Informal cross-border fish trade: Invisible, fragile and important

Authors

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Executive Summary

Informal cross-border trade is an important livelihood activity in Africa, contributing substantially to food and nutritional security and offering potential to contribute to poverty eradication. The current narrative often equates informal cross-border trading to smuggling; however, in many contexts this activity symbolises innovation and entrepreneurship, rather than an illegal activity intended to evade tax. Informal fish trade remains largely invisible to policy-makers and hence, receives limited investments from governments. In most cases, income received from cross-border fish trade, especially by women, is used to improve livelihoods—just as in the case of formal fish trade. Promoting intra-regional trade can provide a route to develop pro-poor trade policies with direct development impact at the household level. Field studies reveal that intra-regional informal fish trade is a well-organised entrepreneurial activity with the potential to support regional economic development and to enhance the lives of Africans. There is a need for further investments and attention from policy makers to unlock the potential of this important and often over-looked economic activity.

Key Recommendations

- **Raise the visibility of informal cross-border fish trade** through further research to better understand the structures, activities and stakeholders involved in this activity.
- **Remove stigma** by recognising informal cross-border trade as a legitimate economic activity, with an alternative mode of economic governance outside of the state.
- **Enable governments to engage with informal traders** by establishing institutions for non-state actors (e.g. Cross-Border Fish Traders Associations).
- **Reduce livelihood vulnerabilities** by improving social capital (though traders’ associations), human capital (through improved literacy and numeracy) and access to investment finance.
- **Address corrupt practices** associated with cross-border fish trade, by establishing transparent rules and regulations, encouraging anonymous reporting and enforcing penalties.
**Introduction**

Informal cross-border trade is one of the most important economic activities in Africa, estimated to provide income to over 43% of the population. Fish and fishery products have received limited attention in formal reports but are emerging as the most widespread commodities traded informally across borders in many African countries. This not only provides a major source of income in many countries, but also a vital source of food and nutrition security. Invisibility in official statistics and perceptions of illegality renders those dependent on informal cross-border fish trade vulnerable to harsh penalties through transit and border controls. With effective policies, informal cross-border trade in fish and fishery products has the potential to support on-going efforts to eradicate poverty and deepen regional integration in Africa.

Terminology used to describe informal trading varies between contexts. Those enforcing import-export regulations refer to these activities as illicit, illegal, unregulated or part of the “black” or “shadow” economy. This Policy Brief indicates those involved in informal cross-border trade to be entrepreneurs who, although unregulated, derive income from selling legal goods and services. While informal trade is known to be a major contributor to African economies, many policy makers still strive to formalise this sector. At the African Union’s 2014 Ordinary Summit in Malabo, Equatorial Guinea, concern about low levels of formal intra-regional trade motivated
the Heads of State and Government to commit to more than tripling intra-African trade in agricultural commodities and services by 2025.

This Policy Brief presents findings generated by WorldFish, NEPAD and AU-IBAR through the FishTrade Program, combining trade monitoring information, participatory methods and policy analysis. This research shows that informal cross-border fish trade in Africa is thriving, and that traders are rational, profit-seeking and motivated to minimise transactional costs and maximise profits. Income from fish trade is used for food purchases and the betterment of traders’ lives. Countries stand to make significant gains if they embrace informal cross-border fish trade as an economic activity. This Policy Brief describes the characteristics and organisational arrangements of cross-border trade and proposes institutional arrangements that can lead to economy-wide gains, including providing decent employment and strengthening food and nutrition security.

**How much fish is traded informally?**

Studies by WorldFish, AU-IBAR and NEPAD have revealed massive quantities of fish and fishery products are being informally traded across African borders. Research in three selected markets in Ghana estimated around 6000 tonnes of fish to be exported informally to neighbouring Togo and Benin each year. This equates to an annual market value of US$18.6 million (Table 1), compared to estimates of US$61 million for the total annual market value for fish products across the country. It is therefore likely that if informal trade were accurately included in aggregate national trade volumes, official trade statistics would be far higher.

<table>
<thead>
<tr>
<th>Fish markets in Ghana</th>
<th>Destination</th>
<th>Annual quantity (tonnes)</th>
<th>Value (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday</td>
<td>Togo</td>
<td>1,857,618</td>
<td>3,109,132</td>
</tr>
<tr>
<td></td>
<td>Benin</td>
<td>261,135</td>
<td>536,210,5</td>
</tr>
<tr>
<td>Denu</td>
<td>Togo</td>
<td>1,851,528</td>
<td>7,950,158</td>
</tr>
<tr>
<td></td>
<td>Benin</td>
<td>819,21</td>
<td>3,871,026</td>
</tr>
<tr>
<td>Dambai</td>
<td>Togo</td>
<td>1,558,2</td>
<td>3,151,895</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>6,347,691</strong></td>
<td><strong>18,618,422</strong></td>
</tr>
</tbody>
</table>

