

A snapshot of cross-border trade along the Abidjan-Lagos Corridor

Why collect data on ICBT?

Informal Cross Border Trade (ICBT) is an important factor in intra-African Trade and the implementation of the African Continental Free Trade Agreement. One major feature of trade in Africa is the convoys of informal traders regularly crossing the borders to exchange goods and services, giving rise to intense flows that account for a significant part of the continent's total trade. Today, cross-border trade is a major dimension of African economic and social landscapes: some approximations that exist suggest that ICBT contributes between 20-75 percent of total intra-regional trade depending on the country. Such trade supports livelihoods and creates employment, including for disadvantaged and marginalized groups.

Measuring informal cross-border trade is key to measuring the level of intra-African trade and supporting increased trade flows. Official trade statistics typically capture only formal trade which leads to underestimation of intra-African and intra- regional economic community (REC) trade. This is due to various difficulties in defining, measuring and recording ICBT. ICBT is typically predominantly small consignments of mixed goods in oddly shaped bundles often walked or bicycled across borders, and there are often many hundreds or thousands of small traders cross a single border point each day. In this context, it is impractical to stop every trader or to expect each trader to fill in a customs form, and even if they do fill in the forms, there is little capacity to process so many forms of such little value.

This dearth of reliable and regular data on ICBT has contributed to a lack of recognition of ICBT in national and regional policies and programmes, both at the micro and macro level. Information on the scale, magnitude and characteristics of informal cross-border trade is needed to facilitate tailored investment and policy planning that effectively reflects the special needs of informal traders. In particular, reliable ICBT data will be crucial to assist development finance institutions to design appropriate products, facilities and interventions that respond to the specific financing challenges faced by informal cross-border traders.

ICBT data is also important for monitoring progress on regional and continental frameworks and initiatives to spur intra-African trade. As African countries prepare for implementation of the African Continental Free Trade Area (AfCFTA), efforts will be needed to guide strategies for accounting for ICBT and draw attention to the importance of integrating measures to facilitate ICBT into AfCFTA implementation.

Pilot project along the Abidjan-Lagos corridor

In this context, the African Export-Import Bank and the African Trade Policy Centre (ATPC) of the United Nations Economic Commission for Africa (ECA) recently embarked on a new pilot project to collect data

on informal cross border trade (ICBT) in the Economic Community of West African States (ECOWAS) region using the Abidjan-Lagos Corridor. The African Union Commission (AUC) and ECOWAS serve as key project partners and the Eastern Africa Grain Council (EAGC) has been identified as the lead project implementation partner.

The project will collect ICBT data on a pilot basis along the Abidjan-Lagos corridor in the ECOWAS region for a period of four months from September 2019. The findings of the exercise are expected to shed light on the volume, value and nature of products traded along the corridor, in addition to identifying the key constraints to formalization. The data collected will also be gender disaggregated, which will help to provide a better picture on the gendered dimensions of ICBT, which is typically female dominated.

Establishing harmonized regional frameworks for ICBT

Moving towards an AU framework for measuring ICBT is a key objective of the partnership. The landmark AfCFTA offers the perfect opening to ensure that the full potential of ICBT is harnessed under a single comprehensive framework. With this in mind, the pilot project is just the first phase of a long-term partnership between ECA and AFREXIMBANK towards the adoption of a methodology to measure ICBT at the AU level.

It is in this context that the survey methodology and android data collection tool employed under the pilot project relied heavily on the best practice harmonized East African methodology and the Eastern Africa Grain Council's (EAGC) Regional Agricultural Trade and Intelligence Network (RATIN) technology, with adaptations for the West African region. The East African methodology is working well in Kenya, Rwanda and Uganda, and the intention is to ensure harmonization for effective comparability between ICBT data collection across the continent.

The pilot ICBT project will also produce a harmonized manual for ICBT data collection for the ECOWAS region, to feed into the ECOWAS Regional Informal Trade Regulatory Support Programme (RITRSP), which includes improved ICBT data collection as its first outcome.

The Abidjan-Lagos Corridor: what do we know?

An initial border profiling exercise took place along the Abidjan-Lagos corridor on 28 March – 1 April 2019, in order to inform the selection of border points for data collection and to gain a better understanding of the characteristics of the borders, nearby markets and traders.

