

***FINAL***

**OPTIMISING REGIONAL INTEGRATION IN SOUTHERN AFRICA:  
ASSESSING INFORMAL CROSS BORDER TRADE IN SADC**

**SOUTHERN AFRICAN RESEARCH AND DOCUMENTATION CENTRE  
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## LIST OF ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
AFRODAD	African Forum and Network on Debt and Development
AIDS	Acquired Immune Deficiency Syndrome
CMA	Common Monetary Area
COMESA	Common Market for Eastern and Southern Africa
DBSA	Development Bank of Southern Africa
DRC	Democratic Republic of Congo
ERP	Economic Recovery Programme
EAC	East African Community
ESAP	Economic Structural Adjustment Program
ESRF	Economic and Social Research Foundation
EU	European Union
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
HPI	Human Poverty Index
HSRC	Human Sciences Research Council
ICBT	Informal Cross Border Trade
ICBTs	Informal Cross Border Traders
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MRA	Malawi Revenue Authority
NEPAD	New Partnership for Africa's Development
NHDR	National Human Development Report
PARPA	Action Plan for the Reduction of Absolute Poverty
PRSP	Poverty Reduction Strategy Paper
REC	Regional Economic Community
RDP	Restructuring and Development Programme
RISDP	Regional Indicative Strategic Development Plan
PAYE	Pay As You Earn
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern Africa Development Co-ordination Conference
SARDC	Southern African Research and Documentation Centre
SARPN	Southern African Regional Poverty Network
SMEs	Small and Medium Enterprises
TPIN	Taxpayer Identification Number
TRA	Tanzania Revenue Authority
UNECA	United Nations Commission for Africa
UNDP	United Nations Development Programme
VAT	Value Added Tax
WTO	World Trade Organisation
ZIMPREST	Zimbabwe Programme for Economic and Social Transformation
ZIMRA	Zimbabwe Revenue Authority
ZRA	Zambia Revenue Authority

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## **EXECUTIVE SUMMARY**

Global experiences demonstrate that there is a vicious circle where people seek to find alternative livelihoods to break out of the poverty trap through informal cross border trade (ICBT). However, without addressing the structural factors that trap many people in poverty in the first instance, most of the people will slide back into the poverty trap regardless of their efforts in informal sector activities, including ICBT. The level of ICBT in southern Africa remains high and many people are making a decent living out of this form of business. For many citizens of the Southern African Development Community (SADC), ICBT has become a profitable enterprise to the extent that some of them have dared to leave formal employment to concentrate on informal cross border trade. There is also great scope to link ICBT to formal trade in the SADC countries in a more conscious manner with potential benefits realized at all levels from micro to regional levels.

However, most policy-makers at the national and regional levels continue to ignore this form of trade and as such ICBT flows do not appear in official trade statistics leading to a situation whereby official trade flows are understated. Furthermore, ICBT is often stigmatised and suffers from stereotypes of smuggling and lack of interest occasioned by lack of data commonly due to the secretive nature of informal cross border trade. Thus ICBT is perceived as not only economically non-viable but also as socially undesirable. 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 cross border trade, SADC member states could be overlooking a significant proportion of their trade.

This survey was motivated by the need to better understand the dynamics of ICBT in southern Africa and offer recommendations to facilitate policy responses and measures that are pro-poor. Informal cross border trade in this study was defined as consisting of easily observable goods that are traded across countries either by avoiding customs points or passing through the customs points but with intentionally undervalued declarations. The study sought to assess the role and significance of informal cross border trade in poverty reduction and trade integration in the

SADC region. The study explores the link between ICBT and poverty alleviation in SADC as well as discussing the impact on ICBT of the current national and regional policy framework including the SADC Trade Protocol.

Data was collected through a desk study and field interviews with a wide range of stakeholders comprising traders, trade unions and associations, central and local government officials, clearing agents, financial institutions, transport operators and also with the SADC Secretariat guided by questionnaires, which were the main instruments of the survey. The interviews were carried out in selected capital cities and border points of six SADC member states – Malawi, Mozambique, South Africa, Tanzania, Zambia and Zimbabwe.

The study found that the lack of recognition of ICBT is evident, despite the fact that national and regional policy initiatives, in particular the SADC Trade Protocol, portray intra-regional trade as an important way of spurring economic development and poverty reduction. The findings further revealed that ICBT contributes significantly to the well being of citizens and if deliberate steps are taken to create an enabling policy and regulatory environment, the sector can have a positive impact towards the attainment of Millennium Development Goals (MDGs).

In some southern African countries, ICBT has contributed significantly towards employment creation and income generation especially for people who are unable to find formal employment due to various social and economic reasons and also those who have been retrenched from formal employment. The employment created has had a multiplier effect on the poor, helping to generate income, which enables the ICBTs to access basic necessities including decent shelter, education and health care. The regional average monthly value of goods traded was found to be as high as US\$2,500 per person while some traders confirmed that they lived on more than US\$1 a day which would not happen if they relied on formal employment income alone.

ICBT also plays an important role in ensuring food security by moving agricultural produce and other foodstuffs from where they are in surplus to where there is a deficit. ICBT also plays a complementary role to established businesses by supplying goods in short supply as well as opening new markets or pioneering new product lines. Further, ICBT is a key source of



empowerment for women who constitute the majority. The findings showed that on average over 70 percent of informal cross border traders are female who could either be widowed, divorced or who simply undertake this business to supplement their spouses' incomes.

However, ICBT has its own undesirable implications primarily because it can provide fertile ground for a myriad of illicit economic and social practices including drug trafficking; smuggling for example of precious minerals such as gold and diamonds. Although there are cases of abuse of ICBT where there is evidence of customs and tax evasion which deprives governments of potential revenue; illegal currency trading; cases where there is inability to meet certain health, sanitary and environmental requirements, social concerns which are highlighted by instability of families often due to long absence from home by either spouse, the positive results of ICBT outweigh the negative consequences.

In southern Africa, ICBTs is a diverse group dominated by women and generally comprising the vulnerable, unemployed, orphans, refugees, the youth, school leavers and widows among others. While acknowledging that ICBT is a form of business and that indeed it is a viable means of survival for many, ICBTs interviewed in this research highlighted a number of obstacles and restrictions that hinder their involvement in informal cross border trade as they move from one country to another. Such challenges include, among others, difficulties in obtaining passports and visas; being refused entry in countries that may not require visas; excessive customs charges; unwarranted impounding of goods; unfair treatment of traders as smugglers and drug traffickers; numerous check-points; humiliating body searches; limited access to formal credit schemes; lack of reliable transport; weak associations; and a generally unfavourable policy and regulatory environment.

Based on the findings, the study makes the following policy recommendations to, among other things, improve the conditions of ICBTs and facilitate their transformation into the formal sector:

- ⇒ Need to employ more innovative ways of tackling illicit trade practices so as to flush out smugglers and drug traffickers from well-meaning ICBTs;
- ⇒ Need for harmonisation of trade policies including speedier implementation of the SADC Trade Protocol;

- ⇒ Need for a regionally recognised Common Trader's Licence which would work as an incentive for ICBTs to declare their activities for official trade records;
- ⇒ Need for a regional policy framework specific to needs of ICBT or alternatively an Addendum to the Trade Protocol on ICBT;
- ⇒ Registration of cross-border traders without necessarily subjecting them to taxes until they have reached a stage where they are able to pay such taxes without threatening their viability;
- ⇒ Simplification of customs documents and procedures to cater for all including the educationally handicapped traders;
- ⇒ Need for wider consultations with the poor including ICBTs before relevant policies are formulated;
- ⇒ Establishment of information centres for dissemination of information on customs procedures and other trade-related economic and social issues;
- ⇒ Need for capacity building and awareness raising through workshops, seminars and other means among stakeholders;
- ⇒ Need for traders to form and strengthen cross border traders' associations through whom policy dialogue can be pursued;
- ⇒ Need for traders to embrace a culture of compliance with customs and other regulatory requirements in order to build;
- ⇒ Faster and wider implementation of one-stop-border posts;
- ⇒ Provision of suitable accommodation, water and sanitation facilities for ICBTs;
- ⇒ Provision of enough market space by local authorities;
- ⇒ Provision of more efficient transport and better infrastructure in the region;
- ⇒ Improving accessibility of finance by traders from financial institutions; and
- ⇒ Continuation of HIV and AIDS awareness campaigns.

# **1. BACKGROUND**

## **1.1 Introduction**

The term Informal Cross-Border Trade (ICBT) in this study refers to largely un-recorded trade of goods and services passing through and in the neighbourhood of the established customs points along the borders of countries in the Southern African Development Community (SADC)<sup>1</sup> region. The term “un-recorded” includes goods that are under-invoiced and goods that are mis-declared without necessarily including clandestine operations such as secret deals involving formal importers, exporters, customs and other public officials (Macamo, 1998). The methodology used in this study is focused on the activities undertaken, particularly the type, quantity and value of traded goods and the characteristics of the individuals involved in such activities. ICBT participants include wholesalers and retailers who are registered in their countries of origin, individual informal traders, both male and female. The group includes hawkers/agents, a heterogeneous group comprising unskilled people as well as fairly organised specialists running formal businesses and often with considerable skills. Transporters of various sorts, who ordinarily would be classified under formal trade, often form a heterogeneous group which is highly visible at all the border posts in the SADC region.

ICBT, also referred to as parallel trade is informal but with implications for the larger national and global economy. In Africa the parallel/informal economy seems much larger than the formal economy in terms of share and impact (GDP, employment, etc). It is argued by many authors that the real integration process of Africa is taking place in ICBT more than in formal trade and populations of Africa are much more at ease in informal trade (UNIFEM, 2007). It is beneficial to maximize benefits from such trade, as it is a cushion to formal economy and formal trade failures. There is a history in ICBT in which networks of people in the region are increasingly

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<sup>1</sup> The Southern African Development Community (SADC) was established in Windhoek, Namibia on 17 August 1992, and currently comprises of 14 member states namely Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

becoming economic networks in which traders move in search of *goods, correct prices* and they are facilitated by availability of supply. ICBT is often driven by the need to improve welfare by the poor; it is a survival as well as an accumulation of wealth strategy. In this regard ICBT can be viewed as a force for political stability in Africa. However, even though economic reforms adopted in the 1980s and 1990s encouraged the export-led growth strategy, ironically intra-African trade spearheaded through the ICBTs continues to be regarded and often classified as an illegal activity.

ICBT is by no means a new phenomenon in the SADC region but is an ancient activity, which just continues to grow and change form with the evolutions and turns of regional dynamics (Ndlela, 2006:7). The SADC region is characterised historically by common cultures and relations that were divided by national boundaries currently in use and established during the colonial period.

Through the Regional Indicative Strategic Development Plan (RISDP), SADC has outlined its short, medium and long-term policies and strategies for achieving deeper regional integration with the ultimate objective of eradicating poverty (SADC-SARDC, 2004:3). Although all interventions in the RISDP are aimed at ultimately addressing poverty challenges in the region, the intervention on Trade, Economic Liberalization and Development has been singled out by SADC as one that has the greatest potential in contributing towards its overall objective of poverty eradication.

The RISDP outlines targets for economic integration namely:

- Free Trade Area in 2008
- Customs Union in 2010
- Common Market in 2015
- Monetary Union in 2018 (SADC-SARDC, 2007:4).

The economic integration targets are to be achieved based on the provisions of the SADC Trade Protocol. The RISDP targets to halve the proportion of people living on less than US\$1 per day by 2015 (SADC, 2003a:56). The ultimate objective of the RISDP is to deepen the integration

agenda of SADC with a view to accelerating poverty eradication and the attainment of other economic and non-economic development goals as stipulated in Article 5 of the SADC Treaty (SADC, 2003b: 5).

Intra-SADC trade has been characterised by protectionism, largely expressed in prohibitive import duties, as governments sought to protect their nascent local industries as well as give priority to revenue generation for developmental purposes. The highest levels of protectionism were prevalent in SADC in the 1970s and 1980s through tariff and non-tariff barriers. However, the early 1990s saw shifts in trade policy in the Southern African region from high protectionism towards liberalisation and privatisation as countries embarked on SAPs supported by international financial institutions such as the World Bank and the International Monetary Fund (SADC-SARDC, 2006:8).

To further liberalise trade in line with the World Trade Organisation (WTO) obligations for regional free trade areas, countries in Southern Africa came up with a number of trade agreements in both COMESA and SADC. All SADC countries, some of which have overlapping trade arrangements with SACU<sup>2</sup>, COMESA or EAC follow a common route of liberalisation whose main thrust is export led growth with more access to regional and world markets and complete removal or at least loosening of protectionism.

It is pertinent in this study, to investigate the influence of these economic dynamics on ICBT and ultimately on poverty reduction. The remaining sub-section of this section outlines the focus, objectives and methodology adopted by the present study.

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<sup>2</sup> With membership of South Africa, along with Botswana, Lesotho, Namibia and Swaziland (BLNS), SACU was originally formed in 1910, and has among its current objectives, facilitation of cross border movement of goods; the enhancement of trade and economic development in the region. All SACU members are members of SADC

## **1.2 The focus of the study**

The research project, “Optimising Regional Integration in Southern Africa: Assessing Informal Cross Border Trade in SADC”, was conducted by the Southern African Research and Documentation Centre (SARDC) with support from the Southern Africa Trust.

The study discusses poverty and the socio-economic overview of the SADC countries and focuses primarily on ICBT and its role in poverty reduction and improvement of people’s living standards. With an emphasis on both desk study and field research, the study explores challenges faced by ICBTs, the impact of national and regional structural frameworks, as well as the links between ICBT and poverty reduction. The study also seeks to enhance the understanding of ICBT dynamics in SADC and how the formal recognition, promotion and facilitation of this activity can be effective intervention criteria in poverty reduction.

The study was prepared as a contribution to the SADC International Consultative Conference on Poverty and Development to be held during the second quarter of 2008. The theme of this Conference is “Regional Economic Integration: A strategy for Poverty Eradication towards Sustainable Development”. The Conference is intended to be a strategic dialogue that recognises the necessity of regional multi-dimensional strategies and approaches to tackling poverty. The Conference also provides an opportunity to reflect and adopt innovative approaches to the region’s poverty eradication strategies in an endeavour to meet, among others, the targets spelt out in the MDGs in reducing poverty.

It is hoped that the findings of this study will help elaborate on programmes, projects and actions to be undertaken at national and regional levels in the fight against poverty in the SADC region. This is based on the premise that the promotion and facilitation of ICBT is *inter alia*, an intervention that could contribute towards the alleviation of poverty in the region.

### **1.3 Objectives and rationale for the study**

The overarching objective of this study is to assess the role and significance of informal cross border trade (ICBT) in poverty reduction and trade integration in the SADC region. Given the contextualization of the ICBT as defined above, the specific objectives of the study are:

- To investigate and examine the scope and extent of ICBT activities in the selected SADC countries and assess the links between ICBT and poverty reduction at both the national level and the SADC regional level.
- To assess the impact of the current regional policy frameworks including the SADC Trade Protocol on ICBT.
- To investigate issues affecting ICBTs within the framework of regional objectives and ascertain the extent to which the measures being taken by governments conform to regional policies and strategies.
- To assess the regional role and significance of ICBT in poverty reduction and trade integration in the SADC region.
- To generate knowledge as to why people operate as informal cross-border traders and also explore the possible link between informal cross-border trade and poverty reduction.

As observed by Ndlela, there is “a yawning gap” between the realities of cross border trade on the ground and a lack of in-depth research and informed opinion at the level of SADC and that of its member states. (Ndlela, 2006: 39).

The rationale for the study stems from the theoretical literature, which treats trade generally as a means to reducing poverty (Biswas and Sindzingre, 2006:3). The relationship between trade and economic growth on one hand, and economic growth and poverty reduction on the other are well recognised in the literature as discussed below. Trade policy potentially affects poverty through its effects on economic growth and income distribution (Solow, 1956; Edwards, 1993; Hoekman et al, 2001; Duncan and Pollard, 2002).

Recent research has tended to concentrate on the formal sector trade or the informal sector (in its broad sense) at the national level. Regional aspects of informal cross border trade have been

largely ignored for a variety of reasons, while at the very worst this trade has been labelled illicit, yet it is one of the ways through which citizens, especially those who cannot find formal employment find solace in coping with the challenges of daily living.

## **1.4 Methodology**

### **1.4.1 Approach to the study**

The study involves the following processes: (a) Conceptualising ICBT and poverty in global, regional integration, economic, poverty and gender dynamics context. (b) Analysis of the dynamics of ICBT in the SADC region, drawing upon studies on ICBT in SADC and (b) Analysis of some primary research.

An overview of the socio-economic situation in the SADC region is provided, giving a description and analysis of the recent economic, social, human development trends and poverty analysis within the context of regional trade. An analysis of the economic challenges, other key development dimensions relevant to the contextual framework for regional trade and ICBT and some deficiencies of regional economic communities is also provided.

A desk study was undertaken to examine previous research work on the informal sector in general and on informal cross border trade in particular. Past findings on the challenges faced by informal cross border traders in other parts of the world, the role of ICBT on poverty reduction as well as recommendations from these studies on how this trade can be promoted were explored. Literature on poverty and its dimensions and the link between poverty and ICBT is discussed. The findings from these prior studies became the impetus for further investigations of ICBT in the SADC regional context.

Following visits to selected border posts which was part of the study team's fieldwork, the team examined and analysed the findings and presented the empirical results, shedding light and insights into the role and significance of ICBT in poverty reduction and trade facilitation and integration.



The findings from previous studies and primary data collection have provided the basis for presenting actions and policy recommendations for consideration and implementation at both the national and SADC regional levels.

#### **1.4.2 Techniques for data collection**

Data was collected through a limited number of interviews with a wide spectrum of stakeholders, among them, ICBTs, trade unions, trade associations, civil society organisations, government officials, financial institutions, transport operators, clearing agents and the SADC Secretariat. The purpose of these interviews was to gain insight about the socio-economic characteristics of ICBT and national and regional policies and strategies affecting trade and SADC's perspective regarding ICBT. The study explores the range of trade policies and trade facilitation interventions in SADC member states.

Six non-structured questionnaires were designed and used as instruments of primary data gathering to guide the interviews. The questionnaires were designed specifically for each group of informants in order to capture data relating to trade practices, challenges and benefits of cross-border trade, employment and income levels, gender dimensions of ICBTs and regulatory environment facing cross-border traders at both national and regional levels. Information on the types of goods traded, sources of goods and marketing channels for these goods was captured. A limited number of key persons involved directly or indirectly in monitoring or oversight of trade activities in central and local government, trade associations, trade unions and financial institutions were interviewed. Random sampling was used to select ICBTs at the markets in cities and at the borders (See Appendix).

#### **1.4.3 Regional coverage of information collection activities**

The desk study covered all 14 SADC countries while field studies were undertaken based on selected border posts in SADC member states for data collection. Researchers visited selected borders and capital cities of some of the countries for which borders were monitored. Selection of border posts was also dependent on general knowledge of the volume of ICBT across borders that were surveyed.