In Zambia, an estimated 102,000 tonnes of fish (valued at US$3.3 million), was informally exported to neighbouring countries between 2015 and 2016, with around 95% passing through the Kasumbalesa border to the Democratic Republic of Congo (Table 2a). In Malawi, informal cross-border exports of fish to neighbouring Mozambique, Zambia and Tanzania were estimated at over 24,000 tonnes (US$42 million; Table 2b) and imports estimated at almost 10,000 tonnes. These figures are far higher than official statistics for 2011, which report exports of 320 tonnes/year, and imports of 1,500 tonnes / year.
Table 2. Estimated quantities of fish and fishery products informally traded between (a) Zambia and (b) Malawi, and neighbouring countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade partner</th>
<th>Border post</th>
<th>Estimated quantity of fish (tonnes)</th>
<th>Value (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Imported</td>
<td>Exported</td>
</tr>
<tr>
<td>(a) Zambia</td>
<td>Mozambique</td>
<td>Luangwa</td>
<td>3,229</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Tanzania</td>
<td>Nakonde</td>
<td>1,643</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Namibia</td>
<td>Katimamulilo</td>
<td>274</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>DRC</td>
<td>Kasumba Lesa</td>
<td>-</td>
<td>97,119</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>5,145</td>
<td>97,119</td>
</tr>
<tr>
<td>(b) Malawi</td>
<td>Mozambique</td>
<td>Mwanza</td>
<td>14,482</td>
<td>16,585</td>
</tr>
<tr>
<td></td>
<td>Zambia</td>
<td>Mchinji</td>
<td>-</td>
<td>11,399</td>
</tr>
<tr>
<td></td>
<td>Tanzania</td>
<td>Songwe</td>
<td>-</td>
<td>2,820</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>14,482</td>
<td>30,804</td>
</tr>
</tbody>
</table>

In the Eastern Corridor, surveys conducted at the Busia border between Kenya and Uganda, report that individual informal cross-border traders export an average of around 2 tonnes of tilapia each month, representing around one-quarter of the total volume of cross-border tilapia trade (Table 3). Considering that Busia is a “One Stop Border Post”, this volume of informal trade is still remarkable because traders have the opportunity to use the Simplified Trade Regime (STR) established by the Common Market for Eastern and Southern Africa (COMESA).

Table 3. Volumes of tilapia and income earned by informal and formal traders operating across the Busia border between Uganda and Kenya (*based on exchange rate of 1 USD to 3,340 USh).

<table>
<thead>
<tr>
<th>Category of traders</th>
<th>Average volume per trader (kg/month)</th>
<th>Total volume (kg/month)</th>
<th>Percentage of total volume per channel (%)</th>
<th>Average income for trader (US$/month)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal</td>
<td>2097</td>
<td>122,000</td>
<td>24</td>
<td>5,659</td>
</tr>
<tr>
<td>Formal</td>
<td>6882</td>
<td>392,000</td>
<td>76</td>
<td>18,743</td>
</tr>
</tbody>
</table>

Who are the informal cross-border fish traders?

Women are key actors in small-scale cross-border trade in many parts of Africa, representing around 90% of informal traders in Cote d’Ivoire, and almost all of those in Ghana, Togo and Benin. Lower levels of literacy are often seen amongst female fish traders compared to their male counterparts. This reflects girls’ frequent involvement in the fish trade as children, limiting access to a formal education, and their common progression to establishing their own business or inheriting the business from their mothers. Based on studies across the African continent, an average of two-thirds of informal cross-border traders are under 40 years of age.
On the border between Ghana and Cote d'Ivoire, traders are predominantly women from villages and often married to fishermen. They process fresh fish bought from their husbands, crossing borders to sell at markets in the adjacent country. Women involved in long-distance cross-border trade may have more complex business operations, involving fish wholesalers, moving products via trains or road transport, and various intermediaries.

**How is informal cross-border trade of fish conducted?**

Informal cross-border trading channels can be highly complex. For example, in Cote d'Ivoire, distribution begins at wholesale fish markets in large urban centres such as Abidjan, with access to modern harbours, storage and processing centres. Intermediaries and retailers source fish from these wholesale markets and processing centres, including imported frozen products (largely from Mauritania). Processed fish, mostly smoked, is imported over-land from Senegal and Mali, and re-exported by road to Burkina Faso and by canoes to Ghana.

![Fish traders, Kayar, Senegal](image)

*Figure 2. Fish traders, Kayar, Senegal*

In the case of Lake Chad, the cross-border trade involves a complex arrangement of contract fishing and processing. Fishers are mostly from Chad and Cameroon, who hold fishing licenses.
Fish processors are predominantly from Cameroon and sell via contracts with traders, of whom around 80% are Nigerian wholesalers.

**What motivates fish traders to take part in informal cross-border trade?**

Based on findings from the *FishTrade* project in the Western, Southern and Eastern Corridors of Africa[^1-^4^9], fish traders are more likely to participate in cross-border trade if they:

- Have access to good roads;
- Are close to the border and destination market;
- Have access to communication facilities;
- Have even a basic level of formal education, to enable completion of import/export forms and simple arithmetic to change currencies;
- Belong to a Fish Trader Association or group, which provides access to market information and peer support when needed.

