



Transforming Africa's Trade

African Export-Import Bank
Banque Africaine d'Import-Export

African Trade Report 2020

Informal Cross-Border
Trade in Africa in the
Context of the AfCFTA





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Context of the AfCFTA



@afreximbank



African Export-Import Bank

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Foreword

The COVID-19 pandemic and ensuing economic downturn triggered by virus containment measures adopted by governments around the world have had a dramatic effect on global and African trade. After contracting by 2.86% last year, global trade is forecast to slump even further and shrink by 9.2% in 2020.

African trade is expected to contract significantly, reflecting in part the economic costs of containment measures on supply and demand globally and restrictions on movements of persons following the closure of borders and airports. While forecasts concerning the COVID-19's potential impact on African trade for the formal sector are known, those related to informal cross-border trade (ICBT) are not.

The latter has been a key contributor to job creation, income growth and household consumption, as well as to the development of competitive cross-border regional value chains. However, in the overwhelming majority of countries, ICBT has not been systematically accounted for in balance of payments and external accounts. Across Africa, attempts to monitor ICBT dynamics have been constrained by a dearth of information and time series data, as well as the lack of a consistent framework for capturing ICBT. This Report is a major step towards estimating the scope of ICBT at the continental level.

ICBT is a significant phenomenon across Africa. More than circumventing the regulatory burdens and associated high transaction costs characteristic of its formal counterpart, ICBT has sustained economic ties between border communities unified by the same language and culture but separated by the artificial boundaries that emerged from the colonial era. Over time, ICBT grew beyond these communities to

become a major driver of economic growth across Africa. Merchandise traded informally across borders in the continent's five regions include non-processed goods, manufactured goods and re-export goods. Despite the fact that it accounts for a significant proportion of domestic absorption, its contribution to GDP is hardly recognised due to paucity of data.

The scope of re-exportation (also called *entrepôt* trade), a key feature of ICBT largely dominated by products manufactured outside Africa, is likely to be affected by the implementation of the African Continental Free Trade Agreement (AfCFTA), especially if rules of origin are strictly enforced. But, more generally, the AfCFTA could illuminate the path towards ICBT's formalisation by reducing the costs of formal trade and improving trade-related and logistics infrastructure, including through digital payment and settlement systems.

This Report outlines the framework for improving the collection of ICBT data to establish a baseline for monitoring this trade's formalisation during the AfCFTA's implementation, with a view to improving the statistical measurements of balance of payments and external accounts. The Report also provides a comprehensive analysis of the state of global and African trade in 2019.

Over the last decade, the improving resilience of African economies and trade to global volatility has been driven in large part by the geographical diversification of its trading partners. In 2018, Asia became Africa's foremost trading partner, overtaking Europe. This Report shows that Asia consolidated its lead last year, accounting for more than 31% of extra-African trade in 2019. In contrast, intra-African trade – which had been rising, accounting for around 15% of total African trade in

2018 – declined to 14.5% in 2019. However, intra-African trade is set to expand considerably during the AfCFTA's implementation. The agreement has the potential to accelerate industrialisation processes and boost cross-border trade, which is increasingly dominated by manufactured goods.

Looking ahead, this Report argues for a stronger commitment to a speedy implementation of the AfCFTA and commencement of trading thereunder. This would drive investment, raise productivity and increase value addition across the different stages of production, as well as diversify the sources of growth and trade as corporates take advantage of economies of scale offered by the single continental market. It will also reduce the scale of transit trade and accelerate the formalisation of ICBT.

Beyond mitigating the continent's exposure to recurrent adverse commodities terms of trade and commodity price cycles (amplified by the COVID-19 downturn), the growth of intra-African trade associated with the AfCFTA will cushion the region against escalating trade tensions which, along with continuing coronavirus-related uncertainties, remains the chief near-term downside risk to global growth and trade.

This flagship Report prepared by the Research and International Cooperation Department of Afreximbank in collaboration with the United Nations Economic Commission for Africa (UNECA) is rich and timely. I hope readers will find it as informative and useful as I did.

Professor Benedict O. Oramah

President and Chairman
of the Board of Directors

The African Export-Import Bank

Cairo, Egypt
July 2020

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The agreement
has the potential
to accelerate
industrialisation
processes and
boost cross-
border trade.

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List of Abbreviations

AACI	Afreximbank African Commodity Index	EAC	East African Community
ACTESA	Alliance for Commodity Trade in Eastern and Southern Africa	EAGC	Eastern Africa Grain Council
AfCFTA	African Continental Free Trade Area	ECCAS	Economic Community of Central African States
AFREXIMBANK	African Export-Import Bank	ECOWAS	Economic Community of West African States
ASEAN	Association of Southeast Asian Nations	ETLS	ECOWAS Trade Liberalization Scheme
ATPC	African Trade Policy Centre	EU	European Union
AU	African Union	FAO	Food and Agricultural Organization
BCOM	Bloomberg Commodities Index	FDI	Foreign Direct Investment
CBTAs	Cross-Border Traders' Associations	FEWS-NET	Famine Early Warning Systems Network
CCC	Le Conseil du Café- Cacao	FOB	Free on Board
CEMA	Economic and Monetary Community of Central Africa	GDP	Gross Domestic Product
CILLS	Committee for Drought Control in the Sahel	GTS	General Trade System
COMESA	Common Market for Eastern and Southern Africa	ICBT	Informal cross-border Trade
COVID-19	Coronavirus disease	ITC	International Trade Centre
CSTR	Continental Simplified Trade Regime	ITRSP	Informal Trade and Regulatory Support Programme
DRC	The Democratic Republic of Congo	LC	Letters of Credit
		LID	Living Income Differential

NAFTA	North American Free Trade Agreement	TFP	Trade Facilitation Package
NTBs	Nontariff Barriers	UBOS	Uganda Bureau of Statistics
OSBP	One Stop Border Post	UK	United Kingdom
OPEC	Organization of the Petroleum Exporting Countries	UNECA	United Nations Economic Commission for Africa
PAPSS	Pan-African Payment and Settlement System	USMCA	United States-Mexico-Canada Agreement
PATIMFA	Afreximbank's Pandemic Trade Impact Mitigation Facility	WAEMU	West African Economic and Monetary Union
RECs	Regional Economic Communities	WFB	World Food programme
ReSAKKS	Regional Strategic Analysis and Knowledge Support System East and Central Africa	WTO	World Trade Organisation
RCEP	Regional Comprehensive Economic Partnership		
RMIS	Regional Market Information System		
SADC	Southern African Development Community		
SAMP	Southern Africa Migration Programme		
SITC	Standard International Trade Classification		
SME	small and medium-sized enterprises		
SPS	Sanitary and Phytosanitary Measures		
STR	Simplified Trade Regime		

A nighttime photograph of a cityscape. In the foreground, a large Ferris wheel is brightly lit with white lights. Behind it, various city buildings are visible, some with lights on. In the background, industrial structures like a tall chimney and a bridge are silhouetted against the dark sky. The overall scene is a mix of urban and industrial elements.

Chapter One

Introduction & Executive Summary

The African Export-Import Bank's 2020 African Trade Report examines trade and economic developments in Africa and other parts of the world in 2019, a year dominated by trade wars and escalating tariffs, resulting in a sharp deceleration of global trade growth. In an unprecedented turn of fate, the Report's release comes amid a pandemic triggered by the outbreak of the novel coronavirus, which has inflicted untold health and economic costs. Measures undertaken by governments to contain the virus's spread have disrupted global supply chains and given rise to massive demand and supply shocks, climaxing in the second quarter when global growth and trade contracted by 4.9% and 18.5%, respectively.

The downturn is threatening the gains made in recent decades by Africa and the rest of the world, especially since the 2008 financial crisis. Although global trade and growth forecasts point to a recovery in 2021, with output and merchandise trade expected to expand by 5.4% and more than 21%, respectively, their levels will remain below pre-crisis highs. In the context of a synchronised pandemic downturn, trade and growth performance are set to deteriorate across all of Africa's major trading partners. Their output will either contract or decelerate sharply, with significant adverse implications for Africa's economic outlook – the continent is set to suffer its first recession in 25 years.

In 2019, in a sign of increasing resilience, African growth expanded by 3.6% overall while trade recorded a marginal 0.13% contraction, compared with a 2.89% decline in global trade. That resilience reflects several factors, including the diversification of Africa's sources of growth and trading partners, growing fixed investment, and strengthening public and private consumption spurred by softening inflation and an increasingly favourable macroeconomic environment.

Despite the sustained economic expansion enjoyed in the region pre-COVID-19, its relative contribution to global growth and trade remains low. Africa accounted for 2.8% of global trade in 2019 and its share of global growth was even lower, around 1.5%. At the same time, intra-regional trade, which has been an efficient absorber of external shocks in other parts of the world, has remained equally low in Africa. It accounted for only 14.4% of total African trade in 2019, against 73% in Europe and 52% in Asia. This skew towards extra-African trade reflects in part the deficit of diversification of sources of growth, which to date rely heavily on commodities and natural resources. These patterns have undermined Africa's integration into the global economy and trading system, which are dominated by manufactured goods with increasing technological content.

But the relatively low level of intra-African trade is also a consequence of largely unrecorded informal cross-border trade (ICBT), a prominent feature in intra-African trade not accounted for in balance of payment and national account statistics. The launch of the operational phase of the African Continental Free Trade Agreement (AfCFTA) – which eliminates tariffs on 97% of intra-African traded products and is underpinned by rules of origin to foster industrialisation and endogenous growth – will influence the region's ICBT dynamics, especially as re-exports (entrepôt trade) account for a significant share of intra-African traded goods.

It is against this backdrop that the 2020 African Trade Report focuses on the theme of “Informal Cross-Border Trade in Africa in the Context of the AfCFTA”, a recognition of the significant contribution of this sector to the continent's economic development, job creation and expansion of intraregional trade. The Report examines the scale and composition of ICBT throughout Africa, contrasting its drivers across the continent's varied geographical regions through a comparative analysis of existing ICBT datasets.

Despite the paucity of data and absence of a consistent framework for collecting information on cross-border trade, to say nothing of definitional challenges, the Report details ICBT's contribution to total intra-African trade. It varies significantly across the region, but is particularly prevalent in Western and Eastern Africa, where ICBT accounts for as much as 42% and 80%, respectively, of total trade between some countries. Beyond providing baselines for monitoring progress towards ICBT's formalization during the AfCFTA's implementation, the magnitude of these estimates implies that ICBT is a critical feature of Africa's trade landscape that has neither been taken into account in balance of payment statistics nor drawn upon to inform the design of trade and industrial policies.

4.9%

18.5%

97%

eliminates tariffs on
intra-African products

Introduction & Executive Summary

The AfCFTA offers a platform for elevating ICBT's importance in African policymaking and the development of a common methodology for tracking this type of trade. The long-run objective is to integrate formal and informal cross-border activity and improve estimates of total African trade and national accounts. The AfCFTA, which includes provisions on non-tariff barriers, trade facilitation and customs operations, will address many of the challenges facing ICBT. Concurrently, efforts to mainstream ICBT during the AfCFTA's implementation will be augmented by the introduction of a Continental Simplified Trade Regime (CSTR).

The Report shows that informal cross-border traded goods across Africa include both agricultural products and manufactured goods. But entrepôt trade – where imported goods are informally re-exported from countries with few trade barriers into highly protected markets – is another important feature of African ICBT, one that could be affected by a strict application of the rules of origin set out in the AfCFTA. Moreover, informal cross-border traders involve both men and women, although the latter largely dominate in West Africa, where ICBT is highly female-intensive.

Our research also highlights important and contrasting developments between the financial and trade landscape in 2019. After the end-2018 rout in equity and credit markets, financial markets recovered strongly last year, with almost all major stock indices ending the year higher. The rebound in asset prices was propelled in large part by monetary easing, especially by the US Federal Reserve, European Central Bank and other major monetary authorities. Global financing conditions remained largely accommodative as policymakers sustained efforts to stoke growth and steer inflation towards prescribed targets.

In the real sector, the Report shows that global trade, after expanding by 10.23% in 2018, contracted by 2.86% in 2019, largely on account of escalating tensions between the US and its major trading partners. Other factors include rising protectionism, softer demand on the back of a sluggish global economy, and a sharp slowdown in trade in developed economies. Merchandise exports in developed economies contracted by 3.09% after expanding by 8.42% in 2018, while merchandise imports contracted by 2.88% in 2019 after expanding 9.66% the previous year. In developing economies, merchandise exports and imports in 2019 contracted by 2.46% and 2.88%, versus expansions of 13.1% and 11.24%, respectively, the year prior.

Global commodity prices rose sharply at the start of 2019, recovering from the lacklustre performance that characterized markets at the end of 2018. Although many commodities of export interest to Africa were generally well supported, the market performance of the entire commodity complex was greatly impacted by US-China trade tensions and inhibited by a combination of high inventories and weaker demand. Prices of crude oil, soybeans and other commodities were directly affected by weak demand emanating from China's slowdown. The country experienced sharper growth deceleration owing to heightened US trade tensions and supply chain disruption.

Amid that challenging global environment, Africa's total merchandise trade showed some resilience. It contracted by around 0.13%, bringing the total value of trade to US\$1,049bn in 2019, down from US\$1,051bn in 2018. That marginal decline reflected regional efforts to boost intra-African trade and draw on the diversification of trading partners to sustain economic growth and trade expansion.

This process of geographical diversification of trading partners has been reflected in the deepening of economic ties between Africa and Asia, which in 2018 overtook Europe as the continent's largest trading partner. Asia consolidated that position last year, accounting for 28.86% of total African trade against 26.24% for the European Union. Regarding individual nations, China and India are Africa's largest and second largest trading partners, respectively, with their combined share of total African trade rising to 23.1% in 2019 from 22.1% in 2018.

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China and India are Africa's largest and second largest trading partners.

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Introduction & Executive Summary

Overall, Africa's total merchandise exports grew by 3.15% last year, while imports contracted by 3%, narrowing the continent's trade deficit by almost 50% to US\$36.93bn in 2019, down from US\$69.19bn the year before. The limited access to trade finance in the context of a persistently large trade financing gap and liquidity constraints undermined merchandise imports and narrowed the trade deficit. Overall, Africa's foreign exchange reserves contracted by around 5.25% to US\$408.49bn in 2019.

Intra-regional trade accounted for 14.4% (\$147.8bn) of total African trade in 2019. Though slightly down from 15% (\$156bn) in 2018, this represents an increase of seven percentage points over the last three decades, when intra-African trade accounted for just 7.5% of total African trade (\$11.9bn). Manufactured goods – such as machinery and mechanical appliances, vehicles, electrical equipment and plastics – remain key components of intra-African trade, accounting for around 20%. South-Africa continues to be the largest intra-African trading nation and the most significant nation in the promotion of cross-border trade, accounting for 23.1% of the total in 2019. The Democratic Republic of Congo, which accounted for 7.7% last year, emerged as the second largest intra-African trading nation, overtaking Nigeria.

Global and African trade are set to contract sharply in the light of global demand and supply shocks triggered by the COVID-19 pandemic. Even before the outbreak, US-China trade tensions threatened to further undermine trade. The pandemic, and measures taken to contain the virus's spread, exacerbated supply chain disruptions and will likely result in one of the biggest trade contractions on record. The World Trade Organization (WTO) predicts that global trade could contract by 9.2% this year. The contraction is expected across all regions of the world, including Africa, which will primarily be affected by weaker commodity prices and shrinking global demand.

Pre-COVID-19, global growth had been projected to expand by 3.3% in 2020, but new forecasts point to a 4.4% contraction, an even sharper downturn than during the 2008 financial crisis. The full impact of the pandemic remains uncertain and will be determined by its duration and severity, the threat of recurrences of infections, the timeliness and effectiveness of policy responses, progress on vaccines and other treatments, and economies' underlying economic fortitude.

This Report is organised into seven sections, beginning with this introduction. Chapter 2 gives an overview of ICBT in Africa. Chapter 3 appraises global and African economic and financial developments, while Chapter 4 discusses global and African trade and the trading environment. Chapter 5 reviews commodity market dynamics, and Chapter 6 addresses intra-African trade and potential. Chapter 7 concludes by assessing prospects for global and African economic and trade developments in the near term.





Chapter Two

Informal Cross-Border Trade in Africa

Over previous decades, research on informal cross-border trade (ICBT) has increased significantly, partly as a result of constraints to the expansion of intra-regional trade in the formal space, and partly due to the increasing contribution of ICBT to growth and economic development.¹

¹ Between 2010 and 2017, exports and imports within the Regional Economic Communities (RECs) of the African Union, as a share of total REC exports and imports, averaged only 10 percent and 9 percent respectively, with all RECs importing more from the European Union (EU) than from Africa (United Nations Economic Commission for Africa (UNECA) 2019). However, an assessment of regional trade cannot be complete without also capturing ICBT, a form of trade that is pervasive in many African countries.

2.1 INTRODUCTION

Though fragmented in scope, studies point to the potential role ICBT can play in promoting growth and poverty reduction. In the absence of sufficient opportunities for employment in the formal sector, ICBT has emerged as an alternative, with potential for expanding employment opportunities, both in rural and urban areas. ICBT can also contribute to peace and stability, by creating and sustaining social and economic ties among border communities (Brenton and Soprano 2018; Bugingo 2018).

ICBT also offers significant opportunities in terms of economic diversification, value addition, and the development of competitive cross-border value chains. This is because the scope of ICBT is wide and extends beyond basic agricultural products to also include manufactured goods and services. In a region where trade remains highly extroverted—with several countries within the Regional Economic Communities (RECs) trading more with Europe than with each other—several studies suggest that the value of informal trade may even exceed the value of formal trade with neighbouring countries (Pace et al. 2019). However, there still exists a significant dearth of information and data on ICBT, which largely remains a black box. For example, what is its magnitude as a proportion of total formal trade? How should it be defined and measured? What type of data inputs are required? How feasible is it to collect ICBT data? How does ICBT affect economic activity, and what are the policy implications for trade, employment, economic growth, and poverty reduction? Finding answers to these questions is hindered by a lack of systematic and comprehensive studies and surveys about ICBT.

Although cross-border trade is recognized as an important phenomenon by many African countries, it has not received the needed attention by an overwhelmingly majority of governments across the region. The national authorities of Rwanda and Uganda are the only two countries that collect ICBT data on a regular and systematic basis. Yet, the production of consistent and reliable data on ICBT is needed to optimise its gains and its contribution to economic transformation and policy making. Robust ICBT data is important for generating accurate national accounts and balance of payments, and for informing sound macroeconomic management. Measurement of ICBT also provides a more accurate and comprehensive picture of dynamics in a wide range of sectors, including informal labour markets, trade between neighbouring countries, and transit trade, as well as movement patterns of staple foods during different seasons and in periods of crisis.

Part of the reason for a lack of ICBT data is that there is no universally agreed definition of ICBT. Some data collection agencies include smuggling in the definition of ICBT, whilst others identify this as illegal trade that should not be captured within ICBT. Data collection is sometimes focused on border crossings where customs officials are already present, whereas other exercises also include unofficial routes. Some agencies limit the definition of ICBT adopted for data collection purposes to only agricultural goods, whilst others take a more comprehensive approach to look at all products, and perhaps even include ICBT in services in the definition. This wide array of definitions is a challenge in ongoing efforts to establish a uniform and consistent database on ICBT that will enable comparison and analysis across countries and across Africa.

This chapter seeks to address some of these issues by examining the benefits of ICBT, and by enhancing understanding of both challenges faced by informal traders and challenges in collecting reliable ICBT data. The chapter further examines the scale and composition of ICBT in Africa, through a comparative analysis of existing ICBT datasets across the continent. Drawing upon the findings of a recent pilot ICBT survey along the highway of the Abidjan-Lagos Corridor—carried out by the African Export-Import Bank (Afreximbank) and the United Nations Economic Commission for Africa (UNECA)—the chapter highlights the need for a continent-wide methodology for collecting ICBT data, to produce consistent and comparable data that can be easily integrated into national statistical frameworks, and that can in turn inform improved policy responses to boost intra-African trade. The chapter's leading recommendation is that the new landmark African Continental Free Trade Agreement should be used as an opening to ensure that the full potential of ICBT is harnessed under a single comprehensive African Union framework for collecting ICBT data in Africa.

The African Continental Free Trade Agreement (AfCFTA) has demonstrated that with a strong commitment and drive, it is possible to negotiate a free trade area agreement in record timing. A similar strong pan-African drive is required to coordinate efforts towards the adoption of a common continental ICBT definition and data collection methodology. This can be coordinated by a continental ICBT taskforce led by the African Union Commission and comprising RECs and leading pan-African institutions.

Informal Cross-Border Trade in Africa

2.2 WHY IS INFORMAL CROSS-BORDER TRADE IMPORTANT?

Trading among Africa's cross-border communities—often called ICBT—is an age-old phenomenon, preceding colonial and post-colonial state boundaries. Communities on either side of the border are frequently inhabited by people of the same ethnic group who have been separated by artificial or colonial borders, and therefore regard such trade as normal. This includes Somalis on the Somalia-Kenya border, Acholis on South Sudan-Uganda border, and Ewes on the Ghana-Togo border. Thus, ICBT is deeply rooted in communities as a long-standing indigenous pattern of trade that complements formal trade channels. Beyond its history, ICBT is crucial to supporting inclusive trade and development in today's economies, for five key reasons:

1. **ICBT is estimated to account for a significant proportion of intra-African trade**, although its size, composition, or prevalence varies by region and by country.²
2. **a context of limited employment opportunities in the formal sector, ICBT is critical for generating employment and incomes in Africa**, accounting for the employment of about 20 percent to 75 percent of the total active population in most African countries (UNECA 2015), and serving as a source of income for about 43 percent of Africa's population (Pace et al. 2019).
3. **ICBT is important for food and nutrition security**, as it is more responsive than formal trade to local food shocks and crisis. For

instance, in West Africa, a food deficit region, ICBT accounts for about 30 percent of intra-regional food trade (USAID 2015; UNECA et al. 2020).

4. **ICBT provides an important source of income for vulnerable people**, and therefore helps to address issues related to economic disparities. Women typically dominate ICBT. In the Southern African Development Community (SADC) region, female traders account for approximately 70 percent of informal cross-border traders (United Nations Development Fund for Women 2009), and in West and Central Africa, women account for nearly 60 percent of informal traders (Afrika and Ajumbo, 2012). Refugees and internally displaced people also are exceptionally dependent on ICBT, particularly in East and Central Africa.
5. **ICBT generates or strengthens solidarity among border communities**, which helps to foster a deeper sense of integration and promotes peace and stability. This is particularly important for fragile and conflict-affected countries (FAO 2017a, Brenton and Soprano 2018).

2.3 CHALLENGES FACED BY ICBT TRADERS IN AFRICA

Informal cross-border traders face numerous challenges that prevent the full developmental potential of ICBT from being realised. These include a lack of trade facilitation; inadequate border infrastructure; limited access to finance and secure payment systems; arbitrary application of non-tariff measures, a lack of market information; corruption, harassment, and insecurity; limited knowledge, education, and business management skills; and inconsistent implementation of REC trade policies. Although these challenges are common to many African traders, they are particularly acute in the informal setting.

They adversely affect the activities and livelihoods of informal traders and therefore relegate engagement in ICBT to a mode of survival rather than an opportunity for sustainable livelihoods and development.

2.3.1 Financing

Informal cross-border traders typically have minimal savings. They are usually without bank accounts, since they are regarded as “high-risk” borrowers due to a lack of collateral, financial history, reliable forms of identification, and other evidence to prove their repayment capacity. Formal banking and microfinance institutions have made minimal efforts to create targeted lending instruments for informal cross-border traders, with simplified processes and lower collateral requirements. This means that informal cross-border traders often are compelled to rely on their own limited resources and small loans from friends and relatives, or to strive to raise capital from expensive informal money lenders, such as “mashonisas” in South Africa and “shylocks” in Kenya (Luke, Masila, and Sommer 2020). Many of these traders borrow money early in the morning to acquire merchandise and pay back in the evening of the same day, once they have sold their goods. Losses from unsold stock exposes them to huge risks, including exorbitant interest rates and confiscation of valuable household items and property.

A lack of access to affordable finance and credit facilities also constrain informal traders in scaling up their operations, moving up the value chain, and transitioning to formality. Without capital, they are unable to purchase stocks in bulk, and hence make frequent trips across the border. To mitigate this challenge, informal cross-border traders, especially women, form traders' associations and self-help groups to support their endeavours. It is through such groups that some evolve to formalize their businesses and gain access to financial services from microfinance institutions.

2 For example, it is estimated that ICBT accounts for about 90 percent of official trade flows in some African countries (UNECA 2013); 30 percent to 40 percent of total intra-Southern African Development Community (SADC) trade; and about 40 percent of trade in the Common Market for Eastern and Southern Africa (COMESA) (Afrika and Ajumbo 2013; Nshimbi and Moyo 2017).

2.3.2 Payments

In a continent where financial institutions and banks remain largely concentrated in large urban areas and where financial inclusion remains dismally low, informal cross-border traders have been largely excluded from formal payment systems. In areas where banks exist, traders are locked out of formal payment systems, which come with stringent requirements. Payments challenges include the following:

A predominance of cash-based transactions. Most informal trade partners do not own bank accounts, and there is a preference for cash transactions, due to a lack of trust between trading partners.

Limited access to formal exchange services for foreign currency conversion. Many traders do not have accounts through which they can conduct foreign currency exchange transactions. For informal traders who have accounts, the high exchange fees charged by commercial banks can be too costly, because the traders typically exchange money frequently and in smaller amounts.

Reliance on informal market money exchangers. The absence or limited number of licenced foreign exchange bureaus at borders often makes “black market” money dealers the only available option for informal traders in need of foreign currency. Low levels of financial literacy and a scarcity of forex bureaus sometimes create opportunities for informal money market operators to offer unfavourable exchange rates. This increases the costs of conducting ICBT.

Risks associated with cash-based transactions and informal foreign exchange dealers. Informal cross-border traders face the risk of harassment and prosecution if police catch them with unlicensed money dealers. They are at

risk of attack and theft when travelling with cash. In the absence of a single currency, two main systems have evolved to meet cross-border trading needs: regional payments systems and mobile phone money transfer platforms. Regional payment systems were developed by RECs to facilitate cross-border trade and eliminate informal cross-border payments. More recently, the Afreximbank, in collaboration with the African Union, launched the Pan-African Payments and Settlements System, which will facilitate the payment and settlement of intra-African trade transactions in local currencies. Mobile phone money transfer platforms have revolutionised small-scale business transactions in Africa. Most networks have expanded from the traditional role of money transfer, to provision of banking services to traders with and without bank accounts. Field surveys have shown that most informal traders own a mobile phone. This opens new opportunities to draw on digitalisation to increase financial inclusion and to reduce the payment risks facing informal cross-border traders.

2.3.3 Infrastructure

Infrastructure constraints remain a pressing challenge for both formal and informal traders. Border areas tend to be remotely located, with generally poor hard and soft infrastructure to facilitate trade. Some key challenges include: inadequate public and private transportation systems due to poor road conditions; lack of functional and sufficiently staffed border institutions and agencies; lack of financial, legal, insurance, and health services; insufficient electricity infrastructure, which is needed to efficiently deliver customs services and to manage financial services, including ATM networks; lack of proper warehouse

facilities, including storage space and facilities to hold perishable goods; unstable and unreliable mobile network connectivity in rural areas; and inadequate sewerage systems (FAO 2015).

2.3.4 Non-Tariff Measures

Non-tariff measures are broadly defined as measures that fall outside ordinary customs tariffs but that adversely affect trade flows. They include some traditional trade policy instruments, such as quotas and import restrictions. These non-tariff measures are applied to both foreign and domestic producers, in an effort to meet a specific policy objective, such as protecting against health or environmental risks. Although not the specific objective, these measures also may affect trade flows. In some cases, however, they may be diverted to protectionist uses, serving as non-tariff barriers that are purely discriminatory and protectionist in nature.