The profiling was targeted at capturing:

- The location and characteristics (including policy environment) of border markets;
- Traffic volumes at border points;
- Commodities traded at the borders;
- Units of measurement and conversion factors;
- Observations in regard to trade in services;
- Currencies utilized;
- Demographics of traders; and
- Constraints and challenges to ICBT faced by both public and private sector players.

The exercise found social and economic infrastructure such as hospitals, schools, water, electricity and housing, among others, at all border points. Government agencies and local communities are typically the main players in trade facilitation at the border. Non-Governmental Organizations (NGOs) play an important role at some border points. For example, traders in the border town Aflao, are supported by Women in Law and Development in Africa (WILDAF) and the Borderless Alliance. Trade associations working with service providers, also often assist with transactions between their members and government agencies, and local money lenders typically provide access to finance for cross-border trade.

The volume of ICBT was rated as high at all border crossings, with peak volumes typically during the early morning and evening hours. Respondents indicated that the volume of trade for goods across the borders has seasonal dimension. Goods traded along the corridor included food items, fuel, agricultural raw materials and manufactured goods. Traders contribute the large share of traffic crossing the border daily, the majority of whom are women. Traders carrying goods spend much longer time crossing a given border point than those without goods. Besides traders crossing the border on foot, the majority of other crossings are drivers who transport goods on behalf of the traders (cargo owners). These drivers have very little knowledge of cross border trade requirements since their role is largely limited to only carriers - the transportation of goods.¹

The majority of trucks crossing the border were mostly overloaded (as demonstrated in Figure 2), a practice which was explained by truck drivers as a way of under-declaring the quantity of goods crossing the border, in order to avoid paying the required customs clearance fees. Additionally, this practice was perceived by truck drivers as a 'profit-maximizing' practice, in response to the high transportation costs per truck per trip along the corridor.

The border profiling exercise also revealed that customs offices typically charge customs clearance fees based on the carrying capacity of the vehicle and not the actual volume carried by the truck. This could pose a challenge in estimating the actual volume and value of cross border trade, since some trucks will be more loaded than others despite having the same carrying capacity, and highlights the need for informal cross border trade data collection to also capture the 'unrecorded' volume and value of goods.

In most cases, the "attractive" prices for products in a neighboring country along the Abidjan-Lagos Corridor contributes to increased informal cross border trade. Most traders prefer to use bicycles and carts to engage in cross border trade as there is no standardized method of assessment of how much

Figure 1: Focused group discussion with Nigerian trade facilitation agencies



Figure 2: Trucks and truck drivers in the queue waiting for clearance and instructions from cargo owners to cross the border at the Hillaconji border into Benin



¹ A large share of drivers interviewed had limited information regarding the origin (country where product was manufactured) of some of the manufactured goods they were transporting, due to their limited role in the processing of required documents for the cargo they were transporting across the border.

tax is payable for these “petty goods” or “headload goods”, and is determined by the custom officer’s own experience. This arbitrariness provides space for unfairness, blackmailing and corruption. Cross border trade in petty goods includes drinking water in sachets, plastic buckets, kola nuts and coconuts, among others.

Cross-border trade challenges were identified at all border-crossings. These included harassment, corruption, multiple documentations for traders to process, as well as multiple checkpoints. For example, on the Nigeria side of the Seme-Krake border, respondents reported experiencing on average a total of 34 checkpoints during the day and 54 during the night. Traders also complained of lack of information on cross border trade requirements and requested for sensitization platforms to build their capacity to engage in cross border trade. Transit traders, in particular, raised concerns on the issue of identification at the borders. Internet connectivity was also noted as a key challenge affecting communication at border points.

Figure 3: Informal cross border trader carrying sachet water from Nigeria to Benin



Figure 4: Trucks queueing for cross border trade clearance at the transit park at the Seme-Krake Border



What’s next?

The pilot data collection exercise along the Abidjan-Lagos corridor is to commence in September 2019 and will cover a period of four-months. The final project outputs will include a comprehensive report detailing the scale, characteristics and challenges of ICBT along the Abidjan-Lagos corridor, and a harmonized manual for ICBT data collection for the ECOWAS region.

Following the initial pilot, the intention is to scale and apply the methodology to other corridors and regions on the continent, with the ultimate goal of eventually developing a single continental framework for ICBT data collection.