The following border posts were visited during the fieldwork:

- (i) Beitbridge (Zimbabwe-South Africa)
- (ii) Chirundu (Zambia-Zimbabwe)
- (iii) Ressano-Garcia/Komatipoort (Mozambique-South Africa)
- (iv) Mchinji/Mwami (Malawi-Zambia)
- (v) Tunduma/Nakonde (Tanzania-Zambia)
- (vi) Kasumulu/Songwe (Tanzania-Malawi)

Each of the above border points was surveyed for three to five days. Primary data was gathered through interviews of participants in ICBT and other key informants, physical monitoring and observation of daily activities at the borders. Information collected at the borders included the gender dimension, the composition of traded goods, direction of trade, modes of transport, reasons for engaging in informal trade, how traders' lives have changed as a result of ICBT, time taken by the traders at the border to go through customs and immigration procedures, the treatment of traders by customs and immigration officials as well as the facilities at the border posts. Information on source and origin of traded goods was also gathered at the borders.

The researchers also carried out interviews with financial institutions, central and local government officials, trade unions and trade associations and transport operators in the selected capital cities of SADC member states. For transport operators, researchers visited the main stations for trans-border buses and minibuses to interview the drivers while at the same time making observations as the traders came in or went out of the various countries involved. Cross border traders were also interviewed at the markets where they sell their goods in the member states for example at flea markets and places such as the COMESA Market<sup>3</sup> in Lusaka, Zambia.

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<sup>3</sup> A market in Lusaka, Zambia, where citizens in the COMESA and SADC regions involved in cross border trade meet to sell a wide range of merchandise sourced from the two regions and from all over the world.

#### **1.4.4 Participants/respondents in the survey**

Key informants included ICBTs, trade unions and trade associations, central and local government officials, including customs and immigration officials at various border posts, transporters, financial institutions and the SADC Secretariat.

**Traders:** This group comprises ICBTs who go on trading trips of more than a day and the day-trippers who usually live around the border areas. These traders act as wholesalers or retailers of commodities for the informal sector in their home countries and also in the neighbouring countries. Some of them also have strong links with registered wholesalers and retailers on both sides of the borders that they will be dealing with.

**Trade Unions and Trade Associations:** This group of respondents includes congresses of trade union organisations in various countries in the region and trade associations such as chambers of commerce, informal traders associations, women's organisations and other civil society organisations.

**Local and Central Government:** Central government representatives involved are senior economists, permanent secretaries or principal directors in the ministries of commerce, industry and international trade as well as ministries of small and medium scale enterprises. Customs and immigration officials in the cities as well as at the borders were also engaged. Local government includes senior municipal officials as well as representatives from town councils of various cities in SADC member states.

**Transporters:** This group of informants includes trans-border bus and minibus operators and drivers as well as bus and minibus operators and drivers who ferry people to the border posts and back to the major cities without necessarily crossing border points. Trans-border haulage truck drivers also formed part of this group.

**Clearing agents:** This category includes shipping and clearing agents present at the border posts.

**Financial Institutions:** Financial institutions involved in this study include commercial banks, specialised finance and micro-finance institutions.

**SADC Secretariat:** Representatives of the SADC Secretariat were interviewed to get insight on regional trading practices, policies affecting informal cross border traders and the way forward regarding regional policy on ICBT.

#### **1.4.5 Data analysis**

Qualitative data analysed involved examining the assembled data on ICBT from the interviews and questionnaires to determine relationship with the objectives and questions raised in the study. Quantitative data was analysed using frequency distributions and percentages. Data was extracted from the responses in questionnaires and input into MS Excel for analysis. The findings were then presented in the form of charts, graphs, tables, percentages and averages.

#### **1.4.6 Data problems**

The data, which forms the empirical basis of our research results, are drawn from a survey of five countries. While it would have been desirable to visit more countries as well as interview more stakeholders over a longer period, this was not possible due to resource and time constraints.

- Some of the border posts are in the remotest areas of the region, which made it difficult to access them. As a result, a considerable amount of time was spent on travelling.
- The volume of traffic at some borders is low and thus the actual time that one could spend with the ICBTs at some border posts was very limited. Furthermore, due to the lack of recorded data on ICBT, the survey relied on estimates from the respondents as well as qualitative data based on observations by members of the research team.
- ICBT is often shrouded in secrecy and as such some traders were not willing to disclose certain information on sensitive issues such as smuggled or illegally traded goods for obvious reasons.

## **2. GLOBAL CONTEXT OF ICBT**

### **2.1 International Trade Context**

ICBT is not taking place in a vacuum. There is a global context within which all trade takes place, namely the new international trade complex which centres around the World Trade Organization's (WTO) establishment in 1995 after the Uruguay Round. WTO sets parameters for international trade and works closely with International Financial Institutions (IFIs) such as the World Bank (WB) and International Monetary Fund (IMF) to promote trade liberalization. Common trade agreements include Free Trade Areas (FTAs) and Bilateral Investment Treaties (BITs) designed to encourage foreign direct investment (FDI) and protect investors. Issues of migration, social policy and gender are not yet covered by WTO. International trade just like neo-liberal macroeconomics has goods and services focus, not people focus. ICBT in the meantime is about women and men crossing "artificial" country borders to trade in goods and services in search of improved welfare.

According to the General Agreement on Trade in Services (GATS) classification, there is a distributive/retail trade services sector. Distribution is the end of international production networks. Although GATS does not officially recognise ICBT, ideally ICBTs should fall under Mode 4 on movement of natural persons. Since ICBT is not the usual form of migration, there are conceptual problems, which arise because of the overlap between usual migration and ICBT. Migration covers temporary movement, performance of a service (not part of the labour market), *etcetera*. GATS has no specification of skill levels or professions but implies preference for licensed professionals. Some countries in southern Africa have enjoyed benefits provided under the United States of America's African Growth and Opportunity Act (AGOA) giving the countries unrestricted access, (without paying tariffs), to access US markets for the export of textiles and clothes. Similar preferential access has been extended to most southern African countries within the framework of successive Lomé agreements and later the Cotonou agreement between the European Union and African, Caribbean and Pacific (ACP) group of states.

Negotiations are currently underway between ACP regions such as SADC and the EU for Economic Partnership Agreements (EPAs) to replace the Cotonou preferences.

The behaviour of trade emanates from the fundamentals of the neoclassical macroeconomic paradigm, which emphasises efficient resource allocation to maximize output. However, in reality, the purpose of macroeconomics should be about provisioning to benefit human lives, i.e. human development which puts people at the centre of the development agenda. In the human development agenda three spheres of socio-economic activity are important namely: the production, finance and social reproduction. The first two spheres govern property and assets while social reproduction provides the critical component of labour. Social reproduction remains a challenge to contemporary macroeconomics, which should recognize that social reproduction is valuable and not conditional on growth and it does not limit productive success but rather enhances it. This would in turn entail collective responsibility for reproductive roles especially care work by the state (publicly provided services). There are three substitute modes of social reproduction namely; internalized (extended family, kinship systems), socialized (gender sensitive government budget, infrastructure, social services, high taxation for care, welfare/socialist state) and marketized (voucher systems, user fees, fast food chains, nannies, domestic workers etc). Sometimes these are combined. If this understanding were to happen at this high level of macroeconomics and trade, it would help women as they engage in ICBT, where the same behaviour notions are required (UNIFEM, 2007).

In International Production Networks (IPNs) and Global Value Chains (GVCs) firms seek to minimise production costs by dividing the entire production process into a number of sub-processes and by locating each sub-process in a country where that particular sub-process may be performed most efficiently or inexpensively (Lee, 2002). Thus there is dispersed production across a long chain of suppliers, contractors and industrial outworkers in *global value chains* (UNIFEM 2007). In reality ICBT is part and parcel of these IPNs and GVCs in the sense that production and distribution may actually be taking place under highly informal conditions by dispersed informal producers and traders. For example, Chinese products are now being traded by both women and men in ICBT in various parts of the world including Southern Africa. The

nature of informality combines nature of the place of work, employment status, and production system. Thus, ICBT is at the tail end of IPNs and GVCs (UNIFEM, 2007).

## **2.2 Poverty in the Global Context**

There are many key drivers for ICBT. The need to examine the poverty context in ICBT arises from the clear understanding that ICBT is to a very large extent induced by poverty. Because poverty is a push factor for informal cross-border trade, analysis of the former is critical in order to provide a proper context within which ICBT takes place.

In addition to the complexities of the international trade context of ICBT, there is also the global context of poverty. Even though poverty, which stands at the centre of ICBT, is political in both its generation dynamics and in addressing it, at the international level poverty research has become an industry. The World Bank/IMF income approaches to poverty battle it out against the United Nations Development Programme's (UNDP) human development approaches to poverty. The former with financial muscle are pushing their agenda in Africa through Poverty Reduction Strategy Papers (PRSPs) while the latter with less resources works through broad international strategies such as the Millennium Development Goals (MDGs) and the policy mainstreaming approach to the achievement of sustainable development.

Poverty research in international development is an exercise in power: it is dominated by people educated in a small number of mainly American universities. Influence of American liberalism which builds on "the idea that scientific knowledge holds the key to solving social problems" including poverty, ignores the reality that poverty knowledge is profoundly political (O'Connor 2001). Mainstream poverty knowledge relies on long chains of assumptions so that it is always open to questioning. The assumptions that would eventually be accepted depend on value judgments by different specialists. The World Bank plays a key role in generating poverty knowledge focusing on the development of sophisticated measurements of income poverty.

In recent years, the poverty research industry has adopted a multi-dimensional view of poverty, going beyond income/consumption measures to take account of holdings of assets and hence of longer run security, and of the factor of self-respect (see Chambers 1988, 1992). Amartya Sen's "capability approach" to poverty defines poverty as the absence or inadequate realization of certain basic freedoms (positive and negative), such as the freedoms to avoid hunger, disease, illiteracy, and so on. The capability approach to poverty provides a conceptual bridge between the discourses on poverty and human rights. It refers to the non-fulfilment of human rights, but without de-linking it from the lack of command over economic resources, which is a key element of the concept of poverty. The relevant concept is not low income but the broader concept of inadequate command over economic resources, of which inadequate personal income is only one possible source. What is emerging from these two major approaches are two notions of poverty namely: public poverty (housing, health and education etc) and private poverty (inadequate personal income).

The Rights-based approach (RBA) on the other hand argues that poverty reduction and human rights are not two projects, but two mutually reinforcing approaches to the same project. The recognition that poverty has an irreducible economic connotation does not necessarily imply the primacy of economic factors in the causation of poverty. For example, when discrimination based on gender, ethnicity or any other ground denies a person access to health-care resources, the resulting ill-health is clearly a case of capability failure that should count as poverty because the lack of access to resources has played a role. But causal primacy in this case lies in the socio-cultural practices as well as the political-legal frameworks that permit discrimination against particular individuals or groups; lack of command over resources plays merely a mediating role.

In conclusion, while some approaches recognize that poverty is a construct, that it is construed in different ways by different actors; and that these constructions are profoundly political, there seems to be a continuity between analyses of poverty and the prejudices of social elites about the poor (Green 2005; Green and Hulme 2005): who perceive poverty as the outcome of the behaviours of those who are affected by it; and it has to be eliminated to maintain social functionality. Poverty is seen as a kind of a social aberration rather than an aspect of the ways in



which the modern state and a market society have malfunctioned. In general, the mainstream approaches to poverty research lack analysis of the structures and relationships that give rise to the effects that are taken to define poverty. The account of poverty remains a characteristic of individuals or of households (it is individuals or households that lack incomes, security and self-respect) and the effects of poverty are sometimes represented as causes.

Conventional poverty analysis conceptualizes poverty as a state that is external to the people affected by it. Individuals or households fall into it, or are trapped in it, or they escape from it. It is not seen as the consequence of social relations and is separated from the social processes of the accumulation and distribution of wealth. As a result, conventional approaches build on a mistaken view of “science” that gives primacy to measurement and disregards contextualization. The concept of poverty is depoliticized and intellectually, depoliticization is a profound political intellectual act (O’Connor 2001, Hariss 2006).

Global experiences have shown that there is a vicious circle where people seek to find ways of getting out of the poverty trap through informal sector and ICBT activities. However, without addressing the structural factors that trap many people in poverty in the first instance, most of these people will continue to fall back into the poverty trap regardless of their efforts in informal sector activities, including ICBT. Nonetheless, there is some evidence coming through research that a small proportion of poor people have managed to break out of the poverty trap by engaging in ICBT and informal sector activities in general. The challenge is to replicate these success stories.

### **3. REGIONAL INTEGRATION AND ITS LINK TO ICBT**

SADC countries through their successive leaders have viewed regionalization not only as a means to control internal and external economic shocks but as a deliberate effort to achieve rapid industrialization and modernization of the sub-continent's economies through expanded trading opportunities, the securing of economies of scale and enhanced market access. Regional integration is therefore viewed as a novel phenomenon in global trade dynamics with the potential to halt the marginalization of SADC countries in the multilateral trading system and the subsequent eradication of poverty. The regional integration strategy of SADC has concentrated on relaxing supply-side constraints to trade through regional cooperation in sectors as diverse as infrastructure, transportation and human resources. The strategy incorporates the basic elements of the common market approach whose foundation is a free trade area (FTA).

The SADC Trade Protocol aims for liberalization of all trade by 2012. The SADC agreement provides for asymmetrical trade liberalization based on the level of economic development. South Africa which is the most developed member agreed to lower tariffs on intraregional imports on the fastest schedule while LDC members, Malawi, Mozambique, Tanzania and Zambia are to do so on the slowest schedule. Zimbabwe and Mauritius the developing countries in the grouping agreed to mid-load their tariff reduction schedules.

SADC member countries have agreed to liberalize 85 percent of intra-SADC trade by 2008 and liberalize all sensitive sectors by 2012. These include textiles, clothing and motor vehicles. A few sectors are excluded from liberalization and these include narcotics, precious and strategic metals such as gold, silver and platinum, second hand goods and some others for environmental reasons. The key instrument of trade liberalization is therefore the elimination of customs tariffs and non-tariff measures on substantial intra-SADC trade. The protocol also calls for the liberalization of trade in services although this has not been a subject of negotiations so far.

Despite evidence demonstrating the growing importance of ICBT in the SADC region, existing trade arrangements and the SADC Trade Protocol have not adequately taken into account the role of informal cross-border trade and its special features. To this extent, concerted efforts to

understand ICBT and how to treat it within the context of SADC is crucial if an all-encompassing and comprehensive regional integration strategy is to be implemented.

### **3.1 Challenges of Regional Integration**

Regional integration has emerged as the framework to address obstacles to intra-African and international trade. Reducing barriers to intra-African trade (both formal and informal) will create larger regional markets that can realize economies of scale and sustain production systems and markets. Larger regional markets and more efficient production systems will enhance Africa's competitiveness, enabling it to attract a larger share of the global market.

#### **The main deficiencies of regional economic communities**

The main deficiencies of RECs, SADC included are as follows (ECA, 2006):

- i. Too much overlap in regional economic community membership:** Overlapping membership in African RECs is perceived by many stakeholders to be puzzling. In some cases, as many 95 percent of members of one REC belong to another regional economic entity. Survey evidence shows that there are more than a quarter of the countries that are members of more than one REC. Multiple memberships makes it difficult to meet their contributions and obligations to the various RECs. Another 23 percent say that multiple memberships are the reason behind low implementation of their programmes. Two other major problems from multiple memberships are low attendance of meetings and duplicated or conflicting programme implementation.
- ii. Duplication of programmes:** The duplication of programmes by RECs is another cause of inefficiency of Africa's regional economic integration efforts. For example, many SADC countries also belong to COMESA. Some would argue that a setback is that once SADC implements its Customs Union countries that belong to both trade blocs will be forced to choose between differing trade arrangements and tariff structures. However,

this is not necessarily true, because the Customs Union will work apply among the Custom Union members, while third part tariffs apply to non-member countries. But when the two blocks reach a Customs Union status, then it is time for a combined Customs Union to emerge. This is the very basis of the RECs being the building blocs of the African Economic Community under the African Union.

**iii. Underfunding:** The duplication of programmes and overlapping memberships come at a cost to Africa's integration process, in particular, given the resource constraints that RECs face. On average, a third of African REC members fail to meet their contribution obligations, rising to more than half in some communities. The internal financing mechanism of the African RECs leave a lot to be desired, which might mean that:

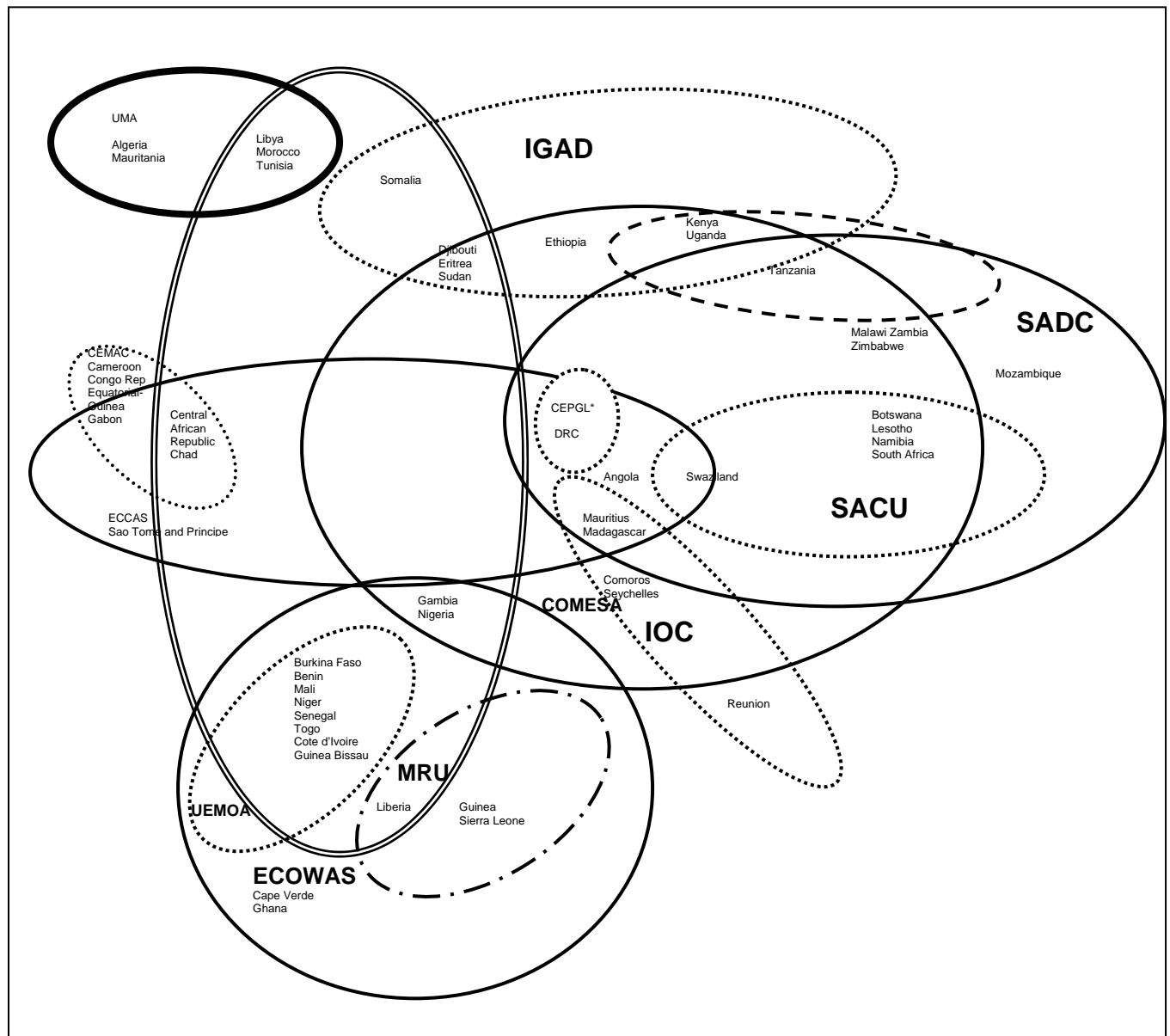
- Countries are feeling the burden of being spread too thinly among the many RECs;
- Countries are uncertain of the expected benefits from RECs; or
- Countries joined the RECs without sufficient strategic thinking about the political and financial implications.