Technical barriers to trade, and sanitary and phytosanitary measures account for the largest share of non-tariff measure ad valorem tariff equivalents for almost all product groups (UNCTAD 2016). These measures impose disproportionately high trade costs on informal traders, who are less able to comply with technical requirements due to their small scale, and are more likely to rely on agricultural exports (which face higher ad valorem equivalents). Fulfilling these requirements demands time and resources, to travel from one office to another, and to access information in a comprehensive form in order to process the correct documentation. Informal traders may lack the detailed information, or the capacity, to interpret technical requirements. This issue can be used as a loophole to arbitrarily apply non-tariff measures to informal cross-border traders.

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2.3.5 Logistics

The profitability of businesses is influenced by the ease of logistics, covering the movement of people, goods, and services. Informal cross-border traders deal in time and market sensitive commodities, and given that their goods are not standardised, and change from time to time according to market demands, logistics is key. Even seasoned traders face serious challenges due to lack of seamless logistics of cross-border trade. The continent significantly lags other regions in logistics performance (World Bank 2018). Logistics in Africa is still constrained by poor infrastructure, inadequate service delivery, unpredictable customs regimes, and poor risk management.

To address these issues, African countries adopted the One Stop Border Post (OSBP) concept under the New Partnership for Africa's Development.³ The OSBP concept refers to the legal and institutional framework, facilities, and associated procedures that enable goods, people, and vehicles to stop in a single facility, in which they undergo necessary controls that follow applicable regional and national laws to exit one state and enter an adjoining state. More than 80 OSBPs have been planned or implemented in various parts of Africa, as a means of reducing the time and costs of delays at border crossings along major corridors. However, not all OSBPs that have been built have fully aligned operations (Trade Law Centre for Southern Africa, 2017).

2.3.6 Exploitation and Harassment

Informal cross-border traders, especially women, often are vulnerable to exploitation by corrupt border

officials who solicit bribes and sexual favours by threatening to confiscate traders' goods and sometimes to detain them. The traders' vulnerability stems from a variety of factors. Informal traders typically lack access to information, including about existing trade regimes or protocols, which may support their businesses. Furthermore, customs authorities sometimes deliberately withhold information (e.g., about abolished requirements or unnecessary documents). Since most customs officers are male, there typically is a lack of gender sensitivity at border offices. To avoid harassment, traders tend to give in to these corrupt demands, which appear to be an easier way to safeguard their livelihoods.

2.3.7 Security Risks

Africa, which has insecure, remote, and vast border regions, has been described as having "porous borders." Several African countries have insurgent groups that operate outside of state governance or authority, and that are a constant threat to security, most often along borders. Long-standing mistrust between local communities and states, because of cattle rustling and civil strife among border communities, can present a major challenge for informal cross-border traders. These security challenges increase their costs of doing business. Traders traveling with large amounts of cash become targets of local criminals, as some are forced to 'sleep in the open air' with their goods because of limited hours for crossing borders. The traders often incur high fees for protection services provided by customs or police officers on either side of a border. Unofficial border crossings lack this option, and therefore typically are even less safe. Some traders adapt to security threats by forging alliances with

other traders, middlemen, and hauliers to transport their goods, which puts them at risk of losing consignments through unscrupulous deals.

2.3.8 Regional Variations in Cross-Border Trade Policy

Variations in regional administration of cross-border trade pose major challenges to ICBT. Customs authorities typically lack a harmonised approach to trade facilitation, which is complicated by multiple overlapping membership of RECs. This means that a trader undergoes numerous bureaucratic procedures for the same product on either side of the border of countries that belong to the same REC. For example, in the Economic Community of West African States (ECOWAS), a recent pilot ICBT survey carried out by the Afreximbank and UNECA found significant variations in trade policies between countries along the Abidjan-Lagos Corridor, even though the countries were all members of ECOWAS. A certificate of origin for a product originating from Ghana can be more expensive than a similar certificate for the same product from Togo. Countries along the corridor had several varying trade restrictions in place. Such policy incoherence or divergence increases the uncertainty for traders, sometimes to the point that ICBT—particularly using unofficial routes—is a more consistent and reliable form of income than formal trade.

2.4 THE POLICY IMPERATIVE OF COLLECTING DATA ON ICBT

To harness ICBT's positive development potential, appropriate policies are needed to address the above challenges faced by informal traders. Any policy decision, if it is to be relevant and effective, must be based on reliable and robust data. However, ICBT data across

³ The New Partnership for Africa's Development is an economic development program of the African Union. It was adopted at the 37th session of the Assembly of Heads of State and Government in July 2001.

the continent is generally lacking, and for data sets that do exist, estimates of ICBT are usually incomplete in terms of commodities, data collection points, and period covered. Typically, not all components of informal trade, such as night trade and under-declared goods, are captured. Agencies generally use different estimation methodologies and product categories, which render comparisons impossible. ICBT data for services is even less available. This dearth of reliable and regular data has undermined the contribution of informal cross-border trade to economic growth and management policies, including both macroeconomic and microeconomic policies.

At the microeconomic level, data is required to identify specific characteristics of ICBT (such as products traded and their sources, quality/grades, and prices), and the socioeconomic profiles of the participants or traders (such as age, income and poverty levels, gender, and education levels). Qualitative data at the micro level can also help to uncover the specific challenges encountered by informal traders in procuring, transporting, distributing, and selling their goods. Micro ICBT data, including trends, is crucial to facilitate policy making and design

programmes that respond to the challenges and needs of informal cross-border traders, with a view to improving the efficiency of their operations and paving the way for their integration into formal trade. This data can also form the basis of developing alternative sources of employment. Finally, micro data about ICBT is critical for generating accurate measurements of household food balance sheets, which are key indicators of nutrition and food security. In particular, this data can support monitoring of the progress of the Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods, which advocates for increased intra-regional trade in agricultural products.

At the macroeconomic level, ICBT data about volumes and value is needed to complement formal trade statistics, to derive an aggregate and more comprehensive picture of total trade. Accurate trade statistics are an important input into national accounts and balance of payments statistics and can help improve econometric forecasting models for key macroeconomic variables, such as GDP, inflation, and the exchange rate (Pace et al. 2019). This is crucial to improve

macroeconomic planning, monitoring, and macroeconomic management. ICBT data also helps to provide a more accurate, realistic, complete, and diversified picture of Africa's economic activities and prospects, which is crucial for future investment decisions in support of growth. Estimates suggest that the contribution of ICBT to total trade is sizeable (see section 6), and therefore, integrating ICBT data collection into existing statistical frameworks could have important macroeconomic implications.

Regional integration policy

At the regional level, intra-African and intra-REC trade is low despite numerous initiatives to promote integration at the regional and continental levels. Intra-REC exports and imports as a share of total REC exports and imports averaged only 10 percent and 9 percent, respectively, between 2010 and 2017, with all RECs importing more from the European Union (EU) than from Africa (UNECA 2019). However, an assessment of regional trade cannot be complete without capturing ICBT (Golub 2015). Accurate ICBT data is needed to monitor progress on REC trade policy and its contribution towards spurring intra-regional trade.



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Additionally, as African countries prepare for implementation of the African Continental Free Trade Agreement (AfCFTA), efforts will be needed to guide strategies for accounting for ICBT under a single harmonised continental framework, at least in the early years of the AfCFTA implementation, as ICBT is expected to decrease with the elimination of tariff and non-tariff barriers to trade, under the continental trade integration reform.

2.5 CONSTRAINTS TO COLLECTING DATA ON INFORMAL CROSS-BORDER TRADE

2.5.1 The “Definition” Issue

There are probably as many definitions for ICBT as the authors and institutions researching it. “Smuggling”, “illegal trade”, “unrecorded cross-border trade”, and “small-scale cross-border trade” are just a few of the terms that have been associated with, or considered equivalent to, the phenomenon that is described in this chapter. Indeed, one of the difficulties of discussing ICBT is that analysts tend to employ different terminologies in different ways, to include or exclude informal practices that fit or do not fit their methodologies and conceptual frameworks. Some of the most common dividing lines that are used to distinguish between formal and informal trade are the following: whether the movement of goods has been recorded by customs authorities; whether taxes and duties have been paid; whether the trader has undergone business registration; the size of the business; and the volume of the consignment that is being moved across the border. The most comprehensive discussion of “informal trade” and its possible definitions is provided by Cantens, Ireland, and Raballand (2015), who problematise some of the most common approaches.

The concept of informality allows us to move beyond the legal/illegal divide, recognising that some non-compliant practices are nevertheless legitimate, and that efforts should be made to legalise them, while others are illegitimate and should remain illegal. In the case of trade, the difference between informal cross-border trade and illegal trade or smuggling is essentially motivational. Whereas “smuggling (is) based on the wish to pay no or fewer taxes, or to profit from trade in prohibited goods such as crystal meth,” informal cross-border traders avoid formalities for more legitimate reasons (Cantens, Ireland, and Raballand 2015).

These informal traders may not be able to afford the costs of trading formally, for example, or may not have the skills or the knowledge needed to comply with trade regulations (Gaarder, Mtonga, and Mvunga 2019).

The perceived legitimacy of informal trade is even stronger in “region(s) where government presence is weak or, in some cases, absent,” as has been observed in Somalia between 1991 and 2012 (Little 2005). Such states are unable to enforce the law and provide the public goods—such as security, transport infrastructure (roads, railways), and protection from substandard/unsafe goods or nefarious practices (trafficking of drugs or people)—that are considered the principal justification for border controls. In weak states, when taxes, duties, and fees are collected, they are sometimes redirected away from the public purse and into the pockets of corrupt individuals, making it even harder to justify borders as a revenue-collection tool. In these cases, informality is simply a rational response to policy failure.

Defining ICBT is particularly difficult because there are strong interlinkages between informal and formal trade (FAO 2017):

- In some cases, the merchandise obtained through informal means ends up being traded through formal supply chains in another country, where it enters into the official trade statistics of that country.
- In other cases, the people trading in goods that are acquired informally may go through formal clearance at the border points in terms of migration rules and other regulations, except that their goods are smuggled across unofficial border channels or are wrongly declared at the official border crossing points.
- Finally, there are neither informal goods nor informal traders. Therefore, in the definition of ICBT, informality refers to the procedures of trade itself and not to either the goods or the agents of that trade.

These issues have led some to even challenge the term “informal cross-border trade,” because it is mistakenly associated with illegal activity. For example, the World Bank and the Common Market for Eastern and Southern Africa (COMESA) instead use the term “small-scale cross-border trade”.

2.5.2 The “Measurement” Issue

Measuring the value, volume, source, and destination country of ICBT also can be tricky. For example, typically, ICBT consists of predominantly small consignments of mixed goods in oddly shaped bundles that often is walked or bicycled across borders, and many hundreds or thousands of small traders cross a single border point each day. In this context, it is impractical to stop every trader or to expect each trader to complete a customs form, and even if they do fill out the forms, there is little capacity to process so many forms representing such little value. This has contributed to gaps in ICBT data.

Therefore, efforts to collect ICBT data typically have focused on strategically

positioning enumerators at custom points at borders and collecting data based on observation (without the completion of customs forms), and on ad hoc interactions with traders and other important stakeholders at borders. However, this approach also faces measurement and accuracy issues. It is difficult to identify the units of measure and conversion factors for many goods that are traded informally, such as livestock, particularly if they are shielded by non-transparent packaging or cross the border within a transport vehicle. At the same time, enumerators can be mistakenly suspected as spies, and thus, there is a need to build strong trust networks with local trader associations. Also, customs and police agents are known to often profit from uncertainty at the borders, through unofficial fees, and therefore, may be resistant to ICBT data collection.

Much ICBT takes place at night or along informal or illegal trading routes. This presents both security risks and other challenges for data collection. Conflict countries present additional challenges, since they have limited infrastructure, and the entire border can become essentially a trade zone. Informal trade of an illegal nature also increases the incentives for traders to suspect enumerators and attempt to bypass the data collection exercise. Due to limited capacity and resources, ICBT data collection is typically concentrated on “safe” borders with the most traffic, which are identified through an initial border profiling exercise. For the same reason, ICBT data is often collected on an ad hoc or one-off basis, collected only on certain days of the month, or covering only a limited scope of products, with the limitation of providing an incomplete picture of ICBT.

2.6 A SNAPSHOT OF EXISTING ICBT INITIATIVES

Despite the challenges of collecting data on ICBT, a number of initiatives to improve informal trade data are emerging across the continent. These initiatives include government-driven efforts, in addition to regional level initiatives which have emerged to fill existing data gaps at the national level, in order to deliver on a specific objective such as generating accurate food balance sheets for food security purposes. The latter have been concentrated in East, Southern and West Africa such as those of Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA), Permanent Interstate Committee for Drought Control in the Sahel (CILSS), Eastern Africa Grain Council (EAGC), Famine Early Warning Systems Network (FEWS-NET), Food and Agricultural Organization (FAO), Regional Strategic Analysis and Knowledge Support System East and Central Africa (ReSAKKS), Southern Africa Migration Programme (SAMP), and World Food Programme (WFP). Although these systems of data collection are often incomplete in terms of commodity coverage and location of data points, and not implemented on a regular basis, they still offer important insights.

Methods to measure ICBT include field surveys of informal traders, econometric estimates of mirror trade data flows to estimate trade mis-invoicing (examining discrepancies between a country’s reported imports and the reported exports of its trading partners), and measuring smuggling undertaken by formal traders (Pace et al. 2019). In Africa, the measurement of ICBT has mainly been through surveys initiated over the years, but these have been inconsistent in scope, commodities,

and definition, leading to data discrepancies and difficulties in comparing and aggregating data. Depending on resources, scope, and circumstances, these initiatives typically adopt one or a combination of different techniques (Ackello-Ogutu 1996), including: a) border observation; b) tracking movement of large vehicles; and, c) stocktaking at open markets. The most common, cost-effective and least disruptive technique is border observation. Under this approach, enumerators work during the day to observe and record the products crossing in and out through designated border points, and also work with selected border traders who act as key informants for any qualitative information and clarifications needed.

East Africa is arguably the most advanced African sub-region when it comes to collecting accurate ICBT data on a regular basis. For instance, Uganda was the first African country to fully institutionalise ICBT data collection in 2003, and the country’s ICBT data collection methodology has since served as an important reference for best practice for ICBT surveys within East Africa, but also countries in other sub-regions of the continent, and internationally. The section concludes with a case study of the joint UNECA-Afreximbank pilot ICBT data collection exercise that took place 1 September to 31 December 2019. The methodology adopted under this exercise was closely aligned to the existing harmonised ICBT data collection methodology for East Africa (see box 1).

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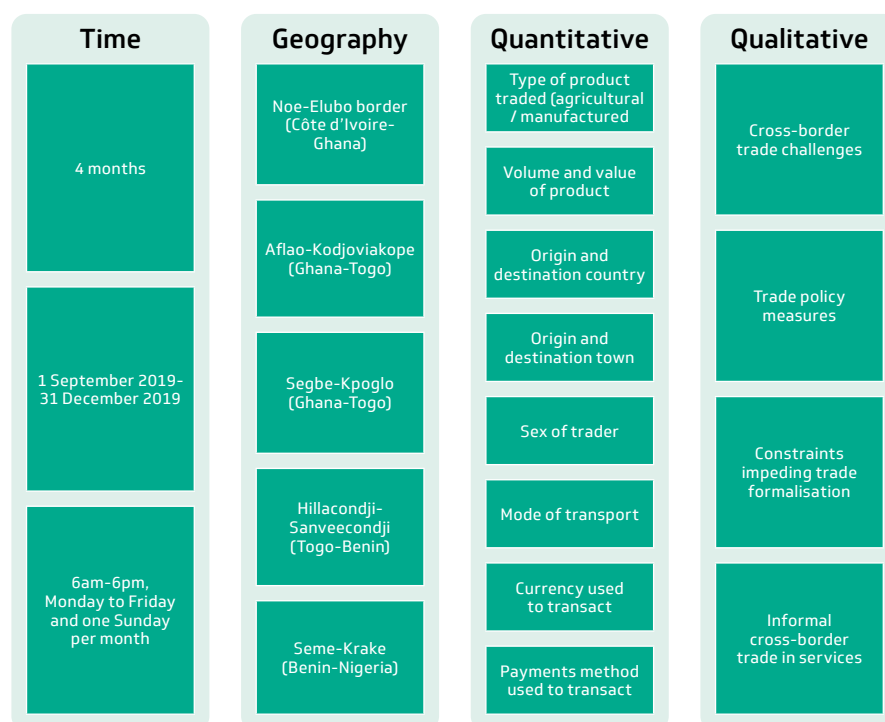
2.6.1 ECA-AFREXIMBANK ICBT Data Collection along the Abidjan-Lagos Corridor

In January 2019, the African Trade Policy Centre (ATPC) of the United Nations Economic Commission for Africa (UNECA) and the African Export-Import Bank formally launched a joint one-year pilot project to collect data on ICBT along the Abidjan-Lagos Corridor in the ECOWAS region. The African Union Commission and ECOWAS Commission served as key project partners and the Eastern Africa Grain Council (EAGC) was identified as the lead project implementation partner.

The project collected ICBT data on a pilot basis along the Abidjan-Lagos Corridor in the ECOWAS region for a period of four months from 1 September 2019 to 31 December 2019. The findings of the exercise shed light on the volume, value and nature of products traded along the corridor, in addition to identifying key constraints to formalization. The data collected was gender disaggregated, which helped to provide a better picture on the gendered dimensions of ICBT, which is typically female dominated.

The project developed a harmonised ICBT data collection manual for the ECOWAS region, which was utilised for the data collection exercise. This methodology was closely aligned (though contextualised) to the existing harmonised ICBT data collection manual in East Africa, to ensure regional comparability. The methodology adopted was also aligned to support the goals of the ECOWAS Informal Trade and Regulatory Support Programme (ITRSP). A web-based Regional Market Information System (RMIS), previously developed and hosted by EAGC for East Africa, was adapted for the development of the ECO-RATIN app for data collection in the ECOWAS region.

Figure 2.1. Summary of ICBT data collection exercise



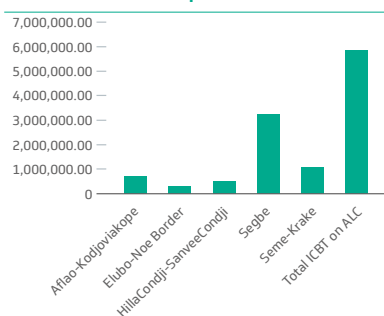
Source: Authors' compilation.

The scope of the ICBT pilot data collection exercise is summarized in Figure 2.1. For more technical details of the methodology, and findings and recommendations of the survey, readers can refer to the project's comprehensive "Harmonised Data Collection Manual for ICBT in ECOWAS" and report on "Enhancing the Quality of ICBT in the ECOWAS Region."

The quantitative and qualitative ICBT survey findings are summarised below.

- Significant variance in levels of economic activity at border points: ICBT highest at borders more tailored to support informal traders, and with lower levels of harassment.
- ICBT flows increased during the data collection period (festive season).

Figure 2.2. Value of ICBT per border (US\$ equivalent)



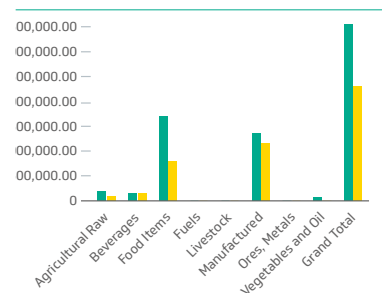
Source: Authors' estimates

Figure 2.3. Value of ICBT per month (US\$ equivalent)



Source: Authors' estimates

Figure 2.6. Composition of commodities traded, by gender (US\$ equivalent)

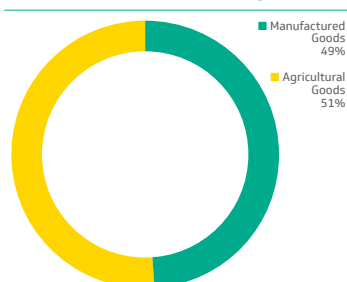


Source: Authors' estimates.

Composition of ICBT

- Both agricultural and manufactured goods possessed almost equal shares in ICBT.
- Although food items and manufactured goods dominate trade, the type of food items varies significantly from one border to the next.
- The leading export commodity was fish (US\$732,724), reflecting the proximity of the corridor to the Atlantic Ocean. This was followed by bread and pastries (US\$424,243).
- The leading manufactured exports were plastic household and disposable items (US\$346,862), followed closely by textiles (US\$327,129).

Figure 2.4. Composition of ICBT, by broad categories

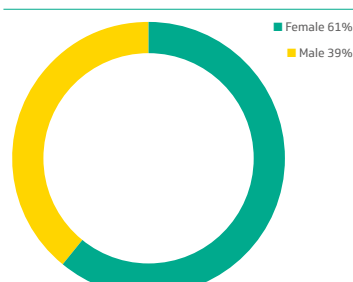


Source: Authors' estimates.

Gender dimensions of ICBT

- Women constitute the majority of informal cross-border traders along the corridor - female traders carried out 61 percent of all ICBT transactions.
- Approximately twice as many women than men trading in food items but only 1.2 times more women than men trading in manufactured goods.
- This indicates possible physical and financial strains for women in ICBT, since food items are typically heavier by weight and embody less value addition when compared to manufactures.

Figure 2.5. Gender of informal traders



Source: Authors' estimates.

Currency and payment method

- Cash was the only medium of transacting ICBT across-borders along the Abidjan-Lagos Corridor, accounting for 100 percent of ICBT recorded.
- Bank payments were primarily used for payment of official taxes.
- The West African CFA Franc was the most stable and common currency of trade (US\$3.1 million), followed by Ghanaian Cedi (US\$2.64 million) and Nigerian Naira (US\$143,667).
- Transactions typically settled in the currency of the buyer, with the seller converting the payment to his/her home currency at their discretion ICBT challenges.
- Trade restrictions (e.g. import bans and closure of land borders).
- Inconsistent implementation of ECOWAS trade policy.
- Limited knowledge of cumbersome cross-border trade regulations and procedures.
- Multiple checkpoints along the corridor.
- Harassment, corruption and extortion.
- High cost of movement of people across-borders.

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- Limited access to finance.
- Multiplicity of government bodies regulating cross-border trade.
- Inadequate and poorly maintained infrastructure.

Women were found to be more disproportionately affected by these challenges.

To summarise, the data collection methodology and ECO-RATIN android technology tool were successfully piloted on the Abidjan-Lagos Corridor, a key corridor for ICBT in ECOWAS. The pilot identified significant volumes of ICBT taking place along the corridor, despite the associated risks, mainly due to the high costs of formalisation including registering for ECOWAS Trade Liberalization Scheme (ETLS) benefits. The same methodology can be easily applied on other corridors in the region.

2.7 A COMPARATIVE ASSESSMENT OF ICBT DATA ACROSS AFRICA

The Abidjan-Lagos Corridor study, along with other national, regional and intergovernmental initiatives to collect ICBT data, demonstrates that collecting reliable data and statistics for more informed policy making is possible across the region. In addition to efforts that have to be made to change perceptions of “informal cross-border trade” and distinguish it from “illegal trade” and ‘smuggling’ in the minds of policymakers and the general public, it is important to generate some political momentum around the phenomenon, to instigate and drive forward policy reforms and support programmes. One way to achieve this is to highlight the sheer scale and scope of ICBT across the continent, using data and research that is already available.

This section examines some of the data that has been collected in each of the five sub-regions: North Africa, West Africa, Central Africa, East Africa and Southern Africa. Data availability varies across the regions, with the most complete and

comprehensive datasets found in East and West Africa, while data on ICBT in North Africa is much harder to find.

Nevertheless, there is enough information available to paint a broad picture of ICBT at the continental level, including the overall scale and scope of ICBT compared to formal trade, the breakdown of ICBT by type of goods, volume and direction of trade between neighbouring countries, as well as by gender.

Table 2.1 provides a comparative analysis of the data that is presented in this section. It singles out all of the bilateral trade flows for which data on informal trade is available, and identifies the source of the data and the year during which the data was collected. It also presents ratios of informal trade to formal trade, as calculated by the authors. Some of the datasets already provide figures for both informal and formal trade, allowing ratios of informal to formal trade to be calculated directly. In all other cases, ratios were calculated as follows:

■ Numerator (informal trade).

Most of the datasets do not cover a one-year period. In some cases, e.g. Togo, an annualised figure was provided; in others, the values were up-rated to generate a figure for the annual estimate of informal trade.⁴ When the data was reported in a currency other than the US\$, the values were multiplied by the average exchange rate during the data collection period. Uganda and Rwanda have both collected informal trade data across several years; in these cases, ratios for all of the years, an average ratio was then calculated to be used in final estimate. In the case of Nigeria, the dataset covers a one-year period that actually spans across two different calendar years (2013–2014); we therefore chose to generate ratios of informal to formal trade for both years, using one figure for the numerator (informal trade) but two different figures for the denominator (formal trade in 2013 and in 2014).

■ Denominator (formal trade).

The ratios are calculated using formal trade figures from UN Comtrade. We looked up import/export figures for the year during which the ICBT data collection exercise was carried out, as reported by the country that was collecting ICBT data. Two exceptions were made, in the case of UNECA and the Afreximbank (2020) and EFTNE-TOGO (2019), for which we took the most recent Comtrade data available as reported by the importer.⁵

In some cases, there was more than one data source available for the trade flow that we were analysing. We therefore generated two separate lists: one containing the lowest available ratios and the other containing the highest available ratios.

Estimated ratios of informal to formal trade flows range from 0.0004:1 (exports from South Africa to Namibia, based on data collected by the Namibian Statistics Agency in 2019) to 415:1 (exports from Niger to Nigeria, based on data collected by the Nigerian Central Bank in 2013–2014). The distribution of the estimated ratios are positively skewed, with a few very high ratios at selected borders where one would expect to observe more ‘entrepôt’ trade. The average ratio was 5.6:1 (the ‘low’ figure) and 13.9:1 (the ‘high’ figure) while the median ratio was 0.26 (the ‘low’ figure) and 0.48 (the ‘high’ figure). Taken together, these figures suggest that the ratio of informal to formal trade across the continent is likely to be very high.

⁴ Up-rating was done through simple multiplication. For example, the Namibian Statistics Agency provides data for a one-month period, so values were multiplied by twelve (12); the data collection initiative by the Kenyan National Bureau of Statistics covers a three-month period, so we multiplied the values by four (04).

⁵ This exception was made because we wanted to ensure that the formal trade figure used to calculate the ratio was consistent with the formal trade figures to which the ratios were eventually applied, when estimating the value of ICBT for that specific trade flow.

