



United Nations  
Economic Commission for Africa



# Towards an estimate of informal cross-border trade in Africa

To order copies of *Towards an estimate of informal cross-border trade in Africa*, please contact:

Publications Section  
Economic Commission for Africa  
Menelik II Avenue  
P.O. Box 3001  
Addis Ababa, Ethiopia

Tel: +251 11 544-9900  
Fax: +251 11 551-4416  
E-mail: [eca-info@un.org](mailto:eca-info@un.org)  
Web: [www.uneca.org](http://www.uneca.org)

© 2021 Economic Commission for Africa  
Addis Ababa, Ethiopia  
All rights reserved  
First printing August 2021

Material in this publication may be freely quoted or reprinted. Acknowledgement is requested, together with a copy of the publication.

The designations employed in this report and the material presented in it do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Economic Commission for Africa concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Designed and printed by the ECA Printing and Publishing Unit. ISO 14001:2015 certified.

# Towards an estimate of informal cross-border trade in Africa

*Edwin Gaarder, David Luke and Lily Sommer\**

\* Edwin Gaarder is an independent consultant specializing in international trade and sustainable development; David Luke is Professor in Practice and Strategic Director of the Firoz Lalji Institute for Africa at the London School of Economics and Political Science (LSE) and Lily Sommer is a trade policy expert at ATPC. The outcomes and recommendations presented in this paper are attributed to the three authors and do not necessarily reflect the views of ECA.



United Nations  
Economic Commission for Africa



---

## Abstract

*Official trade statistics typically capture only formal trade. In order to accurately monitor intra-African trade, it is important to understand the scale of informal trade. Reliable data on informal cross-border trade (ICBT) is also crucial to building awareness among policymakers of the importance of this phenomenon and to make a case for policy action. This paper provides a comparative analysis of the ratio of informal to formal trade for African countries for which data is available. Based on this assessment, the paper makes the first ever attempt to estimate the total value of ICBT in Africa. We estimate that the value of ICBT is significant across all African subregions. Our estimate found ICBT to be equivalent to between 7 and 16 per cent of formal intra-African trade flows, and to between 30 and 72 per cent of formal trade between neighbouring countries. Those figures are significant and have important implications for the value, composition and sophistication of intra-African trade, particularly between neighbouring countries. Within the context of efforts to implement the Agreement Establishing the African Continental Free Trade Area, ICBT data collection must be institutionalized in order to facilitate accurate tracking of intra-African trade flows.*

**Table 1: Overview of informal intra-African trade flows**

Value of informal cross-border trade (ICBT)	Low estimate	\$ 10 441 049 381
	High estimate	\$ 24 872 409 487
Value of total intra-African trade**		\$ 150 953 154 938
Share of ICBT in total value of cross-border trade between neighbouring countries	Low estimate	30%
	High estimate	72%
Ratio of ICBT to total value of intra-African trade	Low estimate	7%
	High estimate	16%

Sources: \*\*UNCTADstat; authors' calculations.

## Acknowledgements

The analysis in this paper would not have been possible without the data made available by a number of data collection institutions and agencies across the continent. In particular, the authors would like to thank the Bank of Uganda, the National Bank of Rwanda and the Togo National Institute of Statistics and Economic and Demographic Studies (INSEED) for sharing unpublished disaggregated national data sets. The authors are also grateful for the detailed and helpful comments provided by Tancrede Voituriez, a professor at the Sciences Po Paris School of International Affairs, and Senior Research Fellow, Governance of Sustainable Development, at the Institute for Sustainable Development and International Relations.



---

# 1: Introduction

Official trade statistics typically capture only formal trade, and leave out informal trade, which leads to underestimates of overall intra-African trade volumes, both at the continental level and within regional economic communities. Although some estimates have been made of informal cross-border trade (ICBT) in Africa, these are few in number, and are usually incomplete in terms of commodity coverage or data collection points. Furthermore, these estimates may not capture the full extent of informal trade, including the extent of night trade and the trade in under-declared goods. The methodological tools used by statistical agencies are far from consistent and the findings of monitoring exercises are not widely distributed or made available to the public. Data on the informal trade in services is even scarcer than data on the informal trade in goods.