Article 28 of The Treaty establishing The African Economic Community [AEC], or the Community signed on 3<sup>rd</sup> June 1991 in Abuja [the Abuja Treaty] undertook to strengthen the existing RECs and to establish new communities where they do not exist in order to ensure the gradual establishment of the Community. Subsequently together with those RECs already established, five RECs were recognized as building blocs of the Community, namely: ECOWAS in West Africa, ECCAS in Central Africa, COMESA in East and Southern Africa, SADC in Southern Africa, and AMU in North Africa. However, later the AU recognized three more RECs thereby becoming eight, namely: ECOWAS, COMESA, ECCAS, SADC, IGAD, AMU, CEN-SAD, and EAC.

However, in a recent decision of the Moratorium on the recognition of RECs, the Assembly of the African Union, seventh ordinary session of 1-2 July 2006 in Banjul, The Gambia suspended further recognition of more RECs and urged the above RECs "to coordinate and harmonize their policies among themselves and with the African Commission with the view to accelerating

Africa's integration process. However, on the ground there still are 14 non-mutually exclusive Regional Integration Arrangements (RIAs) forming a "spaghetti" bowl of overlapping memberships, see Figure 1. In West Africa, Economic Commission of West African States (ECOWAS) coexists with West African Economic and Monetary Union (UEMOA), the Mano River Union (MRU), and the Community of Sahel-Saharan States (CEN-SAD). In Central Africa, the Economic Community of Central African States (ECCAS) co-exists with the Central African Economic and Monetary Community (CEMAC) and the Economic Community of Great Lakes Countries (CEPGL). East Africa has the East African Community (EAC) and the Inter-governmental Authority on Development (IGAD) while North Africa has the Arab Maghreb Union (UMA).

**Figure 1: The Spaghetti bowl of Regional Integration Arrangements with overlapping memberships**



\* Note that other members of CEPGL i.e. Burundi and Rwanda are not members of SADC

*Source: Economic Commission for Africa, Assessing Regional Integration in Africa II, May 2006.*

Closer home in Southern Africa, the Southern African Development Community (SADC) co-exist with the Southern African Customs Union (SACU) and the Indian Ocean Commission (IOC) and these three share space with the Common Market for Eastern and Southern Africa

(COMESA). Each RIA operates under the general mandate of carrying out the economic integration of its members. There is no doubt that the rationalisation of both RIAs and RECs requires addressing the splintered regional spaces, overlapping institutions, duplicated efforts, dispersed resources and disputes over legitimacy that result from the multiple treaties.

In addition, African leaders recognise that economic integration cannot be successful without physical integration, thus a key component of the New Partnership for Africa's Development (NEPAD) is to strengthen Africa's weak infrastructure. NEPAD assigns a significant role to the regional economic communities, emphasises regional and sub-regional approaches and encourages African countries to pull resources to enhance growth prospects and to build and maintain international competitiveness. It also highlights the importance of providing regional public goods and rationalizing the institutional framework for regional integration in Africa.

While governments and states at a formal level seem to be struggling to achieve the maximum benefits of formal regional integration, ICBT seems to be moving faster. This is because ICBTs respond faster when there are opportunities in the region. This situation gives primacy to the argument that the real integration of Africa is taking place through ICBT rather than formal regional integration processes. Although there is an understanding that the quantity of goods that move informally between countries are well below formal trade figures for most countries in the region, indications are that informal trade in SADC is growing. Although no accurate data is available, informal trade statistics for some agricultural commodities (for example, beans and a number of other food products), between certain countries in the SADC region are understood to far outweigh formal trade figures (Ackello-Ogututu and Achessah, 1998; Minde and Nakhumwa, 1996).

The above are the context of challenges and supportive environments for progress and prospects for poverty reduction and sustainable development in general in Southern Africa and this is the context within which ICBT is being carried out. Within the framework of regional integration, if contextualised properly and facilitated, there is potential for ICBT to be repositioned to the extent that more socio-economic benefits will be derived across all levels, from micro to the regional level.

## **4. SADC SOCIAL AND ECONOMIC DEVELOPMENT CONTEXT**

The SADC problems of high levels of poverty and HIV and AIDS pose great challenges to development in the region. Culturally embedded in patriarchy, gender inequality underlies the continuation of gender stereotypes, which impacts negatively on women in all spheres of life particularly higher and tertiary education, in the labour market, the political sphere etc. The combination of HIV and AIDS with chronic poverty, erratic rainfall, natural resource degradation and also the inextricable link between gender and poverty all culminate in an acute humanitarian crisis that demands immediate action. Given the slow response from governments to these challenges, households, individuals and women in particular respond faster by resorting to ICBT as one of the survival strategies. Women, in particular, have to manoeuvre their way through this complex terrain with most of these context factors becoming push factors for women to engage in cross border trade in search of economic empowerment.

Just like in many regions of the world, governance and institutional challenges overarch the development context of SADC. The context of ICBT and poverty in SADC countries is intricately related to the governances in the region. Despite the progress made to date on governance issues in the region, there are various areas of political, economic and corporate and institutional governance, which still need improvement. For example, consolidation of democratic political governance, adoption of sound broad-based pro-growth, pro-poor economic policies as well as implementing institutional checks and balances remain major challenges in the region.

### **4.1 Economic challenges**

There is a historical regional context within which ICBT is taking place in the SADC region. Feminized poverty<sup>4</sup> has been generated by a complexity of factors key of which are highlighted below.

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<sup>4</sup> Feminization of poverty refers to the historic and cultural disproportionate large representation of females in all forms of poverty experiences. It is structural in nature as it is politically and culturally determined.



Declining, low or stagnating economic growth characterises most poor SADC countries. The predominantly agriculturally based economies are being negatively affected by climatic changes, in particular droughts. This has resulted in the region being susceptible to high food insecurity of humanitarian proportions since 2000 to date. Historical structural rigidities in the economies have persisted and the economies have not optimally diversified to become dynamic economies. SADC countries with the exception of South Africa largely depend on primary commodity production rather than high value manufacturing and value addition. This economic context has generated and sustained high poverty in the region.

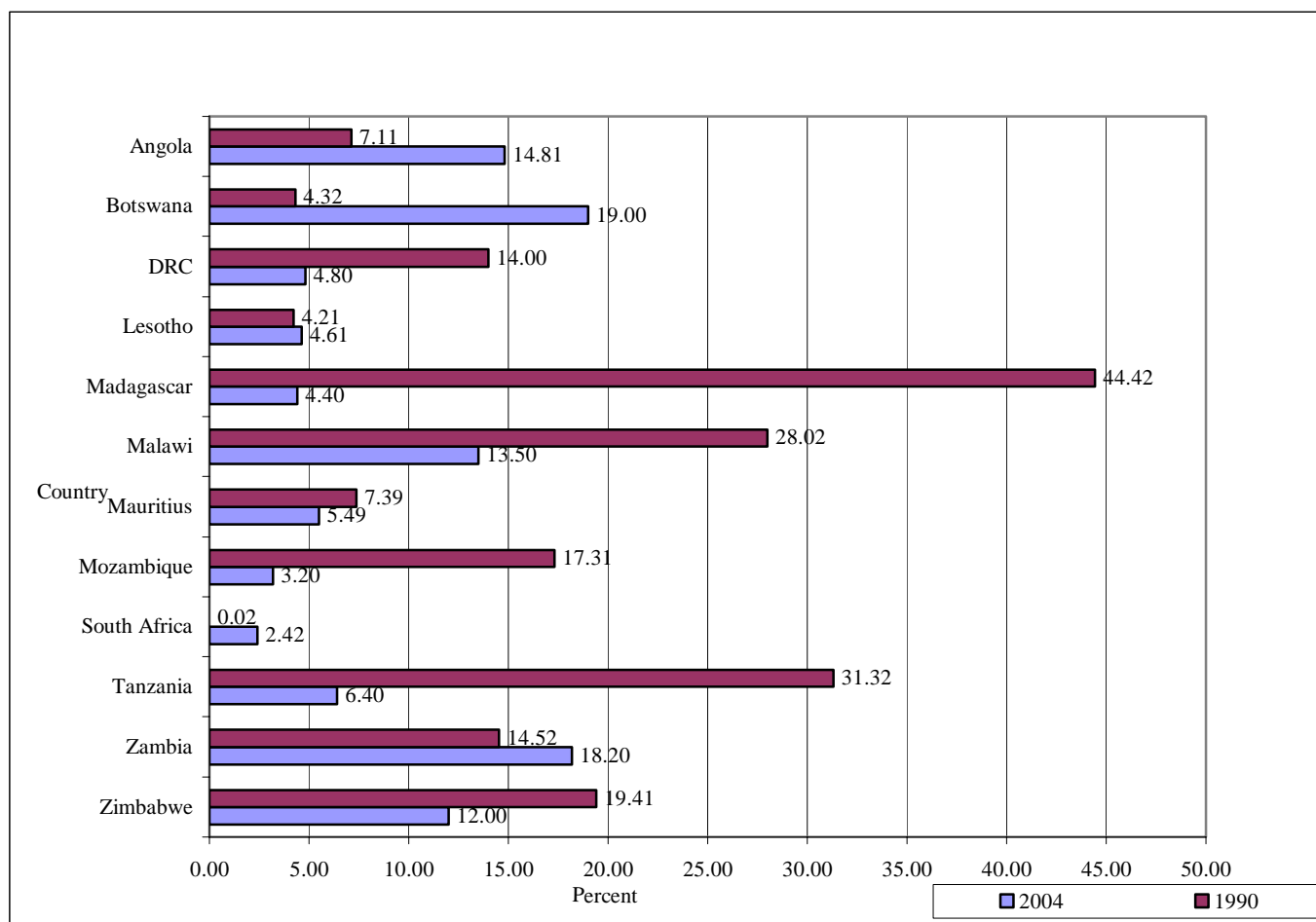
Recent experience of economic growth in the agriculturally dependent SADC economies is sobering (see Table 1). Sub-Saharan Africa has experienced stagnant and declining export earnings, export concentration in primary commodities has increased and terms of trade (TOT) have declined all culminating in severe balance of payments (BOP) problems and sluggish and/or declining growth. South Africa, Botswana and Mauritius remain the economic growth points of SADC surrounded by a pool of poverty, thus creating a strong pull factor for cross border trade in the region. However, even countries such as Mozambique, Namibia and Zambia among others have specific attractions for informal cross border trade. Weak and declining economies such as Zimbabwe and Swaziland find that large proportions of their population engaged in ICBT is for survival.

**Table 1: Real GDP Growth Rates , percent per annum, by Country, SADC, 2000 – 2006**

<b>Country</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Angola	4.0	2.8	4.0	3.4	11.7	20.6	19.5
Botswana	4.0	2.8	4.0	9.5	3.4	8.4	3.5
DRC	-6.9	-2.1	3.8	5.8	6.6	6.5	5.1
Lesotho	4.0	2.8	4.0	3.3	4.0	2.9	6.2
Madagascar	4.8	6	-12.7	9.8	5.3	4.6	4.9
Malawi	2.3	-1.5	-2.0	3.9	5.1	2.1	8.5
Mauritius	4.0	5.4	5.2	4.4	4.8	2.3	4.7
Mozambique	1.6	13.9	12.0	7.9	7.5	6.2	7.2
Namibia	3.9	3.0	2.3	3.7	6.0	4.2	6.2
South Africa	3.1	2.5	3.0	3.1	4.8	5.1	5.0
Swaziland	2.5	2.6	1.6	2.2	2.1	1.8	1.7
Tanzania	4.9	5.7	7.2	7.1	6.7	6.8	6.4
Zambia	3.0	5.2	3.7	5.2	5.4	5.6	6.5
Zimbabwe	-4.1	-7.3	-8.5	-13.3	-4.5	-6.7	-4.3
<i>Source: ECA-SA Economic and Social Conditions in Southern Africa 2003; Central Banks and Central Statistical Offices of Member States; <a href="http://www.sadcbankers.org">www.sadcbankers.org</a></i>							

External debt is a serious resource constraint to even achieving the MDGs for the region (see Figure 2). According to UNDP (2002), some countries in SADC spend more on their debt-servicing obligations than they do on the social sectors necessary to achieve the MDGs. Past debt relief strategies, including the contemporary HIPC initiative have not, as yet, resulted in debt sustainability in the SADC.

**Figure 2: MDG Indicator 44 - Debt service as a percentage of exports of goods and services, SADC region, 1990 and 2004**



*Source: UNECA, 2007; SARPN, 2007*

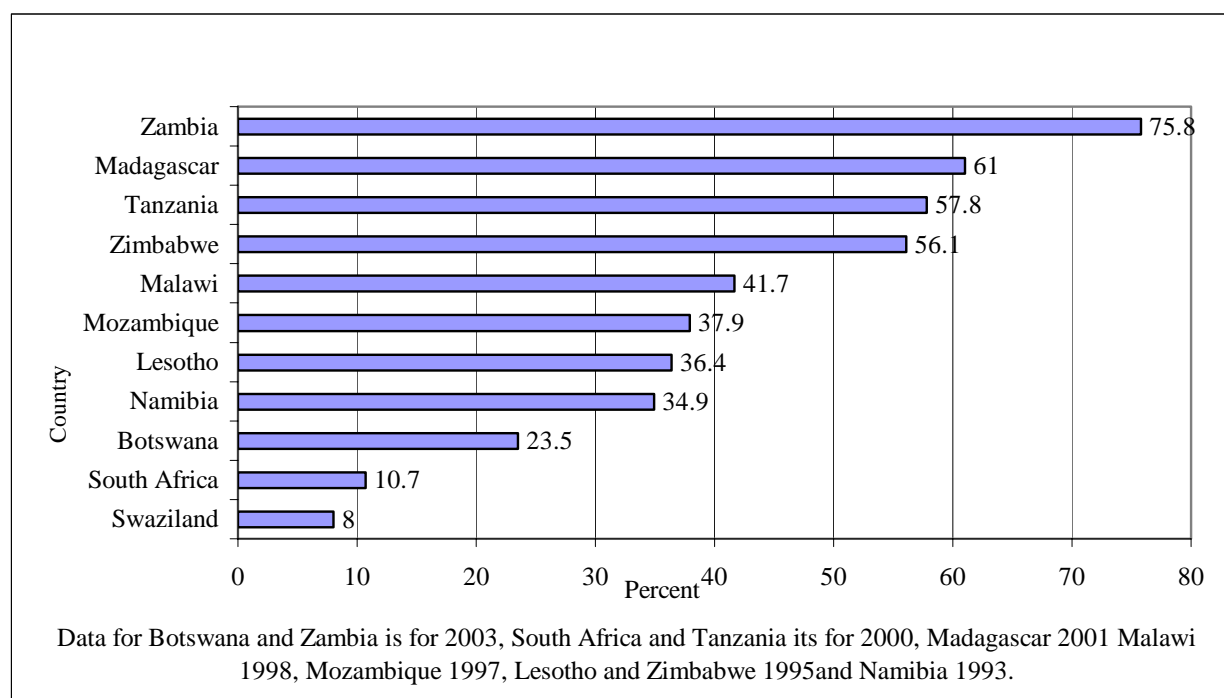
## 4.2 Poverty and Income Inequality Challenges

SADC is experiencing a complex interplay of structural chronic poverty combined with transient poverty. Poverty in SADC countries is a multifaceted social phenomenon that includes lack of access to productive assets, adequate food, health, education and other basic social amenities. Poverty also includes the condition of gender inequality, lack of environmental management and powerlessness to widen the choices necessary for improved human-well-being. These factors combine into a self-reinforcing process that deprives the poor of capabilities to improve their livelihoods. Over one third of the population in SADC is living on less than US \$1 a day (see

Figure 3). Therefore, high poverty levels push individuals especially women into informal cross border trade.

Harmonized data on poverty level remains scanty as shown in Figure 3: MDG Indicator 1. The SADC region social challenges characterized by high levels of poverty, food insecurity and the HIV and AIDS pandemic poses challenges towards the attainment of MDGs. The five SADC countries with the highest poverty prevalence are Zambia (76 percent), Madagascar (61 percent), Tanzania (58 percent), Zimbabwe (56 percent) and Malawi (42 percent), see Figure 3. The poverty situations in Madagascar, Tanzania, Zambia and Zimbabwe are worsening.

**Figure 3: MDG Indicator 1 - Proportion of population below \$1 PPP) a day, percent, SADC region 1991 -2003, selected years.**



*Source: UNECA, 2007; SARPN, 2007*

According to UNDP (2006), Namibia, Botswana, South Africa, Lesotho, Swaziland, Zambia and Zimbabwe have all experienced reversals in human development as measured by the Human Development Index (HDI) since 1990 and several SADC countries under consideration are in the low human development category (see Table 2).