Table 2.1. Ratio of informal trade to formal trade, by trade flow, year, and data source

Flow	Ratio of informal to formal trade (low)	Data source (low)	Year (low)	Ratio of informal to formal trade (high)	Data source (high)	Year (high)
Angola → Namibia	0.022	NSA (2016)	2015	0.022	NSA (2016)	2015
Algeria → Tunisia	0.367	Ayadi et al. (2014)	2013	0.514	Ayadi et al. (2014)	2013
Algeria → Mali	15.000	Bensassi et al. 2017	2014	40.000	Bensassi et al. 2017	2011
Benin → Nigeria	3.517	Nigerian Central Bank (2016)	2013-2014	5.130	Bensassi et al. (2019)	2011
Benin → Togo	0.180	Bensassi et al. (2019)	2011	2.120	EFTNE-TOGO (2019)	2019
Burkina Faso → Togo	0.253	EFTNE-TOGO (2019)	2019	0.253	EFTNE-TOGO (2019)	2019
Burundi → Rwanda	0.916	NBR (2020)	Average 2012-2016	0.916	NBR (2020)	Average 2012-2016
Cameroon → Nigeria	42.765	Nigerian Central Bank (2016)	2013-2014	46.781	Nigerian Central Bank (2016)	2013-2014
Côte d'Ivoire → Ghana	0.002	UNECA and Afreximbank (2020)	2019	0.002	UNECA and Afreximbank (2020)	2019
Dem. Rep. of the Congo → Uganda	2.814	UBS & UBOS 2017	Average 2011-2016	2.814	UBS and UBOS 2017	Average 2011-2016
Dem. Rep. of the Congo → Rwanda	0.284	NBR (2020)	Average 2012-2016	0.284	NBR (2020)	Average 2012-2016
Ethiopia → Kenya	1.604	KNBS 2011	2011	1.604	KNBS	2011
Ghana → Togo	0.093	UNECA and Afreximbank (2020)	2019	0.062	EFTNE-TOGO (2019)	2019
Ghana → Côte d'Ivoire	0.005	UNECA and Afreximbank (2020)	2019	0.005	UNECA and Afreximbank (2020)	2019
Kenya → United Rep. of Tanzania	0.104	KNBS 2011	2011	0.104	KNBS 2011	2011
Kenya → Uganda	0.012	KNBS 2011	2011	0.047	UBS and UBOS 2017	Average 2011-2016
Kenya → South Sudan	0.009	KNBS 2011	2011	0.009	KNBS 2011	2011
Kenya → Ethiopia	0.153	KNBS 2011	2011	0.153	KNBS 2011	2011
Kenya → Somalia	0.038	KNBS 2011	2011	0.038	KNBS 2011	2011
Libya → Tunisia	0.288	Ayadi et al. (2014)	2013	0.480	Ayadi et al. (2014)	2013
Malawi → Mozambique	0.263	Macamo et al. 1999	1995-96	0.263	Macamo et al. 1999	1995-96
Mali → Algeria	15.000	Bensassi et al. 2017	2014	40.000	Bensassi et al. 2017	2011
Mozambique → Zimbabwe	0.041	Macamo et al. 1999	1995-96	0.041	Macamo et al. 1999	1995-96
Mozambique → Zambia	3.934	Macamo et al. 1999	1995-96	3.934	Macamo et al. 1999	1995-96
Mozambique → Malawi	0.976	Macamo et al. 1999	1995-96	0.976	Macamo et al.	1999
Mozambique → United Rep. of Tanzania	0.746	Macamo et al. 1999	1995-96	0.746	Macamo et al.	1999
Namibia → Zambia	0.008	NSA (2016)	2015	0.008	NSA (2016)	2015
Namibia → Angola	0.042	NSA (2016)	2015	0.042	NSA (2016)	2015
Namibia → South Africa	0.000	NSA (2016)	2015	0.000	NSA (2016)	2015
Niger → Nigeria	1.905	Nigerian Central Bank (2016)	2013-2014	414.709	Nigerian Central Bank (2016)	2013-2014
Nigeria → Cameroon	0.339	Nigerian Central Bank (2016)	2013-2014	20.000	Amin and Hoppe (2013)	

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Table 2.1. Ratio of informal trade to formal trade, by trade flow, year, and data source

Flow	Ratio of informal to formal trade (low)	Data source (low)	Year (low)	Ratio of informal to formal trade (high)	Data source (high)	Year (high)
Nigeria → Niger	1.966	Nigerian Central Bank (2016)	2013-2014	10.966	Nigerian Central Bank (2016)	2013-2014
Nigeria → Benin	2.656	Nigerian Central Bank (2016)	2013-2014	7.180	Bensassi et al. (2019)	2011
Rwanda → Burundi	0.480	NBR (2020) Average	2012-2016	0.480	NBR (2020)	Average 2012-2016
Rwanda → United Rep. of Tanzania	0.006	NBR (2020)	Average 2012-2016	0.006	NBR (2020)	Average 2012-2016
Rwanda → Uganda	0.277	UBS and UBOS 2017	Average 2011-2016	0.841	NBR (2020)	Average 2012-2016
Rwanda → Dem. Rep. of the Congo	0.603	NBR (2020)	Average 2012-2016	0.603	NBR (2020)	Average 2012-2016
Somalia → Kenya	57.704	KNBS 2011	2011	57.704	KNBS 2011	2011
South Africa → Mozambique	0.126	Macamo et al. 1999	1995-96	0.126	Macamo et al. 1999	1995-96
South Africa → Namibia	0.000	NSA (2016)	2015	0.000	NSA (2016)	2015
South Sudan → Uganda	87.557	UBS and UBOS 2017	Average 2011-2016	87.557	UBS and UBOS 2017	Average 2011-2016
South Sudan → Kenya	0.083	KNBS 2011	2011	0.083	KNBS 2011	2011
Eswatini → Mozambique	5.069	Macamo et al. 1999	1995-96	5.069	Macamo et al. 1999	1999
United Rep. of Tanzania → Mozambique	85.981	Macamo et al. 1999	1995-96	85.981	Macamo et al. 1999	1995-96
United Rep. of Tanzania → Rwanda	0.008	NBR (2020)	Average 2012-2016	0.008	NBR (2020)	Average 2012-2016
United Rep. of Tanzania → Uganda	0.075	UBS and UBOS 2017	Average 2011-2016	0.075	UBS and UBOS 2017	Average 2011-2016
United Rep. of Tanzania → Kenya	0.100	KNBS 2011	2011	0.100	KNBS 2011	2011
Togo → Benin	0.167	EFTNE-TOGO (2019)	2019	1.970	Bensassi et al. (2019)	2011
Togo → Burkina Faso	0.213	EFTNE-TOGO (2019)	2019	0.213	EFTNE-TOGO (2019)	2019
Togo → Ghana	0.255	EFTNE-TOGO (2019)	2019	0.255	EFTNE-TOGO (2019)	2019
Tunisia → Libya	0.288	Ayadi et al. (2014)	2013	0.480	Ayadi et al. (2014)	2013
Tunisia → Algeria	0.367	Ayadi et al. (2014)	2013	0.514	Ayadi et al. (2014)	2013
Uganda → Rwanda	0.140	UBS and UBOS 2017	Average 2011-2016	0.140	UBS and UBOS 2017	Average 2011-2016
Uganda → Dem. Rep. of the Congo	0.816	UBS and UBOS 2017	Average 2011-2016	0.816	UBS and UBOS 2017	Average 2011-2016
Uganda → South Sudan	1.615	UBS and UBOS 2017	Average 2011-2016	1.615	UBS and UBOS 2017	Average 2011-2016
Uganda → Kenya	0.120	KNBS 2011	2011	0.257	UBS and UBOS 2017	Average 2011-2016
Uganda → United Rep. of Tanzania	0.666	UBS and UBOS 2017	Average 2011-2016	0.666	UBS and UBOS 2017	Average 2011-2016
Zambia → Mozambique	1.048	Macamo et al. 1999	1995-96	1.048	Macamo et al. 1999	1995-96
Zambia → Namibia	0.001	NSA (2016)	2015	0.001	NSA (2016)	2015
Zimbabwe → Mozambique	0.246	Macamo et al. 1999	1995-96	0.246	Macamo et al. 1999	1995-96
Uganda → Burundi	0.222	UBS and UBOS 2017	Average 2011-2016	0.222	UBS and UBOS 2017	Average 2011-2016

Source: Author's compilation

2.7.1 Composition of ICBT

Informal cross-border traders perform the basic market function of arbitrage, responding to price signals by moving goods from areas where they are abundant (and prices are low) to areas where they are scarce (and prices are high). Traders therefore respond to fluctuations in supply and demand, and many of them are prepared to shift from one set of goods to another, or from one trading route to another, depending on market conditions. Market fluctuations can take many forms: they can be seasonal, such as the annual spike in demand for livestock products from the Horn of Africa that coincides with the Islamic pilgrimage to Mecca, or the annual or biannual supply surge that accompanies major crop harvests. They can be long-term trends, like the gradual increase in meat consumption among urban populations, or the swift uptake of mobile technologies in the past decades. They can be sudden and expected, as is often the case when governments introduce import or export restrictions, close borders, or change reference prices. These market conditions are, more often than not, specific to particular localities, and it is somewhat meaningless to make broad generalizations about the composition of ICBT across the continent as a whole.

Notwithstanding, several important commonalities dominate and drive ICBT across Africa: (1) its role in food distribution, including supplying essential goods to conflict-affected States, and (2) price arbitrage between countries with liberal trade policies/subsidies and those without. One common thread across all regions is the weight of agricultural products and foodstuffs in the overall portfolio of goods that are traded informally. These goods are often low-value and transported in small quantities, attracting only a small amount of duty or none at all. Since the collection of revenue is often the cardinal objective of customs authorities, the low value of

agricultural products and foodstuffs removes the incentive to control, inspect and accurately record trade in these goods. Many border officials are also aware of the crucial role played by informal trade in regional food security and are loath to create an obstacle to trade in these essential goods, especially since they may themselves be members of the border communities that rely on these trade flows.

Another pattern that is common throughout the continent is the role of ICBT in 're-exporting' goods that originate from other continents, out of countries with liberal trade policies and 'light-touch' regulatory regimes, into countries with more protectionist trade policies. This phenomenon is referred to as 'entrepôt' trade and mainly targets large consumer markets and economies like Nigeria and Senegal in West Africa and Kenya in East Africa. Lastly, informal cross-border traders often play a role moving fuel and other essential goods out of countries where they are heavily subsidised, such as the oil-rich States of Algeria, Angola, Libya and Nigeria, and into import-dependent countries that do not subsidise those products, such as Mali, Tunisia and Cameroon.

2.7.1.1 North Africa

Although it has deep historical and cultural roots, security concerns make it difficult to collect data and develop policies on ICBT in North Africa. North Africa is the region in which data on ICBT is most-scarce (Gallien 2017). However, ethnographic studies like those conducted by Scheele (2009) and Hüsken (2017) demonstrate that ICBT in North Africa (or what they term 'smuggling') is a deeply embedded sociocultural practice, often connected with the nomadic lifestyles of indigenous bedouin. Informal trade is generally construed by local populations as being legitimate, at least insofar as it is one of the few livelihood options available in the region.

ICBT accounts for less than 10 percent of imports in Tunisia, but more than half of total trade with its neighbour, Libya. The most comprehensive estimate of the overall scale and scope of ICBT in the North Africa region is provided by Ayadi et al. (2013), who use mirror statistics, field observations and interviews with customs officials and cross-border traders to assess ICBT flows between Tunisia and its two neighbours, Libya and Algeria. They estimate that informal trade accounted for less than 10 percent of Tunisia's total imports in 2013 but played a significant role in bilateral trade with Libya and Algeria, and in certain sectors. Specifically, informal trade accounted "for more than half of total trade with Libya," while "roughly 25 percent of fuel consumed in Tunisia (was) in the form of informal imports from Algeria" (Ibid). Fuel was responsible for the lion's share of informal imports into Tunisia (30 percent of total trade flows, in value terms, at the Ras Ajdir crossing point), though other major categories included apples, bananas, textiles, clothes, bedsheets, shoes, carpets, kitchenware, household electrical goods, white goods (refrigerators, air conditioners) and car tyres. Trade was driven by price differentials. In the case of fuel, generous fuel subsidies in Algeria and Libya create a massive opportunity for traders to undercut fuel sales in Tunisia. In the case of other goods, price differentials are mainly a function of customs duties and taxes.

Informal trade between Mali and Algeria has been known to exceed formal flows between these countries by a factor of 15, but was on a decline in the early 2000s due to security issues and border closures. Another serious attempt to generate quantitative data on ICBT in the North Africa region is made by Bensassi et al. (2017), who use mirror statistics, satellite imagery and a survey of traders to estimate informal trade between northern Mali and southern Algeria. Their findings suggest that informal trade between Algeria and Mali fell from US\$85 million in 2011 (forty

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times higher than officially recorded trade flows) to US\$30 million in 2014 (15 times higher than officially recorded trade flows), due mainly to the 2012 rebellion in northern Mali and the closure of the border between the two countries in 2013 (Bensassi et al. 2017).

Subsidies for fuel and foodstuffs (semolina, milk, flour, sugar) in Algeria drove price differentials between the two countries and were therefore responsible for a considerable proportion of informal trade between the two countries, at least until the decision taken in July 2013 by the Algerian Council of Ministers to limit fuel smuggling. In addition to fuel, other Algerian exports to Mali included food (dates, flour, pasta, semolina and milk powder) and consumer goods (household appliances) while the main informal imports consisted of livestock (sheep and camels), bazin (traditional fabric), Chinese green tea and cigarettes.

North Africa is the only region in Africa where ICBT is largely dominated by men. Timmis (2017) provides an overview of the gender breakdown among informal cross-border traders in Morocco, Algeria, Tunisia, Libya and Egypt. Citing Gallien (2017), she notes that the majority of informal cross-border traders operating between Morocco and Algeria are “young, uneducated men from the rural border communities that are also engaged in subsistence agriculture,” though formal businesses in border towns and cities do “employ women from lower social classes” to transport goods informally between the two countries. She further observes that transporters operating along the border between Tunisia and Libya also “tend to be young men (aged 30 on average)” (Ibid). Hüsken (2017) confirms this trend in the case of Egypt, where “smuggling is the domain of young men (aged between 17 and 40 years).”

2.7.1.2 West Africa

The most comprehensive long-term data collection exercise in the region has been led since 2013 by the Permanent Interstate Committee for Drought Control in the Sahel (Comité permanent Inter-Étatique de Lutte contre la Sécheresse au Sahel or CILSS, in French). This initiative tracks ICBT in food, fisheries and agro-silvo-pastoral products and has recently been re-branded ‘ECO-ICBT’ due its integration into ECOWAS’s Informal Trade Regulation Support

Programme (Programme régional d’appui à la Régulation du Commerce Informel dans l’espace CEDEAO or PARCI in French). In addition to this, from September to December 2019, UNECA and the Afreximbank conducted a pilot data collection project in the Abidjan-Lagos Corridor to collect data on informal cross-border trade, expanding the scope of data collection to address “some existing data gaps (...) such as gender disaggregation, payment methods and coverage of all commodities rather than only agricultural ones” (UNECA and Afreximbank 2020). Data has also been collected at the national level in Nigeria, Sierra Leone and, in the context of a sub-regional data collection initiative by UEMOA Member States such as Benin and Togo. Efforts are underway to coordinate all of these data collection initiatives under the ITRSP, which is the region’s flagship strategy on informal cross-border trade, and to integrate the data into official national and regional statistical databases.

Entrepôt trade—where imported goods are informally ‘re-exported’ from countries with few trade barriers into highly protected markets—is a distinctive feature of ICBT in West Africa. Nigeria is

the main destination country for ‘entrepôt’ trade. This country is known to have one of the most restrictive trade regimes in the world, consisting of “numerous import bans, with trade protection justifications and (...) numerous tariff peaks, with the theoretical aim of boosting local production” (Raballand and Mjekiqi 2010).⁶ At the time of writing, Nigeria’s import bans apply to various food products (tomato paste or concentrate; poultry, pork and beef; vegetable oils and fats; sugar; cocoa butter, powder and cakes; spaghetti/noodles; fruit juice, bottled water and other beverages) as well as to white goods (air conditioners, fridges, freezers), used motor vehicles (above fifteen years old) and other consumer products (e.g. carpets, footwear, bags). In addition to outright bans, a number of products face tariffs at or “exceeding the ECOWAS maximum of 35 percent” (Benjamin, Golub, and Mbaye 2015).

Several analysts have shown these protectionist measures to be ineffective, as banned or highly taxed products are simply diverted towards “entrepôt” countries like Benin, Togo and Niger, and then ‘re-exported’ informally into Nigeria. The Nigerian Central Bank itself, in an ICBT data collection exercise carried out between June 2013 and May 2014, estimated that more than 70 percent of the ₦ 655 million of informal imports that entered the country in that period consisted of ‘re-exports’ of goods originating from countries other than Nigeria’s immediate neighbours (Central Bank of Nigeria 2016; see Figure A). This has led to some severe distortions in official trade statistics in the region. Car imports to Benin, for example, have reached “about US\$70 per capita since 2007, seven times the ECOWAS average level of about US\$10 per person”

⁶ ‘Entrepôt’ trade is also a significant feature of trade between Gambia and Senegal, as the latter has historically pursued similar import substitution policies to Nigeria (Benjamin, Golub, and Mbaye 2015).

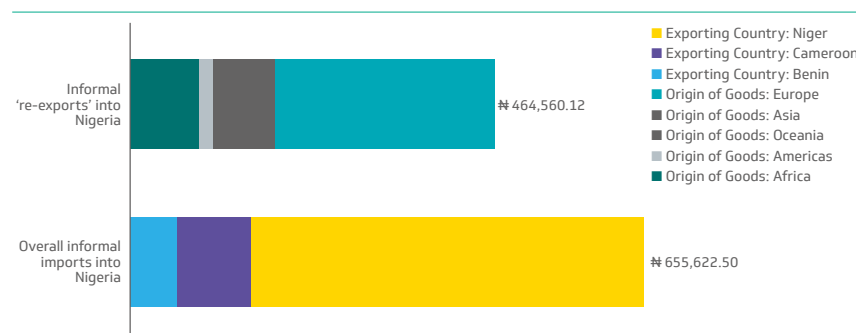
(Benjamin, Golub and Mbaye 2015) while imports of cloth into Benin and Togo “have surged since the early 2000s to more than US\$100 per capita since 2007,” well above “ECOWAS average levels of fabric imports (of) about US\$7 per person” (Benjamin, Golub and Mbaye 2015). In the case of rice, “on which the tariff is 50 percent in Nigeria and 8.75 percent in Benin,” distortions in the statistics have led to a situation where “a country of fewer than 10 million people appeared to be importing almost as much as a country of more than 130

million” (Ibid). On 21 August 2019, the Seme-Krake border between Nigeria and Benin was closed without prior notice. This was part of a broader crackdown by the Nigerian authorities to close all land borders between Nigeria and its neighbouring countries. According to sources at the border, the main purpose of the closure was to put a stop to smuggling of contraband goods from Benin, which was said to be compromising Nigeria’s agricultural policies, job creation, revenue collection and security.

which have to perform cumbersome procedures and inspections to detect fraud. However, ‘entrepôt’ trade is often difficult to distinguish from other informal flows and therefore finds itself recorded in official data on ICBT (INSAE 2012). It is important to bear this in mind when we assess the share of informal to formal trade in the region, particularly in the case of destination countries like Nigeria and Senegal. The figures are nevertheless impressive. Bensassi et al. (2018) believe that informal exports from Benin to Nigeria are 5.1 times larger (in value terms) than the equivalent formal flows. In the opposite direction, Benin’s informal imports from Nigeria are 7.2 times larger than the corresponding formal trade flow (though this is almost entirely made up of petroleum products, which are subsidized in the Nigerian domestic market; after removing petroleum products, the ratio falls to 0.99). The same authors find that informal exports from Benin to Togo are twice as large as formal exports, even though ‘entrepôt’ trade between these two partners is minimal.

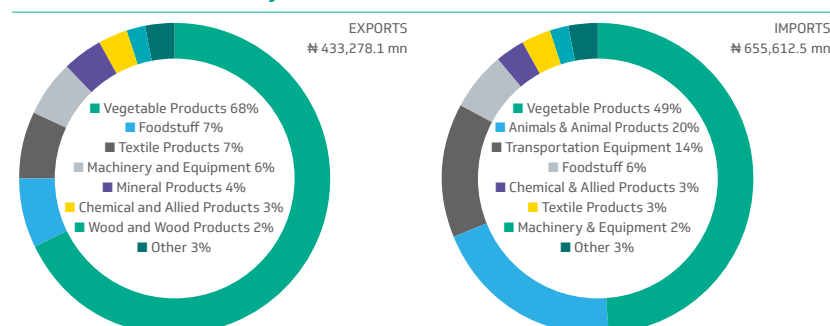
Similarly, Raballand and Mjekiqi (2010) estimate that “up to 15 percent of Nigeria’s total imports enter the country through unofficial channels” and that “an additional US\$200 million—more than one-tenth of the current revenue collected by the Customs Service—could be realized if trade restrictions on a limited number of products were adjusted to current practices in the sub-region.” It is interesting to compare these figures to estimates resulting from a four-month data collection exercise in Sierra Leone, which does not border any of the region’s large consuming markets. Even for this country, “at the two official borders (Gbalamuya and Jendema) where both exports and imports are recorded by phytosanitary and customs officials, only 40 percent of actual agricultural export volume is recorded, whilst about 60 percent of imports of agricultural goods are recorded between Sierra Leone and its neighbours” (International Growth Centre 2018).

Figure 2.7. Informal imports into Nigeria, by exporting country and origin of goods (Naira millions)



Source: Central Bank of Nigeria 2016.

Figure 2.8. Nigerian informal exports and informal imports, by product category, June 2013–May 2014



Source: Central Bank of Nigeria 2016.

It is difficult to dissociate ‘entrepôt’ trade from other ICBT flows, so non-originating goods may inflate estimates of intra-regional ICBT. ‘Entrepôt’ trade has several negative ramifications: it

undermines official trade and industrial policy and the collection of customs revenue, fosters a culture of non-compliance at borders, and drains the resources of Customs administrations,

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The products traded within the region are extremely varied, belying the received wisdom that West African nations struggle to diversify their exports. Informal imports into countries with protectionist trade policies consist to a large extent of precisely those products which are subject to import bans or elevated tariffs. Furthermore, informal exports from Nigeria are dominated by fuel, while agricultural products and foodstuffs are commonly traded among all countries in the region. However, it is perhaps even more important to draw attention to the fact these patterns emerge in a broader context of extremely

heterogeneous trade flows. Using data collected by the Institut National de la Statistique et de l'Analyse Economique of Benin, Bensassi et al. (2018) show that over the course of ten days 177 distinct products (identified at the 6-digit level of the Harmonised System of tariff classification) were moved informally across Benin's borders with Nigeria and Togo (Table 2.2). They also note that there is remarkably little overlap between the products that are traded formally and those that are traded informally, suggesting that "informal and formal trade are two distinct channels of trade, with a specialisation of trade by product" (Bensassi et al. 2018).

confirm this picture: products were categorised into 145 unique values at the six-digit level of the HS classification; 129 unique values at the four-digit level; and 47 unique values at the two-digit level. Food items and manufactured goods dominate the list of most informally traded goods along the corridor. The leading export commodity was fish which accounted for US\$732,724 worth of trade during the data collection period, followed by bread and pastries. The leading manufactured exports were plastic household and disposable items which totalled US\$346,862 worth of trade, followed closely by textiles (UNECA and Afreximbank 2020).

Table 2.2. Product composition of formal and informal trade between Benin and its neighbours, 2011

Origin / destination	Number of products					
	Imports into Benin			Exports from Benin		
	Informal	Formal	Overlap	Informal	Formal	Overlap
HS6						
Nigeria	177 (62)	178 (15)	37 (8)	109 (63)	5 (2)	2 (1)
Togo	247 (103)	36 (6)	10 (1)	111 (50)	10 (1)	3 (3)
HS4						
Nigeria	141	140	51	86	5	3
Togo	182	28	14	90	10	5
HS2						
Nigeria	62	52	44	38	5	4
Togo	62	21	20	44	7	6

Source: Bensassi et al. 2018.

Note: Informal trade figures come from the Enquête sur le commerce extérieur non-enregistré conducted by the Institut National de la Statistique et de l'Analyse Économique in 2011. Formal trade figures come from Benin Customs. The table reports the number of distinct products appearing in each data source and bilateral trade flow, at 6-, 4- and 2-digit levels of aggregation of the HS classification, for the period of September 2011. In parentheses are the number of agricultural products, as defined by the WTO, excluding processed food.

Similarly analysis of ICBT data collected by UNECA and the Afreximbank (2020)

along the Abidjan-Lagos Corridor between September and December 2019

Figure 2.9. Top 10 products traded along the Abidjan-Lagos Corridor, and value of trade, September–December 2019

Rank	Category	HS Code (6-digit)	Key products	Total trade (US\$)
1	Food Items	030249	Fish	732,724.02
2	Food Items	190510	Pastries, bread	424,243.13
3	Manufactured goods	691110	Disposable items, plastic household utensils and articles	346,862.16
4	Manufactured goods	591110	Textiles clothing	327,128.54
5	Agricultural Raw materials	440290	Charcoal	318,339.51
6	Manufactured goods	853929 & 910111	Electric and electronic devices and goods	276,056.76
7	Manufactured goods	630900	Second-hand clothes	253,322.73
8	Manufactured goods	621020	Clothing	230,953.80
9	Beverages	220210	Sodas and soft drinks	200,969.19
10	Manufactured goods	640411	Footwear	200,757.85

Most data collection exercises that have been completed in the region to date are not gender-disaggregated, but those that are confirm that the majority of informal cross-border traders are women. Aboudou et al. (2017) estimate that 14,664,000 women engage in cross-border trade along the Abidjan-Lagos Corridor over the course of a year, accounting for seventy (70) to ninety (90) percent of traders. Though much lower, the study by the Afreximbank and UNECA produces consistent results, finding that 61 percent of all ICBT transactions are conducted by female traders. However, both Aboudou et al. (2017) and UNECA and Afreximbank (2020) find that women are more likely to trade in low value-added products, such as unprocessed agricultural products, as opposed to men, who are more likely to trade in manufactured goods. This is probably due to the fact that women “typically have comparatively less (sic) financial resources to set up businesses” (UNECA and Afreximbank 2020). Women were also found to be more likely to be transporting their goods on foot, as opposed to men, who “were more likely to use motorcycles, buses or other forms of transport (Ibid).

2.7.1.3 Central Africa

Cameroon is at the heart of ICBT flows in the Central Africa region and extensive data collection exercises have been conducted at all of its borders. Cameroon is one of the few countries in which the National Statistics Agency (Institut National de la Statistique) has conducted an official data collection exercise on ICBT.

Cameroon’s informal trade consists of exports and ‘re-exports’ of manufactured goods to Chad, exports of agricultural products and foodstuffs to Nigeria, and imports of manufactured goods. According to the latest available data, in the year 2013, Cameroon sold a wide variety of manufactured products (handicrafts, fertilizers, fuel, cement and machinery) to Chad, which took 44.5 percent of its exports, while it tended to send mostly agricultural products and foodstuffs (cereals, livestock, coffee, tea and spices) to Nigeria, which accounted for another 39 percent of its exports. More than half of Cameroon’s exports were made up of agricultural products and foodstuffs (53 percent), with re-exports of manufactured goods (fertilizers, vehicles, machinery and spare parts) representing a large proportion of the remainder (36

percent). Nigeria and Chad were also responsible for almost all imports to Cameroon (97 percent, in total), with the West African giant selling sugars, fuel, vehicles, plastics and cotton, while Cameroon’s land-locked Sahelian neighbour exported mostly plastics and livestock.

Estimates of the ratio of informal to formal exports from Cameroon range from 7:100, as calculated by INS-Cameroon, to a staggering 4000:100 estimated by the World. Using data collected at eight border posts over a period of 15 days in 2013, the Institut National de la Statistique of Cameroon estimated that at least 7 percent to 10 percent of traders surveyed had no intention of declaring their goods at the border, meaning that exported goods worth FCFA13.2 billion (out of a total of FCFA 207.8 billion) and imported goods worth FCFA 15 billion (out of a total of FCFA 165.3 billion) would bypass Customs entirely. These estimates are conservative, as they do not take into account goods that are under-declared, misclassified or otherwise left unrecorded by Customs, even when they do pass through the formal border post. Figures provided by Nkendah et al. (2011) are somewhat less conservative, suggesting that informal exports of agricultural and horticultural products from Cameroon amounted to FCFA 38 billion in 2008, only slightly below the FCFA 39.5 billion in formal exports (of all products) that were recorded in that year, and equivalent to 0.4 percent of the country’s Gross Domestic Product. At the other extreme, Amin and Hoppe (2013) find the following discrepancies between official trade data and actual cross-border trade between Cameroon and Nigeria: ... ‘by using a combination of techniques to quantify actual cross-border trade, a recent report estimates that Nigeria’s annual non-oil exports to Cameroon are more than 213,00 metric tons in volume, and 769 million US\$ in value. Our estimates show that even when re-exports are excluded, the value

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of Nigerian-made exports, largely cosmetics and household plastics, are US\$176 million – an estimate that is still more than twenty times the figures that Cameroon import statistics report’.

The importance of ICBT in Cameroon is undeniable, but policymakers should further examine welfare gains, distributional effects and the gender dimension of the phenomenon in the region. In its 2013 survey, the Institut National de la Statistique found that 90 percent of cross-border trade transactions were made up of small consignments below FCFA 500,000, most of which were transported by individuals on a bicycle or motorcycle (45 percent of trade transactions). However, these small consignments only accounted for 6 percent of the value of overall trade, whereas the small minority of trade transactions that were made up of large consignments (above FCFA 10 million) accounted for 71 percent of overall trade values.

