTOR CROSS-BORDER TRADE AS A KEY COMPONENT OF REGIONAL TRADE VALUE-CHAINS: INSIGHTS FROM SOUTHERN AFRICA

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Introduction

- ◆ Informal cross-border trade (ICBT) comprises a very substantial portion of intra-regional trade flows & economic activity in the Southern Africa region.
- ◆ In the face of mounting poverty & unemployment, ICBT has become a key source of livelihoods, mainly for many poor households (Peperdy et al. 2015).
- ◆ Despite its significant visibility at every border-post throughout the SADC region, ICBT remains largely invisible to policy-makers, almost entirely undocumented & under-valued in most of the countries in this region (Makombe, 2011).
- ◆ If anything, most informal cross border traders are often viewed as some of the major perpetrators of international crimes such as smuggling, tax-evasion & bribery that undermine the formal economy (ibid).
- ◆ But now there are several case studies showcasing ICBT's critical role in poverty alleviation.

Objectives of the study

- To examine & profile the "hidden" role of migrant informal entrepreneurship in a number of countries in Southern Africa.
- To examine the nuances of cross-border regional trade at selected important border posts in the region.
- To determine the level of contribution made by ICBT to the national & regional economies.

Fig. 1: Traders crossing the Zimbabwe-South Africa border



Methodology

- An Origin & Destination Survey covering 20 land border posts connecting 11 SADC countries was done.
- All people crossing through the selected border posts were monitored over a 10-day period & the number of ICBT traders counted (Gender Disaggregated).
- Interactions of traders & customs officials were observed & the types, value & volumes of goods declared & duties paid were recorded.
- The transactions of over 5,500 traders processed by customs officials were monitored & over 4,500 traders were interviewed.
- Key informant interviews with officials from relevant government departments in each country, including departments of customs and excise, border police services & department of immigration services.

Table 1: Traders as a Proportion of Total Border Traffic

Country of survey	Total counted	No. of traders	Traders as % of all border crossers
Botswana	10 653	1 050	9.8
Lesotho	1 922	660	34.3
Malawi	15 142	6 492	42.8
Mozambique	40 826	21 793	53.4
Namibia	14 276	1 601	11.2
Zambia	103 026	44 824	43.5
Zimbabwe	20 667	9 412	45.5

Results & Discussion

- ◆ The count of travellers crossing the surveyed borders posts showed that traders constitute a significant proportion of traffic at most of the posts.
- ◆ Demographically, women constitute the majority of the traders crossing through more than half of the border posts.
- ◆ ICBT tends to be mostly bilateral with most of the traders operating only between their home country and one other country.
- ◆ In general, the survey found low rates of participation in ICBT by South Africans & Namibians (less than 3% of the traders counted overall). These countries tend to be buying & selling destinations for traders from other countries rather than a source of informal entrepreneurs.
- ◆ In the survey as a whole, the major country of origin of cross-border entrepreneurs was Zimbabwe (29% of all traders), followed by Zambia (19%), Mozambique (14%), Angola (10%), Swaziland (9%) & Malawi (8%).
- Nearly 90% of the ICBT entrepreneurs captured in the survey were one-way traders, i.e. they bought goods in one country & sold them in another country. Only 13% were "two-way traders" who bought & sold goods in both their country of origin & their destination country (mostly Zimbabweans).

- As shown in Table 1, with the exception of the border posts of Botswana & Namibia, traders comprised at least 30% of people crossing the border.
- In Mozambique, traders comprised over 50% of people crossing the border who were counted.
- Border posts in Mozambique, Zimbabwe & Zambia had the largest proportion of traders crossing the border while the Botswana & Namibian border posts had the least proportion of traders.
- Women were in the majority on at least half of the border posts surveyed & made up 55% of the overall number counted.
- The survey found a strong correlation between the nationality of the traders & participation in informal trade in particular countries. For example, in the survey of traders entering Mozambique, 99% were Mozambicans
- While the types of goods carried by ICBT entrepreneurs proved to be many & varied, electronic goods & foodstuffs (including fresh produce & groceries) constituted the most significant categories of goods transported across borders.
- An analysis of the purchasing behaviour of informal cross-border traders showed that they contribute significantly to the formal wholesale & retail sectors of the countries from which they buy their goods.
- At border posts traders cited high customs duties, officials issuing permits which were too short in duration, long queues & corruption as major problems.
- Competition from large retailers & supermarkets was also cited as a problem by 71% of interviewees.

Conclusion & Recommendations

- ◆ The largest survey of ICB traders in Southern Africa ever undertaken highlighted the relationships between migration, mobility & informality in establishing valuable informal sector transnational trade & business relationships.
- ◆ It also demonstrated the value of ICBT to the formal wholesale, retail, hospitality & transport sectors in the region.
- ◆ These links are facilitated & made possible by ICB traders who create access markets across the region which would otherwise be unavailable to retailers & wholesalers in the cities they visit.
- ◆ The survey shows that ICBT involves a diverse range of actors who participate in a business which itself is diverse.
- ◆ The overwhelming majority of traders provided their own capital through savings & borrowing from family & friends because they have no access to formal sector financing schemes for SMMEs.
- ◆ ICB trading enables formal sector wholesalers & retailers to extend their footprints to cities across the region where their goods are sold in informal places & to customers that they cannot ordinarily reach.
- ◆ Consideration needs to be given to better understand the needs of informal sector entrepreneurs and how affordable and appropriate lending packages can be provided.
- ◆ As ICB traders contribute to the economy it would be advisable to create a welcoming environment, within the bounds of the law.
- ◆ Even though ICB traders mostly operate in the informal sector, they also contribute to the tax base of the source countries & their home countries. They pay VAT in the source country and customs duties in their home countries. Thus ICB traders should not be seen as standing completely outside the formal regulatory framework.
- ◆ Overall, the survey shows the value of ICBT to the participants as well as to the economy of the region.
- ◆ More attention needs to be paid to the creation of a more enabling regulatory framework for ICBT in Southern Africa that addresses the main constraints faced by the traders.

Fig. 2: Mozambican Cross-Border Traders



References

1. S. Peperdy, S. et al. 2015. *Calibrating Informal Cross-Border Trade in Southern Africa*. SAMP Migration Policy Series No. 69, Cape Town
2. P. F. Makombe, P.F. 2011. *Informal Cross-Border Trade and SADC: The Search For Greater Recognition*. OSISA, Johannesburg