**Table 2: Human Development and Inequality in Southern Africa, Human Development Index and Gini coefficient, Southern Africa, selected years, 1990 -2004.**

Country	Human Development Index (HDI) Trend				Gini Coefficient	
	1990	1995	2000	2004	Year	
Angola	..	..	..	0.439	--	--
Botswana	0.680	0.660	0.598	0.570	1993	0.63
Lesotho	0.572	0.573	0.524	0.494	1995	0.63
Malawi	0.372	0.414	0.398	0.400	1997	0.50
Mauritius	0.726	0.749	0.779	0.800	--	--
Mozambique	0.316	0.330	0.364	0.390	1997	0.40
Namibia	..	0.694	0.647	0.626	1993	0.74
Swaziland	0.622	0.604	0.536	0.500	1994	0.61
South Africa	0.735	0.741	0.691	0.653	2000	0.58
Zambia	0.464	0.425	0.409	0.407	2003	0.42
Zimbabwe	0.639	0.591	0.525	0.491	2003	0.61
HDI 0.8-1 is high, 0.5 - <0.8 is medium and 0 - <0.5 is low human development						
<i>Source: Human Development Report, 2006.</i>						

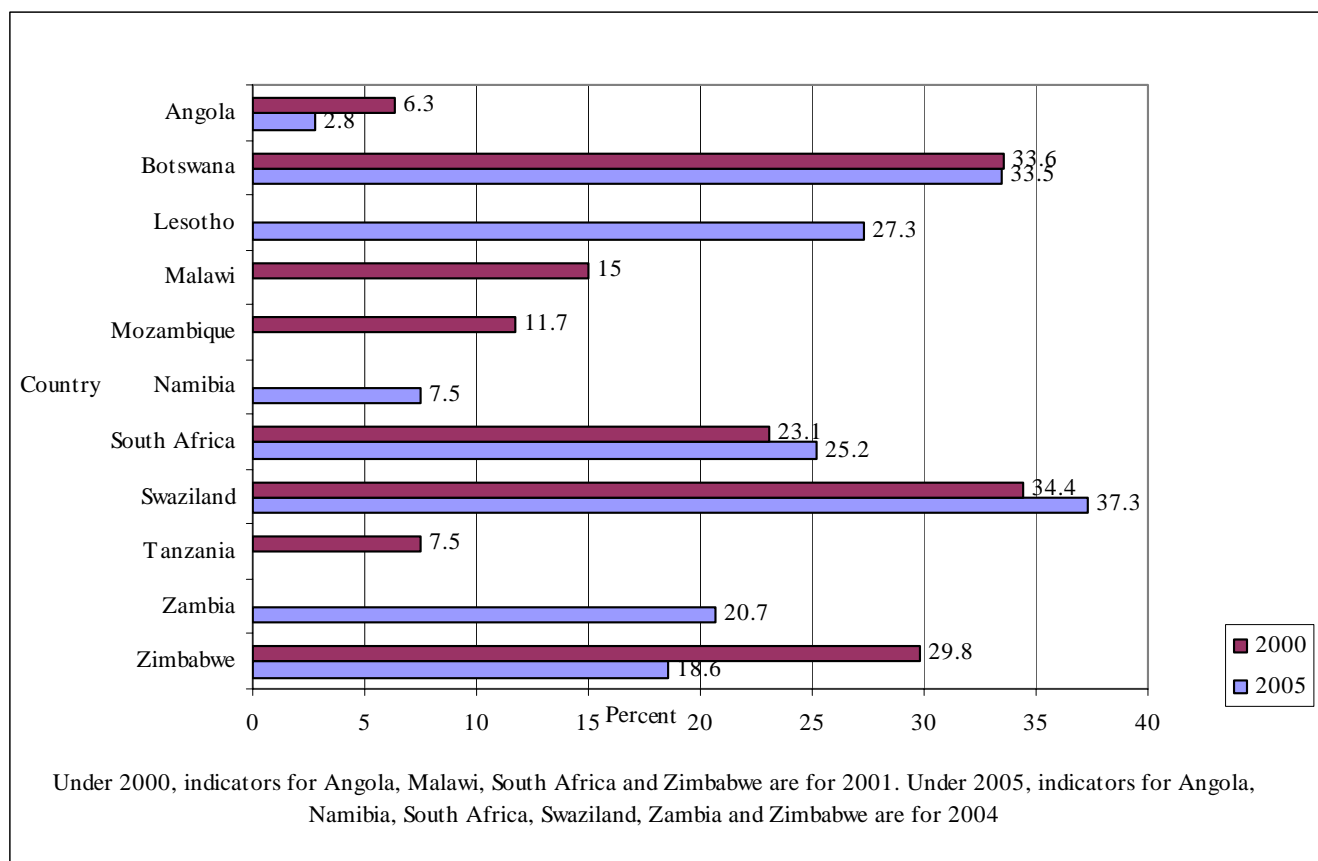
### **4.3 Food Insecurity and Environmental Degradation Challenges**

Food insecurity is one of the major challenges to achieving the MDGs in SADC. According to the United Nations, between September 2002 and March 2003, more than 14 million people in Southern Africa needed food aid amounting to 1,051,000 metric tonnes in order to avoid starvation. In 2002/3, about 25 percent of the population in Southern Africa faced severe food shortages. Although Malawi and Zambia have graduated to become net exporters of food products in recent years, Zimbabwe remains one of the worst affected countries in the region in terms of food availability. Food insecurity is caused by many factors including periodic floods and droughts, inappropriate agricultural practices and non-supportive government policies. The SADC region also faces severe environmental challenges that threaten the livelihoods of millions of people. Natural climatic phenomena such as floods and droughts as well as human induced deforestation have exacerbated food insecurity and hunger.

#### **4.4 HIV and AIDS Challenge**

The region remains the epicentre of HIV and AIDS with HIV prevalence still recording double digit and on the increase in most countries in the sub-region (see Figure 4 and Appendix 2). Thus, the HIV and AIDS pandemic poses the most severe development challenge in SADC, and recent research has shown that HIV and AIDS has started to reverse progress made towards achieving human development. Southern Africa, in particular, has the highest HIV prevalence rates in the world fuelled by high levels of poverty, gender inequality and weak health-care delivery systems. Out of the 28,500,000 people living with HIV and AIDS in Sub-Saharan Africa, 42 percent are in Southern Africa and the sub-region accounts for a third of all AIDS deaths globally. HIV and AIDS and poverty have disproportionately affected women while children have also not been spared by both the disease as well as orphanhood. With high morbidity and mortality especially for male bread-winners due to the impact of the pandemic, women are forced to engage in ICBT to fend for their families. Unfortunately, because of the harsh conditions under which ICBT is conducted, women end up engaging in risky behaviour which exposes them to contracting the HIV.

**Figure 4: MDG Indicator 18 - HIV prevalence among pregnant women ages 15-24, percent, SADC region, 2000 and 2005**



*Source: UNECA, 2007; SARPN, 2007*

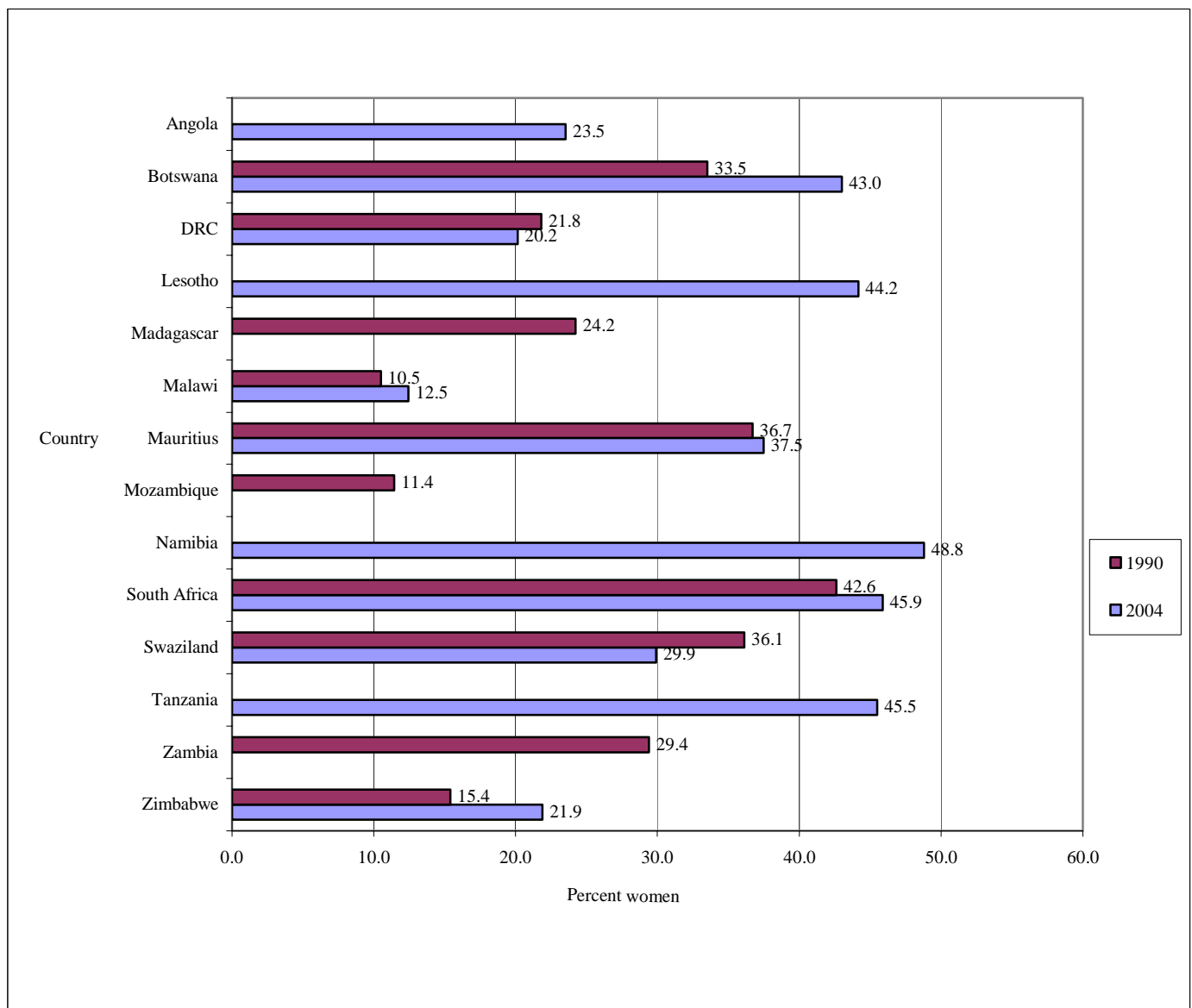
The HIV and AIDS pandemic has already reversed some of the gains previously achieved in human development in Sub-Saharan Africa. According to the WHO, HIV and AIDS has reduced life expectancy by an average of fifteen years in the region, and the average life expectancy in Sub-Saharan Africa is 47 years when it would have been 62 years without HIV and AIDS. UNAIDS estimates for Botswana, Lesotho, Swaziland and Zimbabwe indicate that, HIV and AIDS has reduced life expectancy for men and women by up to 20 years. HIV and AIDS is also straining the capacities of health-care delivery systems.

#### **4.5 Gender Inequality Challenges and Regional Responses**

The share of women in wage employment in the non-agricultural sector remains very low in the SADC region ranging from a minimum of 13 percent in Malawi to a maximum of 49 percent in Namibia, (see Figure 5). The overall target of 50 percent by 2015 is not achievable for most countries except Botswana, Namibia, South Africa, Tanzania and Lesotho. The participation of women in the non-agricultural wage increases their opportunities for higher income generation. Most women have remained in the agricultural, household informal sector/household business and in unpaid household work and this has exacerbated women's poverty situation. In Botswana, Mauritius, Malawi, South Africa, and Zimbabwe the share of women in wage employment in the non-agricultural sector has increased between 1990 and 2004 and this is positive for the welfare of women.



**Figure 5: Indicator 11 - Share of women in wage employment in the non-agricultural sector, percent women, SADC region, 1990 and 2004.**



*Source: UNECA, 2007; SARPN, 2007*

Even though more women are in parliaments in SADC countries today than ever before, in most countries women remain vastly under-represented in politics far below the desired 50:50 women-to-men ratio. All countries in the region have seen an improvement in the proportion of women who are members of parliament ranging from a small increase in Angola to significant increase in South Africa between 1990 and 2005. South Africa has 38 percent of its national parliament

seats held by women, followed by Mozambique with 33 percent and Tanzania (30 percent). These three countries have achieved the 2005 SADC target of 30 percent share of women parliamentarians by 2005 (see Table 3). Namibia has achieved a high ratio of women parliamentarians of 24 percent. Botswana, Lesotho and Swaziland, Zambia, Malawi, Angola, Zimbabwe and Mauritius have relatively low proportions of women parliamentarians. Thus, overall there has been a consistent disempowerment of women in tertiary education, employment and politics, which have forced many women into ICBT for survival.

**Table 3: Female representation in decision-making in SADC from 1997-2005**

Country	Women MPs 1997	Women MPs 2000	Women MPs 2005	Women in Cabinet 2000	Women in Cabinet 2005	Next Elections
Angola	9.5	15.4	16.4	11	14.3	2008
Botswana	9	18.2	11.1	23.5	28.6	2009
Congo DRC	-	-	12	-	2.5 Senate	2011
Lesotho	12	10.3	11.7	12.5	23.3	2012
Malawi	5.2	8.3	17	17.3	20	2009
Mauritius	7.6	7.6	17.0	8.0	4	2010
Mozambique	28.4	28.6	33.3	12.5	7.1	2009
Namibia	19.4	19.2	24.4	14.2	18.5	2009
South Africa	27.8	29.8	37.8	33	42.8	2009
Swaziland	19	7.3	19	13.3	18.75	2008
Tanzania	16.3	16.3	30	13.0	25	2009
Zambia	18.1	10.0	14.7	8.3	23.8	2011
Zimbabwe	14	10.7	15.8	24.0	13.0	2008

*Source: Compiled by SARDC WIDSAA*

In terms of response, important declarations have been made at regional level, without being translated into practical programmes that are acted upon vigorously at national levels. One such declaration is the SADC Declaration on Gender and Development which was made in Blantyre, Malawi in 1997. One of the resolutions was to achieve at least 30 percent women representation in political and decision making positions by 2005. Already Mozambique, South Africa and Tanzania have met this quota in parliamentary representation. However, representation in parliament remains the responsibility of political parties and their members during elections. The African Union (AU) came up with the Protocol on Women's Rights to protect women and girls against gender violence especially during armed conflict. The New Partnership for African

Development (NEPAD) is very clear on the need to address gender inequalities in the region. Recently, more regional protocols were propagated as follows: Protocol to the African Charter on Human Rights, Protocol to People's Rights and Protocol on the Rights of Women in Africa (Maputo, Mozambique, July 2003). There is also the Kampala Declaration to Prevent Gender-based Violence in Africa of September 2003, Uganda.

Despite all these efforts, Africa in general and SADC in particular has seen slow but noticeable change in attitudes towards integrating and mainstreaming gender issues in national and regional policies and development programmes. In the meantime, the reality of the women of Africa is that they remain a vulnerable, marginalized group that is yet to enjoy equality in status, and access to resources and services with their male counterparts. Women are still concentrated in rural areas where facilities and services are scarce. In politics and decision-making, women are mobilized in largest numbers to vote, yet they remain visibly absent in decision-making positions in both the public and private sectors. Women remain concentrated in the feminized professions such as teaching, nursing, secretarial, etc., and at the very best are in the middle-management positions. There is no doubt that it is important to understand the factors underlying this gender paralysis, factor which constitutes key push factors into ICBT.

#### **4.6 The Link between ICBT and Poverty**

Available literature points to the link between ICBT and poverty alleviation in and outside the SADC region. Poverty can be examined from various angles, which include capability deprivation, lack of income, little or no asset ownership, lack of access to basic goods and services. Literature on ICBT points to the fact that involvement in informal cross-border trade has as one its primary focus, an attempt to alleviate poverty by those involved. This is evidenced by literature which puts more focus on the ICBT themselves, their activities, their social characteristics and the role of informal cross-border trade in the lives of those engaged in ICBT. (Macamo 1998; Brand *et al* 1995; Muzvidziwa 1998; Peberdy and Crush 1998; Peberdy and Rogerson 2000, Muwonge *et al* 2007). Analysis of informal cross-border trade activities suggest that ICBT is an important income earning activity for small scale entrepreneurs hence a mechanism of addressing poverty.

The foregoing authors underscore that ICBT provides tremendous empowerment opportunities for, and challenges faced by women given that in many countries in the SADC region and beyond, women constitute a significant proportion of people active in this trade. Studies of ICBT between Mozambique and South Africa found that over 70 percent of the traders were women (Peberdy and Rogerson 2000: 31). Similarly, a study of trade between Zimbabwe and South Africa found that over 60 percent of the traders were women (Nethengwe, 1999: 88). In addition, in a study by Peberdy and Crush (1998), immigration officials in South Africa indicated that 80-95 percent of applicants from Mozambique and Zimbabwe for South African visitor's visas for trading or shopping were female. This shows that ICBT plays an important role in empowering women, a move designed to alleviate poverty. ICBT has also been found relevant in providing employment opportunities to traders and their employees in these studies. ICBT also addresses poverty in the sense that the trade enables most of the traders to meet education, housing, food and other basic needs, including the needs of dependents of the beneficiaries.

#### **4.7 Illegal Status of ICBT**

Issues of illegality and corruption arise when discussing cross-border trade. Illegal goods, drugs, guns and stolen goods form part of the volume of goods which cross borders. Recent studies of ICBT suggest that there is evidence of existence of illicit trade involving the smuggling of goods and banned substances and goods (UNIFEM, 2007; Peberdy, 2000). However, the studies suggest that there is a separation between criminals involved in the trafficking of illegal goods and cross border traders and entrepreneurs who carry goods legally.

The main areas of illegal activity that ICBTs are involved in is the smuggling of goods which, if full duties were to be paid on them, could cross borders legally. This largely reflects high customs duties imposed by neighbouring states. Most ICBTs are understood to pay customs only on part of the goods they carry across the borders and then pay bribes to customs officials to let the rest of the load through. There are cases whereby people carry goods across borders illegally, often at night. There are also indications of abuse of informal border crossing points (Peberdy, 2000). This is an issue which the Customs and Excise Authorities may, at least in part,

reduce following the passing of the SADC Trade Protocol. Clearly, facilitating the legal entry and exit for SADC traders is likely to encourage them to use formal border crossing points and to secure proper documents before setting out on their trips. In such cases, proper customs control can be exercised.

#### **4.8 Supportive Environments**

Despite all these development challenges the region is facing, a lot of development effort is going on in the region in support of the poverty reduction and sustainable development in general. Some of this supportive environment is highlighted below.

Poverty reduction and sustainable development in SADC is hard to envision without the necessary governance institutions and practices necessary to create the conditions for the translation of development policies into reality, and to stir people into building sustainable livelihoods for themselves. The political and economic landscapes in SADC have changed dramatically over the last two decades. The one-party state systems have largely been discarded, and the urge for state ownership and control of national economies has ebbed. Governments have elevated the private sector to special prominence, conferring upon it the tasks of growing the economies and creating jobs. The civil society has adopted an active posture, raising their influence on national policies, and steadily inducing political and economic inclusiveness. Donors are overhauling their assistance approaches, stressing partnership for, and countries' ownership of their own, development.

Political commitment to address high poverty levels through various initiatives such as Poverty Reduction Strategy Papers (PRSPs), National Development Plans (NDPs), Medium Term Expenditure Frameworks (MTEFs), Sectoral Development Plans among many other strategies developed are being implemented in the region. Land re-distribution and general wealth re-distribution programmes are ongoing in the sub-region to address structural poverty and chronic food insecurity. National budgets continue to prioritise social sectors in most countries in the region.

In the area of HIV and AIDS, National AIDS Councils (NACs) and HIV and AIDS Policies and Strategic Frameworks are being implemented. These include mechanisms for multi-sectoral responses on prevention, treatment and care. The pandemic has been mainstreamed by all sectors be they public, private, non-governmental, religious, traditional and civil society groups. Many sector specific policies on HIV and AIDS have been developed in the sub-region. The establishment of voluntary counselling and testing centres (VCTs), prevention of mother-to-child transmission (PMTCT) programmes, support to home based care (HBC) programmes, special nutrition programmes for people living with HIV and AIDS (PLWHA), support to orphans and vulnerable children (OVC), youth programmes on HIV and AIDS etc, are all very positive initiatives despite the current challenges still being faced in implementing these. Partnership with the Global Fund to Fight against HIV and AIDS, Malaria and other diseases is key particularly in the provision of ARVs. Zimbabwe for example is a best practice in the world with its National AIDS Trust Fund commonly known as the 'AIDS Levy' established from a levy on the formal sector workers' incomes to support the fight against the pandemic.

The New Partnership for Africa's Development (NEPAD) is an important strategy in the region. Several international donor agencies remain active in the region's development. National Environment Policies and many community based and institution based environmental conservation programmes are ongoing in the region. Gender policies, gender machineries and affirmative action programmes are in place (UNECA MDG, 2007).

These supportive environments can be used in a more focused manner to provide better supportive institutional mechanisms to support ICBT, and also to deal with underlying factors that are contributing to the growth of the phenomenon, for example, poverty, unemployment, economic disempowerment and marginalisation based on gender and HIV/AIDS. There is also a strong case to deal decisively with factors that have given rise to the market distortions in the SADC region, which, to a large extent are a major push factor for ICBT. The market distortions have their own underlying factors which need to be addressed if full regional integration is to become a reality for SADC.