In addition to this unequal distribution in traders’ share of total trade, the extent to which men and women are able to benefit from the livelihood opportunities associated with cross-border trade is also unequal. Most observers agree that the majority of informal cross-border traders in the region are men. Nkendah et al. (2011) estimate that 70 percent of traders are men, while the Institut National de la Statistique (2013) posits a slightly higher share of 85 percent. Njikam and Tchouassi (2011) further demonstrate that “male and female traders (occupy) different positions in the value chain,” as “male traders are more likely than female to deal in mining and forestry products, while women (deal) mostly in agriculture products.”

2.7.1.4 East Africa

Data and analysis of ICBT in East Africa is abundant, with the notable exception of the ‘Horn of Africa’ sub-region. East Africa is the most ‘data-rich’ region on the continent. Rwanda and Uganda are the only two countries that systematically collect official data on ICBT at their borders while numerous studies have also been done on informal trade between the Democratic Republic of Congo and its East African neighbours. Data is hardest to come by in the sub-region commonly referred to as the ‘Horn of Africa’, consisting of Ethiopia, Somalia, Eritrea and Djibouti. In order to simplify our analysis of the East Africa region, the report splits this section into subsections that correspond to these three sub-regions.

a) Horn of Africa

Trade in live animals is a long-standing indigenous practice that continues to be the centrepiece of intra-regional trade flows in the ‘Horn of Africa’ sub-region. Informal trade in the Horn of Africa is centred around livestock (camels, cattle, sheep and goats), commonly traded ‘on the hoof’ from the borderlands between Ethiopia, Kenya and Somalia, towards key consuming markets in the region, such as Addis Ababa and Nairobi, and via the ports of Djibouti and Berbera towards the Middle East. According to Little et al. (2015) the “export of livestock from Somalia, including Somaliland, to the Middle East represents one of the largest concentrations of live animal trade in the world,” with “annual exports of livestock and livestock products from (the) region, including between neighbouring countries, (...) estimated to be close to US\$1 billion” (Little et al. 2015).

This thriving trade between the Horn’s coastal States and the Gulf countries is massively dependent on informal imports from Ethiopia. Holleman (2002), for example, estimates that “50 percent to 60 percent of the animals exported from Berbera Port originate outside Somaliland, either from south-eastern Ethiopia (or) from Central Somalia.” Most of the livestock that is sold in Nairobi is also sourced informally from neighbouring countries. Little (2005) estimates that “Nairobi purchases about 450,000 cattle annually”; of the total, “Somalia supplies approximately 75,000 (16 percent) and Ethiopia about 40,000 (8 percent)”; both figures dwarf “official annual exports of cattle from Ethiopia (which amount to) less than 2,000.” Gebre-Mariam et al. (2013) and Berhanu (2016) confirm the significance of informal trade: the former report that “informal livestock trade (from Ethiopia) is thought to amount to four to six times that of formal exports by volume and twice formal exports by value” while the latter estimates that informal trade between Ethiopia and Kenya “accounts for an estimated 71 percent of total value of live animal exports and 78 percent of consumer goods and productive inputs imported into the area”.

Trade in livestock is the lifeblood of the sub-regional economy, but this trade has also given rise to other lucrative businesses. For example, studies have shown that, “revenues from cross-border livestock trade (have been used to finance) informal grain imports from the surplus highlands of southern Ethiopia, to deficit areas of northern Kenya”; these products are also traded informally and “can exceed officially licensed trade by a factor of 30 or more” (Little 2005). The livestock trade is also behind the emergence of abattoirs in and around Addis Ababa, which export much of their output to the Middle East in the form of chilled meat. The animals that are slaughtered at these abattoirs are often “sourced from northern Kenya via informal channels” (Little et al. 2015).

Map 1: Livestock trading routes in the Horn of Africa



Source: Majid 2010

Lastly, it is important to mention Somalia's role as an 'entrepôt' State during the period between 1991 and 2012 when it was effectively stateless. During this period, Somalia became the world's "largest duty free port" (Hagmann 2005), as consumer goods such as rice, sugar, electronics, textiles and other items were able to enter the country without paying duties and were then re-exported, informally, to neighbouring countries such as Kenya and Ethiopia. These goods would then become readily available in places like Eastleigh, Nairobi, where goods "can be purchased at 20 to 30 percent below prices elsewhere in own and services, such as internet and phone (sic), can be obtained at a fraction of normal costs" (Little 2005).

Table 2.3. Cross-border trade in goods in the Horn of Africa

Somaliland → Eastern Ethiopia	Kerosene Wheat flour and pasta Sugar
Eastern Ethiopia → Somaliland	Goats and Sheep Maize and sorghum Cattle and camels Camels Charcoal Kerosene
Somalia → Kenya	Cattle Consumer electronics Clothes Pasta
Kenya → Somalia	Mirrah (qat, a mild natural stimulant) Maize (small amounts) Wheat flour (small amounts) Tea Sugar

Source: Little 2005.

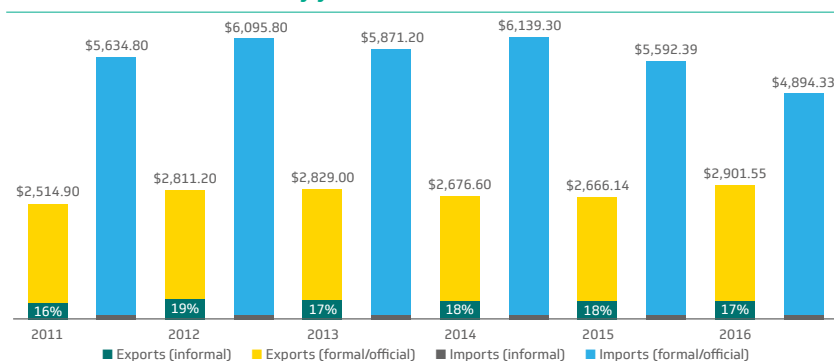
b) East African Community

Uganda and Rwanda are the only two countries in Africa that systematically collect data on ICBT at their borders. Uganda has been collecting data on ICBT since 2005 and Rwanda has been doing so since 2009 (World Bank forthcoming). Uganda monitors twenty (20) border crossings and four (4) bus terminals at its borders with the DRC, Kenya, Rwanda, Tanzania and South Sudan, while Rwanda monitors 59 border crossings at its borders with all four of its neighbours: Burundi, the DRC, Tanzania and Uganda (Ibid) (see Figure 2.10). Whereas Uganda only collects data on two (02) weeks of each month, Rwanda captures data on a year-round basis. Uganda therefore has to up-rate its data to estimate trade flows for the 'missing' weeks, while making sure to account for weekly and seasonal variations in volumes traded.

In Uganda, informal exports as a percentage of total (formal + informal) exports varied from a low of 16 percent to a high of 19 percent in the period between 2011 and 2016. In the case of imports, the share remained at around 1 percent over the same period (UBOS 2016; see Figure 2.11). In Rwanda, informal trade is also more common on the export side: it accounted for 34 percent of Rwanda's total exports to its immediate neighbours in 2016, but only 9 percent of its imports (NBR 2020, see Figure 2.12). In both countries, data on ICBT allowed governments to revise their merchandise trade deficits, from US\$1,835 million to US\$1,765 million in the case of Rwanda (a reduction of 4 percent) and from US\$2,695 million to US\$2,225.9 million in the case of Uganda (a reduction of 17.4 percent) (World Bank, forthcoming). These revisions can have a massive impact on balance-of-payments statistics, helping policy makers to design more appropriate policies for and institutional reform to support traders who have become key drivers of growth.

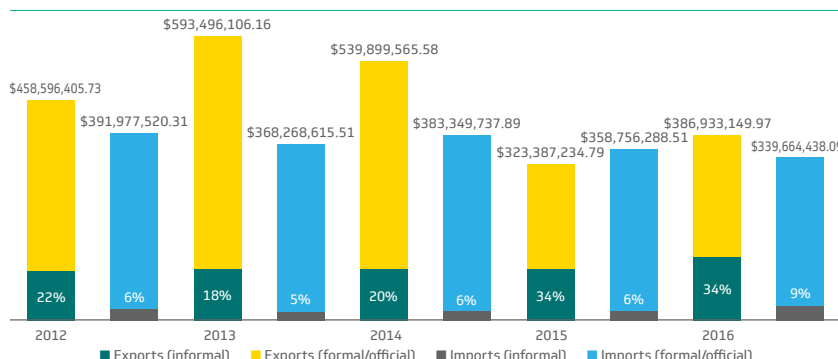
Informal Cross-Border Trade in Africa

Figure 2.10. Uganda imports and exports (US\$ million) and percentage share of informal trade, by year



Source: UBS and UBOS 2018.

Figure 2.11. Rwanda imports and exports (in US\$) and percentage share of informal trade by year



Source: NBR 2020.

Data from Uganda confirms that ICBT flows are diversified and highly volatile. Figure 2.12 shows informal exports from Uganda to its neighbours, disaggregated by month and by trading partner, as well as the total value of informal trade per year. These figures are presented as recorded by the enumerators, or, in other words, before the up-rating formula has been applied to account for gaps in the data collection. Some interesting patterns emerge, such as:

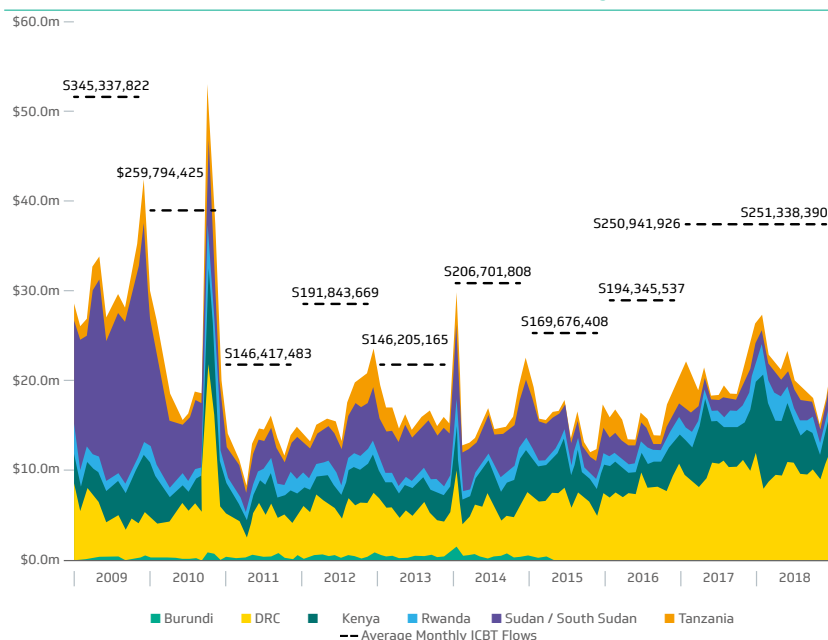
the seasonality of trade, with self-evident spikes in the fourth quarter of each year; the high volatility of trade from one month to the next, but also from one year to the next, with a high of US\$345 million recorded in 2009 and a low of US\$146 million in 2013; and the gradual shifts in trading partners' shares of Uganda's exports, including a significant decline in exports from Uganda to Sudan / South Sudan and a visible increase in exports to the DRC

and Kenya since 2014. The data also shows that an extremely diverse variety of products are exported informally by Uganda. In 2018, exported products were classified by enumerators into 979 unique categories of the HS classification, at the six-digit level; 536 unique categories at the four-digit level; and 71 unique categories at the two-digit level. When the data is broken down into this level of detail, it can begin to reveal information about the drivers of informality.

In his forthcoming analysis, Peter Walkenhorst has shown that the ratio of informal to formal trade varies depending on the trade partner and the product. About 60 percent of Uganda's exports to the DRC in 2017 were informal, as compared to 14 percent of its exports to South Sudan. More than 66 percent of Uganda's cereals exports were formal, compared to 10 percent of its fish exports and only 3 percent of its footwear exports. These figures confirm why it is so difficult to improve our understanding of ICBT flows across the continent with only the few ad hoc surveys that have been conducted over the years. Data should ideally encompass all products (broken down by HS code) and trade partners and provide information on volumes and values over a multi-year period, if policymakers wish to make informed decisions based on the real drivers of informal trade and its contribution to African economies.

7 Unfortunately, the KNBS report from 2011 is the only data-set that has been made publicly available, and these figures may no longer be representative of the country's trade with its neighbours.

Figure 2.12. Uganda informal exports disaggregated by trading partner as recorded by enumerators (i.e. before up-rating)



Source: UBS and UBOS 2018.; Note: per month (US\$ millions, left axis) and per annum (US\$, right axis)

A comparison of ICBT and formal trade flows recorded by the Kenya Revenue Authority, KNBS (2011) shows that informal imports into Kenya accounted for 14 percent of all imports, whereas informal exports accounted for 4 percent of all exports. Unlike Uganda and Rwanda, then, it would seem that informal trade in Kenya has more of an impact on the import side than on the export side. Notwithstanding this, Kenya (like Uganda) seems to have run an

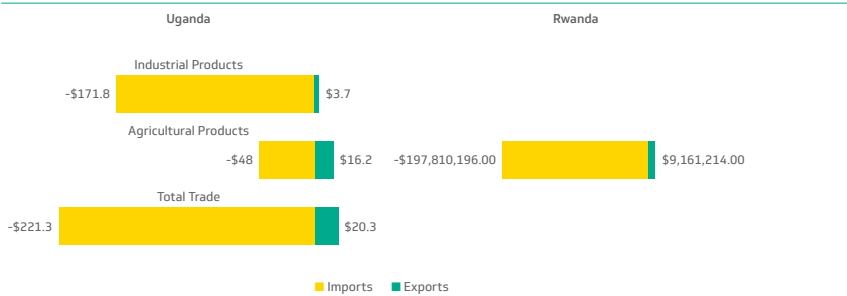
overall informal trade surplus with its neighbours, amounting to KSh 183 million in the only time period for which data is available (Q2 2011). This surplus was driven by informal exports (or possibly re-exports) of manufactured goods to Tanzania and Uganda, with an overall value of KSh 1,104 million (KNBS 201, see Figure 2.13), which compensated for the KSh 836 million of agricultural products that were imported over the same period (Ibid).

The data also allows us to better understand the nature of the products moving across Kenya's borders. On the import side, the portfolio of products consisted of maize (11.8 percent of recorded flows), artificial flowers (10.5 percent), onions (8.1 percent), cattle (7.3 percent), camels (5.8 percent), goats (5.4 percent) and diesel fuel (3.4 percent). On the export side, the portfolio consisted of paints (24.5 percent of recorded flows), utensils (7.5 percent), miraa or qat (8.8 percent), Irish potatoes (3.7 percent) and cooking fats / oils (3.4 percent).⁷

The Democratic Republic of Congo is also a major participant in ICBT in the Great Lakes region. The DRC is a consuming market that runs a significant informal trade deficit with most of its neighbours. This is due to a combination of rapid population growth and severe constraints to domestic production due to conflict. Data from FEWS-NET shows that the movement of mealie meal from Zambia into the DRC is a regular feature of informal trade in food staples in the COMESA region. The DRC also runs trade deficits with Uganda and Rwanda, the two countries that consistently record informal cross-border trade flows across their borders. (Figure 2.13). In general, goods from neighbouring countries are imported by thousands of small-scale cross-border traders from the DRC itself, who exit the country to procure their goods and then return to sell them in the domestic market. The country's external borders, such as Kasumbalesa (at the border with Zambia), Goma-Gisenyi and Bukavu-Rusizi (at the border with Rwanda), are therefore among the busiest in the continent for small-scale cross-border traders.

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Figure 2.13. DRC balance of informal trade (US\$ millions) with Uganda (by product type) and Rwanda, in 2016



Sources: UBOS 2017; NBR 2020.

Gender disaggregated data has been collected by the National Bank of Rwanda as well as through a series of ad hoc surveys at the DRC’s easternmost borders. The comprehensive gender-disaggregated ICBT data that is collected by Rwanda suggests around 53 percent of the informal cross-border traders operating across its borders between 2015 and 2019 were female. In addition to this, two surveys

organised by International Alert provide substantive data on informal cross-border traders in the region operating along the borders of the DRC all confirmed that the vast majority of small-scale cross-border traders operating at the borders between the DRC and its neighbours are women (Kimanuka and Lange 2010; Titeca and Kimanuka 2012 and Mwanabiningo 2015).

2.7.1.5 Southern Africa

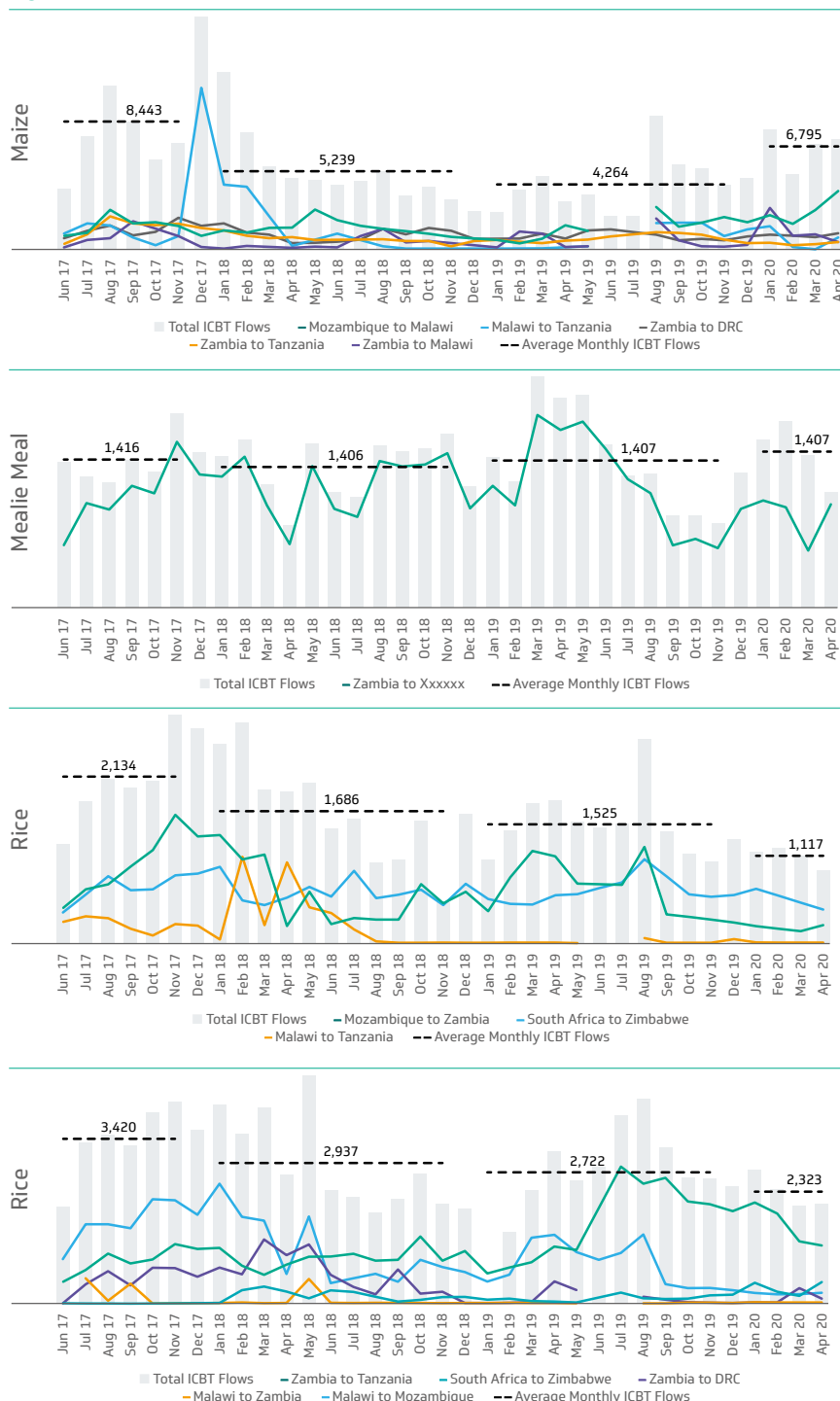
Official data on ICBT in Southern Africa is limited to the Namibia Statistics Agency’s reports on ICBT Statistics, the most recent of which was published in 2019 (NSA 2019). In addition to this, the COMESA Secretariat is currently compiling gender-disaggregated statistical data on small-scale cross-border trade at four borders between Zambia and its neighbours; these are Mwami/Mchinji border with Malawi, Chirundu border with Zimbabwe, Kasumbalesa border with the DRC and Nakonde/Tunduma border with Tanzania.

FEWS-NET data sheds some light on informal trade in food staple commodities between neighbouring countries in the region, and how trade volumes have evolved over time. FEWS-NET data is limited to only a few staple food commodities, namely maize, mealie meal, rice and beans. The data nonetheless provides a decent picture of informal trade in the region, including its role in food distribution and how trade volumes have evolved over time. Of the four commodities, maize is responsible for the largest informal trade volumes, ranging from an average of 8,443 metric tonnes per month between June and December 2017 to an average of 4,264 metric tonnes per month in 2019. ICBT in maize also stands out for being quite evenly spread out across the region, with significant volumes moving from Zambia to Malawi, Tanzania and the DRC, from Mozambique to Malawi, and from Malawi to Tanzania. Total ICBT flows of mealie meal, rice and beans are lower, averaging 1,407, 1,525, and 2,722 metric tonnes per month respectively in 2019. In the case of mealie meal, informal trade flows are unidirectional, moving almost exclusively from Zambia to the Democratic Republic of Congo.



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Figure 2.14. Informal cross-border trade flows in food staple commodities (metric tonnes)



Source: FEWS-NET.

Bilateral trade volumes in all commodities vary significantly from one month to the next, suggesting that informal cross-border traders are quite reactive to price movements over time. Unfortunately, due to the narrow coverage of only a few products and the absence of observations on trade values, FEWS-NET data cannot be used to estimate the share of ICBT in the overall value of trade between Southern African economies, nor can it confirm the weight of these food staple commodities within the overall portfolio of traded goods. Its significance is nonetheless undeniable, as the only data collection exercise that has been conducted systematically, over a multi-year time frame, at the regional level.

There are very few estimates of the share of ICBT in regional trade flows, but evidence from individual countries can help us to understand its magnitude. One of the most quoted estimates of informal trade comes from Afrika and Ajumbo (2012), who suggest that “ICBT contributes between 30–40 percent of total intra-SADC trade”. Citing Musonda (2004), the two authors further claim that the “average value of ICBT in the SADC region stands at an impressive US\$17.6 billion per year.” One dated study, which is still frequently cited due to the scarcity of updated research, provides concrete figures on “unrecorded cross-border trade between Mozambique and her neighbours” based on a large-scale survey that was conducted at ten active sites along Mozambique’s borders between December 1995 and November 1996 (Macamo 1999). In this study, the share of informal trade in overall trade was shown to account for anything between 3 percent and 100 percent, depending on the trade partner. In a similar vein, Njiwa et al. (2012) estimate that the total value of informal trade taking place at the Mwami/Mchinji border between Zambia and Malawi exceeds formal trade by 70 percent (World Bank forthcoming).

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Box 2.1: Formalising ICBT through enhanced Trade Facilitation under the AfCFTA

Some of the potential hurdles for the African Continental Free Trade Agreement (AfCFTA) are reflected in the myriad of challenges afflicting ICBT across the continent. These include a lack of trade facilitation; inadequate border infrastructure; limited access to finance and secure payment systems; arbitrary application of non-tariff measures (NTMs), a lack of market information; corruption, harassment and insecurity; limited knowledge, education and business management skills; and inconsistent implementation of trade policies.

While not explicitly reflected in the AfCFTA or the Protocol on the Free Movement of People, ICBT is a prominent feature of intra-African trade. Establishing a robust Trade Facilitation Package (TFP), consonant with the obligations undertaken by African countries under the WTO Trade Facilitation Agreement and the AfCFTA Trade Facilitation Annex could go a long way to ensure the integration of this important sector into mainstream trade and further the objectives of the AfCFTA. The WTO Trade Facilitation Agreement and accompanying Trade Facilitation Facility for developing countries and LDCs could be leveraged to develop a complementary set of measures to articulate a programme to enhance the integration of ICBT into formal trade under the AfCFTA.

Central to these measures is the removal of Non-Tariff Barriers (NTBs) that increase the costs of trading and doing business across the different regions or countries and deter cross-border trade of certain products, especially perishable goods. A smooth and uninterrupted flow of goods and people are essential for efficient intra-African trade, especially of perishable agricultural products, which are sensitive to delays at the borders. Considering the findings and lessons of the Abidjan Lagos Corridor study and other studies on ICBT from different regions, attention should be paid to the following elements in developing a Trade Facilitation Programme that can support and incentivise the formalisation of ICBT:

- i) **Policies that support good governance, integrity, and curb corruption:** This could include; simplification of trading requirements and procedures; joint and harmonised continental policies on customs, visas, and immigration procedures; the implementation of simplified trade regimes and the development and implementation of “One-Stop Border Posts” (OSBP).
- ii) **Policies to incentivize and facilitate formalisation of informal cross-border traders** – such as facilitating their business registration, paying customs duties and taxes where applicable, agreeing minimum tax-free trade thresholds, improving payments systems drawing on digitalisation and electronic payments system, such as the Pan-African Payments and Settlement System to facilitate cross-border payments through formal channels.
- iii) **Trader Training programmes:** Establish a pan-African institution under the auspices of the AfCFTA Secretariat, dedicated to promoting efficient intra-regional trade premised on reducing trade transaction costs across the continent. The institution should be responsible for training to enhance the capacity of traders to access formal trade-related services, e.g. finance, insurance, health/SPS certificates, and other health and safety measures; product testing, and meeting other marketing standards. Training should, as much as possible be through targeted information material, preferably in local languages, and should aim at developing the capacity of traders to understand and comply with existing trade regulations, and use efficient support services for formal importing and exporting, which could further act as strong incentives towards formalisation. Sensitization programmes on cross-border trade procedures and requirements for government customs and immigration officials would also be critical. Where possible joint programmes should be implemented to encourage a buy-in.

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- iv) **Legal and regulatory reform:** The AfCFTA Secretariat should work with States Parties to support legal and regulatory reform that addresses issues related to the number of checkpoints along the trade corridors; minimising trade restrictions (e.g., permits from customs authorities to authorize import of certain goods), and border closures; expediting a rollout an African National Biometric Identity Cards or Passports; reducing the multiplicity of official border crossing points, with a view to having only a few, well-resourced border crossings to facilitate trade by improving infrastructure to accommodate large flows of trade in an efficient and cost-effective manner. This concentration would also help to facilitate robust data collection on intra-African trade.
- v) **Procedural:** Enhance cooperation with border institutions by effectively defining and explaining the concept of informal cross-border trade; adopting a single continent-wide one definition for ICBT, and introducing a Simplified Trade Regime (STR) for informal cross-border traders to reduce the costs associated with such trade.
- vi) **Infrastructure investments:** Renovation or provision of modern border infrastructure to facilitate the implementation of OSBPs. These would include, standardizing border facilities and upgrading of technology such as vehicle scanners, weighbridges; warehousing facilities, and dedicated business parks, to improve operational efficiency at the border; introduction of single one-directional routes at border crossings, and development of visual guides for traders; provision of cross-border internet and mobile phone connectivity; and availing special gender desks to provide support to female traders and to expedite investigations into, and prosecution of, gender-based violence and/or discrimination.

- vii) **Financial services to reduce the risks associated with cash transactions:** Establish more structured financial solutions to address exchange rate fluctuations, such as a harmonised policy and legal framework for mobile banking and cross-border payment systems and develop financial products targeted at informal cross-border traders that can facilitate and incentivise their integration into the formal economy.

- viii) **Monitoring:** Finally, a complementary set of measures should be designed and implemented to institutionalise ICBT monitoring to provide accurate and reliable time series data on trading volumes, products, and characteristics of traders as a basis for efficient integration of such trade into formal trade. A harmonised manual for ICBT data collection, derived from the Abidjan Lagos Corridor pilot study, could be utilized for collecting such data across the continent.

While the elimination of tariffs on intra-African traded goods envisaged under the AfCFTA is an important first step in the process mainstreaming informal cross-border trade within the region, these complementary measures, which aim to address non-tariff barriers which affect the flows of both informal and formal cross-border trade, are just as important. In this regard the African Union led Online Mechanism for Monitoring, Reporting and Eliminating Non-Tariff Barriers is very timely. More than facilitating the flow of goods across borders it has the potential to accelerate the convergence and formalisation of ICBT.