The dearth of reliable and regular data on ICBT has contributed to a lack of recognition of its important economic role, both at the micro and macro levels. Data that provides an accurate overview of ICBT is crucial in the formulation, implementation and monitoring of effective trade and investment policies. Data on ICBT is needed not only to facilitate investment and policy planning but also to respond to the particular needs of informal traders, many of whom are

women. For example, coronavirus disease (COVID-19) border management responses and regulations have been limited to goods that are transported using trucks, and are not applicable to informal traders moving across borders on foot. Estimates on ICBT are also essential in the development of accurate trade statistics, which in turn facilitate accurate estimates of gross domestic product (GDP) and exchange and inflation rates, and facilitate the development of robust macroeconomic management and stabilization policies. ICBT data can, moreover, be used to estimate forgone revenue stemming from informal economic activity. Lastly, reliable data on ICBT in agricultural products is crucial when measuring household food balance sheets, which are key indicators of household nutrition and food security.

On 1 January 2021, trading officially began under the landmark Agreement Establishing the African Continental Free Trade Area. This makes the collection of accurate data on ICBT even more important. The Agreement was adopted to boost intra-African trade but without data on ICBT, policymakers tracking implementation of the Agreement will be unable to develop fully accurate models of intra-African trade flows.

## 2: Definition

There is no universally agreed definition of ICBT and the phenomenon is often conflated with “smuggling” and other illegal practices. “Smuggling” or “illegal trade”, “unrecorded cross-border trade” and “small-scale cross-border trade” are just a few of the terms that have been associated with, or considered equivalent to, the phenomenon that we are describing in this paper as “informal cross-border trade”. Indeed, one of the difficulties of discussing ICBT is that analysts tend to employ different terminologies in different ways and to include or exclude informal practices that fit or do not fit their methodologies

and conceptual frameworks. Some of the most common dividing lines that are used to distinguish between formal and informal trade are: whether or not the movement of goods has been recorded by customs authorities; whether taxes and duties have or have not been paid; whether the trader has or has not registered his or her business; and the size of the business or the volume of consignments transported across the border. A comprehensive discussion of “informal trade” and potential definitions of that phenomenon is provided in Cantens, Ireland and Raballand

(2015), who problematize some of the most common approaches:

*For example, it is common to say that informal trade is the trade that is not reported in national statistics and that this non-report [sic] constitutes a definition of informality. If the first part of the sentence may be partially true – an informal trade transaction may be partially informal and thus partially reported in national statistics – the second part of the sentence – identifying the non-report to informality – is a methodological choice assuming that informality will be explored quantitatively. This is legitimate as an exploratory choice but this cannot be a “definition” of informal trade. If it was the case, this definition would assume that “statistics” have some kind of necessary pre-existence and informality would have a negative dimension according to what should be done (reporting quantitatively) and would be a hole to be filled in knowledge.*

*Taxation is another example of the existing continuum between informal and formal activities. Taxation was often represented as a dividing line between formal and informal (MacGaffey, 1987), but cross-border traders who are represented by the authorities as “informal” pay some taxes or fully pay certain taxes and not others. One can be “informal” according to a specific regulation and cannot be so for another: Lautier (1995) exposes the case of traders who are identified at the municipality and pay the required local taxes but do not pay for social security.*

*The size of the company is not always admissible as a criterion defining the informal sector. For instance, a merchant working in*

*legalize them, while others are “illegitimate”, and should remain illegal. In the case of trade, the difference between “informal cross-border trade” and “illegal trade” or “smuggling” is essentially motivational: whereas “smuggling [is] based on the wish to pay no or fewer taxes, or to profit from trade in prohibited goods such as crystal meth”, informal cross-border traders avoid formalities for more legitimate reasons (Cantens, Ireland and Raballand 2015). They may not be able to afford the costs of trading formally, for example, or might not have the skills or the knowledge needed to comply with trade regulations. In a study of small-scale cross-border traders (SSCBTs) in the Common Market for Eastern and Southern Africa (COMESA) region, for instance, the International Trade Centre (ITC, 2019) argues that:*

*...a distinction should be made between “smugglers” and SSCBTs: the former act in bad faith to avoid legitimate controls and revenue-raising activities at borders, whilst the latter find themselves constrained to trade in unorthodox ways, either because they do not have the skills and knowledge required to comply with trade-related regulations and border procedures, or because the costs of formal trade are simply too high for them to bear. SSCBTs engage in cross-border trade in good faith, as it is one of the best livelihood options available to them; many of them [express] a wish to formalize and respect the laws and regulations that govern cross-border trade.*

From a data-collection perspective, the definition of informal cross-border trade should recognize these complexities but nevertheless focus firmly on the practical implications for practitioners. In

预览已结束，完整报告链接和二维码如下：

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_274](https://www.yunbaogao.cn/report/index/report?reportId=5_274)

