



Across Southern African Borders with Informal Cross Border Traders

Rumbidzai Masango and Marcus Haraldsson

Foreword

Over the past four years, the Economic Justice Network has intensified its work around informal cross border trading especially lobbying and advocating for change and improvement of policies that impinge on the rights of people who depend on informal trade for their livelihoods. In 2008 the Economic Justice Network EJN organised together with the Southern African Trust and national ICBT associations of Zambia, Zimbabwe and Mozambique a meeting for informal cross border traders in Southern Africa. One of the key recommendations coming from the meeting was the need for a regional body to represent informal cross border traders.

In 2009, EJN together with its partners mentioned above pursued this recommendation and was part of the meetings held to help cross border traders set up a regional body. This was in recognition of the role that informal cross border trading (ICBT) plays in uplifting communities from poverty. The ICBT sector contributes heavily to towards employment creation and poverty alleviation. The idea of a regional body is that informal cross border traders work together and have a formal regional body that represents them and engages with other regional institutions in the policy arena. A key aspect of this advocacy work is on the SADC Protocol on Movement of Persons. The ICBT task team that EJN was working with together with the Southern African Trust came up with a draft constitution for the regional body as well as a business plan. These were adopted in July 2009 and are supposed to be used as a basis for ICBT lobbying and engagement in Southern Africa.

Introduction

Their work is estimated to make up about 60 percent of Southern African trade, and they are at the very core of survival in this, the poorest part of the world. They carry their goods in bags, on pick-ups and in containers. Together they account for more money than any aid- organization and they provide more work than any government.

In Africa, south of the Sahara hundreds of thousands of people, three quarters of which are women, are engaged in small scale cross border trading. They are called Informal Cross Border Traders (ICBTs) and are hardly given the recognition they deserve nationally and regionally. Every trader has at least one person that is directly dependent on their work. They buy and sell everything from rice to cooking oil and cosmetics to electronics on markets, in supermarkets and in their own shops.

In a region that has been ruled from Europe for hundreds of years, directly as colonies or indirectly through economic control, aid requirements and unfair trading policies, it has become apparent that cross border traders are some of the most important contributors to creating an economically viable continent and fostering regional integration. They play an important role on the continent and in regions where countries help and support each other towards development through trade and investments.

However, cross border traders are being actively discouraged by their own governments. They are considered to be smugglers and in some instances required to pay unreasonable duties. Women often have their goods confiscated on a regular basis and are often asked to pay bribes with sexual services. Informal trade is a safety net for the unemployed people in the SADC region. The trade provides a source of income to people without wage employment. Moreover, ICBT promotes entrepreneurial skills to people, and it is these skills which are passed down from generation to generation as a means of survival.

What is ICBT?

The Southern African region has seen a significant growth in the informal trade sector. This is a result of successive years of; increasing unemployment rates, retrenchments and poor economic performance (which has been further deepened by the recent global financial crisis). ICBT is a key livelihood in Southern Africa and many people are able to live with some dignity due to this type of business. But what is it? ICBT is part of the larger informal economy. It refers to unregistered, licensed and unlicensed trading activities undertaken across country borders. It is often driven by the need to improve welfare by the poor; it is a survival as well a wealth accumulation strategy.

The shrinking opportunities for formal employment have forced people to think of alternative ways of sustaining themselves and their families. Informal traders ultimately engage in this form of trade due to the widespread unemployment and the shortages of essential goods in the region. External economic Structural Adjustment Policies (SAPs) of the International Monetary Fund (IMF) and the World Bank (WB) have contributed to the chronic unemployment in most of the SADC countries to date. The SAPs are mainly conditions for getting new loans from the WB or lower interest rates on existing loans. As a result the SAPs have forced national governments to dismantle or privatize industries that provided employment to people, and decades later the adjustment policies have produced more harm than good for people's livelihoods.

Who is involved in ICBT?

Informal traders are a diverse group, generally dominated by women. As with other sectors, gender inequalities reflect themselves in informal trade and affect the way in which women make a living. These traders often comprise of; the vulnerable, unemployed, orphans, refugees, the youth, school leavers and widows among others. Although informal cross border trade is often perceived to be an activity dominated by the uneducated, research compiled by The United Nations Development Fund for Women (UNIFEM) found the opposite to be true. For instance the report states that in Zimbabwe they found that 66% of ICBTs had their high school certificates or 'O' Levels, while 16% had tertiary or graduate degrees.

The study found that 'weak economies in Zimbabwe and Swaziland are characterised by severe lack of employment opportunities pushing many educated individuals into this trade.'