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In a more recent effort, in the month of September 2019, the Namibian Statistics Agency collected data on ICBT at five gazetted border posts and one ungazetted border post on its borders with Angola, South Africa and Zambia (NSA 2019 2015). It found that “informal exports amounted to a mere N\$16.7 million to represent a share of 1.1 percent of total exports” while “the value of informal imports amounted to N\$3 million, accounting for 0.1 percent of the total import bill.” What emerges from these sources is that the share of ICBT in bilateral trade flows varies significantly, from less than 1 percent to as much as 100 percent depending on the border and the trade partners concerned. The drivers behind these variations are unclear, and there is evidently a need for more research in this area.

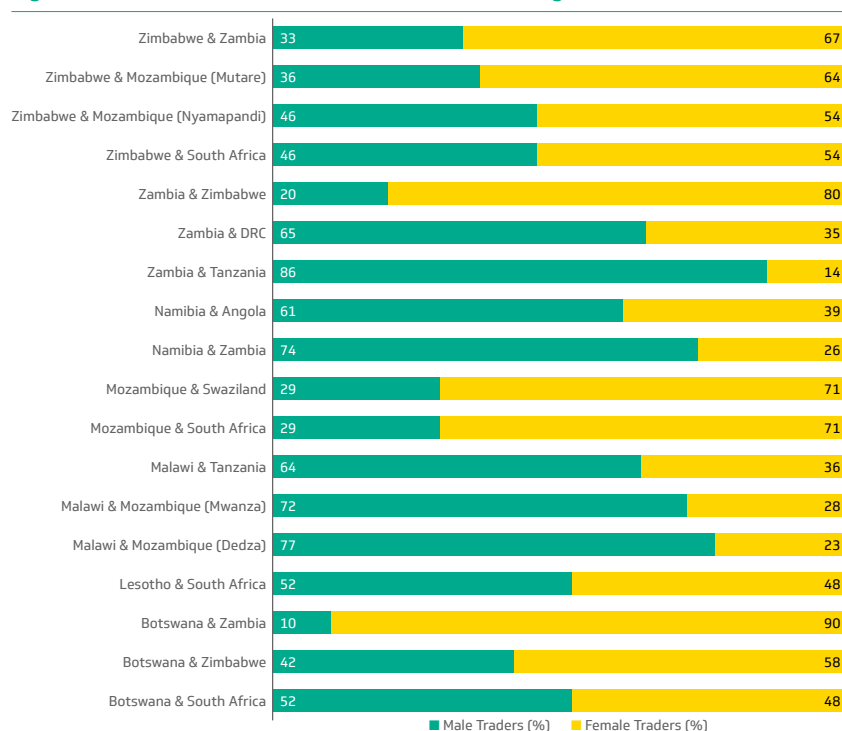
Observers agree that agricultural products and foodstuffs are the protagonists of ICBT in the region, but this conceals some important variations. The most reliable data on the types of goods traded in the region comes from a large-scale survey conducted by the Southern Africa Migration Programme in 2007-2008, “the largest of its kind ever undertaken in SADC” (Peberdy et al. 2015). The survey found that, at nine out of twenty of the border posts, a majority of traders were importing “groceries” into their home countries; at six of the other borders, a plurality of traders, (38 percent of traders were importing new clothes/shoes).

The preponderance of agricultural products and foodstuffs in intra-regional trade is confirmed by the Namibian Statistics Agency (2019), who report that the largest informal exports from Namibia in 2019 were of cooking oil and prepared foods, while the largest imports were of prepared foods, beverages and vegetables). Ama et al. (2013), who surveyed 520 informal cross-border traders across four major entry points into Botswana, also confirm

the finding, stating that “agricultural products and outputs (42 percent) are the main commodities” traded (Ama et al. 2013). In addition to agricultural products, foodstuffs and clothes, other products that are traded informally include: footwear, household goods, alcoholic beverages, vehicles and spare

parts, construction materials and handicrafts. There is also a substantial trade in fuel taking place between Angola and Zambia and between Botswana and Zimbabwe (Peberdy et al. 2015).

Figure 2.15. Gender breakdown of ICBT in the SADC region



Source: Peberdy et al. 2015.

The gender breakdown of ICBT in the SADC region also varies within and between countries. More gender-disaggregated data is needed to inform policy making. The results of the large-scale survey conducted by the Southern African Migration Programme (SAMP) in 2007-2008 challenge the “conventional wisdom” that “ICBT is dominated by women,” presenting a “more complex (picture) with the proportion of female cross-border entrepreneurs varying between different SADC countries and

at different border posts” (Peberdy et al. 2015). The data compiled by SAMP reveals that the majority of informal cross-border traders operating at the borders of Zimbabwe, Mozambique and Botswana are women; however, in Zambia, Namibia and Malawi, the majority are men (see Figure 5). These results may even vary within countries, depending on the borders that are surveyed, and across time, as the structure of the labour force changes within individual countries or as perceptions of gender roles evolve.

ICBT activities are an important source of household income and hold important economic and government revenue implications. Earnings from ICBT are often several multiples of the local minimum wage: Macamo (1999) showed that “the average monthly revenue of an informal trader (in Mozambique) was more than four times higher than that of those working in the formal sector and earning the minimum salary,” while Ama et al. (2013) have shown that “ICB traders make on the average a monthly profit of US\$694.35, which is more than ten times the minimum wage (US\$69.00) in Botswana.” In relation to Zimbabwe, Chikanda and Tawodzera (2012) report that profits from informal trade “averaged ZAR 4,765 per month (...indicating) that ICBT is not only a survivalist enterprise, but also a business operation where sizable profits can be made.” Profits are generally spent on families, including rent, food and childrens’ education (Chikanda and Tawodzera 2012).

ICBT is also an important source of job creation: a total of 37 percent of traders surveyed by Chikanda and Tawodzera (2012) employed people as part of their business, with women taking 72 percent of these positions.

Surprisingly, the SAMP survey also found that informal cross-border traders make a significant contribution to tax revenues in both importing and exporting countries: specifically, up to 37 percent of traders surveyed made duty payments to the importing countries during the ten-day survey period, contributing on average ZAR 2,109 each to the public coffers (or an annualized total of ZAR 315 million); on the export side, a majority of traders purchased their goods from formal wholesalers and retailers, paying value-added taxes which they fail to reclaim at the border upon returning to their home countries (Peberdy et al. 2015).

2.8 POLICY RECOMMENDATIONS

Despite the challenges associated with data on ICBT, preliminary estimates of ICBT in Africa raises some important policy considerations. These mainly fall into four categories: regulations, procedures, infrastructure investment and finance. The recommendations presented below all seek to alter the cost-benefit calculations made by cross-border traders when deciding between formal and informal trade; however, regulatory reform and procedural simplification aim primarily to lower the cost of formalisation whereas infrastructure investments and access to finance aim to increase the benefits of formal trade.

In order to create structured regulatory systems for ICBT, regulatory authorities first need a working definition and a legal framework that recognises the legitimacy of informal trade.

Governments and regulatory authorities should embrace the distinction between ‘smuggling’ or ‘illegal trade’ and “informal trade”, acknowledging that informality among traders is not necessarily due to ‘bad faith’ or a wish to bypass regulatory controls, but can instead be attributed to a lack of the knowledge and/or financial resources needed to comply with border formalities (Gaarder, Mtonga and Mvunga 2019). Once ICBT has achieved legal recognition and definition, traders may gradually come to view regulatory authorities in a more benign light, reassured that they no longer constitute a threat to their livelihoods. Efforts can then be made to promote greater formalisation of businesses through the creation of simplified registration systems, the introduction of tax exemptions or ‘grace periods’ for individual entrepreneurs and micro-enterprises, as well as incentives for formalisation such as proper social security coverage, access to finance, business support services and training (ILO 2017). If legal recognition and formalisation efforts are to be successful,

it is essential that compliance procedures be as streamlined as possible, with few or no costs to traders, and that the incentives attached to formality be made genuinely appealing to profit-seeking traders.

Governments should harness the knowledge and experience of border officials and subnational administrations to design solutions that are truly adapted to local realities. ICBT is amorphous, changing in response to conditions on the ground. National administrations in capital cities often do not have the autonomy they need to enact policies and regulations that account for the socioeconomic importance of ICBT in border communities and that adequately respond to actual practices at the border. Border officials and local government representatives interact with informal cross-border traders on a day-to-day basis and are intimately acquainted with the border and its communities. They are in a perfect position to advise the government on the management of the border environment.

Cross-Border Traders’ Associations and Public-Private Dialogue platforms should be established and strengthened, to ensure inclusive and informed policy making. Informal cross-border traders are often excluded from the policy-making process, in part due to their ambiguous legal status and the perceived illegality of their activities, in part because they are rarely organized into associations that can consult their members, formulate policy positions, and engage with local/national governments and the international bodies that regulate trade across the continent. One exception to this rule is the COMESA region, where Cross-Border Traders’ Associations (CBTAs) have been created to represent the views of informal cross-border traders, achieving some notable successes in countries like Zimbabwe where “government ministries (consult) with and (seek) the inputs of cross-border traders’

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associations in the development and implementation of policies and legislation affecting them” (Bamu 2017).

However, even in those countries where they have already been established, CBTA face difficulties securing sustainable sources of funding, struggle to gain the trust of their members or increase their membership base and are often undermined by weak internal governance mechanisms. These vulnerabilities erode the credibility of the CBTA and discourage governments from consulting them within the framework of public-private dialogue platforms. It is therefore imperative, to provide meaningful support in building up CBTA’s organisational capacities, convincing governments to establish frameworks for public-private dialogue, and empowering traders and their representatives to advocate for their interests within these institutions.

The recognition of ICBT and the involvement of traders’ representatives in trade policy formulation could give new impetus to the process of regional integration in Africa. Trade negotiations are often influenced by well-organised and united domestic industries, which have a vested interest in ensuring that governments maintain high levels of protection for the goods that they produce for the domestic market. The interests of informal cross-border traders, by contrast, are often diametrically opposed to protectionist measures (such as tariffs or quotas), as traders’ profits are entirely disconnected from the origin of the goods, depending instead on supply and demand conditions and resulting price differentials. Indeed, some of the most lucrative goods bought and sold by informal traders often originate from outside a given country or regional economic community, or from outside the continent itself.

In this context, policymakers face a trade-off between the interests of domestic producers and the interests of traders, but while the former are generally well represented in the policy-making process, informal cross-border traders tend to be excluded, due to their ambiguous legal status and the perceived illegality of their activities. If policymakers were to begin taking this constituency into account—bearing in mind the millions of informal cross-border traders and the countless economic activities that depend on the movement of goods across-borders—the political calculus could quite conceivably change in favour of free trade within the continent, providing a much needed stimulus for the regional integration process that is being spearheaded by the African Continental Free Trade Agreement.

Regional integration efforts should continue, with a focus on regulatory convergence to promote the free movement of goods, services, people and capital. The African Continental Free Trade Agreement seeks to gradually eliminate tariffs on 97 percent of products but allows signatories to leave duties unchanged 3 percent, which are often the goods that are of the most interest to informal cross-border traders. Efforts to liberalize trade therefore needs to continue, both at the level of RECs and at the continental level. In addition, governments should begin to pay closer attention to non-tariff measures, since these have come to account for an increasing proportion of trade costs across the world. It is also important for governments to recognise the close connection between cross-border trade in goods and the cross-border movement of people (traders) that carry those goods. To encourage cross-border trade, immigration policies need to provide a framework for traders to move across borders quickly, repeatedly, and above all legally, with

the right to sell goods on the other side. One Stop Border Posts can offer an important aid for simplifying trading requirements and procedures, and harmonising (cross-border) policies, including transparent customs, visa, and immigration procedures.

Trade Facilitation measures can lower trade transaction costs associated with formal trade, weakening the incentive to trade informally. In addition to the reforms that have been discussed in the previous section, policymakers and border officials also need to think about the various ways in which laws and regulations are implemented, with a view to reducing transaction costs for traders and fully harnessing the potential growth and welfare effects of the AfCFTA. As part of transitional steps towards full integration, the establishment of an ICBT unit, or department, within the AfCFTA Secretariat, tasked with overseeing the ICBT sector fostering its integration into formal trade could accelerate the growth of intra-African trade.

Transparency measures and training are needed to familiarise traders with border procedures and to raise awareness of the public goods that border controls can generate. Imperfect knowledge of border procedures and ignorance regarding the ultimate purpose of border controls among traders can cause them to overestimate the cost of formal trade or can result in poor compliance levels and confrontations with border officials. Such confrontations can escalate into verbal or physical harassment and/or are sometimes resolved by making informal payments. It is therefore important to make information available (in local languages) to traders regarding the trade regulations that apply to them and the formalities that they are expected to undergo at the border. Such information can be made

available through online sources (like Trade Information Portals), but given low levels of digital inclusion and internet connectivity, they should be complemented with published sources that can be obtained at the border (e.g. leaflets, pamphlets, posters, guides) as well as physical enquiry points manned by experts (e.g. Trade Information Desk Officers) who can provide guidance to traders and respond to the specific questions that they might have.

In addition, it is important to offer training to informal cross-border traders on the purpose of border controls and the legitimate public policy objectives that give rise to them, such as the protection of human, plant and animal health, the enforcement of laws against illicit activities (e.g. drug- or people-trafficking) and the suppression of money-laundering activities. Sensitization programmes on cross-border trade procedures and requirements for government customs and immigration officials is also critical. Where possible joint programmes should be implemented to encourage a buy-in for the two groups.

Complaints mechanisms and appeals procedures should be introduced and enhanced through private sector participation, to improve transparency and accountability. Complaints mechanisms take several forms: in Zambia, for example, there is a toll-free telephone line that traders can use to report acts of corruption or harassment to the Zambian Anti-Corruption Commission (ACC) and to the Zambian Revenue Authority. Following the introduction of the 'Charter for Cross-Border Traders' at the Mwami/Mchinji border, traders also can provide feedback on their experience when crossing the border by pressing the appropriate button on a 'happy or not' machine, which offers three options (colour-coded according to the international 'traffic light' system).

In general, customs administrations and other border authorities are required by law to offer administrative or judicial appeals of the decisions taken at the border, but traders are often unaware of these appeals processes and/or doubt their impartiality. In these cases, involving private sector representatives (e.g. Cross-Border Traders' Associations) in the evaluation of complaints or the judgment of appeals can boost traders' confidence in the effectiveness of such mechanisms and strengthen their right to fair treatment and redress.

Needless to say, public-private collaboration in the establishment and operation of governance mechanisms calls for a high degree of trust between border officials and the relevant private sector associations. This can be encouraged through the creation of public-private dialogue platforms at the operational level, such as the Joint Border Committees that have been established at certain borders in Southern Africa. These platforms allow stakeholders who operate at the border, from both the private and the public sectors, to meet regularly and voice their concerns, as well as to develop joint solutions that find the right compromise between their various objectives.

Duties, taxes, fees and charges should be rationalised to better 'compete' with informal payments and increase government revenues. Taxes, duties, fees and charges are at the forefront of informal cross-border traders' concerns about the formal trading system and constitute one of the main drivers of informal trade. When the overall tax burden is considered to be excessive, traders may choose to avoid official border crossings altogether, or to make informal payments to border officials in order to 'facilitate' practices that fall within the domain of informal cross-border trade, such as "under-invoicing (i.e., reporting a lower quantity, weight or value of goods to pay lower import tariffs),

misclassification (i.e., falsifying the description of products so that they are misclassified as products subject to lower tariffs) (or) misdeclaration of the country of origin" (Lesser and Leeman 2009).

Using survey data collected at four borders between Zambia and its neighbouring countries, Gaarder, Mtonga and Mvunga (2019) have shown "that a reduction of fifty percent (50 percent) in the total burden of taxes, duties, fees and charges could lead a majority of SSCBTs to formalise." This is in line with the theory from classical economics normally attributed to Laffer, which posits that there is an optimal tax rate above which, and below which, the overall tax intake will fall. Given the prevalence of ICBT in Africa, it seems almost certain that the sum of all border taxes currently amounts to a cumulative tax rate that is above the optimal level. Reducing them would entice some traders towards formal channels and discourage informal payments, as formal rates would become more 'competitive' with the risks of informal trade and informal payments.

Electronic payment systems to facilitate cross-border payments and settlements are essential to reduce the security risks confronted by trader but could also provide an opportunity to formalise some of the informal cross-border trade.

While mobile money platforms hold enormous potential, existing regional payment systems largely exclude informal traders as they are linked to formal banking channels. The Pan-African Payments and Settlement System provides a valuable opportunity to integrate a regional payments system with a mobile payments platform to overcome some these challenges. A continental regulatory framework on payment systems can also support a uniform approach to cross-border payment systems for informal traders

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and should be included under the AfCFTA.

Simplified Trade Regimes should be introduced across the continent and, whenever possible, transformed into physical ‘Single Window’ systems for small-scale cross-border traders.

Simplified Trade Regimes have emerged as one of the most beneficial trade facilitation instruments for small-scale cross-border traders in the COMESA and EAC regions. For low-value consignments of goods that appear on a ‘common list’ (negotiated bilaterally between trade partners) traders are exempted from the full set of procedures that are normally required to certify their compliance with rules of origin. Instead, they can obtain a simplified Certificate of Origin at the border (in the EAC region), or they can sign a declaration of origin on their customs declaration form (in the COMESA region), which in turn allows them to benefit from duty-free access to neighbouring countries that are members of the relevant free trade agreement (FTA). That said, traders still face a host of obstacles that have negated the impact of the STR at some of the border that implement it: they are still liable to pay value-added tax (VAT) on most products, excise duties and presumptive taxes (in some cases), as well as undergoing SPS and immigration controls and paying the associated fees (to cite just a few examples). In other words, the STR only streamlines one set of compliance procedures (Rules of Origin) but all other trade regulations continue to cause obstacles to trade.

Furthermore, the ‘common lists’ that identify goods eligible for clearance under the STR are infrequently updated and therefore fail to reflect changing supply and demand conditions over time. Hence some traders end up paying duties on goods that are eligible for duty-free treatment, for the simple reason that they find it too cumbersome to obtain the appropriate Certificate of

Origin, or do not know how to get one. Ideally, and in fine, Simplified Trade Regimes should become more like ‘Single Window’ systems, harnessing the power of border agency collaboration to unify all documents, fees and charges into one procedure that can be completed in one transaction with one border official, subject to one payment that discharges traders from any further compliance procedures. The creation of a Single Window system generally entails procedural reform but is the most effective means to ensure the predictability, efficiency and affordability of the trade environment.

Small-scale cross-border traders, especially women traders, face significant logistical bottlenecks that can be addressed through investment in appropriate infrastructure. As discussed previously female traders are more likely than male traders to use the public transport system, as opposed to their own motorised vehicles, when conducting business across borders. Investment in inter-city public transport could therefore facilitate the movement of these traders and their goods and encourage the growth and formalisation of ICBT businesses.

Policymakers should ensure that public transport systems are adapted to the needs of small-scale cross-border traders: infrastructure should be designed for the transportation of cargo as well as passengers, through the incorporation of cargo holds in buses and storage facilities at bus stops. Informal cross-border traders also have specific needs when it comes to roads and other hard infrastructure at the border. At many borders, infrastructure is designed exclusively for lorries and other heavy-duty cargo vehicles, while pedestrians, cyclists and animal-powered vehicles are forced to use the side of the road. Investments in roads should seek to popularise the use of purpose-built sidewalks, while specific infrastructure

for small-scale cross-border traders should be introduced at the border itself, including pedestrian corridors, inspection and storage facilities. This would help to speed up border clearance processes and reduce spoilage in conditions that, across many parts of the continent, are excessively hot and humid for perishable goods.

Services for small-scale cross-border traders are another area of investment that is needed to ensure better working conditions for the informal sector. In some parts of the continent, traders have to conduct their business in makeshift markets which have not obtained the necessary municipal authorization, and which do not provide rudimentary services like electricity, running water and internet connectivity. These markets often lack proper stalls, storage facilities (including cold storage), washing and weighing facilities, and so on. This kind of equipment and the associated support services would improve the efficiency of cross-border transactions and help small-scale traders to grow their business. In addition, investments should be made in human-centred services and infrastructure, including those which would have a disproportionate impact on women, such as gender-segregated toilets, accommodation, baby-changing facilities and crèches. For reasons beyond their control, traders sometimes find themselves arriving at the border during night-time closing hours, and are forced to spend the night in the open air; this is particularly risky for women carrying valuable goods or travelling with their children, as they are more vulnerable to harassment and theft.

Childcare facilities could also have an outsized impact on the growth of women-led businesses, and by extension on the future of the children themselves, as it would free up more time for women to invest in their trading activities and boost their incomes.

Access to finance is a major constraint for informal cross-border traders, who mostly resort to their personal savings or to friends and family for start-up and working capital. Lack of access to finance is one of the major constraints to the growth for informal businesses in Africa, including small-scale cross-border trade. A survey of Informal Cross Border Traders based in Harare, Zimbabwe, revealed that personal savings were the main source of start-up capital for ICBT business, followed by loans from relatives. Operating loans were also dominated by loans from relatives (53 percent). This tendency is confirmed by the survey conducted by Nkendah (2013) in Cameroon, who found that “98 percent of retailers surveyed were unable to obtain a finance support (sic) from formal institutions and had to rely on their own savings (27 percent), informal lenders (27 percent), friends or relatives (24 percent)” while only a “lower proportion of traders (in the category of exporters) said they were able to obtain funds from micro-finance institutions (2 percent).” Efforts to address access to finance constraints can take several forms. The most obvious intervention is to promote greater formalisation of small-scale trading activities in order to connect traders to formal banking systems.

In the context of ICBT, innovative approaches are needed to eliminate collateral requirements and the rigorous bookkeeping and documentation demanded by banks. The microfinance model pioneered by Muhammad Yunus and the Grameen Bank in Bangladesh, for example, encourages small borrowers to group together and act as each other’s guarantors; if one member of the group defaults on their loan, the other members cover the difference. There is substantial evidence to show that these microfinance initiatives can be successful in offering uncollateralized loans to individuals that are poorly

educated or illiterate and therefore unable to maintain rigorous accounting systems, while still generating a profit for the lender.

Similar impacts can be achieved by lending to cooperatives or other associations. Even when the bulk of their members are informal, well-governed cooperatives and associations can formalize, charge membership fees, pool resources, acquire assets and offer collateral to banks. This allows them to act as an intermediary, contracting loans on behalf of their members and managing the distribution and use of those resources as well as the recovery of both principal and interest payments. Lastly, one should not neglect the indigenous financial instruments that are already being used on a regular basis today. In Somalia, for example, traders make extensive use of informal, trust-based financial services like the hawala or hawilaad system. Little et al. (2015) observe that these “informal financial arrangements (...) are far more complex than originally envisioned (entailing) issues of foreign exchange arbitrage, informal ‘letters of credit’ and wire transfers; use of revenues from livestock trade to cross-finance a range of imports, food and non-food; sophisticated market information and clientage relationships; and a variety of different social mechanisms to reduce transaction costs.” Support should aim to strengthen and complement these pre-existing mechanisms rather than replace them, as well as to make them more inclusive.

Capacity building, funding and institutionalising ICBT data collection in national statistics frameworks. Lessons can be drawn from the two ‘best practice’ countries - Rwanda and Uganda - on how to institutionalise ICBT data collection within national statistics frameworks. In both countries, strong partnerships between different government bodies helped to steer the

data collection effort and secure the necessary resources to carry out the surveys. In Uganda, the Bureau of Statistics and the Bank of Uganda lead the effort, with support from the Uganda Revenue Authority and other government agencies; in Rwanda, data collection results from a partnership between five partner institutions, the National Bank of Rwanda, the Rwanda Revenue Authority, the Ministry of Trade and Industry, the Ministry of Agriculture and Animal Resources and the National Institute of Statistics of Rwanda (World Bank forthcoming). As noted by the World Bank, these partnerships are formalised through Memoranda of Understandings and service agreements, with shared responsibility over budget expenditure (ibid). In general, evidence suggests that Central Banks, Customs and Ministries of Trade and Industry, Agriculture, Foreign Affairs, Health and Public Administration, Regional Integration, Transport and related state departments are natural partners in funding and coordinating the data collection efforts. This might involve extended discussions between the various government entities on the distribution of responsibilities and the delegation of control over the data collection process, but a strong institutional foundation with a mechanism for inter-agency coordination of joint operations will achieve tangible results in the long run, as the data collected will address cross-government policy priorities.

2.9 CREATING A SINGLE FRAMEWORK FOR ICBT DATA COLLECTION

This report has demonstrated that ICBT is significant in terms of volumes and value across all sub-regions in Africa. It has also highlighted that ICBT plays an important role in supporting development objectives related to food security,

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women's empowerment, diversification, income generation and poverty reduction as well as transcending the colonial boundaries to sustain economic and cultural exchanges between communities residing in more than one country. Without ICBT data, it is therefore impossible to assemble an aggregate picture of intra-African trade on the continent. As part of the implementation of the African Continental Free Trade Agreement, efforts will be needed to formalise ICBT and accelerate the growth of African trade.

Yet, there is no universally agreed definition for informal cross-border trade. Some data collection agencies include smuggling in the definition of informal cross-border trade, whilst others identify this as illegal trade that should not be captured within ICBT. Data collection is sometimes focused at border crossings where customs officials are already present, whereas other exercises also include unofficial routes. Some agencies limit the definition of ICBT adopted for data collection purposed to only agricultural goods, whilst others take a more comprehensive approach to look at all products, and perhaps even include ICBT in services in the definition. The World Bank and COMESA have used the terminology "small-scale cross-border trade" instead of informal cross-border trade.

This wide array of definitions on ICBT adds another layer of challenges and makes comparability of data sets impossible. Without a common definition of informal cross-border trade, it makes it very difficult to explain what ICBT truly means to stakeholders. This not only causes confusion but can undermine buy-in and support for ICBT data collection initiatives, which may be misinterpreted as tax raising efforts. At the same time, without a unified definition of ICBT, it is difficult to

aggregate ICBT and eventually estimate its contribution to intra-African trade.

There also exist significant differences in the methodologies adopted to track informal cross-border trade. Surveys typically adopt one of three techniques for collecting ICBT data, namely, border observation, tracking of movement of large vehicles, and stocktaking at open markets. Some methodologies collect ICBT data flows according to the General Trade System (GTS) of compiling international merchandise trade statistics, whereas others adopt more of an ad hoc approach. Units of measurement applied to the same product are not always the same. Data is also not always collected at the same frequency.

Some survey exercises collect data every day of the month, whilst others collect data on a select number of days of the month and extrapolate for the remaining days. Daily data collection may be constrained to daylight hours, or also include night trade. Some data collection methodologies have been automated and now rely on android technology, whereas others have maintained manual data collection sheets. Gender disaggregation has been incorporated into some survey methodologies. Beyond surveys, some researchers have conducted econometric studies based on formally reported 'mirror' trade flows to measure informal trade created by formally registered traders.

Just like formal trade, ICBT requires a common methodology, including definition. Good international practice recommends the use of a common nomenclature in the collection and dissemination of trade statistics, with the aim of facilitating comparability of data. The rule with respect to formal data collection is the utilisation of the

Harmonised Commodity Description and Coding System (HS) developed by the World Customs Organisation and in use since 1998, and the Standard International Trade Classification (SITC). ICBT data estimates that have been recorded using the HS and SITC system, such as those of the National Statistics Offices of Uganda, Kenya, Rwanda, Benin and Nigeria, have been more easily integrated into official statistics, and therefore useful in informing improved balance of payments statistics, macro-management and policy making. In developing a common definition for ICBT, it will therefore be crucial to ensure alignment with formal trade statistics. In addition, the following is recommended:

The Uganda Bureau of Statistics (UBOS) methodology for ICBT data collection should be used as a starting point for developing a common continental framework. This methodology forms the basis of the harmonised methodology for ICBT data collection in the Eastern and Southern African region. It has been identified as best practice for the measurement of ICBT in the 2010 UN International Merchandise Trade Statistics Compilers Manual and has also been approved by the UN Council in New York (UN 2013).