## **5. KEY RESULTS AND FINDINGS**

From the study, it was observed that the trend towards cross border trade has accelerated in the recent past precipitated by the failure of market reforms in some southern African countries. For some, informal cross border trade has become a profitable enterprise to the extent that they have elected to leave formal employment to concentrate on their operations. While identifying this form of trade as a sustainable means towards escaping poverty, both previous studies cited in this study and ICBTs interviewed in this research highlighted a number of issues that hinder their activities. These included reduced opportunities to enter into formal employment and an absence of social safety nets as their reasons for venturing into informal cross border trade.

Successful cross border trading is based on contacts, for purchase and sale, and in Southern Africa, many people have family members across borders for various reasons. Family traders may choose cross border trading as a profession, it does not require a high level of education or capital, but reliable contacts are key, and in this regard family members play a significant role.

### **5.1 Characteristics of ICBTs**

From the study it was observed that ICBTs consists of a diverse group dominated by women and generally comprising the vulnerable, unemployed, orphans, refugees, the youth, school leavers and widows, among others.

ICBTs form a composite group of people exhibiting the following characteristics:

1. those who declare over the counter and not through clearing agents;
2. merchants who sell direct to the final consumer;
3. agents of established wholesalers and retailers;
4. those who are registered in their countries of origin;
5. those who are not registered at all;
6. those who under-declare their imported goods; and
7. those who do not declare at all (smugglers).

ICBTs who fit in the above sub-categories were found at the borders surveyed. An example is of some Zimbabwean traders buying goods from South Africa who make use of delivery agents known as *malayitshas* or “runners”<sup>5</sup>. These agents ferry the goods from places such as Johannesburg, clear them at Beitbridge and deliver to destinations in Bulawayo and Harare. *Malayitshas* are notorious for undervaluing declarations or bribing customs officials to evade customs duty or sometimes they do not declare their goods at all. Similarly, at Kasumulu/Songwe border ICBTs buy goods from either Mbeya or Kyela in Tanzania or Karonga and Lilongwe in Malawi and disembark from minibuses or haulage trucks before they get to either border points. They then hire “cargo boys”<sup>6</sup> on bicycles who use undesignated paths to avoid customs, ICBTs would then get their goods on either side of the border.

Mozambique Officials at Ressano-Garcia reported that sometimes they were lenient to traders who pass through undesignated points, especially where small quantities are involved. Traders could be seen creeping through the fence in full view of the officials who did nothing to stop them arguing it is easy to distinguish between struggling ICBTs and those who “can afford to pay duty”. At Mchinji/Mwami border post<sup>7</sup>, officials reported that truckloads of goods such as groceries and fuel were being smuggled into Zambia from Malawi through undesignated points. These goods are cheaper in Malawi and arguably give the ICBTs higher profits in Zambia. Goods in short supply in Zimbabwe (including basic commodities) were seen at markets such as the COMESA Market in Lusaka and traders confirmed that they smuggled these on haulage trucks or by simply bribing customs officials if they used other forms of transport that are subjected to searches.

In other cases, the traders are mere “runners” for big business or influential members of the society who may be trying to evade customs duty and other taxes. Customs officials at Beitbridge reported cases where they received calls from politicians from Harare, Lusaka or

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<sup>5</sup> These are informal transporters (truck and pick up owners) who are paid by formal and informal business people mainly based in Bulawayo to transport goods from South Africa on their behalf.

<sup>6</sup> These are bicycle operators who carry all sorts of goods across the borders using undesignated routes and sometimes through designated routes where the goods are properly declared or when travellers and traders want to reach either border points faster.

<sup>7</sup> The border between Malawi and Zambia near Chipata



Lilongwe if they tried to search certain “informal cross border traders”. Officials at Beitbridge also pointed out that traders holding non-Zimbabwean passports are also evading taxes by claiming to be in transit. In such cases, a trader is required to pay a deposit, refundable at the next border out of Zimbabwe, but these deposits are never claimed, as the goods will be destined for Zimbabwe.

Some ICBTs are also reluctant to use clearing agents. Customs regulations in most countries put a limit to the value of goods one can clear over the counter. For example at Beitbridge, the Zimbabwe Revenue Authority (ZIMRA) said goods above R7, 000 (US\$1 approx. R7.8) should go through the commercial section, that is, cleared by a registered clearing agent. However, quite often customs officials relax this requirement allowing informal traders to clear their goods over the counter.<sup>8</sup> A senior ZIMRA official interviewed gave the example of one trader travelling on a bus who had goods worth about R1.5million to clear over the counter. The trader had to be referred to the commercial section, despite her protest that she was an informal cross border trader and therefore should be allowed to clear her goods over the counter along with her colleagues.

This raises the question of the need to separate ordinary travellers from traders or traders from cargo. At present, when travelling by bus, there is often no such distinction. Traders have been accused of delaying buses at border posts when they carry their wares that require duty payments on modes of transport that should ordinarily carry passengers with only personal effects.<sup>9</sup>

Registered cross the border traders are also not recognised as bona fide business people in other countries in the region. At present, only Zambia officially recognises traders from other countries (if they hold the Cross Border Traders Association in COMESA and SADC licence). This calls into prominence the need for a common traders licence recognised in all SADC countries.

Furthermore, registered traders are eligible for import or export of restricted commodities as long as they have the requisite permits, for example in the case of Malawian sugar into Tanzania,

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<sup>8</sup> Interviews with traders and clearing agents at Beitbridge.

<sup>9</sup> Interviews with customs and immigration officials at Beitbridge.

South African cooking oil into Zimbabwe or fuel sourced from Malawi into Zambia. Traders and customs officials interviewed revealed that they encountered ICBTs who were unaware of permits required for restricted commodities thus causing delays at the borders, and worse still if they were travelling on a bus.

## **5.2 Causes of Informal Trade**

The study found that the region is diverse and SADC member states are at varying levels of development, and that there is a general pattern of skewed income distribution in the region. Unemployment in most SADC countries is still high and in some cases increasing while current growth rates have not been sufficient to create employment at a scale that can make a significant impact on poverty levels in the region. While this has generally led to an increase in informal trade, the push and pull factors can be summarised as follows:

- Lack of employment opportunities in the formal sector - Most SADC economies have not grown at levels high enough to create sufficient jobs. Further, economic reforms undertaken in many countries have resulted in retrenchments and currency devaluations that have created pressures on real wages of the majority of workers who have turned to ICBT as the only source of income or to supplement income from formal employment. The increase in rural-urban migration in search of often non-existent employment has contributed to some joining informal trade. As noted by Nyatanga *et al* (2000: 10), the disparity between employable labour resources and employment opportunities has left the informal sector as the alternative means of survival for a large number of urban dwellers.
- Cumbersome formal registration procedures and high associated costs - Registration and formalization of a business in almost all the countries surveyed is a lengthy process, which requires complex documentation and is still centralised in the capital cities. The costs associated with formalising a new business are too high for most ICBTs.
- High taxes and customs duties – As argued below, high taxes and customs duties in most countries compel some traders to remain informal.
- Ease of entry into the informal sector - ICBT does not require a high level of education or significant starting capital.

- Lack of information on relevant legislative requirements - Some ICBTs are not even aware of the steps required to formalise business operations.
- Prevalence of burdensome and costly government regulations.
- Certain ICBT activities are a profitable and viable small business opportunities - Some people have voluntarily left formal employment to concentrate on ICBT.

Customs officials, ICBTs, transport operators interviewed in the study had various views on why ICBTs are averse to customs procedures.

### *Customs Officials*

The majority of the customs officials interviewed confirmed that high customs duties on certain goods was the major reason why ICBTs were unlikely to declare their consignments.<sup>10</sup> Furthermore, formalities in some member states are cumbersome or the compliance costs or duties are deemed too high for the trader to bear. All ZIMRA officials interviewed in Zimbabwe indicated that the introduction of duty chargeable in foreign currency on goods classified as luxuries such as new clothing, shoes, television sets, carpets, etc, has exacerbated evasion of customs duties by ICBTs. The issue of restricted goods that require export/import permits was also cited as another reason why ICBTs avoided declaration. In most SADC countries, goods such as cooking oil, liquor, sugar, tobacco and other agricultural products require trading permits. The duties charged for such goods are also often on the higher end of the scale resulting in some traders resorting to smuggling goods.

About 40 percent of the customs officials interviewed indicated that the illiteracy of some of the traders made it difficult for them to go through the process of completing customs declaration forms. This problem is however, being addressed to some extent through removal of tariffs, simplification and harmonisation of declaration forms as part of implementation of provisions of the SADC Trade Protocol, despite the challenges posed by the protocol in its current state.

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<sup>10</sup> Interviews with customs officials at all six borders.

In other cases, it has become a question of fear of the unknown, so much that traders take every means at their disposal to avoid paying duty even for goods or quantities that would not attract duty. Customs officials at Chirundu border post (between Zambia and Zimbabwe) reported cases of traders who were caught trying to smuggle duty-free goods such as pesticides from Zimbabwe. Other traders are simply unaware that some products are controlled and therefore encounter serious delays when they are required to obtain the permit often centrally issued in the capital city. This could also be attributed to lack of proper information dissemination on product descriptions and rates of duty.

#### *Traders and transporters*

The majority of the traders interviewed also showed concern over high customs duties which they argued that they would be unwilling to pay, since it would mean significantly cutting down on their profits. Traders at Kasumulu/Songwe argued they were not willing to pay duty for perishables which may go bad before they recover their costs of buying which would mean a loss. From the ICBTs viewpoint, high customs duties are the major reason why they avert customs. Some traders in Malawi pointed out that they were being made to pay duty even on duty free items just because the customs officials have a target to achieve in terms of annual revenue collection.

Transporters also reported that high tariffs were the main reason why traders evade paying customs duties. Transport operators also complained that the mixture of traders and normal travellers on one bus caused serious delays at the border posts. Due to pressure from the drivers and fellow travellers who do not want to be delayed, some traders try to beat the system by concealing their products.

#### *Clearing agents*

It is a matter of policy for some clearing agents that they do not deal with small traders. In the office of one of the clearing agents at Beitbridge, a sign reads: “Sorry, we don’t deal with small traders”. The reasons given are many including the fact that it is often not worthwhile for the agents to invest their time on small traders who sometimes have several product lines which take longer to clear as compared to truckers who often have a single product line with a much bigger

value and therefore higher commission for the agents. A related reason why traders do not go through clearing agents is that they find the fees charged to be too high for them although clearing agents dismissed this notion saying the fees were proportional to the value of the goods.

In some cases, however, customs officials have regulations that compel traders to go through clearing agents. For example, ZIMRA stipulates that goods worth more than R7,000 (approx. US\$897) cannot be classified as for personal consumption but rather for resale and should therefore be cleared in the commercial section where use of clearing agents becomes mandatory. This again would mean more expenses to the trader and ultimately ICBTs choose to beat the system.

### **5.3 Policy and Regulatory Environment**

The SADC Trade Protocol was signed in 1996 and its implementation began in 2000 following ratification by the requisite two-thirds majority of member states. Its principal objective is to establish a World Trade Organisation compliant Free Trade Area by 2008. The protocol is being implemented by Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. In addition, Madagascar<sup>11</sup> acceded to the Protocol in 2006 and later submitted a tariff offer which was accepted in 2007, and was therefore expected to immediately commence implementation. Angola also acceded to the Protocol and was as of 2007 expected to submit her tariff offer. The Democratic Republic of Congo is not yet party to the Protocol on Trade.<sup>12</sup>

Significant progress has been achieved with respect to implementation of the various provisions of the Trade Protocol. What is worth noting is that as of January 2008, some member states had removed duties on certain products in line with the regional economic integration target of having 85 percent of all intra-regional trade at zero tariffs by 2008.<sup>13</sup> The SADC Certificate of Origin, which validates whether or not goods qualify for duty-free entry into member states, is also now operational. A single customs declaration was also piloted in 2007 on the North South Corridor

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<sup>11</sup> Madagascar was formally accepted as SADC's newest member at the August 2005 SADC Summit.

<sup>12</sup> Interviews with SADC Secretariat staff.

<sup>13</sup> SARDC, "2008 SADC Year of Free Trade", *Southern African News Features*, No.1, January 2008.

(Durban-Beitbridge-Blantyre). As part of the pilot project, a declaration is done at Durban under a single transit bond and copies of the same are left at all the transit points along the way with the cargo not being subjected to re-inspection. The underlying objective of this initiative when it is finally rolled out is to reduce delays at the border posts.

However, these measures while they facilitate intra-regional trade, are only designed for established companies and therefore are of little relevance to small traders. ICBTs often buy goods from wholesalers and not directly from the manufacturers. Most manufacturers do not give export rights to small traders nor do they use ICBTs as proxies. The protocol specifically requires that in cases where the producer is not the exporter, the producer should furnish the exporter with a written declaration to the effect that the goods qualify as originating in the member states. Furthermore, small traders often deal in several product lines at one go and therefore it would not be feasible to get a certificate of origin for each product line, worse still given the small quantities involved. As a result the SADC trade protocol does not benefit ICBTs in any significant way, if at all.

About 66 percent of the central and local government officials including customs and immigration officials who were aware of the SADC Trade Protocol confirmed that the protocol seems to facilitate formal trade more than ICBT. They argued that the protocol by nature is not a deliberate policy on ICBT but on established businesses hence the need to come up with separate policy framework targeted at ICBT, including measures that would enable them to enjoy recognition for duty-exemption, when and if the goods qualify under the SADC rules of origin.<sup>14</sup>

Furthermore, although the trade protocol commits to the removal of tariffs and non-tariff barriers to trade, stringent visa requirements applied by some member states are not consistent with the general thrust of the protocol. For example, South Africa has changed its visa requirements for Zimbabwean passport holders no less than five times over the last 10 years. Presently, Zimbabwean visitors are required to produce an invitation letter from a South African host, R2000 (approx. US\$256) in traveller's cheques as proof of resources among other requirements when applying for a visitor's visa. The fact that ICBTs have to travel disguised as ordinary visitors is not

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<sup>14</sup> Interviews with customs officials at Chirundu, Beitbridge and Nakonde.

complementary to their businesses operations. Similarly, Zimbabwe has introduced a range of licences and permits that traders need to produce at the borders for them to import certain products. Notwithstanding their intentions, these measures have the effect of hindering trade and therefore are some form of non-tariff barriers.

Another finding from the survey is that 72 percent of the traders interviewed were unaware of the SADC Trade Protocol. Only 28 percent indicated that they had heard of the SADC trade protocol through television, friends or the radio. Of the 28 percent, less than half of them indicated that they were conversant with the key aspects of the Trade Protocol. Others argued that the Protocol seems to be more inclined towards big businesses than the typical ICBT.<sup>15</sup> About 90 percent of the traders interviewed were completely unaware of the Protocol on the Facilitation of Movements of Persons in SADC. This ignorance was not only among the traders but customs and immigration officials who also had limited information on what these protocols stipulate.

Officials and some traders also argued that there are some national policies that contradict regional policies. They argued, for example, that it has become even more difficult for Zimbabwean traders to get visas to travel to South Africa.<sup>16</sup> It is important to note that legally, these people are not *bona fide* traders but should normally be as visiting friends and relatives (VFRs) given the requirement by the South African Embassy for them to get written invitations from friends and relatives in South Africa. In Zambia, visitors can only stay for 90 days per year if they are on a holiday visa. Legally these people are not recognised as traders but as holiday makers or VFRs. For ICBTs, 90 days is too short a time for those people who use cross border trade as their major or sole source of income.

At the national levels it is important to note that due to the nature of informal cross border trade being unofficial and unrecognized, most countries do not have specific policies on this trade. For all the countries surveyed it was observed that the lack of regulatory framework governing the trade has hindered informal cross border trade in various ways.

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<sup>15</sup> Interviews with traders at Tunduma and Kasumulu border posts.

<sup>16</sup> Interviews with traders at Beitbridge border post.

With a few exceptions, most member states have developed policies on Small and Medium Enterprises (SMEs) development, a category that includes ICBTs. SMEs policies have been developed with the objective of creating a conducive environment for this sector. These policies place special emphasis on the promotion of SMEs through supporting existing and new promotion institutions, simplification of taxation, licensing and registration of SMEs and improvement of access to financial services. Some of the policies also include a comprehensive sensitisation programme on the tax system and on trade and industry matters as well as the creation of awareness on regulations and provisions governing bilateral and multilateral trade agreements.

However, insights from this research indicate that apart from the fact that the SME policies do not specifically address issues pertaining to ICBTs, the policies have also remained an expression of intent with no evidence of implementation on the ground. As confirmed during interviews with ICBTs in the region, most of them are still not aware of the policy environment in which they operate including the rules and regulations that affect their activities. This lack of knowledge has resulted in the ICBTs opting to stay informal to avoid payment of taxes and tariffs as they lack appreciation of the existing policies and how they benefit from them.

Registration and formalization of a business in member states is a lengthy process, which requires complex documentation and in most cases is still centralised in the capital cities. Generally the process involves procedures ranging from initiating a company name search, application for a certificate of incorporation to the Registrar General, registration for the payment of taxes with the revenue authority, to obtaining a company seal. These procedures are followed by application for a trader's licence. This is then followed by an application for the registration of the workplace, inspection of the premises by the relevant authority. In some member states, the trader is required to open a bank account for the company and deposit a minimum capital. Banks have certain requirements that have to be fulfilled in order to open an account and this further complicates the process of registration.



The whole registration process has a monetary and time cost. Registration requires filling in of forms obtainable and submitted to different regulatory authorities. This is a complicated process for most ICBTs who are sole proprietors and cannot afford to spend time away from work and cannot divert the little profits they are earning to pay for the costs involved. The length of the process increases as in some cases one has to set up appointments for example in the case where an inspection is to be received by the Ministry of Health. Furthermore, some ICBTs are illiterate and are unable to undertake the complex registration process. Yet most ICBTs are not even aware of the steps required to formalise business operations.

Other regulations directly affecting ICBTs in member states come in the form of city by-laws governing operational space. Street vending is strictly prohibited in most of the member states and available markets are crowded. Most of the available markets in member states are congested and traders are faced with the difficulty of securing space to sell their commodities. In order for traders to operate at designated markets, a trader has to obtain a hawker's licence from the city/town council. There is need to address the issue of operational space in the cities and towns and this should be done with maximum consultations between the city councils and the ICBTs especially with regards to the location of markets.

ICBTs interviewed in Malawi, Zambia, Zimbabwe, Tanzania and Mozambique indicated that the space provided for them is little and some of the markets are not located in strategic places where demand is. This is because consultations had not been made between the local authorities and the traders on the location of the markets.

In terms of import and export, the same tariffs that are levied on the registered and established businesses do apply to the ICBTs. For some commodities, ICBTs need an import/export permit. ICBTs however find this to be hindering their operations, as they have to apply for these permits at the respective regulatory authorities depending on the commodity they wish to import or export, which can be the Ministry of Agriculture for agricultural commodities or Health for medical-related products, etc. These licences are only valid for a specific period, usually six months. Application for the import and export licences also requires supporting documents such as a copy

of the trader's licence which most ICBTs do not have. Some ICBTs interviewed were not aware of the procedures they have to undertake or permits they need to obtain to be able to import/export certain commodities or the reasons why these commodities are restricted. The lack of such information results in traders opting to smuggle instead of following the right procedures.