They transport their merchandise by public transport such as buses or coaches, on foot and also by aeroplanes. On average, they carry three to four cartons, boxes and bags at one trade trip. These traders, who are often undermined (through harassment and assault), facilitate market liberalization and competitions in the SADC member countries. They usually import essential and scarce commodities into their countries such as cooking oil, sugar and flour. Due to their ability to network and find out the necessary goods to buy, it is advisable to channel the talent and skill by transforming the traders into formal businessmen and women. After all, it must be acknowledged that it is by distributing goods and services in the region, that the informal traders promote the mission of SADC and the creation of SADC common market and citizenry.

The Positives of ICBT

ICBT does not only promote a developing community (through regional integration), ensure employment creation and income generation- especially for people who are unable to find formal employment due to various socio-economic reasons; but it also plays an important role in ensuring food security by moving agricultural produce and other foodstuffs across borders where they are needed the most. With most developing countries beginning to feel the realities of Climate Change, through high food prices, severe droughts and flooding informal trade offers people an alternative to still live in dignity.

Furthermore, and often overlooked is that ICBT is a key source of empowerment for women who constitute the majority of traders. It has been found that over 70 percent of informal cross border traders are women who are either widowed, divorced or simply undertake this business to supplement their husbands' incomes. It is therefore vital to expose the verbal and physical abuse which these women are faced with on a day to day basis. It is only through the acknowledgement that informal trade is not illegal and is supporting lives that these women can begin to be relinquished from harassment.

What are some of the things informal traders go through?

One of the fundamental problems for traders is major barriers to entry due to the lack of funds. Informal traders are not accredited and noted as worthy and do not qualify for loans from financial institutions. Hence, launching and sustaining cross-border trade is usually drawn from the personal and family savings. This helps to explain why they buy small quantities of goods at a time. The traders often complain about visa restrictions which almost stifles their businesses. In some instances traders could be refused entry into countries that may not require visas all together. It is therefore important to assess the infringement of human rights in this field, especially because informal traders mean no harm but only seek to sustain their livelihoods. Other common challenges include excessive customs charges; unwarranted impounding of goods; unfair treatment of traders as smugglers and drug traffickers.

There are also numerous check-points; humiliating body searches for women; limited access to formal credit schemes; lack of reliable transport; weak associations; and a generally unfavourable policy and regulatory environment.

Gender inequality is quite profound and manifests in informal trade. Women traders have often complained about excessive harassment which is explicitly targeted towards them. Some gender related concerns include; the obvious minority status of women within the legal framework. For instance, the availability, access and control of resources is usually diminished once women try and start up this business. This is very unfortunate as most women (single, widowed or orphaned) in developing countries count on informal trade to provide for their children or siblings.

Women are also victims of sexual abuse and harassment. This need not necessarily be at the border posts per se, but even along the continuum of the activities which they conduct while engaging in informal trade. There is a lack of security for women who are often vulnerable during most of their travels, at the point of acquiring the goods and even when they sell them.



Gloria Kabango Mwanyongo

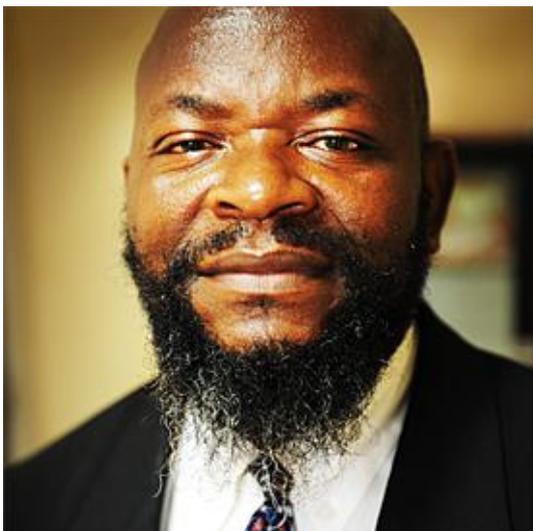
I traded with food between South Africa and Malawi

I was running a good business trading across the border. That was before my goods were confiscated and my father, mother and husband all died. Now I'm struggling to support four children and my adopted son. I was forced to stop trading but I need to get back into my business. It would save us.

Maggie Lonely Mhango

I trade with textile between Malawi and Tanzania. Many border officials ask for bribes to make a smooth clearance. If you do not pay it will cost a lot and may take several extra days. I have reported cases to the authorities but they asked me for receipts. Off course nobody gives receipts for bribes! It is also very difficult for a cross border trader to access low interest loans from national banks. You need to be very rich and have great security.



**Sudecar Novela**

I am the leader of a cross border traders organization in Mozambique. We regularly meet high customs officials to demand our rights. Last time it was our female members that had been sexually harassed by border officials when they were searched at the border. After the meeting the intimidations got worse. The border officials took revenge on our members for telling the truth about them.