Ideally, ICBT monitoring should be led by national governments to ensure full domestic ownership, institutionalisation and long-term sustainability. Yet National Statistics Offices face acute resource and capacity constraints. This compromises the quality of existing data collection efforts and makes it difficult for NSOs to take on and institutionalise any new data collection exercises, such as ICBT monitoring. This explains why many ICBT data collection initiatives in Africa have been either donor driven or one-off government exercises (excluding Kenya, Rwanda and Uganda).

Institutionalisation of ICBT data collection can be supported in several ways:

- In the short-term, executing ICBT surveys on a periodic basis can help to provide a snapshot of the status of ICBT and its contribution to the economy. In a context of existing resource and capacity constraints, governments may consider carrying out a 6- or 12-month ICBT data collection exercise once every five years, and then scale up. A benchmark study also can help to demonstrate the benefits of ICBT monitoring and encourage more regular and frequent data collection. Donor funded data collection pilots can play a crucial role to kick-off the process of ICBT monitoring, and the setting up of systems for data collection.
- In the medium- to long-term a shift from donor to government-financed and operated ICBT monitoring is required in order to ensure full domestic ownership, institutionalisation and long-term sustainability. There is a need for donors to upscale support to NSBs. Securing the support of the Central Bank also can be helpful in ensuring the financial sustainability and scale of the exercise. For example, the Bank of Uganda has provided a key financial backing to ICBT monitoring in Uganda. At the same time, to avoid duplication, and reduce costs, if more than one agency is carrying out ICBT monitoring within a specific sub-region or corridor, efforts should be made to share out the border points covered (which can expand coverage) and develop a common coding system.
- Targeted capacity building efforts are needed to train NSBs on ICBT data collection. Development partners can provide an important support here. Advocacy efforts should be explored

to build interest in the project and with the end goal of raising the capacity and resources of NSBs.

In instances of resource and capacity constraints at the national level, RECs can play an important role in filling gaps and/or supporting ICBT data collection. RECs already have in place a number of strategic plans that require that they monitor and collect a range of trade-related data. In East and Southern Africa, the EAC and COMESA have designed Simplified Trade Regimes to support informal traders to benefit from existing trade arrangements. The harmonised methodology for ICBT data collection in the Eastern and Southern African region has also developed a standardised manual for monitoring of ICBT. In West Africa, the ECOWAS Commission has developed the 2018-2022 Informal Trade Regulatory Support Programme (ITRSP), to guide efforts to integrate informal trade in national and regional strategies, including in the area of data. RECs across African can play an important role in partnering with Member State National Statistics Authorities to build ICBT data collection capacities, fill gaps and coordinate harmonised and consistent data collection.

The landmark AfCFTA should be used as an opening to ensure that the full potential of ICBT is harnessed under a single comprehensive African Union framework for collecting ICBT data in Africa. The AfCFTA has demonstrated that with a strong commitment and drive it is possible to negotiate a free trade area agreement in record timing. A similar strong pan-African drive is required to coordinate efforts towards the adoption of a common continental ICBT definition and data collection methodology. This can be coordinated by a continental ICBT taskforce led by the African Union Commission and comprising RECs, and leading pan-

African institutions. The responsibility of the task force would be to provide technical guidance to the process of developing a common African Union framework for ICBT data collection, and to support the subsequent implementation phase. The task force would achieve this through regular consultations with Member States, including key national institutions such as National Statistics Offices, Central Banks and Ministries of Trade (including Customs).

The African Union framework for collecting data on ICBT in Africa would complement efforts to extend benefits of the AfCFTA to informal traders.

Although ICBT is not explicitly reflected in the AfCFTA Agreement, indirectly, the AfCFTA has the potential to generate significant benefits for informal cross-border traders. Firstly, by reducing tariffs, the AfCFTA will make it more affordable for informal traders to operate through formal channels, which offer more protection. This can be further enhanced by introducing a Continental Simplified Trade Regime (CSTR), since cross-border traders operating under such a regime would no longer, or only partially, be trading informally. The AfCFTA will also help to address some of the key challenges to ICBT, since it includes provisions on non-tariff barriers (NTBs), trade facilitation, transit and customs cooperation. In particular, the AfCFTA agreement commits African countries to establish an NTB mechanism to monitor, report and resolve NTBs under the AfCFTA, building upon the good work already achieved by Africa's RECs. Simple reporting processes and translation services to support reporting in various local languages would help to make the NTB mechanism accessible to informal traders. To increase uptake, training could also be provided to small-scale informal traders to enable them to better identify the NTBs they face.

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ICBT should be mainstreamed into AfCFTA National Implementation Strategies. UNECA and the African Union Commission have been working with other partners to help countries develop AfCFTA National Strategies. Although the operationalisation of the AfCFTA will not put a complete end to ICBT, given that informal trade is motivated by a wide variety of factors and actors, actions should be taken to ensure that benefits from implementation of the AfCFTA protocol on trade on goods and services and annexes on trade facilitation, customs cooperation and rules of origin are also accessible to informal traders. National AfCFTA implementation strategies should identify appropriate complementary trade facilitation and finance measures tailored to the needs of informal traders, to maximise the gains they derive from the AfCFTA.

Finally, the implementation phase of the AfCFTA can be supported by embodying a framework to facilitate the monitoring of progress in alleviating the constraints faced by informal cross-border traders, particularly women, in AfCFTA National Strategies. Monitoring progress on addressing ICBT issues will require significant improvements in data collection, which would be supported by the development of a common African Union framework for ICBT data collection as recommended in the report.

Under Article 5 “Simplification and Harmonisation of Customs Procedures,” Annex 3 of Customs Cooperation and Mutual Administrative Assistance, member states are encouraged to cooperate on trade procedures. Article 28, Annex 2, addresses rules of origin, allowing small consignments of goods

up to US\$500 in value or personal luggage (up to US\$1200 in value), to be cleared without proof of origin. The benefits entailed in the latter Article are therefore not applicable to small traders and SMEs, clearing under the current STRs as discussed above. Although the STRs cover a list of goods, the traders still have to process a simplified certificate of origin (in the case of EAC). This calls for member state coordination in harmonising the rules of trade across borders.



Chapter Three

The Operating Environment

COVID-19 PANDEMIC
AND INTERNATIONAL
FINANCIAL MARKETS



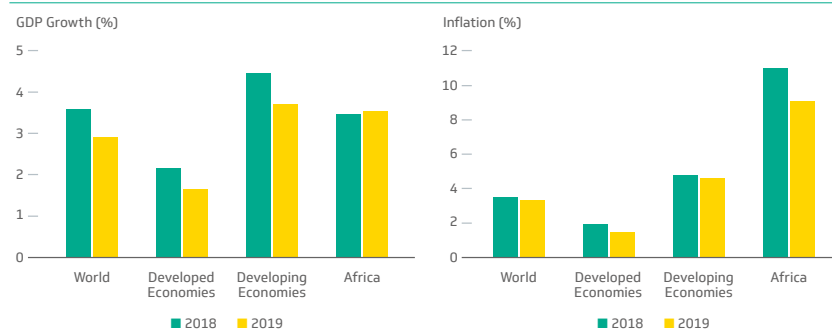
3.1 THE GLOBAL ECONOMIC ENVIRONMENT

3.1.1 Output Developments

The trade war between the world's two largest economies, the United States and China, took a toll on global growth and economic fortunes in 2019. Notwithstanding various supportive measures taken by monetary authorities in an increasingly challenging, beggar-thy-neighbour global economic environment, growth decelerated across the board, both in developed economies and in the overwhelming majority of emerging and developing market economies. Indeed, growth slowed over the course of the year in more than 90 percent of developed economies and 60 percent of developing economies.

The broad-based and synchronised deceleration led the International Monetary Fund (IMF) to revise its global growth forecasts downwards several times during 2019, to account for the difficult trade and economic environment. In addition to contracting global demand and heightening policy-induced uncertainty, social unrest in several countries, weather-related disasters, including hurricanes in the Caribbean, drought and bushfires in Australia, and floods and drought in Eastern and Southern Africa also weighed on global growth. World output expanded by 2.9 percent in 2019, down from 3.6 percent in 2018—the lowest rate of expansion since the global financial crisis of 2007–2009 (Table 3.1 and Figure 3.1).

Figure 3.1. Global output and inflation, 2018–2019 (%)



Source: IMF, World Economic Outlook, April 2020.

Even amid the synchronised growth deceleration, developing market economies remained the leading drivers of global growth in 2019. Output in developed economies expanded by 1.7 percent over the course of the year (down from 2.2 percent in 2018). In emerging markets and developing economies, output grew by 3.7 percent over the same period (down from 4.5 percent in 2018). The sharp overall deceleration was largely the result of a synchronized slowdown in China and India, which together accounted for 49 percent and 35.7 percent of aggregate growth and trade in the developing world, respectively.

The growth deceleration in developed economies reflected poor performance in the Euro area and the United States. After achieving strong economic expansion of 2.9 percent in 2018 through a combination of fiscal stimulus and accommodative monetary policy, economic growth in the US decelerated to 2.3 percent in 2019. A strong US labour market drove domestic consumption, but its growth-enhancing effects were not strong enough to contain the negative spill over effects of contracting global demand associated with rising tariffs and increases in trade costs. Policy-induced uncertainty also affected US growth through other channels, investment and contraction in the manufacturing sector.

A protracted trade war weighed on investor confidence and increased tariffs weakened the benefits of concentration of global supply chains.

Within the Euro area, where growth was already anaemic, the deceleration was even more pronounced. Aggregate output fell to 1.2 percent in 2019, down from 1.9 percent in 2018, reflecting weakening consumer and business sentiment and sharp declines in industrial output. Industrial production fell by 4.1 percent in 2019, the weakest performance since the European sovereign debt crisis of 2012.

The growth deceleration was consistent across the four large economies within the Euro zone (Germany, France, Italy, and Spain). Germany, the largest economy in the region and the leading driver of growth, expanded output by just 0.6 percent, down from 1.5 percent in 2018. The sharp deceleration was driven by the vulnerability of Germany's export-led growth model at a time when protracted trade tensions are softening global demand, combined with disruption to the auto sector following the introduction of new fuel emission standards.

The synchronised slowdown in the remaining three large economies of the Euro zone was due to a host of factors, most notably contraction in global trade. In France, protracted grassroots protests and nationwide strikes

The Operating Environment

Table 3.1 Developments in Global Output, 2017-19

	Exchange Rate			Real GDP Growth			Inflation Rate 2			Interest Rate (3-month) 3		
	(End of period)			(annual percent change)			(annual percent change)			(end of period, percentage)		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
WORLD				3.90	3.60	2.90	3.3	3.6	3.4			
DEVELOPED ECONOMIES				2.50	2.20	1.70	1.7	1.6	1.5			
US	1.00	1.00	1.00	2.40	2.90	2.30	2.2	1.9	1.8	1.15	2.81	1.91
UK	1.35	1.34	1.28	1.90	1.30	1.40	3.0	2.3	1.4	-	0.91	0.79
France	1.20	1.18	1.12	2.30	1.70	1.30	1.3	1.9	1.6	(0.33)	(0.31)	(0.38)
Japan	112.90	110.46	109.03	2.20	0.30	0.70	0.6	0.8	0.5	0.66	(0.07)	(0.05)
Italy	1.20	1.18	1.12	1.70	0.80	0.30	1.0	1.2	0.5	(0.33)	(0.31)	(0.38)
Canada	1.26	1.30	1.33	3.20	2.00	1.60	1.8	2.1	2.1	1.06	1.65	1.66
Germany	1.20	1.18	1.12	2.50	1.50	0.60	1.5	1.8	1.5	(0.33)	(0.31)	(0.38)
Euro area	1.20	1.18	1.12	2.50	1.90	1.20	1.30	1.50	1.30	(0.33)	(0.31)	(0.38)
DEVELOPING ECONOMIES				4.80	4.50	3.70	4.40	5.00	4.90	1.50		
Africa				3.60	3.50	3.20	13.00	9.30	9.10			
Developing Asia				6.70	6.30	5.50	2.70	2.30	4.50			
Latin America and the Caribbean				1.30	1.10	0.10	5.90	7.10	7.20			
Developing Europe				4.00	3.20	2.10	5.10	7.40	5.20			
Commonwealth of Independent States												

Sources:

1) IMF Exchange Rate

2) IMF World Economic Outlook Database

3) Bloomberg

disrupted retail sales and weighed on consumption spending, resulting in a decline in output from 1.7 percent in 2018 to 1.3 percent in 2019. In Italy output grew by just 0.3 percent in 2019, as fiscal policy uncertainty and elevated sovereign spreads softened investments. In Spain, the government was unable to implement difficult reforms, most notably fiscal consolidation to reduce structural deficits and improve the country's debt profile. That combined with stagnant labour productivity, exacerbated the challenges associated with protectionism and softening global demand. Consequently, growth slowed from 2.4 percent in 2018 to 2 percent in 2019.

The United Kingdom (UK), while engaged in difficult and protracted Brexit negotiations with the European Union, faces significant hurdles, but showed some signs of resilience during the second half of 2019.

The services sector, which accounts for almost 80 percent of economic output in the country, worsened in the last quarter of the year. And for the first time in a decade indicators of factory output, and domestic workers were negative for two consecutive quarters, perhaps reflecting heightening uncertainty associated with Brexit. Shrinking UK surplus in trade in services widened the deficit, which could expand further in 2020 as Brexit-era passporting arrangements

end. Notwithstanding, UK output expanded by 1.4 percent in 2019, up slightly from 1.3 percent in 2018.

In Japan, the second largest economy in the developed world, output expanded by 0.7 percent in 2019, up from 0.3 percent in 2018, despite the challenges posed by its rapidly aging population and shrinking labour force.

Across the developing world, the deceleration of growth reflects the challenges faced by countries that rely heavily on trade. But the synchronized slowdown in China and India, the first and second largest economies in the developing world, probably represents the most important factor in overall growth deceleration in the group.

Along with the trade war, difficulties faced by the banking sector and structural rebalancing in China, as well as stress in the non-banking financial sector and decline in credit growth in India worked to drag down growth. The Indian economy registered one of the sharpest decelerations, with output expansion slowing from 6.1 percent in 2018 to 4.2 percent in 2019. China's GDP growth decelerated to 6.1 percent in 2019, down from 6.7 percent in 2018.

Declines in growth in the developing countries of Europe, from 3.2 percent in 2018 to 2.1 percent in 2019, largely reflect the economic slowdown in Russia and stagnation in Turkey. In Latin America, growth slowed to an 0.1 percent in 2019, from 1.1 percent in 2018. That reflected continued weak performance in Brazil, battered by mining supply disruptions, and weak investment and sluggish private consumption in Mexico amidst increasing policy uncertainty, weakening confidence, and higher borrowing costs. The economy of Argentina, the third largest in Latin America, contracted during 2019 against the backdrop of persistent macroeconomic management challenges, most notably high inflation and fiscal and sovereign debt crisis.

The economies of the Middle East and Central Asia grew just 0.9 and 0.4 percent respectively in 2019. Tighter US sanctions on the Iranian government were a factor, along with continued unrest in some countries, including Syria, and Yemen, as well as political instability in Lebanon. In Saudi Arabia, oil GDP declined against the backdrop of the extension of the 'OPEC+' agreement and a generally weak global oil market.

Non-oil sectors in both regions experienced growth in 2019, driven by higher government spending and increased business confidence.

3.1.2 Price Developments

Despite heightened inflationary pressures in Iran, Venezuela, Argentina and Zimbabwe, global price inflation eased from 3.6 percent in 2018 to 3.4 percent in 2019, largely driven by softening energy prices and weakening global demand (Table 3.1 and Figure 3.1). The September 14 attack on key oil refining facilities in Saudi Arabia threatened supply disruptions and briefly caused crude oil prices to spike. But that impact was short lived. Global prices subsequently fell and remained consistent with growth trends.

In a generalized global context of decreasing prices, core inflation slid further below target across developed economies and below historical averages in many developing economies. Wage growth in the US and the UK inched modestly higher as unemployment rates dropped, while income steadily trended upwards, as it has consistently since 2014. However, these developments appear not to have passed through to core consumer price inflation, suggesting some modest compression of firms' profit margins and contributing to the decline in inflation.

Consistent with the softening of energy prices and growth deceleration, consumer price inflation in developed economies averaged 1.5 percent in 2019, down from 2 percent in 2018. Low core inflation readings and subdued impulses from commodity prices to headline inflation led to declines in market pricing of expected inflation, especially in the US and the Euro area. Inflation in the US and the Euro area declined to 1.8 percent and 1.3 percent in 2019, from 1.9 percent and 1.5 percent in 2018, respectively. Inflation in developing economies declined to 4.9 percent in 2019, from 5 percent in 2018. Africa recorded an average inflation rate of 9.1 percent in 2019, down from 9.3 percent in 2018. Though consistent with declining global trend, average inflation rate across Africa is still largely above the global average.

3.2 THE AFRICAN ECONOMIC ENVIRONMENT

3.2.1 Output Developments

Despite the challenges of softening demand and heightened policy uncertainty exacerbated by outright trade wars, currency wars, and geopolitical tension, African economies demonstrated resilience in 2019—emerging as the second fastest growing region globally, after the Asia Pacific. The continent's aggregate output expanded by 3.2 percent in 2019, down by 0.3 percentage points from 2018 and above the world average of 3 percent. The growth resilience was supported by successfully implementing difficult macroeconomic reforms, improving macroeconomic management, strengthening recovery in larger economies, growing non-resource intensive economies, and improving investor confidence. Increased infrastructure investment, driven largely by the need to meet the demands of rapid urbanization and cross-border trade, as well as rising productivity, also boosted economic growth.

That resilience also reflects robust growth in a growing number of smaller economies across the region. Six African countries—South Sudan (11.3 percent), Rwanda (10.1 percent), Libya (9.9 percent), Ethiopia (9 percent), Djibouti (7.5 percent), and Côte d'Ivoire (6.9 percent)—were among the world's 10 fastest-growing economies in 2019. Still, the region's GDP growth is below its potential. Over the decade preceding the end of the commodity super-cycle in 2014, the region had achieved an average growth rate of about 5 percent. The lacklustre overall growth in 2019 reflected the impact of power shortages and macroeconomic management challenges in South Africa, along with limited expansion in leading natural resource dependent economies, most notably Nigeria, Angola, Algeria.

The Operating Environment

Table 3.2 Africa: Real GDP Growth, 2017–19

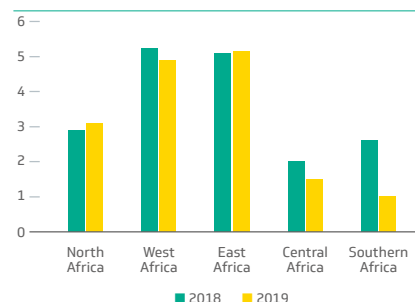
Country Name	(annual percent change)			Country Name	(annual percent change)		
	2017	2018	2019		2017	2018	2019
Algeria	1.30	1.40	0.70	Lesotho	-0.97	0.38	1.20
Angola	-0.15	-1.20	-1.50	Liberia	2.47	1.24	-2.52
Benin	5.67	6.70	6.40	Libya	64.01	17.88	9.89
Botswana	2.90	4.48	2.97	Madagascar	3.93	4.57	4.76
Burkina Faso	6.16	6.82	5.69	Malawi	4.00	3.17	4.50
Burundi	0.54	1.65	1.77	Mali	5.04	5.18	5.10
Cameroon	3.55	4.06	3.75	Mauritania	3.50	2.12	5.86
Cape Verde	3.70	5.08	5.46	Mauritius	3.81	3.76	3.48
Central African Republic	4.53	3.82	2.97	Morocco	4.24	2.99	2.20
Chad	-2.38	2.30	2.96	Mozambique	3.74	3.43	2.22
Comoros	4.18	3.64	1.87	Namibia	-0.06	0.34	-1.40
Congo, Dem. Rep. of	3.73	5.82	4.38	Niger	5.00	7.01	5.83
Congo, Rep. of	-1.77	1.59	-0.90	Nigeria	0.81	1.92	2.21
Côte d'Ivoire	7.36	6.79	6.90	Rwanda	6.12	8.61	10.06
Djibouti	5.40	8.41	7.50	São Tomé and Príncipe	3.87	3.03	1.30
Egypt	4.08	5.31	5.56	Senegal	7.41	6.36	5.29
Equatorial Guinea	-5.67	-5.80	-6.10	Seychelles	4.38	3.75	3.90
Eritrea	-10.02	13.03	3.84	Sierra Leone	3.77	3.46	5.12
Eswatini	2.03	2.35	1.04	Somalia	1.39	2.80	2.90
Ethiopia	10.21	7.70	8.97	South Africa	1.42	0.79	0.15
Gabon	0.50	0.85	3.40	South Sudan	-5.49	-1.12	11.28
Gambia	4.82	6.55	5.98	Sudan	0.71	-2.29	-2.52
Ghana	8.14	6.26	6.11	Tanzania	6.77	6.95	6.27
Guinea	10.34	6.18	5.65	Togo	4.36	4.91	5.30
Guinea-Bissau	4.79	3.80	4.60	Tunisia	1.92	2.66	1.04
Kenya	4.86	6.32	5.63	Uganda	5.03	6.33	4.92
				Zambia	3.52	4.04	1.52
				Zimbabwe	4.70	3.50	-8.28

Source: International Monetary Fund, World Economic Outlook database.

3.2.1.1 Regional variations

The continent's growth in 2019 was characterized by important variations across sub-regions and countries. The economies of Eastern Africa grew fastest, by more than 5.1 percent, with a significant contribution from Rwanda, Ethiopia, Tanzania and South Sudan. After contracting by 1 percent in 2018, growth in South Sudan rebounded to 11.3 percent in 2019—among the fastest-growing globally—mainly due to increased oil production following the signing of a peace agreement in September 2018 and efforts to establish a government of national unity. Rwanda and Uganda also posted strong growth of 10.1 percent and 4.9 percent, respectively. However, with the winding down of the fiscal stimulus from previous years, growth in Kenya slowed to 5.6 percent in 2019, from 6.3 percent in 2018.

Figure 3.2. Africa output by region, 2018–2019 (%)



Source: IMF, World Economic Outlook, April 2020.



Western Africa registered the second fastest growth, an average of 4.9 percent in 2019, down from 5.2 percent in 2018. The gains were driven mainly by Ghana and Côte d'Ivoire. In Ghana, economic output expanded by 6.1 percent in 2019 due to growth in the mining and petroleum sectors and to strong agricultural performance. Côte d'Ivoire, spurred by sustained public investment, expanded its output by 6.9 percent in 2019, up from 6.8 percent in 2018. Nigeria, the largest economy in the sub-region, and a drag to sub-regional economic expansion in the past, continued its gradual but steady recovery to register a growth rate of 2.2 percent in 2019, up from 1.9 percent in 2018.

The economies of **Northern Africa** grew 3.1 percent in 2019, up from 2.9 percent in 2018. The region's performance is largely attributed to the strong growth

momentum in Egypt, where output expanded by 5.6 percent in 2019, up from 5.3 percent in 2018. The expansion was driven by the implementation of economic reforms, increased gas extraction from the Zohr field, improved net exports and increased investment, and tourism sector recovery. Favourable tourism activity also supported growth and economic expansion in Morocco and Tunisia. Mauritania, with strong growth acceleration from 2.1 percent in 2018 to 5.7 percent in 2019, also contributed to the growth performance of the region.

In **Central Africa**, the most natural resource-dependent sub-region on the continent, economic growth remained weak, decreasing from 2 percent in 2018 to 1.5 percent in 2019, due to continued dependency on natural resources and primary commodities, despite ongoing efforts to diversify the sources of trade. The Democratic Republic of Congo was

an exception, achieving a growth rate of 4.4 percent in 2019, modestly down from 5.8 percent in 2018, despite a challenging political environment and highly contested democratic transition.

In **Southern Africa**, growth slowed to 1 percent in 2019 from 2.6 percent in 2018, dragged down largely by the devastating impact on infrastructure and agriculture wreaked by cyclones 'Idai' and 'Kenneth' in Malawi, Mozambique, and Zambia. In addition, the economy of Zimbabwe contracted by an 8.4 percent in 2019 from a 3.5 percent expansion in 2018. Slow growth in South Africa and contractions in Angola and Namibia also contributed to the poor performance of the sub-region's economy during the review period.

The Operating Environment

3.2.2 Price Developments

Inflation continued its long-term decline across the region. A sustained improvement in macroeconomic management over the last four years has resulted in the gradual easing of price pressures. The average inflation rate for the continent declined to an 9.1 percent in 2019, from 9.3 percent in 2018 (Table 3.1 and Figure 3.1). Stabilising energy prices and declining food prices driven by higher agricultural production also contributed to lower inflationary pressures.

General price developments were also shaped by the dynamics in oil-exporting countries, where inflation decreased by 4.3 percentage points to 11.3 percent in 2019. However, large fluctuations in exchange rates in Angola, Sudan, Zambia, and especially Zimbabwe slowed the overall decrease in inflation. And oil price recovery heightened inflationary pressures in oil importing countries, with inflation registering at 6.4 percent in 2019 in those countries, up from 4.3 percent in 2018.

In countries that experienced significant downward inflationary pressures including Egypt, Namibia, and Botswana, interest rates were reduced to encourage investment and spur growth. In contrast, Zimbabwe raised interest rates in an effort to contain runaway inflation of more than 500 percent. Likewise, Sudan raised interest rates to rein in inflation of more than 50 percent.

Table 3.3 Africa: Inflation, 2017–19 end of period consumer prices

Country Name	(annual percent change)			Country Name	(annual percent change)		
	2017	2018	2019		2017	2018	2019
Algeria	4.93	2.70	2.43	Lesotho	4.84	5.24	4.30
Angola	23.67	18.60	16.89	Liberia	13.89	28.53	20.25
Benin	2.96	-0.13	0.27	Libya	28.05	-1.20	4.56
Botswana	3.18	3.54	2.20	Madagascar	10.60	6.94	3.98
Burkina Faso	2.07	0.34	-2.56	Malawi	7.06	9.89	11.53
Burundi	10.50	-5.88	5.14	Mali	1.08	0.95	-1.28
Cameroon	0.79	1.98	2.40	Mauritania	1.24	3.15	2.70
Cape Verde	0.27	1.00	1.94	Mauritius	4.27	1.76	0.88
Central African Republic	7.17	4.61	-2.80	Morocco	1.86	0.15	-0.30
Chad	3.11	4.38	-1.68	Mozambique	5.65	3.52	3.50
Comoros	1.42	0.93	5.09	Namibia	5.17	5.15	2.59
Congo, Dem. Rep. of	54.71	7.23	5.50	Niger	1.75	1.62	-2.32
Congo, Rep. of	1.79	0.90	3.80	Nigeria	15.37	11.44	11.98
Côte d'Ivoire	1.06	1.05	1.57	Rwanda	0.67	1.14	6.73
Djibouti	-0.84	1.97	3.26	São Tomé and Príncipe	7.69	9.05	7.72
Egypt	29.76	14.38	9.38	Senegal	-0.79	1.12	0.64
Equatorial Guinea	-0.23	2.59	4.13	Seychelles	3.48	3.38	1.69
Eritrea	-18.16	-29.28	27.21	Sierra Leone	15.33	14.25	13.89
Eswatini	4.71	5.25	1.97	Somalia	6.09	3.22	3.13
Ethiopia	16.50	10.58	19.52	South Africa	4.72	4.92	3.75
Gabon	1.06	6.25	1.02	South Sudan	117.67	40.06	30.02
Gambia	6.95	6.41	7.68	Sudan	25.15	72.94	57.01
Ghana	11.82	9.43	7.90	Tanzania	3.97	3.25	3.85
Guinea	9.55	9.94	9.12	Togo	-0.68	1.99	-0.33
Guinea-Bissau	-0.48	2.40	-0.10	Tunisia	6.15	7.49	6.08
Kenya	4.50	5.71	5.82	Uganda	3.30	2.23	3.56
				Zambia	6.09	7.90	11.70
				Zimbabwe	3.43	42.07	521.15

Source: International Monetary Fund, World Economic Outlook database.