#### **5.4 Source, Markets and Types of Goods Traded**

The bulk of the goods traded are as listed on Table 4 below. The types of goods traded vary from border to border with the bigger ports such as Beitbridge naturally having a much wider product range. Informal cross border exporters to South Africa tend to specialize in curios, doilies and similar goods, all originating from southern African countries north of South Africa. On the other hand, traders who import from South Africa into countries such as Malawi, Mozambique, Zambia and Zimbabwe bring in mostly groceries, liquor, motor vehicle spares, medical supplies, toys, clothing, electrical goods, household appliances and furniture. What is worth noting from interviews at all the border points surveyed is that much of the goods traded do not originate from the SADC region. They actually originate from China, Dubai, Thailand (in the case of electrical goods, toys and clothing), Japan (motor spares) and South-East Asia (clothing and toys).

Interviews at Tunduma/Nakonde border revealed that second hand clothes sold in Tunduma destined as far as Kitwe and Lusaka in Zambia are sourced from Dar es Salaam but originally came from the United States of America as well as England. Musical goods such as high voltage speakers, microphones, keyboards and mixers for public address systems were originally from Hong Kong and some from Japan. Second hand sound systems such as DVD players, home theatre systems, televisions and hi-fis at Tunduma were originally from Hong Kong.

At Ressano-Garcia traders brought blankets, comforters and sheeting from South Africa. While some of these goods originated from South Africa the bulk were originally from Thailand and China. Trade in agricultural produce was one of the main activities at Ressano-Garcia. From

Mozambique to South Africa were agricultural goods that were being exported mostly to farm workers of Mozambican origin in the Mpumalanga province. The goods included cashew nuts, coconuts, sweet potatoes and green vegetables. From South Africa, the traders into Mozambique brought groceries among them eggs, frozen chicken, fruit juices, biscuits and cooking oil.

Interviews with traders and officials at Kasumulu/Songwe revealed that the volume of informal trade has increased over the years especially trade in agricultural produce such as bananas, beans, onions, potatoes from Kyela in Tanzania to Malawian towns close to the border such as Karonga and Mzuzu. Rice is exported to Malawi from Tanzania and vice versa depending on the seasons and availability in the two countries. At the same border large volumes of sugar from Malawi informally crossed into Tanzania to be sold at Kyela but reaching as far as Mbeya, Tunduma and Dar es Salaam.<sup>17</sup> At COMESA Market in Lusaka, the bulk of the goods traded were clothing sourced from Tanzania but originally from Asia. Also present in significant quantities were groceries and liquor from South Africa and Zimbabwe. Agricultural produce on sale was sourced from countries such as Malawi, Tanzania and Zimbabwe.

ICBTs were also found to be key pioneers of markets. Before big business takes on a particular product, ICBTs would have tested its popularity on the market. Some ICBTs have connections with registered retailers whom they constantly supply. Some traders revealed that due to the fact that some goods are restricted as governments protect local industries, the cost of the importation of these goods would be too high for formal traders who then opt to use informal traders who can easily manoeuvre their way through customs to bring them the goods. Several traders at Ressano-Garcia pointed out that they were supplying Indian retailers in Maputo with the restricted cooking oil from South Africa which is said to be of a higher quality and cheaper than the locally produced oil. The same was echoed by traders at Kasumulu/Songwe trading in sugar from Malawi, which is restricted from importation by Tanzania.

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<sup>17</sup> Interviews at Kasumulu and Tunduma.

**Table 4: List of goods traded, source, origin and markets**

Country	Goods	Source	Origin
Malawi	Rice, Bananas potatoes, maize, tomatoes, dry beans <sup>18</sup>	Tanzania	Tanzania
Malawi	Shoe polish, soap, playing cards perfumes and other cosmetics	Tanzania	Tanzania, Kenya
Malawi	Clothing	Tanzania	Tanzania, China, India
Malawi	Cooking Oil, margarine	Tanzania	Tanzania, Malawi
Mozambique	Cooking oil, nik-nacks, biscuits fruit juices, frozen eggs and chicken, margarine, coffee, milo, yoghurt	SA	SA
Mozambique	Blankets, comforters, ladies shoes	SA	SA, China, Thailand
South Africa	Coconuts, cabbages, sweet potatoes, cashew nuts	Mozambique	Mozambique
South Africa	Wood canings, copper canings, malachite canings	Zambia	Kenya, Zambia
South Africa	Reed Chairs, curios and artefacts, roundnuts, groundnuts, doilies	Zimbabwe	Zimbabwe
Tanzania	Shoe polish, soap, playing cards, perfumes and other cosmetics	Kenya	Kenya, China
Tanzania	Sugar, rice, potatoes, maize, tomatoes, bananas, dry beans, biscuits	Malawi	Malawi
Tanzania	Liquor	Malawi	Malawi
Tanzania	Radio batteries	Malawi	Malawi
Zambia	Liquor (wines and spirits, brandy, beer)	SA, Zimbabwe, Botswana, Namibia, Tanzania	SA, Zimbabwe, Tanzania, Botswana
Zambia	Shoes, leather dye neck chains, belts, clothing for all age groups (jeans, suits, dresses), used clothes	Zimbabwe, Tanzania, D.R.C, South Africa	Taiwan, China Zimbabwe, Tanzania, D.R.C, South Africa, Kenya, Italy, U.S.A, England
Zambia	Rice, potatoes, fish, soup powders	Malawi, Tanzania, D.R.C, SA, Zimbabwe	Malawi, Tanzania, D.R.C, SA, Zimbabwe
Zambia	Fruits (bananas, oranges, apples)	South Africa	South Africa, Zimbabwe
Zambia	Electricals (home theatre systems, DVD players, decoders, television sets, hi-fis)	Botswana, Zimbabwe, Tanzania	South Africa, Botswana, China, Zanzibar (Tanzania), Hong Kong
Zambia	Autospares	Tanzania	Hong Kong, Dubai, China, Japan
Zambia	Chitenge material	DRC, Nigeria, Tanzania	DRC, Nigeria, Tanzania, Hong Kong, Holland, England
Zambia	Bed sheets, Comforters, Blankets	SA, Zimbabwe	Zimbabwe, SA, China, India, Korea
Zimbabwe	Cooking Oil, margarine, powdered milk, flour, rice, baked beans, tomatoe sauce	SA, Botswana	SA, Botswana, Mozambique, Malawi, Zambia
Zimbabwe	Washing powder, soap, cosmetics, brooms, medical supplies	SA, Botswana	SA, Botswana, Mozambique
Zimbabwe	Clothing, shoes, belts,	SA	SA, China, Mozambique
Zimbabwe	Cellphones and accessories, home theatre systems, DVD players, decoders, television sets, hi-fis, furniture	SA, Botswana	Botswana, S.A, China
Zimbabwe	Auto spares	SA	SA, China

*Source: Interviews with ICBTs, officials and transport operators in all the countries surveyed.*

<sup>18</sup> The movement of these agricultural commodities can be from either countries depending on the agricultural productivity of the other.

Highlights of food trade flows in selected SADC countries demonstrate the situation relating to maize, rice and beans as captured by the United Nations World Food Programme and FEWSNET in February 2007. With one month to go before the end of the 2006/07 marketing season, the southern Africa informal cross border food trade monitoring system captured the following flows: 97,000 MT of trade in maize, 6,500 MT of trade in rice, and 10,000 MT of trade in beans since the start of the marketing season in April 2006.

As shown in Table 5, during the 2004/05 marketing season, the highest levels of informal maize exports were from Mozambique, accounting for 80 percent of the total trade, as compared to 40 percent for the same period during the previous year. Intra-regional trade in maize is variable, as shown in Table 5, but clearly it is significant.

**Table 5: Informal cross border food trade in maize metric tonnes (MT)**

Source	Destination	2004/05 Season	2005/06 Season	Feb. 06	Feb. 07
Tanzania	Zambia	3,699	13,556	369	43
Zambia	Zimbabwe	13,106	182	1	145
Zambia	Malawi	2,157	419	0	8
Zambia	Tanzania	93	0	0	3
Malawi	Zambia	34	81	17	81
Zambia	DRC	8,318	4,682	11	1,213
Mozambique	Malawi	71,229	71,218	1,886	1,580
Malawi	Tanzania	637	944	302	2
Tanzania	Malawi	2,656	84,862	25,350	1,114
Mozambique	Zimbabwe	2	5	0	0
Mozambique	Zambia	-	49	0	212
Malawi	Mozambique	-	133	63	308
Zambia	Mozambique	-	55	21	0
Zimbabwe	Mozambique	-	85	40	61
South Africa	Zimbabwe	-	1,688	17	3
Total Traded (MT)		101,929	177,959	28,077	5,409

*Source: United Nations World Food Programme, FEWSNET, 2007*

Trade in rice and beans is summarized in Tables 6 and 7. Although informal trade in rice and beans remains confined to a few border points, it is significant. Zambian informal exports to DRC dominated trade in rice and beans during the reference periods as shown in the two tables, followed by Mozambican exports to Malawi.

**Table 6: Informal cross border food trade in rice metric tonnes (MT)**

Source	Destination	2004/05 Season	2005/06 Season	Feb. 06	Feb. 07
Tanzania	Zambia	547	641	67	37
Malawi	Tanzania	450	135	0	148
Tanzania	Malawi	70	912	57	0
Zambia	DRC	12,644	12,629	35	54
Zambia	Malawi	0	0	0	0
Malawi	Zambia	1	31	0	0
Zambia	Zimbabwe	50	106	14	258
Mozambique	Malawi	2,532	1,691	51	15
Malawi	Mozambique	1	12	6	0
Mozambique	Zimbabwe	58	399	18	127
South Africa	Zimbabwe	0	64	4	2
Total Traded (MT)		16,355	16,620	252	641

*Source: United Nations World Food Programme, FEWSNET, 2007*

**Table 7: Informal cross border food trade in beans metric tonnes (MT)**

Source	Destination	2004/05 Season	2005/06 Season	Feb. 06	Feb. 07
Tanzania	Zambia	509	472	28	69
Zambia	Tanzania	0	0	0	0
Zambia	DRC	12,019	8,231	16	26
Malawi	Mozambique	417	76	0	2
Zambia	Zimbabwe	372	16	3	0
Mozambique	Malawi	2,997	2,741	23	13
Malawi	Tanzania	2	0	0	0
Mozambique	Zimbabwe	67	4	0	1
Malawi	Zambia	30	19	3	7
Tanzania	Malawi	403	2,459	274	382
South Africa	Zimbabwe	0	325	2	0
Total Traded (MT)		16,816	14,343	349	500

*Source: United Nations World Food Programme, FEWSNET, 2007*

## 5.5 Transport and Routes

As high as 95 percent of the traders interviewed in all the countries surveyed indicated that they mainly used road transport in the form of buses, minibuses, hired cars, personal cars and haulage trucks. Only two percent of the traders indicated they used air transport to go and make their orders while the goods follow by road, sometimes using haulage trucks that can carry larger consignments at relatively cheaper rates.<sup>19</sup> Reasons cited for using road were that it is cheaper and more convenient. Concern was however raised about the small cargo capacity of buses and road transport in general with ICBTs advocating for improved rail networks. For example, 85 percent of the traders interviewed at Ressano-Garcia indicated that the discontinuation of the train between Maputo and Johannesburg was making their business more difficult.

In some cases, traders make use of bicycles. For example at Kasumulu/Songwe as well as Mchinji/Mwami border posts, traders find this to be the easiest way to smuggle goods across borders. Officials at Kasumulu/Songwe indicated that it is difficult to control the movement of people and goods at border as there are a lot of undesignated routes that can be used to cross and also because of the closeness of the communities, intermarriages across the borders with some Malawians having relatives in Tanzania and vice versa.<sup>20</sup> These cross border family links are common at most of the borders surveyed.

Of all the ICBTs interviewed, 54 percent indicated that transport was adequate. On the contrary, 100 percent of the traders interviewed at Beitbridge border post stipulated that transport linking Zimbabwe and South Africa was not adequate. This view was confirmed by four bus operators plying the Harare to Johannesburg route who cited fuel shortages and fuel price hikes in Zimbabwe as the major cause for reduced trips between the two countries. Buses from countries such as Zimbabwe to other SADC countries are few and almost always fully booked especially in the busiest days of the week (Thursday, Friday and Saturday) and months (November, December and January). When demand for bus transport rises, the operators give priority to individuals travelling

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<sup>19</sup> Interview with a liquor trader at COMESA Market.

<sup>20</sup> Interviews with customs and immigration officials at Songwe/Kasumulu and Mchinji border posts.

with little or no luggage and this puts ICBTs at a disadvantage as they usually travel with a lot of baggage.<sup>21</sup>

Poor road networks between countries were also highlighted as a constraint to the availability of adequate transport.<sup>22</sup> Member states are however making efforts to improve road infrastructure as demonstrated for example by the ongoing refurbishment of the Chirundu-Lusaka highway. Congolese, Tanzanian and Zambian traders showed concern over the inadequacy of road networks linking the three countries. The lack of direct routes connecting places is also a major concern. For example, the absence of a direct road link between Nakonde and Chipata<sup>23</sup> means traders have to travel all the way to Lusaka, then to Nakonde. This makes it difficult and expensive for a Malawian trader to trade in Nakonde yet geographically, the distance between Nakonde and Chipata is shorter.

Transport operators, particularly those going through busy borders like Chirundu and Beitbridge face the challenge of delays by customs officials as they search passengers. Of the transport operators interviewed, 83 percent cited delays by customs at border posts and also along highways as a challenge. Some suggested an increase in customs personnel at busy borders as a way of reducing time taken at the borders.

The introduction of one-stop border posts in SADC is also expected to significantly reduce time taken to clear goods and passengers at the borders. For instance with the support of Japan International Co-operation Agency, work is underway to make Chirundu (border between Zimbabwe and Zambia), a one stop border post. South Africa and Mozambique are also to open a R600-million 24-hour, one-stop border post by 2009 to handle the growing movement of people and goods between the two countries through the Ressano-Garica/Komatipoort border post<sup>24</sup>. The

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<sup>21</sup> Interview with transport operators at Harare roadport.

<sup>22</sup> Interviews with traders at COMESA

<sup>23</sup> Chipata is a small town in Zambia near Mwami/Mchinji border post

<sup>24</sup> Information extracted from a story entitled 'SA, Moz to upgrade border post' by Gcina Ntsaluba on [www.SouthAfrica.info](http://www.SouthAfrica.info), 18 January, 2008



implementation of the 24-hour joint one-stop border posts would go a long way towards addressing both the infrastructure, processing and congestion constraints.

## **5.6 Institutional Involvement**

This section looks at the involvement of Non-Governmental Organisations (NGOs), Trade Associations and Trade Unions as well as State-supported Institutions.

### *Trade Associations and Trade Unions*

There is some degree of organization among ICBTs at the national and regional levels. However, where associations exist, they are either weak or are not widely represented despite what would be stipulated in their constitutions or brochures.<sup>25</sup> Organisations at regional levels include the Cross Border Traders Association accredited to COMESA and SADC. This is a Regional association established in an endeavour to provide a collective voice for cross border traders in both COMESA and SADC. Article 2 of the draft constitution of the association stipulates that, “the association shall have its headquarters in Lusaka, Republic of Zambia and shall be registered in any COMESA and SADC member state at the national or district levels”<sup>26</sup>. However, the association has no such branches in member states as corroborated by traders and officials in the countries surveyed.

The two national cross border traders associations interviewed in Zimbabwe and Mozambique claimed that they were driven by the need to ensure that ICBTs are heard and recognised, and members’ interests are defended against any unjust laws or regulations. The Zimbabwe Cross Border Traders Association (ZCBTA) has been facilitating the issuance of travel documents and visas for its members. The association claimed that it had successfully lobbied the South African Embassy in Harare to grant ICBTs a traders visa with a longer lifespan of 12 months as compared to the 6-month visa issued to people VFRs.<sup>27</sup> However, the trader’s visa is part of a broader bilateral MOU between South Africa and Zimbabwe, which was due for signing in November

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<sup>25</sup> Interviews with ICBTs at COMESA Market and Beitbridge

<sup>26</sup> The Constitution was still being finalised during the time of the interview with the Secretary General of the Association in October 2007.

<sup>27</sup> Interview with the Zimbabwe Cross Border Traders Association

2007, but has since been shelved. South Africa now wanted to renegotiate the MOU, raising fears that the visa may not see the light of day after all.<sup>28</sup>

#### *NGOs and other Civil Society Organizations (CSOs)*

CSOs such as women's organizations in Zambia and Zimbabwe have played a positive role in promoting informal cross border trade. In Zimbabwe, such organizations include the Women's Round Table, Women's Bureau and Anointed Women in Business' Network, to name a few. Interviews with all three organizations in Zimbabwe revealed that they have promoted ICBT by providing business training, organizing trips for the traders, assisting with passport and visa processing. The organizations also arrange practical training to traders for instance the Anointed Women in Business' Network which offers training in peanut butter making, candle making and several other small business activities.

NGOs have given institutional support to Zimbabwean cross border traders by availing technical support, funding for capacity building as well as marketing.<sup>29</sup> NGOs in Zimbabwe have mainly championed the problems of the traders and organized entrepreneurship workshops for ICBTs. The ZCBTA acknowledged that through the help of NGOs such as World Vision, its members are now literate on various economic issues.

Private institutions have also provided support to ICBTs. For example the national airline of Zambia signed a MOU with the Zambian Cross Border Traders Association and agreed to reserve up to 50 seats on each flight for traders going to Johannesburg and Dar-e-Salaam at a reduced fare of US\$115, that is US\$50 less than the normal fare. Other international organizations such as ILO have also been involved in providing AIDS awareness campaigns to the traders since their business makes them highly susceptible to HIV and AIDS given the transport and accommodation challenges that they encounter on a daily basis.

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<sup>28</sup> Interviews with Zimbabwe immigration officials.

<sup>29</sup> Interview with the Zimbabwe Cross Border Traders Association

### *State Supported Institutions*

In almost all the countries surveyed, there are institutions established by governments to help and assist SMEs. In Tanzania, the Small Industry Development Organization (SIDO), which was established in 1973 to plan, coordinate and offer every form of service to small industries, remains the main arm for promoting SMEs in the country. SIDO has provided business training to traders on issues such as business proposals writing and how to keep financial records. Traders stand to benefit from these but most of them are not registered as SMEs and hence cannot benefit from finance channelled by the state through microfinance institutions such as SEDCO in Zimbabwe.

Local government in various SADC countries need to develop a positive attitude towards ICBTs and allocate space for the traders in strategic places so that they can bring together their funds to construct own infrastructure for trade if the local governments are unable to do it.