Aida Tomela

I trade with chicken between South Africa and Mozambique. I travelled a lot to South Africa for more than 20 years, but since my passport expired last year I have not been able to afford a new. Once I lost 160 000 metical (4 700 USD) when the officials confiscated and resold my goods. I really struggled to pay the bank back all what I had borrowed.

**Mac Mubango Soko**

I trade in hardware between Tanzania and Malawi. I fly to Dar es Salaam a couple of times every month to buy hardware. It is a lot of work and a lot of bureaucracy. The biggest problem is the lack of foreign currency in Malawi.

Officials says that we traders are part of the corruption problem because we do pay bribes to them. I think the authorities should not blame everything on us. We are only trying to make a living. Many of us are very poor.

**Palmira Chilaule**

I trade with eggs, food and chicken between South Africa and Mozambique

Sometimes the situation at the border is really bad. There is no information as to how much we should pay in taxes so the authorities just charge us whatever they want.

Ennie Precious Mphande

I trade with food, fish, rice and corn between Zimbabwe and Malawi

I want to change things from what they are now. Politics is too often decided too far from people. Those that makes decisions must listen to the poor. They restrict the small businesses instead of the big ones. So that the poor people stays poor and the rich ones get richer.

**Telma Monjonte**

I trade with cars and food between Swaziland, south Africa and Mozambique

My business is crucial for the survival of my family and the 13 people that I share a house with. Two police men told me that the goods they confiscate at the border and along the roads are resold by them. The police and customs officials are illegally making the profits that the traders were hoping for. Everybody, even the police, are making crimes! It undermines the whole system.

What are the existing policies of governments and SADC on the matter?

Informal trade is not formally regulated in the SADC region. While there are several informal trade associations in existence in Southern Africa, the current main institution in this regard is the recently launched Southern Africa Informal Cross Border Trade Association (SAICBTA). This body, launched in 2009, was created with the intention to address the needs the informal traders have, in order to assist them to run their businesses smoothly.

While SAICBTA is a step in the right direction for the ICBT on the ground, there are several other areas that need institutional reform to accommodate informal cross border trade, which still remains invisible despite the contribution it makes in the economy. An important factor which is often over looked is how much ICBT is contributing immensely to the process of regional integration. Informal trade is built and sustained on the informal networks that have been developed by people over years, even if they were not initially meant for trade. Kinship, faith and friendship networks play a critical role in ICBT as sources of initial capital, information on supply and demand of commodities and travel companionship. The purpose of regional integration is to increase Africa's visibility in the international trade arena and therefore stimulate healthier competitiveness between regions.

It is therefore unfortunate that most policy-makers at national and regional levels continue to ignore this form of trade. This is the reason why ICBT income does not appear in official trade statistics. Despite the lack of data, some estimates have put ICBT at between 30 to 40 percent of intra-SADC trade, suggesting that by ignoring informal traders, SADC member states could be overlooking a significant proportion of their trade. It is therefore important to do an extensive regional study in the SADC region which will monitor informal trade. This is because 'once-off' or 'snap-shop' studies in one or two countries do not offer sufficient information to produce accurate statistics on how immense this trade actually is.

In Southern Africa there are two main regional policy instruments which are relevant for ICBT. The first is the SADC Protocol on Trade, which was adopted by SADC Member States in 1996. In the Protocol on Trade, Member States agreed to adopt policies and implement measures within the Community to promote an open cross-border investment regime, thereby enhancing economic development, diversification and industrialisation.

Informal trade issues of relevance which are addressed in the Protocol include; transport issues and transporting and storage requirements pertaining to certain goods; exemptions from customs; customs legislation; import and export restrictions; and competition. The protocol further commits SADC Member States to raise awareness amongst their citizenry regarding the importance of trade to economic development; to facilitate the strengthening of internal capacities to undertake trade effectively; strengthen national and regional infrastructure; involve the private sector in policy development, encourage small and medium enterprise (SME) participation; raise awareness of trade and to harmonise laws and practice, as well as simplify and harmonise customs procedures.

While the provisions of the Protocol are relevant and important for informal traders, they do not seem to adequately take cognizance of the sector and thus respond to its needs effectively. It is unclear how informal traders or their associations can access the Protocol in terms of being within the scope of its provisions or whether they are considered as relevant actors in regional trade.

The second regional instrument is the Southern African Development Community Regional Indicative Strategic Development Plan (RISDP). Despite the seeming non-presence of informal trade issues in the other SADC Protocols, according to RISDP; 'In developing policies for industrial and mining development, the question of the informal sector both in terms of trade liberalization and actual production should be taken on board. Although there are no statistics, it is known that informal cross border trade is substantial and is thriving throughout the region. A large proportion of the population derives its livelihood from informal employment.'