Fuelled in part by expansionary fiscal policy and supply-side constraints, inflation remained a constraint in the quest for macroeconomic stability and growth in Western Africa. In 2019, inflation was at 4.5 percent in the region, down from 6 percent in 2018. However, inflation dynamics were not uniform across a region where countries are subject to different monetary arrangements. Inflation was low among members of the West African Economic and Monetary Union (WAEMU) at around 1.2 percent but reached about 12 percent in some non-WAEMU countries. Expansionary fiscal policies driven by increased infrastructure spending heightened inflationary pressures in the sub-region. In Nigeria, inflation increased to 12 percent in 2019, from 11.4 percent in 2018, while inflation remained high in Liberia (20.3 percent), Sierra Leone (13.9 percent), and Guinea (9.1 percent).

Inflation in Eastern Africa inched-up to an 13.2 percent in 2019, from 8.5 percent in 2018 (excluding Sudan's exceptionally high rate of 57 percent). Currency depreciation, high dependence on imported consumer and capital goods, increased monetisation of the fiscal deficit, and security concerns exacerbated inflationary pressures in Sudan. High levels of inflation in South Sudan (30 percent) and Ethiopia (19.5 percent) also contributed to raising the region's average inflation during the review period.

Ongoing macroeconomic management challenges characterized by supply constraints, currency depreciation and a general acute shortage of basic necessities in Zimbabwe further exacerbated inflationary pressures, pushing the inflation rate above 500 percent in 2019, up from 42 percent in 2018. In this regard, excluding Zimbabwe, Southern Africa's average inflation rate eased to an 5.7 percent in 2019, from 8.9 percent posted in 2018. Most countries in the region are within the region's convergence target.

In Northern Africa, declining inflation rates in Egypt (9.4 percent) contributed to inflation easing in the region. The inflation rate across the sub-region decreased to 4.1 percent in 2019, down from 4.5 percent in 2018. This was on the back of decelerating inflationary pressures in Algeria, Tunisia and Morocco. Exchange rate stabilization lowered the average inflation rate to 2.4 percent in Algeria and -0.3 percent in Morocco in 2019, down from 2.7 percent and 0.15 percent in 2018, respectively.

Six CEMAC countries share a single currency, the Central African CFA Franc, managed by the Bank of Central African States (BEAC) and pegged to the Euro. The pegging of the currency to the Euro has been a driver of price stability. The reduction of inflationary pressures within the region also reflects the DRC, where inflation eased to 5.5 percent in 2019, down from 7.2 percent in 2018. Overall, the sub-region posted an average inflation rate of 2.5 percent in 2019, down from 4.6 percent in 2018.

3.3 INTERNATIONAL FINANCIAL MARKETS AND FINANCING CONDITIONS

Global financial conditions remained largely accommodative after the shift towards a regime change on monetary policy adopted by the US Federal Reserve and other major Central Banks to mitigate threats to growth from the protracted trade war between the US and China. The US Federal Reserve cut its policy rate three times during 2019. The reversal of monetary policy helped propel financial market activities and drove equity prices to record highs.

After the 2018 rout, the strong recovery in asset prices was largely driven by the turnaround in interest rates and easing monetary policy, especially by the US Federal Reserve, the European Central Bank and other major central banks. Having led markets to expect interest rate hikes in 2019, the US Federal Reserve reversed its policy stance in the first half of the year, then cut rates three times between July and October 2019. Overall, financial markets recovered strongly in 2019 with almost all major stock indices ending the year up.

The three interest rate cuts by the US Federal Reserve in 2019 set the Federal Funds target rate at 1.5-1.75 percent. The European Central Bank (ECB) maintained its main refinancing rate at 0 percent but cut its main deposit rate to -0.50 percent and restarted its monthly bond purchases in September. The Bank of Japan remained on an expansionary path in the face of anaemic growth and increasing price stickiness. It did indicate that it would taper its bond purchase programme in 2020. China also remained in stimulus mode, cutting bank reserve requirements three times in 2019 amid concerns about growth prospects.

The Operating Environment

Falling bond yields amid growth concerns and softer investor demand for haven assets in a context of a slight improvement in global trade relations during the latter part of the year, coupled with monetary policy reversals, triggered a strong recovery in global stock markets. Most major stock indices ended the year in the black. In the US, the S&P 500 ended the year up 30 percent—its best calendar year performance since 2013—while the NASDAQ ended the year up 35.2 percent. While lagging the US, other equity markets also posted strong recoveries. The FTSE 100 stock market index gained 12 percent, boosted by the outcome of the UK election, while the Euro Stoxx 50 index gained 24.8 percent. Within European equity markets, Germany, France and Italy stood out, with each gaining more than 20 percent for the year. Japanese stocks also advanced, with the Nikkei 225 index gaining 18.2 percent.

In developing economies, the performance of capital markets was supported by easing trade tensions and the interest rate reversal in the US. The MSCI's Emerging Market Index, which tracks 24 emerging market countries, ended the year up 15.4 percent, with China's Shanghai composite index up 22.3 percent. The worst stock market performer in US dollar-denominated terms in 2019 was Chile, which saw its IGPA index fall more than 20 percent. Poland's stock market index fell more than 11.6 percent, while Malaysia's stock market ended the year down 5.4 percent.

In Africa, South Africa's JSE All Share index ended the year up 11.4 percent, while Morocco's MASI Free Float All Shares Index and Egypt's EGX 30 index returned 8.9 percent and 5.7 percent, respectively. In Kenya, the Nairobi Securities Exchange LTD 20 index ended the year down 5.5 percent, while in West

Africa the Bourse Régionale des Valeurs Mobilières (BRVM) ended the year down 7.3 percent. In Nigeria the NGSE All Share index ended the year down 13.6 percent, with the market negatively impacted by the general elections and ongoing security challenges, even with increasing stability in the foreign exchange market.

Geo-economic and geopolitical considerations continued to be major factors in the dynamics of currency markets, especially as key financial centres and investors integrate uncertainty related with the trade war, Brexit and geopolitical tensions in their growth models. Despite the monetary policy reversal in the US, demand for the US Dollar strengthened in a highly volatile global economic environment. The dollar index, which represents a basket of currencies dominated by the Euro, increased 0.32 percent in 2019. The Euro lost ground, ending the year 2.2 percent lower against the US Dollar, while the Chinese Yuan lost 1.4 percent.

Among major currencies, the Pound Sterling ended 2019 as the biggest winner against the dollar—up 4.1 percent—staging a powerful rally after UK voters gave Prime Minister Boris Johnson and the Conservative Party a commanding majority in Parliament, which made it likely to secure support for a Brexit withdrawal plan. The Japanese Yen gained 0.75 against the US dollar. In the African currency market, the South African Rand and Egyptian Pound gained 4.45 percent and 10.1 percent against the US dollar, respectively while the Nigerian Naira remained flat against the US dollar.

In light of the foregoing financial market developments, financing conditions remained largely accommodative as policymakers sustained efforts to stoke growth and steer inflation towards prescribed targets. In the US, rate cuts amid growth concerns and benign

inflation contributed to persistent downward pressure on yields with the yield curve for 10-year bonds inverting, falling as low as 1.5 percent in August, before recovering to end the year at 1.9 percent. In the UK bond market, yields on the 10-Year Gilt also came under pressure, ending the year at 0.74 percent, down from 1.28 percent in 2018.

In other parts of Europe, the slowdown in economic growth and increasing uncertainty exacerbated the pressure on bond yields. In Germany, 10-year bond yields turned negative, falling from 0.21 percent to -0.29 percent as the European Central Bank announced the restart of its bond-buying programme. In France, 10-year bond yields also turned negative before returning to positive territory at 0.05 percent, while Italy saw yields on its 10-year bonds fall from 2.9 percent to 1.4 percent.

In China, financing conditions remained broadly stable, with an easing monetary policy. Tighter liquidity from earlier regulatory efforts to reduce threats to the financial system led to pockets of stress in corporate bond markets. That prompted Chinese authorities to ease monetary policy to confront growth deceleration and reduce the risks of a hard landing. The People's Bank of China (PBOC) injected liquidity via three cuts to the required reserve ratio.

Notwithstanding the changing environment of expansionary monetary policies, financing conditions in Africa remained relatively tight. Liquidity challenges, occasioned by the lingering effects of the end of the commodity super-cycle, the withdrawal of large international financial institutions from African markets in response to an increasingly stringent regulatory environment, and heightened uncertainty associated with the trade war all contributed to the strain. Challenges with Letters of Credit (LC)

confirmation created by large-scale withdrawal of major banks, among others, meant that access to funds by African entities remained difficult or at a higher premium. The tight financial conditions in Africa, which contrasted to the global environment, also reflected the highly inflated risk perception that set unreasonably high expected returns on investment in Africa. For instance, in 2019 the average coupon rate for a 10-year African sovereign bond was about 10 percent, compared to 1.35 percent for Italy, where fiscal and sovereign debt crisis has been a constant threat.

The modest global economic gains made after the end of the commodity super-cycle in 2014 and the positive outlook for 2020 are threatened by the evolving COVID-19 pandemic, which brought the World economy to a sudden stop in the second quarter of the year. The early impact of the pandemic witnessed plummeting financial markets, disruption of global supply chains, softer global demand, and a general disruption in economic activity across the globe, posing serious risks to global trade and economic growth amid heightened uncertainty. While it is too early to generate accurate estimates of the potential impact of the pandemic, the IMF has revised its January global growth projections down and now forecasts a contraction in global growth in 2020—even suggesting that the year could see the worst global economic downturn since the Great Depression of the 1930s. In a major U-turn from earlier forecasts, the pandemic has set the world on a synchronized growth deceleration path. With the economic fallout from COVID-19 reverberating globally, Africa's growth forecasts are also set to follow global trends. In this regard, Africa's growth is projected to decelerate sharply as a result of containment measures that have led to global demand and supply shocks and a sharp drop in commodity prices.





Chapter Four

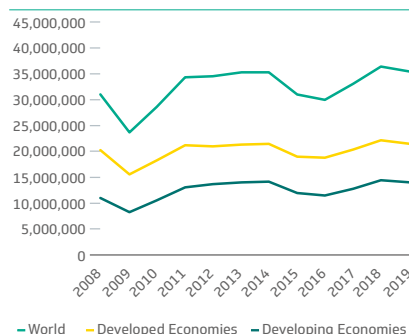
Trade & Trading Environment

Developments in trade have been highly correlated with growth performance. The rise of global value chains has further reinforced the correlation between trade and output, with output expansion in one country reflecting the growth in exports from several others.

4.1 GLOBAL TRADE

However, the recent policy-induced shocks – in the form of a trade war between the United States and China and the rise of protectionism more generally – have introduced another dimension of uncertainty and disruption of global supply chains. Accordingly, global merchandise trade contracted by 2.86 percent in 2019, compared with a 10.23 percent expansion in 2018. Trade in current US dollar terms contracted to US\$37.7 trillion in 2019, from US\$38.8 trillion in 2018 (Figure 4.1). The contraction in global trade is largely due to escalating trade tensions during the first half of 2019 and softer demand on the back of a slowing global economy.

Figure 4.1. Trends in global trade, (US\$ billion)



Source: International Monetary Fund, Direction of Trade Statistics Database, 2020

In developed economies, the volume of merchandise exports is estimated to have contracted by 3.09 percent in 2019, after expanding by 8.42 percent in 2018. Similarly, merchandise imports contracted by 2.88 percent in 2019 after expanding by 9.66 percent in 2018. In the United States, merchandise exports contracted by 1.39 percent in 2019, compared with a 7.68 percent expansion in 2018, while merchandise imports contracted by 1.74 percent in 2019 in contrast to an 8.54 percent expansion in 2018. In Europe, merchandise exports

and imports contracted by 3 percent and 3.79 percent, respectively, in 2019, following strong expansion of 9.64 percent and 11.37 percent, respectively, in 2018.

The contraction in global demand was also felt in the developing world, which has been the major driver of global trade in recent decades. Merchandise exports of developing economies contracted by 2.46 percent in 2019, compared with a 13.1 percent expansion in 2018, and merchandise imports contracted by 2.88 percent, compared with a 11.24 percent expansion in 2018. Developing Asia's merchandise exports contracted by 1.62 percent in 2019, down from a 9.47 percent expansion in 2018, while imports contracted by 4.61 percent, down from a 14.77 percent expansion in 2018. Chinese merchandise exports contracted by 0.11 percent in 2019, compared with a 9.7 percent expansion in 2018, while imports contracted by 3.05 in 2019 after growing by 16.48 percent in 2018. India's merchandise exports expanded by 0.58 percent in 2019, compared with a 9.13 percent expansion in 2018, while imports contracted by 5.08 percent in 2019 after growing by 14.9 percent in 2018.

In South and Central America, trade also contracted on the back of a deep economic recession in Argentina, persistent macroeconomic challenges and weak recovery in Brazil, and social unrest in Chile. Accordingly, the region's merchandise exports suffered a 4.64 percent contraction in 2019 after growth of 9.62 percent in 2018. Similarly, merchandise imports contracted by 7.22 percent in 2019 after growing by 11.8 percent in 2018.

Despite a reduction in global trade tensions during the latter part of the year, risks remain. Most tariffs remain in effect, and the US-China phase two trade negotiations could become even more challenging, especially given their

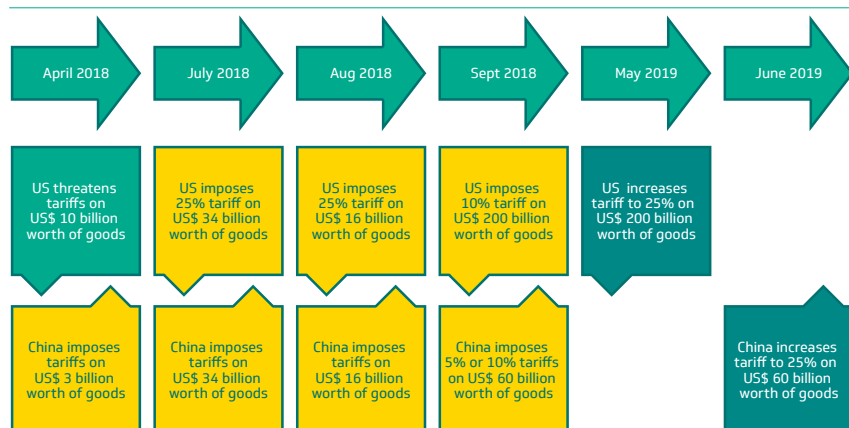
implications for the overall structure of the Chinese economy and for global leadership in technology and innovation. Additionally, the outbreak of new strain of coronavirus (SARS-COV-2) at the end of 2019 and its rapid spread across the globe have created significant downside risks to global supply chains and global trade. Recent estimates from the World Trade Organization (WTO) show that the volume of global merchandise trade could contract by 9.2 percent in 2020 (WTO, 2020). North America, South and Central America, Europe, and Asia are projected to be the most affected, with merchandise trade in some of these regions projected to contract by double digits.

4.2 GLOBAL TRADE ENVIRONMENT

The global environment in 2019 was dominated by heightened trade tensions and an escalation of the trade war between the United States and China, with dampening effects on global trade and investment and disruption of supply chains. The trade tensions that began in the early days of the Trump Administration intensified. Protectionist measures employed by the United States to address structural imbalances and large trade deficits with China and other major trading partners prompted retaliation, leading to a trade war that resulted in the United States imposing tariffs on US\$250 billion worth of Chinese goods and China imposing tariffs on US\$113 billion worth of US goods (Figure 4.2). The policy-induced shocks from the trade war introduced uncertainty and disrupted global supply chains, contributing to a sharp reduction in global trade.

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Figure 4.2. Anatomy of a trade war



Source: Afreximbank Research.

Negotiations between the United States, Mexico, and Canada, which began in 2017 to review the North American Free Trade Agreement (NAFTA), materialised with a major agreement that significantly upgraded the trade pact. The United States-Mexico-Canada Agreement (USMCA) replaced NAFTA in 2019, with Mexico ratifying the agreement in June 2019 and the US Congress approving the deal in December 2019. The revised agreement makes important changes to rules of origin, requiring that automobile components must be manufactured in the United States, Mexico, or Canada to qualify for zero tariffs. It also includes stricter labour provisions, requiring that 40 to 45 percent of automobile parts must be made by workers who earn at least US\$16 an hour by 2023. The agreement also provides US farmers with greater market access to the Canadian dairy market. It also includes new provisions related to the digital economy and introduces a 16-year sunset clause, which means that the agreement expires after 16 years. The agreement is also subject to review every six years, at which point the United States, Mexico, and Canada can decide to extend it. It is expected to take effect in 2020 following ratification by Canada.

The period under review also witnessed a flare-up of trade tensions between Japan

and South Korea (the world's 3rd and 11th largest economies, respectively), following a dispute arising from the 2018 ruling by the Supreme Court of South Korea and other high courts that ordered several Japanese companies to compensate the families of South Koreans who were unfairly treated and illegally forced to supply labour for World War II war efforts. Japan announced that it would tighten the export of chemicals that are critical for the South Korean semiconductor industry and subsequently removed South Korea from its 27-country whitelist of most favoured trading partners. South Korea retaliated by taking measures to remove Japan from its 29-country whitelist of preferred trading partners. In September, South Korea escalated the matter to the WTO and requested dispute consultations with Japan concerning the measures imposed by Japan to restrict the export of products and technology to Korea.

At the end of 2018, WTO membership remained unchanged at 164 members, covering 98 percent of global trade. Despite the challenging multilateral environment of trade tensions and disputes, countries continued to maintain their membership in the organisation.

Twenty-two countries, including Algeria, Equatorial Guinea, Ethiopia, São Tome and Príncipe, South Sudan, and Sudan,

continued negotiating their accession to the WTO. Eritrea remained the only African country that was still not a member or observer and was not negotiating for membership.

WTO members continued efforts to enhance the organisation's trade facilitation agenda, consisting of the Trade Facilitation Agreement, which entered into force in February 2017. At the end of 2019, 151 countries had ratified a protocol of acceptance of the agreement and submitted their instrument of acceptance to the WTO. A work plan for the implementation of the agreement has been determined. The agreement's main objectives include expediting the movement, releasing, and clearance of goods, including goods in transit. Effective implementation of this agreement is expected to reduce trade costs globally by an average of 14 percent.

The WTO continued to play a key role in resolving trade disputes among its member countries, using the dispute settlement mechanism. In 2019, WTO members filed 19 requests for consultations – the first step in the dispute settlement procedure – compared with 39 the previous year. India and the United States had eight and three complaints filed against them, respectively. While WTO members continued relying on the multilateral system to settle trade disputes, the WTO dispute settlement mechanism was thrown into crisis at the end of the year. The retirement of two Appellate Body members on December 11, 2019, and the failure to re-appoint or appoint members resulted in the seven-member panel of the WTO Appellate Body being reduced to one, leaving the panel without the minimum of three members needed to hear cases. The Appellate Body crisis resulted in a breakdown of the two-tier dispute settlement mechanism governing global trade.

The year also saw continued negotiations for regional and preferential trade agreements amongst countries and between countries,

including the Regional Comprehensive Economic Partnership (RCEP), comprising the 10 member states of the Association of Southeast Asian Nations (ASEAN) and their six free-trade agreement partners, Australia, China, India, Japan, Republic of Korea, and New Zealand. During the final negotiations, India announced that it would pull out of the agreement. Notwithstanding, the remaining 15 nations plan to move forward, aiming to sign the agreement in 2020 and implement it in 2021.

African countries continued to make progress towards the establishment of the African Continental Free Trade Area (AfCFTA). The operational phase of the AfCFTA was launched on July 7, 2019, in Niamey, Niger at the 12th Extraordinary Session of the Assembly of the African Union. In accordance with the agreement, the AfCFTA entered into force on May 30, 2019, 30 days after Sierra Leone and the Sahrawi Arab Democratic Republic brought the number of member states having ratified the agreement to 22. At the end of 2019, 28 countries had ratified the agreement, and of the 55 AU member states, only Eritrea has yet to sign. Outstanding issues related to Phase 1 negotiations, such as rules of origin and trade in services, are expected to be concluded in 2020 with Phase 2 negotiations on investment, intellectual property, and competition also set to commence.

The launch of the operational phase was also accompanied by the unveiling of a number of instruments to facilitate the implementation of the agreement, including an online mechanism for monitoring and eliminating non-tariff barriers, the AfCFTA mobile application for businesses, the Pan-African Payment and Settlement System (PAPSS) – developed by the African Export-Import Bank (Afreximbank) in collaboration with the African Union – and a dashboard of the AU Trade Observatory. The Afreximbank announced the establishment of a US\$1 billion AfCFTA

Adjustment Facility to help member states adjust to the new trade regime. The facility will provide supplemental financing to support governments, continue their trade facilitating and investment programs, and meet fiscal obligations as their economies adjust to AfCFTA trade reforms. During the summit it was also announced that Ghana will host the AfCFTA Secretariat.

4.3 AFRICAN EXTERNAL RESERVES AND EXCHANGE RATE DEVELOPMENTS

During 2019, volatility in commodity prices and consequent pressure on export earnings adversely affected African countries' stock of foreign reserves. Accordingly, Africa's foreign exchange reserve, which expanded by 2.1 percent to US\$431.14 billion in 2018, declined by 5.25 percent to US\$408.49 billion at the end of 2019 (Table 4.1). In a region where oil exports account for over 37.4 percent of total exports, the decline in the oil price had significant knock-on effects on Africa's overall reserve position. In a number of leading oil-exporting countries, the level of foreign reserves declined, for example, by 28.11 percent in Algeria, 95.32 percent in Equatorial Guinea, 1.96 percent in Libya and 26.2 percent in Nigeria during 2019.

The volatility in prices of non-oil commodities also contributed to undermining the reserve position of several other major commodity-exporting countries in the region. For instance, the stock of Botswana's foreign reserves maintained its downward trend, declining by 7.37 percent to US\$6.16 billion from US\$6.65 billion in 2018 and from US\$7.4 billion in 2017. Ethiopia saw its foreign exchange reserves drop by 24.87 percent to US\$2.99 billion from US\$3.98 billion in 2018. Similar trends were observed in Namibia and Zambia. The stock of reserves declined by 4.65 percent to US\$2.05 billion from US\$2.15 billion in 2018 in Namibia. It decreased by 7.05 percent to US\$1.45 billion from US\$1.56 billion in 2018 in Zambia.

The reversal in capital flows driven in part by local currency depreciation also weighed on the continent's reserve position. At the same time, protracted socio-political conflicts in parts of Africa, including Algeria, the Central African Republic, and Sudan, alongside militant activity in Burkina Faso, Kenya, Mali, and Niger heightened uncertainty and risk perceptions, prompting international investors to scale down their investments. Further, the anxiety created by security concerns hindered tourist arrivals and FDI inflows in these countries. The combined effect of these developments adversely affected the overall level of foreign exchange reserves in the continent during the year. Accordingly, the average import coverage fell to 8.11 months in 2019, from 8.36 months in 2018, but remained well above the IMF threshold of three months of imports cover.

Slow growth in export revenues resulting from weak commodity prices and slow growth in tourist receipts, along with capital flow reversals, undermined the performance of many African currencies during 2019. The majority of African countries witnessed depreciation of their currencies against the US Dollar (Table 4.2). The currencies of Angola, Ghana, Liberia, Zambia, and Zimbabwe were among the worst-performing currencies in 2019. The Angolan kwanza depreciated by 44.3 percent against the US dollar, as the Angolan Central Bank sought to eliminate the gap between the official exchange rate and the parallel market rate following the end of the kwanza's peg to the US dollar in 2018. The Ghanaian cedi depreciated by more than 13.76 percent – its worst decline since 2015, driven by widening fiscal and current account deficits which resulted in a sharp decline in the level of foreign exchange reserves. The Liberian dollar depreciated by 29.35 percent largely on account of capital flight, a widening current account deficit, and a limited inflow of remittances. The Zambian kwacha depreciated by 18.37 percent due to a severe drought and a widening budget deficit that triggered

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soaring debt. The Zimbabwe dollar depreciated by 2,100 percent in 2019 on account of lingering economic and social challenges, including low production, falling exports, a balance of payments deficit, high default risk, political instability, and recurring protests.

A few African countries recorded good performance of their currencies. Among the best-performing African currencies were the Egyptian pound, the Namibian dollar, the South African rand, and the Sierra Leone leone. The Egyptian pound

appreciated by 5.61 percent in 2019 due to the implementation of economic reforms under the IMF's support programme, which raised confidence, and strong growth in remittances and tourism receipts as well as FDI inflows. The Namibian dollar and South African rand, which are pegged to the US dollar, appreciated by 2.85 percent largely on account of a reversal in US monetary policy characterized by three interest rate cuts. The appreciation of the Sierra Leone's leone by 11.62 percent was supported by resumption of exports

from the Marampa Mine following the completion of review of mining licenses by the government, and continued implementation of IMF's extended credit facility (ECF), which boosted confidence and positively impacted the currency. The COVID-19 pandemic, which has already depressed the prices of oil and other export commodities of interest to Africa, is likely to exert further pressure on export receipts, exacerbate the decline in Africa's stock of foreign reserves, and undermine several other African currencies in 2020.

Table 4.1 Reserve Position of African Countries, 2017–19 (US\$ billions, unless otherwise indicated)

	Total Reserves (excluding gold)			Growth Rate (percent)†		Months of Import Cover by Reserves		
	2017	2018	2019	2018	2019	2017	2018	2019
Algeria	97.80	80.40	57.80	-17.79	-28.11	26.24	19.44	21.00
Angola**	14.45	15.41	16.33	6.64	5.97	14.45	13.36	15.53
Benin	0.77	1.00	1.02	29.87	2.00	3.38	4.21	4.52
Botswana**	7.40	6.65	6.16	-10.14	-7.37	16.53	12.72	9.10
Burkina Faso	1.62	1.57	1.67	-3.09	6.37	4.92	2.04	5.61
Burundi	0.09	0.06	1.09	-33.33	1716.67	1.49	0.91	14.73
Cameroon**	3.23	3.49	3.43	8.05	-1.72	7.46	7.22	7.77
Cape Verde**	0.61	0.60	0.73	-1.64	21.67	9.22	9.78	9.66
Central Africa Republic**	0.36	0.36	0.37	0.00	2.78	11.14	8.88	8.64
Chad**	0.09	0.10	0.11	11.11	10.00	1.88	1.40	1.25
Comoros**	0.20	0.19	0.20	-5.00	5.26	12.14	10.92	11.91
Congo Dem. Rep. of	0.49	0.49	0.58	0.00	18.37	0.42	0.39	0.44
Congo Republic**	0.69	0.66	0.82	-4.35	24.24	1.82	2.12	2.91
Côte d'Ivoire	6.18	6.30	6.49	1.94	3.02	8.36	8.61	6.59
Djibouti**	0.54	0.44	0.49	-18.52	11.36	4.14	4.20	3.99
Egypt**	35.88	41.32	43.98	15.16	6.44	7.24	7.31	7.76
Equatorial Guinea**	0.04	2.99	0.14	7375.00	-95.32	0.51	32.43	1.59
Eritrea**	0.14	0.16	0.19	14.29	18.75	3.69	5.73	7.34
Eswatini	0.56	0.44	0.44	-21.43	0.00	1.74	0.67	2.86
Ethiopia**	3.04	3.98	2.99	30.92	-24.87	1.87	2.69	2.01
Gabon**	0.98	1.33	1.36	35.71	2.26	4.98	0.90	6.78
Gambia**	0.17	0.19	0.22	11.76	15.79	4.28	3.10	4.69
Ghana**	6.91	6.18	7.43	-10.56	20.23	6.49	6.24	7.65
Guinea, The	0.17	0.19	0.22	11.76	15.79	0.78	0.19	1.02
Guinea, Bissau	0.45	0.47	0.49	4.44	4.26	19.29	16.31	20.42
Kenya**	7.35	8.19	9.11	11.43	11.23	5.29	5.64	7.41
Lesotho**	0.65	0.72	0.75	10.77	4.17	4.28	0.50	5.93
Liberia**	0.60	0.56	0.49	-6.67	-12.50	11.18	3.59	4.33
Libya**	74.71	80.68	79.10	7.99	-1.96	156.02	116.81	92.04

Table 4.1 Reserve Position of African Countries, 2017–19 (US\$ billions, unless otherwise indicated)

	Total Reserves (excluding gold)			Growth Rate (percent)†		Months of Import Cover by Reserves		
	2017	2018	2019	2018	2019	2017	2018	2019
Madagascar	1.60	1.73	1.69	8.12	-2.31	5.21	2.50	5.78
Malawi**	0.79	0.78	0.58	-1.27	-25.64	3.85	6.21	2.76
Mali	0.64	0.91	1.17	42.19	28.57	1.77	4.43	3.02
Mauritania**	0.85	0.91	1.02	7.06	12.09	2.90	2.36	3.00
Mauritius	5.98	6.36	7.36	6.35	15.72	13.67	14.61	15.74
Morocco	26.19	24.43	26.41	-6.72	8.10	7.05	5.78	6.41
Mozambique	3.36	3.10	3.88	-7.74	25.16	6.80	0.73	5.35
Namibia**	2.43	2.15	2.05	-11.52	-4.65	4.34	3.80	2.73
Niger	1.29	1.07	1.57	-17.05	46.73	8.29	8.56	7.50
Nigeria	39.35	52.29	38.59	32.88	-26.20	13.11	14.94	10.71
Rwanda**	1.17	1.23	1.36	5.13	10.57	7.88	8.76	5.21
São Tomé and Príncipe**	0.06	0.04	0.05	-33.33	25.00	4.90	5.41	4.42
Senegal	1.94	2.40	2.85	23.71	18.75	3.86	5.33	4.20
Seychelles	0.54	0.55	0.58	1.85	5.45	4.81	0.93	4.84
Sierra Leone**	0.54	0.50	0.53	-7.41	6.00	6.02	6.20	5.70
Somalia	-	-	-	-	-	-	-	-
South Africa**	50.72	51.64	55.06	1.81	6.62	6.91	6.28	7.08
South Sudan	-	-	-	-	-	-	-	-
Sudan**	0.19	0.10	0.39	-47.37	290.00	0.25	1.87	0.50
Tanzania**	5.90	5.04	5.56	-14.58	10.32	12.38	13.01	6.12
Togo	0.95	0.74	1.33	-22.11	79.73	6.97	2.04	13.27
Tunisia	5.59	5.19	7.42	-7.16	42.97	3.22	2.75	4.02
Uganda**	3.65	3.22	3.24	-11.78	0.62	7.73	7.84	5.20
Zambia	2.08	1.56	1.45	-25.00	-7.05	2.87	1.98	2.41
Zimbabwe**	0.29	0.08	0.15	-72.41	87.50	0.74	0.20	0.44
Total	422.27	431.14	408.49	2.1	5.25			
Average						9.36	8.36	8.11

† Growth rates are Afreximbank staff calculations.