In addition, traders may be motivated to engage in informal cross-border trade to avoid:

- Border charges, which are often perceived to be too high;
- Double taxation on both sides of borders of neighbouring countries;
- Perceived complexity of cross-border trade rules.

![Fig. 3. Left: informal cross border trader carrying fish across from Zambia to the Democratic Republic of Congo. Right: bicycle transporters offloading fish (tilapia imported formally from China and horse mackerel imported from Namibia) from a truck and carry it across the border through informal routes.](image-url)
What are the challenges faced by informal cross-border fish traders?

People involved in informal cross-border fish trade are vulnerable and their businesses fragile, in part due to the connotations of being involved in an activity that is not legally regulated. Vulnerability is often more serious for women, with over 95% of female fish processors and traders in Ghana facing livelihood insecurity. Stigma deters policy makers from implementing strategies to protect and strengthen capacity amongst traders, and limits traders from deriving benefits from this economic activity.

Factors contributing to the vulnerability of traders include:

- **Taxes and bribes along fish trade corridors**
  Informal cross-border fish traders are often exposed to fees and taxes, including bribes, imposed by the cross-border administration and assembly market cities, while formal traders pay fixed daily and monthly municipality fees.

- **High transport costs**
  Fish production centres are often far from major markets. Even when the distances are not so great, roads are often in poor condition. Transport is a major cost for cross-border traders.

- **Export and import formalities**
  Many traders are deterred by the complexity and time involved in administrative procedures to obtain import/export permits. National certification of fish products (required to demonstrate compliance with food safety and quality standards for export) is reported to be a particularly slow and costly process. Inspection of fish products prior to export also involves fees and results in delays at the border, with possible deterioration in product quality.

- **Constraints to post-harvest handling**
  Improving post-harvest handling is vital for quality products and adequate shelf life for the transit distances from sources to markets. Challenges relating to fish processing include a lack of access to credit for working capital, poor hygiene of processing facilities, and primitive and obsolete processing equipment. These limit productivity and may have adverse health effects (e.g. due to smoke inhalation from the kilns).

- **Limited knowledge of regional trade rules and regulations**
  Despite clear free trade rules, many fish traders still face fees associated with cross-border trade. Our research has revealed widespread confusion on the requirements for traders to move food commodities, including fish. This is exacerbated by the low levels of formal education amongst cross-border fish traders in many countries.

- **Harassment at roadblocks**
  Traders may experience multiple forms of harassment along trade corridors, including at roadblocks and checkpoints. Transporters often increase the transport fee paid by traders to
enable bribes to be passed on to police officers and other security agents (e.g. armed forces, customs officers, anti-drug squads and fisheries officers) at checkpoints.

**How can the development potential of informal cross-border fish trade be reached in Africa?**

- **Raise the visibility of informal cross-border fish trade**
  Unless policy makers better understand this economic activity, it will continue to be invisible. Research is needed to characterise the operation of cross-border marketing systems, the roles of and relationships between different stakeholders, and the benefits of participation. Fish trade should shift to suit a given context, with a greater focus on strengthening traders’ capacity for cross-border trade and less of a focus on trade tariffs.

- **Remove the stigma associated with informal trade**
  Vulnerability can be reduced by removing the stigma of informal trade as being illicit. This involves recognising informal cross-border trade as a legitimate economic activity, with an alternative mode of economic governance outside of the state. Under a “hybrid governance” model, the state would have limited authority and non-state institutional arrangements would provide an alternative form of economic order.

- **Governments should engage with informal traders**
  By encouraging the establishment of institutions for non-state actors (e.g. Cross-Border Fish Traders Associations), governments can engage with traders as an “informal economy”. To date, AU-IBAR and NEPAD have established the African Women Fish Processors and Traders Network (AWFishNET), which includes informal cross-border fish traders. Regional Economic Communities should be encouraged to simplify cross-border trade instruments – as has been done by COMESA through Simplified Trade Regimes, that allow informal traders to move freely across borders.

- **Reduce livelihood vulnerabilities**
  Livelihoods can be strengthened by (1) improving the social capital of informal cross-border fish traders through non-state actors’ organisations (e.g. Cross-border Fish Traders Associations) as a liaison between traders and government agencies; (2) improving human capital by improving literacy and numeracy levels amongst cross-border fish traders, especially women; and (3) improving access to investment finance, by empowering informal traders’ associations to provide guarantee for their members.

- **Address integration “from the bottom up”**
  Informal cross-border fish trade represents regional integration “from the bottom up”. There is a need to address the gap between regulatory intentions (i.e. formalisation) and actual outcomes (i.e. persistence of the informal sector), by engaging with instances where formal institutions may take advantage of informal traders through corrupt practices. This can be achieved by establishing transparent rules and regulations for cross-border trade, encouraging anonymous reporting of offenders, and enforcing penalties for those engaging in corrupt practices (Ayilu et al, 2016)².
References


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