One of the priority intervention areas in the Plan is 'Trade Liberalization and Development' whose overall goal is to 'facilitate trade and financial liberalization, competitive and diversified industrial development and increased investment for deeper regional integration and poverty eradication throughout the establishment of a SADC Common Market.' The objective here is to enhance employment creation capacity of industry and the rest of regional economies. The strategies proposed include the development of SMEs as well as, regularizing the operations of the informal sector and promoting entrepreneurship and self-employment.

The RISDP is the responsibility of SADC Member States and the Secretariat. It was agreed that between 2004 - 2008 amendments were to be made to all laws and regulations as appropriate to facilitate participation of SMEs in industrial production and develop a regional strategy on entrepreneurship promotion. Speaking on the RISDP the former Chief Director of SADC Secretariat Dr Themba Mhlongo who spoke on understanding the RISDP noted that "as much as implementation of the RISDP is largely at national level, there is great need for the SADC Secretariat to have more power to hold governments accountable to their commitments".

He also added that there is a need to strengthen the SADC institutions particularly the SADC National Committees; implementation of SADC legal instruments; and to place a representative of civil society at the SADC Secretariat as a critical link between Civil Society Organizations (CSOs) and the Secretariat.

Recommendations

It is clear that informal trade is an important socio-economic contributor in the SADC region. It is therefore important to have policies in place that support this means of survival; the initial step being to get SADC Member States to recognize ICBT as a significant and promising part of national and regional economies and create the necessary conditions for it to flourish. SADC's Vision seeks *'a future in a regional community that will ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice and peace and security for the peoples of Southern Africa.'*

Supporting informal cross border trading would go a long way towards promoting this vision. There is a need to address the gender-related problems in informal trade and furthermore, women should feel empowered and not undermined as they part-take in this trade.

The following are key recommendations on promoting informal cross border trading:

- As a way forward to incentivise traders to declare their goods officially for records, a regionally recognised Common Trader's Licence would be a good strategy to do this while addressing the problem of criminalization of ICBTs in Member States
- It is important to engender the Protocol on Trade and take into consideration issues affecting women entrepreneurs, especially women in SMEs and ICBTs.
- In order to lessen the burden faced by women (in relation to border formalities and abuse), there is a need for the ratification and implementation of the Protocol on the Facilitation of Free Movement of People.
- There is need at the national level for strengthening ICBT's associations and facilitate establishment/ formalization where they do not exist so that they speak with one voice. This could be made possible through the SADC National Committees.
- It is very crucial to simplify the forms that have to be filled in at border posts so that they are not cumbersome and complicated for ICBT is very crucial. This would simplify the release and clearance of goods from customs and further reduce waiting times at the border, making informal trade more viable and accessible.
- Enhanced transparency of trade related laws through publication of comprehensive information on trading conditions e.g. border agency procedures, fees and charges for importation and exportation in official gazettes and newspapers. Moreover, stronger law enforcements on matters such as corruption and the arbitrary application of trade-related regulations could revive the lost trust between the traders and customs officials.
- Better access to formal and gender equal sources of finance is essential, by providing better information and awareness on the available financial schemes for interested individuals. The SADC Member States need to work together with ICBT associations to facilitate the provision of financial assistance to people working in informal trade. Legislation that impedes the progress of women in informal trade needs to be revisited and rectified. For example the banking act of Swaziland regards women as minors who cannot make loans.
- It is important to empower women in business skills through training. Moreover, support needs to be given to women's ICBT associations to ensure their rights are acknowledged.

- It is essential to improve interaction and trust between traders and government agencies, e.g., through better public-private dialogue on trade-related regulations and enhanced integrity of Customs administrations.
- An automate customs management system for handling customs data and declarations. This will certainly help reduce lines and times of clearance. It will also make customs functions more transparent and efficient and enhance the levels of compliance with trade regulations.

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The Economic Justice Network

The Economic Justice Network of FOCCISA (Fellowship of Christian Councils in Southern Africa) is an ecumenical organisation working with 11 national councils of churches in the Southern Africa region, including Malawi, South Africa, Angola and Mozambique.

The Mission of the Network is to strengthen the commitment of the church in its advocacy work on economic justice and in acting as a catalyst for engaging people in the promotion of just economic and social structures. The Network will establish mechanisms to bring the experience and concerns of the marginalized and the poor people to the agenda of the church and society.

Contact

Church House
1 Queen Victoria Street
P.O. Box 2296
8000 Cape Town
T +27 21 424 9563
F +27 21 424 9564
www.ejn.org.za



ECONOMIC JUSTICE NETWORK of FOCCISA
Fellowship of Christian Councils in Southern Africa

P O Box 2296
CAPE TOWN
8000

Tel : +27-21-424 9563
Fax : +27-21-424 9564
Email : admin@ejn.org.za