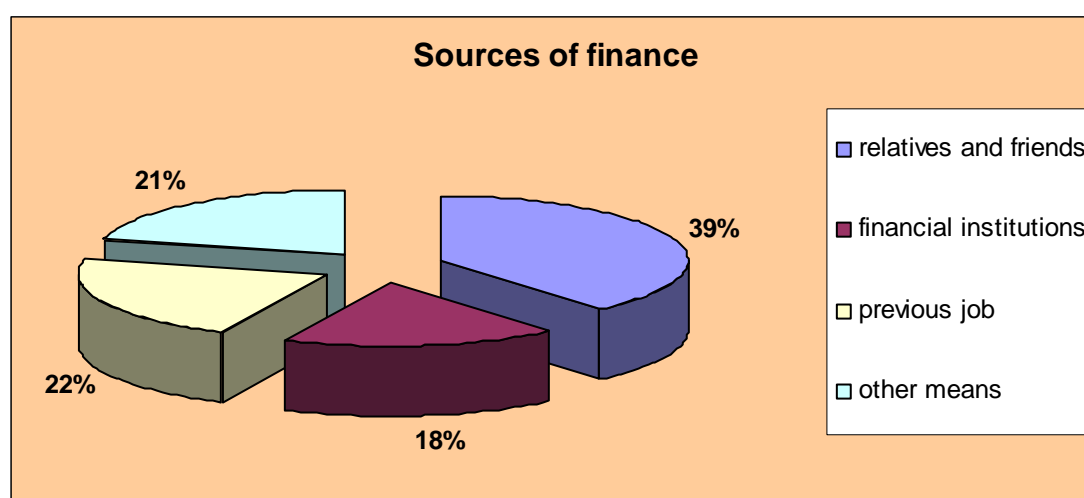
## **5.7 Access to Finance**

Almost 100 percent of the traders interviewed in all the countries surveyed indicated lack of starting capital as the major constraint in their businesses. This is consistent with findings by the Collaborative Centre for Gender and Development Studies (2006:2), which argued that traders have difficulties in accessing finance emanating from stringent measures put in place by financial institutions. The traders interviewed cited difficulties in accessing finance from institutions whose requirements favour established companies.

Only 66 percent of the financial institutions interviewed pointed out that they have credit schemes available for traders but are based on, in most cases, collateral; interest rates and in some cases strength of the feasibility of projects. The fact that banks are reluctant to loan out funds to cross border traders who usually have little or no collateral validates findings in the literature (Minde and Nakumwa, 1998: xv). All of the financial institutions interviewed in all the countries visited pointed out that they had received applications for loans from ICBTs and that the applications have been increasing.

Due to difficulties in accessing finance and lack of information on the availability of finance, more than 39 percent of the traders interviewed said that they had obtained their starting capital from relatives or friends either as loans or as donations. Only 18 percent of the traders said they had obtained loans from financial institutions, 22 percent pointed out that they had used savings from their previous employment as their starting capital while 21 percent indicated that they had obtained starting capital through other means such as selling their belongings as illustrated in Figure 6.

**Figure 6: Sources of finance**



*Source: Fieldwork questionnaires; 2007*

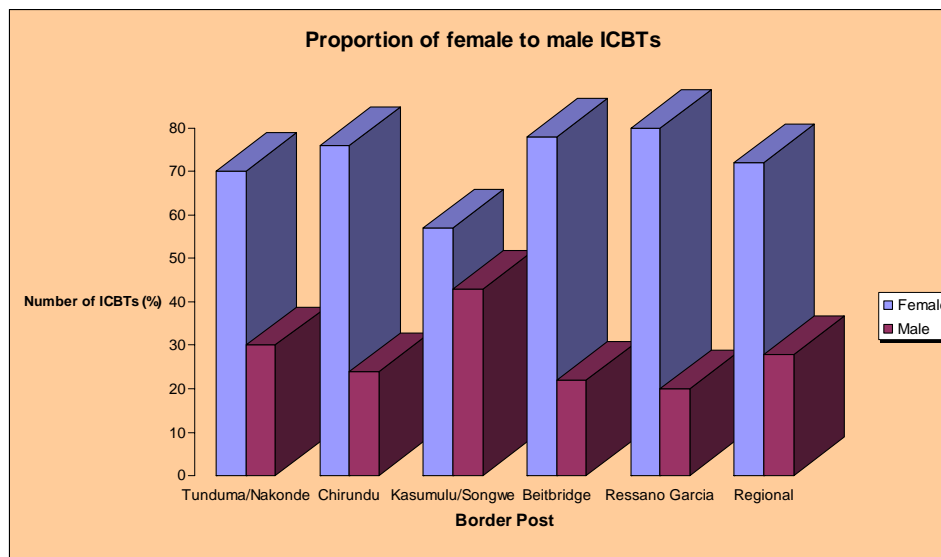
All the financial institutions interviewed and who confirmed dealing with ICBTs pointed out that one of their greatest challenges concerning loans extended to ICBTs is repayment. They argued that some traders take too long to pay or sometimes completely getting out of touch. The financial institutions revealed that the largest part of their bad debts is from people such as ICBTs who cannot be traced once they have changed addresses without notifying the institutions. The main recommendation from finance institutions is that ICBTs should keep traceable basic financial records as well as bank whatever proceeds or profits they get from their businesses which would put them in a better position to access finance. Financial institutions also recommended that traders must invest in both movable and immovable assets which would act as

collateral security when they make efforts to access credit. Banks and micro finance institutions also encourage traders to save with them for some time if they are to be easily eligible for loans.

## 5.8 Gender Dimensions

The interviews done in all the countries surveyed revealed that trans-border movement of ICBTs in SADC is mainly female dominated with about 70 percent of the ICBTs being female. The proportion of female to male traders at Beitbridge was 78:22 at Tunduma/Nakonde, 70:30; Kasumulu/Songwe, 57:43; Chirundu, 76:22 and Ressano-Garcia/Komatipoort, 80:20. Figure 7 makes a graphical representation of these proportions. Despite their activities, for a long time women have been marginalised in efforts to contribute to economic growth. Women in the region continue to lack access to, and control over productive resources such as credit, markets, modern technology, and formal employment, a fact acknowledged in the SADC Declaration on Gender and Development, which explains their greater participation in ICBT.

**Figure 7: Proportion of female to male ICBTs**



*Source: Fieldwork questionnaires; 2007*

Findings from the interviews show that 70 percent of all the female traders were breadwinners. This was attributed to a number of reasons ranging from being widowed, divorced and sometimes mere unemployment. 30 percent of female traders indicated they got involved in ICBT to supplement their husbands' salaries, which are insufficient to cover living expenses. Reasons cited for the lesser involvement of men in the trade was that the trade involves a lot of hustles, harassments by officials, which several men would naturally not withstand. Women tend to endure the hard conditions associated with ICBT more than men do.<sup>30</sup>

Most female traders also lack business management skills and have little access to price and demand/supply information in other markets. Women ICBTs lack reliable sources of information on markets and customs regulations, and often rely on other women traders for socio-economic support and information. The majority of the women interviewed cited harassment by officials as a major setback in their business. For instance, 100 percent of the female traders interviewed at Ressano-Garcia and Songwe indicated that customs in Mozambique and Malawi patrolled the major highways where they impound all "improperly" declared goods. Further, women ICBTs are vulnerable to abuse and health risks, including HIV and AIDS since they often spend extended periods away from home.

Emanating from transport and accommodation challenges, transactional sexual relationships have arisen between female traders and truck drivers in exchange for free transport or the opportunity to be accommodated in trucks.<sup>31</sup> Furthermore, some female traders end up sleeping in the open, again exposing themselves to various vulnerabilities, including sexual assault. Findings from the survey revealed that 32 percent of the traders either slept in the open at borders, where they sell goods or in buses. About 43 percent of all the traders interviewed indicated they got accommodation from their friends and relatives while only 25 percent indicated they slept in hotels, rest houses and lodges. Other recent ICBT studies in the SADC corroborate the results of the study. For example, a pilot ICBT study commissioned by UNIFEM (2007), point to the existence of serious transport and accommodation challenges faced by ICBTs.

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<sup>30</sup> Interview with male traders at Nakonde and Kasumulu.

<sup>31</sup> Interview with haulage truck drivers at Chirundu.

In general, ICBTs have limited access to healthcare services, including HIV and AIDS interventions. In most countries, foreigners pay a higher fee for public healthcare services, and thus ICBTs who are aware that they are living with HIV may be less inclined to seek treatment while travelling. The health of traders is also put at stake because of lack of proper sanitation and water facilities at the border posts. About 60 percent of the traders indicated that the facilities at the border posts were not suitable. The promotion of women's full access to, and control of productive resources is supported by the 1997 SADC Declaration on Gender and Development.

## **5.9 Role of Informal Cross Border Trade**

### *Positive Implications of ICBT*

As stated in most of the literature (Macamo, 1998; Minde and Nakhumwa, 1998; Plunkett and Stryker, 2002; Little, 2007; FEWS-NET, 2004), ICBT contributes to the economies of many African countries in various ways. Cross border trade also enables small scale entrepreneurs to escape poverty and to meet the education, housing and other basic needs of a significant number of dependents as well as creating employment opportunities for a number of people. Often, traders employ people (mostly other women) in their home countries and in the countries where they trade.<sup>32</sup>

In almost all the countries surveyed, ICBT is the main source of income for people who cannot find employment, which caters for the immediate, as well as extended families as shown in Figure 4 below. About 73 percent of the ICBTs interviewed indicated that they had no other alternative sources of income apart from cross border trade. In other cases, this form of trade is a second job that civil servants and private sector employees engage in to supplement family income. Furthermore, other ICBTs have found this trade to be very profitable and have voluntarily left formal employment to concentrate on ICBT.<sup>33</sup>

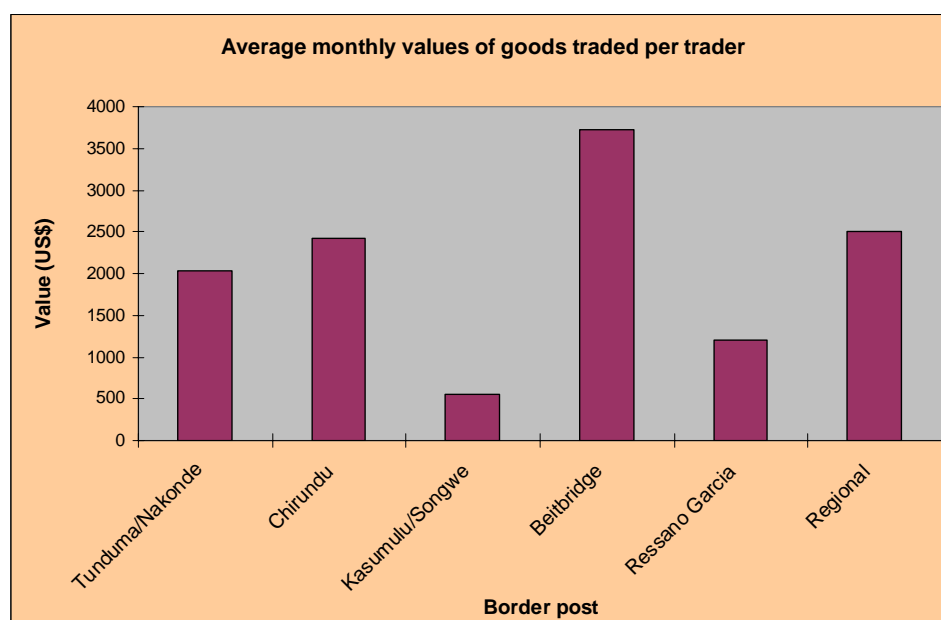
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<sup>32</sup> Interviews with ICBTs at all borders and cities surveyed

<sup>33</sup> This was corroborated by Tanzanian, Zambian and Zimbabwean traders interviewed at Tunduma/Nakonde and Beitbridge border posts as well as at COMESA Market.

Judging from the monthly values of income that traders said they realized in the countries surveyed, it was apparent that the majority of ICBTs survive on more than US\$1 a day which in most situations they would never dream of achieving under formal employment. As shown in Figure 8, the monthly average value of goods per trader at Tunduma/Nakonde was US\$2,025; Ressano-Garcia, US\$1,197; Kasumulu/Songwe, US\$559; Chirundu, US\$2,420 and Beitbridge, US\$3,724<sup>34</sup>. The regional individual average monthly value of goods traded was US\$2,506.

**Figure 8: Average monthly values of goods traded**



*Source: Fieldwork questionnaires*

Informal cross border trade has created jobs for skilled and unskilled people who could not find employment in the formal sector and those who were retrenched from formal employment for various reasons in all the countries surveyed. In Mozambique, ICBTs revealed that the liberalization of the economy in the 1990s resulted in privatisation of public enterprises. The advent of new technologies led to job losses such as processing of cashew nuts that used to be

<sup>34</sup> The values were obtained in local currencies and then converted to US\$ using the prevailing exchange rates for the respective countries



done manually being. Cross border trade has absorbed most of these people.<sup>35</sup> 61 percent of ICBTs indicated that they had on average two employees, who were not family members. ICBT provides employment not only to traders themselves but also to others including downstream operations such as transport operators. At Kasumulu/Songwe border, employment has been created for young men and women who carry the goods and people on their bicycles across the borders. Interviews with bus operators at Tunduma/Nakonde and at the Harare Roadport revealed that over 75 percent of their passengers constitute ICBT indicating that this form of trade is the major income earner for cross border buses.

ICBTs have also managed to construct houses and send their children to good schools and some of their children had even proceeded to university.<sup>36</sup> ICBTs have also been able to provide their children with basic necessities such as clothing, food and descent health care, in some instances from private health care providers. The same traders also mentioned that they possess assets such as fridges, radios, televisions, and satellite dishes. Each trader has on average 8 dependants directly benefiting from the trade inclusive of the extended family members.<sup>37</sup> This validates findings by (Peberdy, 1997) which revealed that 76 percent of the ICBT going to South Africa from across Africa had numbers of dependents ranging from 1-13.

Interviews with ICBTs in all the countries surveyed revealed that cross border traders are some of the major pathfinders as far as commodity shortage and availability is concerned. Traders stated that find out about product demand and availability in different countries in the region through observations or from friends residing in these countries. ICBTs play an important role in providing the much-needed goods in short supply in different regional markets as well as connecting markets in various countries in the region.

Traders in Malawi, Tanzania, Zambia and Zimbabwe confirmed that ICBT plays an important role in ensuring food security. At Chirundu, traders could be seen moving Zimbabwean maize especially into the Zambian communities near the border. Similarly, traders at

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<sup>35</sup> Interviews with traders and officials in Mozambique

<sup>36</sup> Interviews with Zimbabwean and Mozambican ICBTs

<sup>37</sup> Interviews with traders at COMESA market and Ressano Garcia.

Kasumulu/Songwe and customs and immigration officials at Mchinji/Mwami confirmed that trade in agricultural produce is prominent at these borders and depends on which side of the border has cheaper products or has a surplus in any given season. Traders and officials interviewed in Zimbabwe stated that ICBT had become a major lifeline for the Zimbabwean economy especially in the recent past when the country has experienced shortages of basic commodities. Similarly, interviewees in Malawi, Mozambique, Tanzania and Zambia confirmed that ICBTs were playing a major role in providing cheaper alternatives especially for the poorer members of society who, for example, would otherwise find clothing in upmarket retail shops beyond their reach.

As far as gender is concerned, ICBT is important in allowing women to supplement the household incomes brought in by their partners and/or to allow them to supplement their own formal sector earnings, allowing them to better fend for their families. It is also important in that it increases women's financial independence and their access to, and control over resources. This in turn has the effect of transforming gender relations by placing women into non-traditional areas of operation. Further, women's greater earning capacity usually translates into more involvement in decision-making in the family.

In South Africa, ICBT is a key driver of the tourism industry with traders from neighbouring countries supplying curios and other artefacts that have no official recognition in the South African Revenue Services (SARS) category book. The relevance of curios and artefacts brought into South Africa by ICBTs was also pointed out by (Peberdy, 1997).

This discussion makes it apparent that ICBT addresses the various dimensions of poverty and underdevelopment including lack of income, lack of assets, lack of basic needs, lack of decent education and health care, among others.

### *Negative Implications of ICBT*

However, ICBT has its own undesirable implications primarily because it can provide fertile ground for a myriad of illicit economic and social practices including drug trafficking; smuggling for example of precious minerals such as gold, diamonds, and drugs.

It can also be argued that like other forms of informal sector economic activities, ICBTs do not contribute to tax revenues and thereby starve the nation of taxable revenues, often supply sub-standards products that do not meet health standards, provide pockets of illicit trade and smuggling, etc. However, our policy recommendations as shown below are premised on the economic history's 'creative destruction' mechanism of the market – that under the unfettered market system, businesses whether small or large will renew themselves and automatically respond to signals to transform themselves either into extinction or ever-growing and viable entities. Under a progressive policy and business environment, informal sector business, including ICBTs will rise, grow, die, or voluntarily transform themselves into more viable legally sanctioned SMEs in response to the changing market requirements at the national and regional level.

The dynamics of the ICBTs should minimise the negative results of ICBT shown above through a more supportive policy environment and a closer monitoring system of trade practices at both regional and national levels.

### **5.10 The Transformation Debate**

ICBTs can be defined as follows:

**Number of employees:** 1 to 4

**Total net assets:** not relevant

**Legal structure:** Informal i.e. lack of formality with regards to company registration, record keeping, operating license, taxation and labour laws.

**Dynamics:** ICBTs transform themselves into “formal” status by being registered with the registrar of companies, operating from designated premises, having taxation formalities, etc, they become enterprises with a formal legal structures.

ICBTs interviewed showed a reluctance to join the formal sector. They associate the formal sector with the payment of taxes. ICBTs are not aware of the benefits that come with being integrated in the formal sector. ICBTs also cited the compliance costs that come with being formal as a disincentive to registration. These compliance costs are in the form of payment of taxes to the revenue authorities and the city authorities for commercial space and keeping of books of accounts for their businesses. The majority of the traders did not know the implications of being transformed into the formal sector. The question frequently asked was, “What benefits come along with being registered besides being obliged to pay taxes?” Most ICBTs appear persuaded that they would rather stay in the informal sector than go through the hustles of formal registration that results in heavy costs and taxes on their income.

Very few ICBTs interviewed were aware of the actual procedures one has to follow to register a business in their respective countries. Those who were conscious of the procedures cited the length of the registration process as a hindrance to formalisation.

Most of the customs officials felt that the integration of informal businesses into the formal sector would be a good initiative since it would improve the entrepreneurship skills of the traders through various seminars usually organised for people in mainline formal business sectors. Above all, customs officials welcomed the idea of integration citing growth, an advantage when it comes to revenue collection.<sup>38</sup>

Other officials argued that ICBTs should not be integrated into the formal sector, as the current regulatory framework is not favourable to traders. Unless a favourable regulatory framework is established in individual countries and within SADC in general, some officials argued, informal cross border traders are better off as they are. Other customs officials argued that while the integration of ICBTs into the formal sector has its benefits including increased revenue, it is healthy for an economy to have the formal and informal sector co-existing. Customs officials at

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<sup>38</sup> Interview with Malawi officials at Songwe and Mchinji border posts; Mozambique officials at Ressano Garcia; Zimbabwe officials at Beitbridge.

some of the border posts argued that an economy without the informal sector would not perform well in view of the market distortions that ICBT seeks to address in the region.

### **5.11 Obstacles Hindering Sustainability of ICBT**

It must be noted that amongst other constraints, political and governance issues at global, regional and national levels have facilitated the growth of ICBT in the SADC region. Despite the many essential contributions by ICBTs, findings show that the participants in this trade face a number of problems, obstacles and restrictions, which if addressed would lead to the optimisation of the benefits from the trade in poverty reduction. The challenges that work against the sustainability of ICBT include:

- ⇒ Difficulties in obtaining passports and visas: Passports are difficult to obtain in some countries while in some cases they take a long time before they are ready for collection. Further, visa requirements for example into South Africa are too restrictive as several documents are required such as letters of invitation, proof of financial resources (R2000 in travellers cheques required with each visa application). These visas are only obtainable from the Embassy in Harare.
- ⇒ Unwarranted refusal of entry: Even where visas are not required, border crossing conditions remain unfavourable to ICBTs with immigration officials refusing traders entry on flimsy grounds.
- ⇒ Lack of recognition as *bona fide* traders: This results in ICBTs entering countries as people visiting friends and relatives or as tourists. This has led to criminalization and harassment of ICBTs in foreign countries as their activities automatically become illegal. In fact this illegality has given rise to xenophobic tendencies with the ICBTs treated as economic refugees in countries such as Botswana and South Africa.
- ⇒ Lack of trading space: Although municipal authorities have provided space for flea markets, this has either not been enough for all practicing traders or the daily fees charged are too high for most traders. Further, with the exception of Zambia, other countries surveyed do not provide market space for foreign ICBTs, meaning that all

trading in foreign countries is considered illegal and many such traders are frequently rounded up for deportation.

- ⇒ Lengthy registration processes: As noted in Section 5.3 above, registration processes in most countries for traders' licences are lengthy and cumbersome to the extent that this has acted as a barrier to the formalisation of ICBT. When they have the traders' licences, these are not recognised in neighbouring countries.
- ⇒ Excessive customs charges: The tariffs charged in some countries are too high especially for ICBTs who often deal in small volumes of goods.
- ⇒ Unwarranted impounding of goods: This is compounded by officials who take advantage of traders' lack of information on customs clearance and handling regulations.
- ⇒ Unfair treatment of traders as smugglers and drug traffickers: Due to the diverse nature of the ICBTs group, some bad elements exist who specialize in illicit trade practices. This has tarnished the image of ICBT as some officials tend to give view all ICBTs with the detestable label smugglers or law-breakers.
- ⇒ Numerous check-points: Often traders go through numerous check-points at the border points and along the routes to their destinations.
- ⇒ Harassment by officials: ICBTs are subjected to harassment by municipal as well as traffic police especially in the neighbouring countries. This compounded by the lack of recognisable visas or licences.
- ⇒ Exposure to corruption: This is compounded by lack of knowledge of their rights.
- ⇒ Poor infrastructure: Poor access roads, telephones and lack of water and sanitary facilities are stumbling blocks to ICBT.
- ⇒ Lack of knowledge and poor information: This relates to markets, customs regulations, ICBTs rights, etc. Often ICBTs rely on word of mouth for vital information such as markets.
- ⇒ Limited access to finance: Few financial institutions offer credit facilities to informal traders and of those that do, the majority have stringent requirements such as collateral that many ICBTs cannot meet.
- ⇒ Shortages of foreign currency: Because ICBT is by nature informal, most ICBTs obtain their foreign currency from the parallel market. This arrangement has serious risks including receiving counterfeit notes; money stolen by robbers working in cohorts with

the money changers; and if they are caught by the police their money is often confiscated or they are forced to pay a bribe.

- ⇒ Exposure to HIV and AIDS: Given that most ICBTs frequently travel abroad often spending long periods away from home, they are at higher risk of casual sex and hence contracting HIV and AIDS. The difficulties that women face with respect to transport and accommodation exposes them to risky behaviour which results in high incidents of engaging in transactional sex, for example, with cross-border truck drivers, who are amongst the principal providers of transport to ICBTs.
- ⇒ Weak associations: This deprives ICBTs of an important opportunity for a collective voice to air their grievances and lobby for more favourable policies. The absence of associations or the fact that they are weak has also limited the space available for meaningful policy interventions with regard to ICBT. Thus a possible policy intervention is to strengthen existing cross border traders' associations and encourage their formation where they do not exist. The Cross Border Traders Association in COMESA and SADC based in Lusaka has demonstrated the utility of such an approach. The government of Zambia through COMESA has been able to directly influence operations of the association's members through the leadership of the association which is housed at the COMESA Market, a stone's throw away from the COMESA Secretariat. Customs officials and other stakeholders interviewed confirmed that the actions of ICBTs are easier to regulate where an association exists. For example, the associations can be engaged to discourage its members from engaging in undesirable trade practices such as smuggling of dangerous products such as drugs.

## **6. CONCLUSIONS**

From the analysis above, it is clear that informal cross border trade plays an important role in SADC, contributing to food security, acting as a buffer to the formal sector and thus ameliorating economic hardships, has positive impact on employment, income generation, poverty reduction and enhancing the general welfare as well as human development of participants. However, ICBT has both positive and negative aspects. The negative effects of ICBT include revenue loss due to customs duties and tax evasion, possible promotion of illegal trade and corruption, violation of health, sanitary and environmental requirements, and social effects that include family breakdown, rural-urban migration and prostitution around border towns.

ICBT is not recognised formally in most parts of the SADC region, often being misunderstood or marginalized. This lack of recognition of ICBT is a major concern since there may well be loss of opportunities to transform the regional and national economies using innovative SME oriented policies and strategies.

ICBTs face a number of obstacles that include difficulties in obtaining passports and visas; being refused entry in countries that may not require visas; excessive customs charges; unwarranted impounding of goods; unfair treatment of traders as smugglers and drug traffickers; numerous check-points; humiliating body searches; limited access to formal credit schemes; lack of reliable transport; weak associations; and a generally unfavourable policy and regulatory environment. However, with an appropriate policy and regulatory framework, the challenges can be eliminated ensuring that the positive implications of ICBT are maximised while the negative implications are minimized.



## 7. POLICY RECOMMENDATIONS AND THE WAY FORWARD

Based on the empirical evidence obtained by earlier studies on this subject and our analysis of results in this study, ICBT has both positive and negative effects. The question therefore is how can SADC member states enhance the positive effects of ICBT at minimum costs? The current situation where ICBT is largely ignored is not only economically undesirable but a serious social injustice to a significant section of the regional community, the majority of whom have taken a positive step to bring themselves out of the poverty trap through informal cross border trade. Thus governments and other stakeholders need to develop a positive attitude towards informal cross border trade and to achieve that objective the study offers the following recommendations:

- ⇒ ***Flush out smugglers and drug traffickers from well-meaning ICBTs*** – There is need for member states to employ more innovative ways of fighting illicit trade practices so as to flush out dangerous criminals such as smugglers of controlled goods like gold, diamonds, etc and drug traffickers from *bona fide* ICBTs. Such a move would ensure that ICBTs are not painted with the same brush, which hitherto has created the unfortunate stereotype of smugglers and drug traffickers.
- ⇒ ***Harmonisation of trade policies*** - There is need to harmonise trade policies in SADC. This therefore calls for a speedy implementation of the SADC Trade Protocol so as to harmonise customs requirements and facilitate trade between member states. Such harmonisation should also seek to address the problem of multiplicity of permits required for controlled products and licences that are currently not recognised in other countries. However, it is important to note that the Trade Protocol in its present form is not sufficient for the needs of ICBTs. It needs to be complemented by other policy instruments including the Protocol on the Facilitation of Movement of Persons, which is not yet in force. Stringent visa requirements in some of the countries are currently inhibiting ICBT. While bilateral arrangements have achieved considerable results in relaxing visa requirements, the speedy implementation of the relevant SADC protocol would bring about a more holistic and longer term solution to the current problem.

- ⇒ ***Common Traders Licence*** - A common trade policy should result in issuance of documents such as a common trader's licence, that is, one that is recognised in all the member states. Such licences can be issued by the relevant authority in each member state but for that to happen, there is need for a harmonisation of trade policies in member states. With a Common Traders Licence, it would be easier for cross border traders to operate anywhere in the region without harassment and criminalization of their activities as is the case at the moment. This would also offer a framework for member states to capture more accurate data on trade flows.
- ⇒ ***Registration of ICBTs as quasi-formal businesspeople*** – Governments are called upon to facilitate the registration of ICBTs without necessarily immediately subjecting them to taxes. However, this could be used as an incentive whereby their businesses are gradually nurtured up to a stage where the traders are ready to pay taxes thus without threatening their viability.
- ⇒ ***Regional policy framework specific to needs of ICBT (Addendum to the Trade Protocol on ICBT)***– Noting the inadequacy of the Trade Protocol vis-à-vis the needs of small and medium scale enterprises in general and ICBTs in particular, the development of an addendum to the Trade Protocol or separate policy framework either within the broader context of SMEs or specific to ICBT is recommended. SADC has to confront the reality that most of the economies in the region are in transition and that the various economic reforms implemented over the last couple of decades have often resulted in unintended consequences including the increase in the size of the informal sector. In the absence of a specific policy and regulatory framework, informal cross border trade in SADC will continue to be criminalized.
- ⇒ ***Wider consultations for policies*** – There is need to include the poor when formulating policies that are meant to eradicate poverty. ICBTs interviewed complained that they were not consulted when the Trade Protocol was put in place. It therefore comes as no surprise the protocol does not cater for the needs of this sector. Through their representatives, mainly the trade associations and various CSOs, the concerns of the poor can be channelled, discussed and refined.
- ⇒ ***Information centres*** -- Traders complained of lack of information on what they are required to do at the borders. There is therefore need for governments and CSOs to work

together on setting up information centres at border posts. These centres can help with information on how traders are required to handle their clearing so that they do not waste time by joining wrong queues only to be told that they are supposed to go to a different section altogether. The centres can also help with information on controlled products as well as sensitizing traders on their rights to minimize the risk of harassment and fleecing by corrupt officials. National and regional newspapers and newsletter, television and radio broadcasts can also be used to disseminate information to the concerned recipients.

- ⇒ ***Simplification of customs documents***: Some documents such as the customs declaration forms appear to be too complex for some semi-literate ICBTs. Simplification of such documents would make completion by the traders faster and easier thereby reducing time spent at the borders.
- ⇒ ***Capacity building and awareness raising among stakeholders*** – There is need for capacity building training and workshops for the various stakeholders including customs, immigration and other border control authorities, local government, transport operators, clearing agents and the ICBTs themselves for them to work in harmony. At present there is an environment of mistrust, resentment and heavy-handedness often resulting from the lack of understanding of each other's role or objectives. More awareness needs to be raised on the rights of ICBTs as citizens of SADC.
- ⇒ ***Strengthening cross border traders' associations*** – One of the major reasons it has become difficult to put in place policy interventions in favour of ICBTs is the absence of strong associations both at the national and regional levels. Noting that associations exist in some countries, the problem is that either their membership is too small or their existence is not known to most traders some of whom would wish to be members. Conscious of the fact that the formation of institutional structures is not always the panacea to any given problem, there is a glaring need for a truly regional association -- a SADC Cross Border Traders' Association -- modelled along the lines of the COMESA Cross Border Traders Association. However, unlike the COMESA association whose interests are restricted to the market place in Lusaka, the recommended regional association should either have physical presence in all member states or work through the national associations where they exist while facilitating the constitution of new ones where they do not exist. Through the associations, it would then be easier to engage the

sector more meaningfully. Additionally, workshops can then be organised for training, and awareness raising on their rights, obligations, relevant policies and legislation. The cross border traders associations from various countries should interact and discuss various concerns in their respective countries to ultimately come up with one objective and one voice. The regional cross-border traders association can be a vital instrument of strengthening the advocacy role of ICBTs as well as building a greater understanding of the role of informal trade in relation to formal trade and how they can complement each other.

- ⇒ ***Voluntary compliance*** – Supported by the other measures recommended above, there is need to cultivate a culture of compliance among ICBTs. As long as ICBTs play hide and seek, avoiding customs declaration at borders, the relevant authorities will continue to view their activities with reservations.
- ⇒ ***Elimination of border delays*** – There is need for all stakeholders to take measures aimed at eliminating delays at some border posts. For example, the separation of ordinary travellers from ICBTs carrying goods that require customs clearance would go a long way in reducing the delays currently experienced by public transport at Beitbridge. This is because the processing of paperwork for travellers with personal effects is different from that for goods considered for commercial use, that is, all goods in quantities above what is considered reasonable for personal use. While such issues are debatable and at the discretion of the customs official, the fact of the matter is serious delays occur when buses carry passengers with commercial cargo. ICBTs are also encouraged to make use of pre-clearance facilities where these exist to minimise the time that they will spend at the border. While taking into account all the security imperatives, more border posts should be opened between South Africa and Zimbabwe to ease congestion at Beitbridge. Potential sites have already been identified at Mapungubwe/Shashe upstream of the Limpopo river where the borders of South Africa, Botswana and Zimbabwe meet, and at Chituri, downstream of Limpopo river.
- ⇒ ***One-stop border posts*** – SADC member states should seriously consider the implementation of the One-stop border post concept as is being done at Chirundu. Traders welcomed this development saying it is going to ease travel between Zambia and Zimbabwe and should be replicated at other borders. The concept was originally

intended for implementation at Beitbridge but the South African government showed little interest in the initiative despite confirmed donor interest leading to the project being taken to Chirundu.<sup>39</sup>

- ⇒ ***Suitable accommodation, water and sanitation facilities for ICBTs*** – There is need for arrangements to be made in places where traders source their wares and at border posts for affordable and secure accommodation with descent sanitary facilities. In most countries, traders stay in appalling conditions, sleeping at places such as petrol stations, in the open, and at the mercy of weather and marauding criminals. Traders associations could play a key role in making sure that accommodation is arranged on behalf of members. Water and sanitation facilities should be improved to ensure proper conditions of hygiene at the borders and places where traders sell their goods. While borders are meant to be transit points and not places for people to stay, the fact of the matter is that some borders close early or delays cause traders to miss their transport and find themselves having to spend the night often sleeping in the open.
- ⇒ ***Market space*** – Most traders cited the lack of space for them to legally sell their wares as one of the biggest challenges that they face. This is more difficult in countries where traders have no residence status. Often as long as traders are in foreign countries, their status as traders falls away even if they were registered in their countries of origin. Along with accommodation challenges, lack of trading space makes traders vulnerable to harassment and abuse, more so when they are women. The recommended region-wide policy framework for ICBTs could address issues such as this one.
- ⇒ ***Security*** – There is need for better security arrangements for traders at places such as markets, cloakrooms, accommodation (including the bus stops where traders are known to spend nights waiting for transport) and along the routes. Traders reported cases of thieves who target heavily loaded pickup trucks or mugging at borders while they wait for transport at night.
- ⇒ ***More efficient transport and better infrastructure*** – There is need for cheaper modes of transport – more buses or rail links between countries. The transport infrastructure, in

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<sup>39</sup> SADC could also learn from even the more elaborate One-Stop-Border Post that is being currently implemented at the Malaba border post between Kenya and Uganda, which like Beitbridge, is responsible for large traffic volumes from Mombasa to several inland countries – Burundi, DR Congo, Rwanda and Uganda).

particular roads, is in dire need of maintenance. The routes have become quite dangerous for the traders who regularly travel up and down.

- ⇒ ***Publicise benefits of Free Trade Area*** – SADC Secretariat should work with relevant institutions to publicise the benefits of the Free Trade Area. Apart from the general lack of knowledge among officials and traders about the SADC Trade Protocol, most people interviewed seemed unaware of the benefits of the Free Trade Area.
- ⇒ ***Access to Finance***-There is need for finance schemes tailor-made for ICBTs who usually do not have the necessary collateral and financial records required by most financial institutions at the beginning of their trade. Government supported financial institutions need to reach out to people who have not yet reached the stage of qualifying as registered SMEs. The traders need to be given financial incentives that would ultimately urge them to become formal.
- ⇒ ***Continuation of HIV and AIDS awareness campaigns***- There is need to continue raising awareness on HIV and AIDS among transport operators used by ICBTs, on billboards along the highways used, at border posts and hotels and at market places. ICBTs want to be reminded continually of the dangers of the AIDS pandemic lest they may not achieve their intended goal of wealth creation and poverty alleviation through trade.

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[www.sardc.net](http://www.sardc.net) Knowledge for Development

## APPENDIX 1: NUMBER OF PEOPLE/INSTITUTIONS INTERVIEWED

	<i>Malawi</i>	<i>Mozambique</i>	<i>Tanzania</i>	<i>Zambia</i>	<i>Zimbabwe</i>
<i>ICBTs</i>	11	10	11	13	12
<i>Trade Associations/Trade Unions</i>	2	3	--	2	5
<i>Government Officials /Local Authorities and Customs</i>	7	3	3	9	12
<i>Financial Institutions</i>	2	2	--	2	4
<i>Transport Operators</i>	3	3	3	3	4
<i>Total interviewees per country</i>	25	21	17	29	37

*Source: Fieldwork questionnaires*

## APPENDIX 2: HIV AND AIDS PREVALENCE AMONG WOMEN AND MEN IN SADC (2005)

<b>Country</b>	<b>Prevalence (%)</b>		<b>Adults Living with HIV</b>	<b>Women Living with HIV</b>
	<b>M</b>	<b>F</b>		
Angola	3.4	4.4	240 000	130,000
Botswana	31.7	43.1	350 000	190,000
DRC	3.7	4.8	1.1 million	570,000
Lesotho	25.4	32.4	320 000	170,000
Malawi	12.4	16	900 000	460,00
Mozambique	10.6	13.8	1.3 million	670,00
Madagascar	1.4	1.9	-	-
Namibia	18.4	24.2	210 000	110,000
South Africa	18.1	23.5	5.3 million	2.9 million
Swaziland	35.7	41.7	220 000	110.000
Tanzania	7.6	9.9	1.6 million	840,000
Zambia	14.1	18.9	920 000	420,000
Zimbabwe	21	28.4	1.8 million	930,000

*Source: United Nations Population Fund (UNFPA), 2005.*

**APPENDIX 3: IMPORTS AND EXPORTS FOR SELECTED COUNTRIES IN SADC  
(2000-2006)**

COUNTRY	YEAR													
	2000		2001		2002		2003		2004		2005		2006	
	EXP	IMP	EXP	IMP	EXP	IMP	EXP	IMP	EXP	IMP	EXP	IMP	EXP	IMP
Angola	7921	3040	6534	3179	8327	3760	9508	5480	13475	5832	24109	8353	31262	10776
Botswana	2682	1778	2325	1612	2353	1643	3036	2135	3701	2868	4473	2853	4573	2606
DRC	970	697	1015	807	1132	1081	1244	1323	1278	1720	1624	2410	1697	2546
Lesotho	212	728	281	676	395	818	477	1018	679	1292	633	1271	647	1265
Madagascar	629	833	1091	1075	540	592	881	1142	964	1388	856	1449	974	1521
Malawi	391	543	441	547	410	700	530	786	485	933	504	1184	668	1210
Mauritius	1557	1946	1631	1848	1799	2010	1900	2201	1997	2579	2143	2940	2339	3427
Mozambique	364	1046	704	957	810	1543	1044	1741	1510	2035	1745	2242	2391	2616
Namibia	1320	1550	1225	1512	1268	1254	1251	1711	1829	2107	1314	1484	1796	1731
South Africa	32018	27311	30810	25716	31688	26910	38525	34998	48144	48335	55345	56554	64134	70420
Swaziland	907	974	1047	1059	1034	883	1596	1406	1927	1876	1991	2149	2113	2271
Tanzania	734	1368	851	1715	979	1511	1216	1934	1473	2483	1676	2998	1723	3864
Zambia	853	701	980	864	894	1080	946	1547	1666	1727	2176	2201	1635	2700
Zimbabwe	2202	1907	2114	1826	1802	1821	1670	1778	1684	1989	1606	1994	1730	1967

Note: Figures were obtained in local currencies of respective countries and converted to United States Dollars using daily average exchange rates for the years. The figures are in \$US million.

Source: Central banks and central statistical offices of the member states, and [www.sadcbankers.org](http://www.sadcbankers.org)