*Revised

**Estimates for 2019 are based on latest available data

—Not available

Sources: International Monetary Fund, International Financial Statistics database; and The Economist Intelligence Unit, Country Reports.

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Table 4.2 Africa: Exchange Rate Developments, 2017–19 (per US\$, unless otherwise indicated)

	2017	2018	2019	Percentage change between		Percentage change between	
	(1)	(2)	(3)	(2) & (1)	(3) & (2)	(2) & (1)	(3) & (2)
Algeria - dinar	114.72	116.60	119.40	4.13	2.40	4.13	2.40
Angola - kwanza	170.30	252.80	364.80	3.16	44.30	3.16	44.30
Benin - franc	580.00	555.70	586.00	-6.96	5.45	-6.96	5.45
Botswana - pula	10.35	10.20	10.76	-3.07	5.49	-3.07	5.49
Burkina Faso - franc	580.00	555.70	586.00	-6.96	5.45	-6.96	5.45
Burundi - franc	1,767.00	1,783.00	1,846.00	5.49	3.53	5.49	3.53
Cameroon - franc	547.00	555.70	586.00	-12.25	5.45	-12.25	5.45
Cape Verde - escudos	97.80	93.40	98.50	-6.75	5.46	-6.75	5.46
Central African Republic - franc	547.00	555.70	586.00	-12.25	5.45	-12.25	5.45
Chad - franc	547.00	555.70	586.00	-12.25	5.45	-12.25	5.45
Comoros - franc	436.60	416.80	439.50	-6.62	5.45	-6.62	5.45
Congo, Dem. Rep. of - Congo franc	1,646.00	1,623.00	1,648.00	52.97	1.54	52.97	1.54
Congo, Rep. of - franc	547.00	555.20	585.90	-12.25	5.53	-12.25	5.53
Côte d'Ivoire - franc	580.00	572.90	583.90	-6.96	1.92	-6.96	1.92
Djibouti - franc	177.72	177.70	177.70	0.07	0.00	0.07	0.00
Egypt - pound	17.84	17.82	16.82	-1.61	-5.61	-1.61	-5.61
Equatorial Guinea - franc	547.00	555.70	586.00	-12.25	5.45	-12.25	5.45
Eritrea - nakfa	15.54	15.08	15.08	1.70	0.00	1.70	0.00
Eswatini - lilangeni	12.38	13.24	14.44	-9.88	9.06	-9.88	9.06
Ethiopia - birr	23.95	27.43	29.07	5.51	5.98	5.51	5.98
Gabon - franc	547.00	555.70	586.00	-12.25	5.45	-12.25	5.45
Gambia - dalasi	46.61	48.15	50.06	10.58	3.97	10.58	3.97
Ghana - cedi	4.35	4.58	5.21	1.74	13.76	1.74	13.76
Guinea - Guinea franc	9,088.00	9,011.00	9,184.00	-2.99	1.92	-2.99	1.92
Guinea-Bissau - franc	580.00	555.70	586.00	-6.96	5.45	-6.96	5.45
Kenya - shilling	103.41	101.85	101.34	1.16	-0.50	1.16	-0.50
Lesotho - loti	12.38	13.23	14.45	-9.88	9.22	-9.88	9.22
Liberia - Liberia dollar	112.70	144.10	186.40	23.85	29.35	23.85	29.35
Libya - dinar	1.36	1.39	1.40	-5.41	0.72	-5.41	0.72
Madagascar - ariary	3,116.00	3,335.00	3,624.00	-6.71	8.67	-6.71	8.67
Malawi - kwacha	738.90	733.69	736.20	3.23	0.34	3.23	0.34
Mali - franc	580.00	555.70	586.00	-6.96	5.45	-6.96	5.45
Mauritania - ouguiyas	35.80	35.70	36.70	1.70	2.80	1.70	2.80
Mauritius - rupee	33.48	34.25	36.60	-6.61	6.86	-6.61	6.86
Morocco - dirham	9.30	9.39	9.62	-8.06	2.45	-8.06	2.45
Mozambique - meticals	63.60	61.50	61.50	-10.71	0.00	-10.71	0.00
Namibia - namibia dollar	12.38	14.38	13.97	-9.88	-2.85	-9.88	-2.85
Niger - franc	580.00	555.70	586.00	-6.96	5.45	-6.96	5.45
Nigeria - naira	305.50	305.08	306.40	0.43	0.43	0.43	0.43

*The US dollar has been used as the official currency since 2009.

Sources: Bloomberg; and XE website (www.xe.com).

Table 4.2 Africa: Exchange Rate Developments, 2017–19 (per US\$, unless otherwise indicated)

	2017	2018	2019	Percentage change between		Percentage change between	
	(1)	(2)	(3)	(2) & (1)	(3) & (2)	(2) & (1)	(3) & (2)
Rwanda - franc	837.82	861.09	899.35	3.22	4.44	3.22	4.44
São Tomé and Príncipe - dobra	21.90	21.00	22.00	-0.90	4.76	-0.90	4.76
Senegal - franc	547.00	555.70	585.90	-12.25	5.43	-12.25	5.43
Seychelles - rupee	13.65	13.91	14.03	2.19	0.86	2.19	0.86
Sierra Leone - leone	7,384.00	7,931.60	7,010.20	35.11	-11.62	35.11	-11.62
Somalia - shilling	578.46	577.84		-97.59	-100.00	-97.59	-100.00
South Africa - rand	12.38	14.38	13.97	-9.88	-2.85	-9.88	-2.85
South Sudan - pound	6.85	n/a		5.72	0.00	5.72	0.00
Sudan - pound	6.85	47.50	45.11	5.72	-5.03	5.72	-5.03
Tanzania - shilling	2,229.00	2,283.00	2,291.00	2.53	0.35	2.53	0.35
Togo - franc	580.00	555.70	586.00	-6.96	5.45	-6.96	5.45
Tunisia - dinar	2.48	2.65	2.80	7.81	5.66	7.81	5.66
Uganda - shilling	3,640.00	3,722.00	3,704.00	1.05	-0.48	1.05	-0.48
Zambia - kwacha	9.53	11.92	14.11	-4.30	18.37	-4.30	18.37
Zimbabwe - US dollar*	1.00	1.00	22.00	0.00	2,100.00	0.00	2,100.00

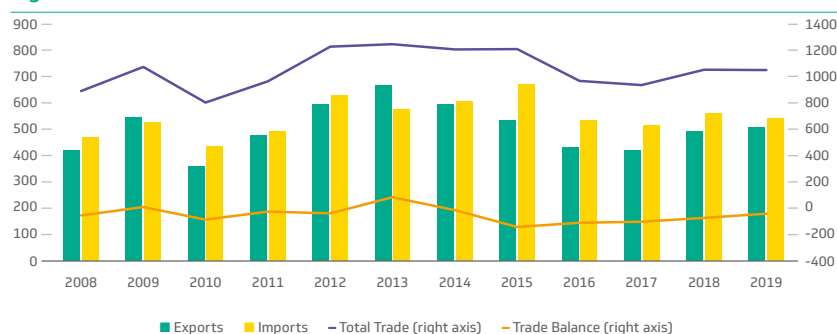
*The US dollar has been used as the official currency since 2009.

Sources: Bloomberg; and XE website (www.xe.com).

4.4 AFRICA'S TRADE

Major African exporting countries felt the impact of a challenging global environment characterized by escalating trade tensions, contracting global demand, and weakening global growth. The continent's merchandise trade, which grew by 12.28 percent to US\$1,050.86 billion in 2018 from US\$935.95 billion in 2017, lost momentum, declining by 0.13 percent to US\$1,049.51 billion in 2019 (Figure 4.3 and Table 4.3). The marginal decline in Africa's merchandise trade is due to a host of factors, including protracted trade disputes which fuelled policy uncertainties and weighed on investments, alongside the continued slowdown of the Chinese economy, which dampened global demand for commodities and slowed the growth in the continent's merchandise exports.

Figure 4.3. Trends in Africa's merchandise trade, 2008–2019 (US\$ billion)



Sources: IMF Direction of Trade Statistics (DOTS), 2020, Afreximbank Research.

Trade & Trading Environment

Table 4.3 Africa's Merchandise Trade (US\$ Billion)

	Merchandise Exports (US\$ Billion)			Growth Rate (%)		Share of Merchandise Exports (%)			Merchandise Imports (US\$ Billion)			Growth Rate (%)	
	2017	2018	2019	2018	2019	2017	2018	2019	2017	2018	2019	2018	2019
Algeria	35.15	41.17	44.98	17.13	9.26	8.38	8.39	8.88	50.13	49.63	33.03	-0.99	-33.45
Angola	33.72	40.53	48.31	20.19	19.21	8.04	8.26	9.54	15.49	13.84	12.62	-10.66	-8.85
Benin	0.75	0.95	0.98	27.19	2.85	0.18	0.19	0.19	3.06	3.28	2.71	7.12	-17.35
Botswana	5.91	6.37	4.82	7.83	-24.46	1.41	1.30	0.95	5.37	6.28	8.12	16.81	29.44
Burkina Faso	2.79	3.20	3.24	14.86	1.08	0.66	0.65	0.64	3.72	4.24	3.57	13.89	-15.71
Burundi	0.15	0.17	0.33	13.30	95.39	0.04	0.03	0.07	0.78	0.79	0.89	1.30	11.90
Cameroon	3.27	3.91	4.61	19.57	18.12	0.78	0.80	0.91	5.20	5.80	5.30	11.63	-8.68
Cape Verde	0.06	0.08	0.07	28.08	-8.98	0.01	0.02	0.01	0.79	0.81	0.91	2.65	11.30
Central African Rep.	0.20	0.37	0.35	83.01	-4.50	0.05	0.07	0.07	0.42	0.49	0.51	16.15	5.56
Chad	1.22	1.65	1.29	34.88	-21.91	0.29	0.34	0.25	0.58	0.86	1.05	47.37	22.44
Comoros	0.04	0.05	0.05	20.14	4.75	0.01	0.01	0.01	0.21	0.23	0.20	9.84	-12.27
Congo, Dem. Rep.	11.76	15.97	17.74	35.81	11.09	2.80	3.25	3.50	11.98	14.97	15.81	24.93	5.61
Congo, Rep.	7.80	10.54	9.77	35.12	-7.27	1.86	2.15	1.93	4.56	3.73	3.39	-18.26	-9.21
Côte d'Ivoire	12.61	11.80	11.39	-6.42	-3.48	3.01	2.40	2.25	9.63	11.00	11.83	14.22	7.49
Djibouti	0.27	0.30	0.25	9.03	-18.05	0.07	0.06	0.05	1.21	1.16	1.48	-4.06	26.89
Egypt, Arab Rep. of	23.30	28.54	29.93	22.50	4.86	5.55	5.81	5.91	59.47	67.80	68.04	14.01	0.36
Equatorial Guinea	4.89	6.01	4.58	22.88	-23.78	1.17	1.22	0.90	0.89	1.11	1.06	24.43	-4.26
Eritrea	0.26	0.54	0.64	108.54	19.46	0.06	0.11	0.13	0.36	0.34	0.31	-6.82	-7.32
Eswatini, Kingdom of	1.80	1.85	2.00	2.29	8.60	0.43	0.38	0.40	1.62	1.87	1.85	15.42	-1.32
Ethiopia	4.22	4.00	4.51	-5.14	12.83	1.00	0.81	0.89	18.32	17.77	17.86	-2.99	0.47
Gabon	3.94	5.29	5.61	34.32	5.99	0.94	1.08	1.11	2.31	2.35	2.41	1.61	2.45
Gambia, The	0.02	0.01	0.02	-41.62	60.79	0.01	0.00	0.00	0.55	0.50	0.56	-8.11	11.64
Ghana	14.36	17.10	18.04	19.09	5.51	3.42	3.48	3.56	12.72	11.88	11.66	-6.59	-1.86
Guinea	3.05	3.87	4.43	26.66	14.51	0.73	0.79	0.87	2.61	2.76	2.60	5.71	-5.79
Guinea-Bissau	0.36	0.16	0.33	-56.65	115.21	0.09	0.03	0.07	0.29	0.28	0.29	-4.68	3.64
Kenya	5.75	6.05	5.55	5.32	-8.25	1.37	1.23	1.10	16.68	17.43	14.74	4.46	-15.39
Lesotho	1.03	1.20	1.16	16.41	-3.21	0.25	0.24	0.23	1.83	1.87	1.52	2.56	-18.91
Liberia	1.44	0.48	0.34	-66.80	-29.03	0.34	0.10	0.07	3.95	1.16	1.36	-70.75	17.51
Libya	13.12	21.49	20.11	63.82	-6.42	3.13	4.38	3.97	6.04	8.29	10.31	37.15	24.42
Madagascar	2.77	2.97	2.26	7.17	-23.97	0.66	0.61	0.45	3.68	3.90	3.51	6.25	-10.11
Malawi	0.89	0.96	1.15	7.40	20.11	0.21	0.19	0.23	2.55	2.47	2.52	-3.22	2.24
Mali	1.91	2.05	2.27	7.18	10.96	0.45	0.42	0.45	4.35	4.62	4.66	6.36	0.73
Mauritania	2.00	1.65	1.90	-17.33	15.05	0.48	0.34	0.38	3.52	3.91	4.08	10.88	4.37
Mauritius	2.09	2.00	1.89	-4.02	-5.66	0.50	0.41	0.37	5.25	5.68	5.61	8.18	-1.23
Morocco	24.59	27.64	26.67	12.44	-3.51	5.86	5.63	5.27	44.57	50.73	49.42	13.84	-2.58
Mozambique	4.71	5.22	5.06	10.78	-3.05	1.12	1.06	1.00	5.71	6.80	8.70	19.06	28.07
Namibia	5.18	7.52	7.09	45.15	-5.69	1.23	1.53	1.40	6.72	8.99	9.01	33.77	0.19
Niger	0.95	0.49	0.67	-48.41	37.41	0.23	0.10	0.13	1.86	1.90	2.51	2.15	32.06
Nigeria	49.16	66.30	65.81	34.86	-0.73	11.72	13.51	13.00	35.13	42.23	43.25	20.20	2.41
Rwanda	0.66	0.85	0.53	28.17	-37.75	0.16	0.17	0.10	1.78	2.93	3.13	64.60	6.81
São Tomé and Príncipe	0.01	0.01	0.01	19.74	-25.96	0.00	0.00	0.00	0.15	0.15	0.14	0.88	-8.45
Senegal	2.48	3.04	4.34	22.84	42.80	0.59	0.62	0.86	6.01	7.09	8.15	17.84	14.95
Seychelles	0.60	0.77	0.71	28.68	-7.23	0.14	0.16	0.14	1.35	1.14	1.44	-15.72	26.50
Sierra Leone	0.12	0.09	0.12	-25.29	29.83	0.03	0.02	0.02	1.08	1.08	1.12	0.53	3.09
Somalia	0.48	0.55	0.62	15.16	13.36	0.11	0.11	0.12	2.81	2.92	3.52	3.79	20.55
South Africa	89.42	94.33	89.97	5.49	-4.62	21.31	19.22	17.77	88.10	98.70	93.37	12.03	-5.39
South Sudan	1.26	1.59	1.55	26.36	-2.51	0.30	0.32	0.31	0.69	0.64	0.78	-6.88	22.05
Sudan	4.10	3.48	10.30	-15.02	195.48	0.98	0.71	2.03	9.16	7.85	9.31	-14.33	18.62
Tanzania	3.85	3.67	5.48	-4.81	49.29	0.92	0.75	1.08	10.00	8.52	10.90	-14.85	28.05
Togo	0.87	1.05	1.61	21.63	52.88	0.21	0.21	0.32	1.64	1.62	1.20	-0.87	-25.83
Tunisia	14.20	15.53	16.06	9.37	3.36	3.38	3.16	3.17	20.65	22.63	22.13	9.54	-2.19
Uganda	2.91	2.95	3.48	1.36	18.08	0.69	0.60	0.69	5.67	6.82	7.48	20.41	9.63
Zambia	8.25	9.05	7.03	9.78	-22.35	1.96	1.84	1.39	8.69	9.46	7.23	8.83	-23.58
Zimbabwe	2.96	3.44	4.27	16.54	24.01	0.70	0.70	0.84	4.42	4.73	4.06	7.13	-14.18
Total	419.63	490.84	506.29	16.97	3.15	100.00	100.00	100.00	516.33	560.02	543.22	8.46	-3.00

Share of Merchandise Imports (%)			Total Merchandise Trade (US\$ Billion)			Growth Rate (%)		Share of Total Merchandise Trade (%)			Trade Balance		
2017	2018	2019	2017	2018	2019	2018	2019	2017	2018	2019	2017	2018	2019
9.71	8.86	6.08	85.27	90.80	78.01	6.48	-14.08	9.11	8.64	7.43	-14.98	-8.46	11.95
3.00	2.47	2.32	49.21	54.37	60.93	10.48	12.07	5.26	5.17	5.81	18.23	26.69	35.70
0.59	0.59	0.50	3.81	4.23	3.69	11.07	-12.79	0.41	0.40	0.35	-2.31	-2.32	-1.73
1.04	1.12	1.50	11.28	12.65	12.94	12.11	2.28	1.21	1.20	1.23	0.54	0.10	-3.31
0.72	0.76	0.66	6.51	7.44	6.81	14.30	-8.48	0.70	0.71	0.65	-0.93	-1.04	-0.33
0.15	0.14	0.16	0.93	0.96	1.22	3.22	26.58	0.10	0.09	0.12	-0.63	-0.62	-0.56
1.01	1.04	0.98	8.46	9.71	9.91	14.69	2.10	0.90	0.92	0.94	-1.93	-1.90	-0.69
0.15	0.15	0.17	0.85	0.89	0.98	4.47	9.52	0.09	0.08	0.09	-0.73	-0.74	-0.84
0.08	0.09	0.09	0.62	0.85	0.86	37.73	1.25	0.07	0.08	0.08	-0.22	-0.12	-0.16
0.11	0.15	0.19	1.81	2.51	2.34	38.91	-6.72	0.19	0.24	0.22	0.64	0.79	0.24
0.04	0.04	0.04	0.25	0.28	0.25	11.46	-9.39	0.03	0.03	0.02	-0.17	-0.18	-0.15
2.32	2.67	2.91	23.74	30.94	33.55	30.32	8.43	2.54	2.94	3.20	-0.23	0.99	1.92
0.88	0.67	0.62	12.36	14.27	13.16	15.42	-7.78	1.32	1.36	1.25	3.24	6.81	6.39
1.87	1.96	2.18	22.25	22.81	23.22	2.52	1.81	2.38	2.17	2.21	2.98	0.80	-0.43
0.23	0.21	0.27	1.49	1.46	1.72	-1.64	17.68	0.16	0.14	0.16	-0.94	-0.86	-1.23
11.52	12.11	12.53	82.76	96.34	97.97	16.40	1.69	8.84	9.17	9.33	-36.17	-39.26	-38.12
0.17	0.20	0.20	5.78	7.11	5.64	23.12	-20.74	0.62	0.68	0.54	4.00	4.90	3.52
0.07	0.06	0.06	0.62	0.87	0.95	41.38	9.18	0.07	0.08	0.09	-0.10	0.20	0.33
0.31	0.33	0.34	3.43	3.72	3.85	8.50	3.61	0.37	0.35	0.37	0.18	-0.03	0.16
3.55	3.17	3.29	22.54	21.77	22.37	-3.40	2.74	2.41	2.07	2.13	-14.11	-13.78	-13.35
0.45	0.42	0.44	6.25	7.64	8.02	22.22	4.90	0.67	0.73	0.76	1.63	2.94	3.20
0.11	0.09	0.10	0.57	0.52	0.59	-9.50	12.96	0.06	0.05	0.06	-0.53	-0.49	-0.54
2.46	2.12	2.15	27.08	28.98	29.70	7.03	2.49	2.89	2.76	2.83	1.64	5.22	6.38
0.51	0.49	0.48	5.66	6.62	7.02	17.01	6.06	0.60	0.63	0.67	0.44	1.11	1.83
0.06	0.05	0.05	0.65	0.43	0.62	-33.32	43.62	0.07	0.04	0.06	0.07	-0.12	0.05
3.23	3.11	2.71	22.43	23.48	20.30	4.68	-13.55	2.40	2.23	1.93	-10.94	-11.37	-9.19
0.35	0.33	0.28	2.86	3.07	2.68	7.56	-12.78	0.31	0.29	0.26	-0.79	-0.67	-0.36
0.77	0.21	0.25	5.39	1.63	1.70	-69.69	3.93	0.58	0.16	0.16	-2.52	-0.68	-1.02
1.17	1.48	1.90	19.16	29.78	30.42	55.41	2.17	2.05	2.83	2.90	7.08	13.20	9.80
0.71	0.70	0.65	6.45	6.88	5.77	6.64	-16.10	0.69	0.65	0.55	-0.90	-0.93	-1.25
0.49	0.44	0.46	3.44	3.42	3.67	-0.47	7.22	0.37	0.33	0.35	-1.66	-1.51	-1.37
0.84	0.83	0.86	6.25	6.67	6.93	6.61	3.87	0.67	0.63	0.66	-2.44	-2.58	-2.39
0.68	0.70	0.75	5.52	5.56	5.98	0.67	7.54	0.59	0.53	0.57	-1.53	-2.25	-2.18
1.02	1.01	1.03	7.34	7.68	7.50	4.71	-2.39	0.78	0.73	0.71	-3.17	-3.68	-3.72
8.63	9.06	9.10	69.15	78.38	76.10	13.34	-2.91	7.39	7.46	7.25	-19.98	-23.09	-22.75
1.11	1.21	1.60	10.42	12.01	13.76	15.31	14.56	1.11	1.14	1.31	-1.00	-1.58	-3.65
1.30	1.61	1.66	11.90	16.51	16.10	38.72	-2.49	1.27	1.57	1.53	-1.54	-1.47	-1.91
0.36	0.34	0.46	2.81	2.39	3.18	-14.89	33.15	0.30	0.23	0.30	-0.92	-1.41	-1.84
6.80	7.54	7.96	84.30	108.53	109.06	28.75	0.49	9.01	10.33	10.39	14.03	24.07	22.56
0.35	0.52	0.58	2.44	3.78	3.66	54.75	-3.17	0.26	0.36	0.35	-1.12	-2.09	-2.61
0.03	0.03	0.03	0.16	0.16	0.15	2.20	-9.89	0.02	0.02	0.01	-0.14	-0.14	-0.13
1.16	1.27	1.50	8.49	10.13	12.49	19.30	23.31	0.91	0.96	1.19	-3.54	-4.05	-3.80
0.26	0.20	0.26	1.94	1.90	2.15	-2.12	12.92	0.21	0.18	0.20	-0.75	-0.37	-0.73
0.21	0.19	0.21	1.20	1.17	1.23	-2.08	5.16	0.13	0.11	0.12	-0.96	-0.99	-1.00
0.54	0.52	0.65	3.29	3.47	4.14	5.44	19.41	0.35	0.33	0.39	-2.33	-2.37	-2.89
17.06	17.62	17.19	177.52	193.02	183.34	8.73	-5.02	18.97	18.37	17.47	1.32	-4.37	-3.41
0.13	0.11	0.14	1.95	2.23	2.34	14.59	4.55	0.21	0.21	0.22	0.57	0.95	0.77
1.77	1.40	1.71	13.26	11.33	19.61	-14.54	73.00	1.42	1.08	1.87	-5.06	-4.37	0.98
1.94	1.52	2.01	13.85	12.18	16.38	-12.06	34.44	1.48	1.16	1.56	-6.15	-4.85	-5.43
0.32	0.29	0.22	2.50	2.68	2.81	6.93	5.19	0.27	0.25	0.27	-0.77	-0.57	0.41
4.00	4.04	4.07	34.86	38.16	38.19	9.47	0.07	3.72	3.63	3.64	-6.45	-7.09	-6.07
1.10	1.22	1.38	8.58	9.77	10.96	13.94	12.18	0.92	0.93	1.04	-2.76	-3.87	-4.00
1.68	1.69	1.33	16.94	18.51	14.26	9.29	-22.98	1.81	1.76	1.36	-0.45	-0.41	-0.20
0.86	0.85	0.75	7.37	8.18	8.33	10.90	1.90	0.79	0.78	0.79	-1.46	-1.29	0.21
100.00	100.00	100.00	935.95	1,050.86	1,049.51	12.28	-0.13	100.00	100.00	100.00	-96.70	-69.19	-36.93

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In a region where oil accounts for over 37 percent of total exports, continued volatility in crude oil prices, which contracted by almost 10 percent to about US\$64.2 per barrel in 2019 from about US\$71.7 in 2018, adversely impacted trade performance during the year (Table 4.3). Much of the impact was felt by leading oil exporters, notably Algeria, Chad, the Republic of Congo, Equatorial Guinea, and Nigeria. For instance, Algeria, Africa's third largest oil exporter, suffered a 14.08 percent decline in its total merchandise trade, from US\$90.8 billion in 2018 to US\$78.01 billion in 2019. Equatorial Guinea, the hardest hit among Africa's oil exporters, experienced a 20.74 percent decline in its total merchandise trade from US\$7.11 billion in 2018 to US\$5.64 billion in 2019. The decline in revenues from oil exports, which account for about 66.5 percent of total exports, had significant dampening effects on Equatorial Guinea's merchandise exports, which dropped by 23.78 percent in 2019 (Table 4.3).

Similarly, the Republic of Congo saw its merchandise trade decline by 7.78 percent in 2019, after an expansion of 15.42 percent in 2018, driven by a 7.27 percent contraction in merchandise exports in 2019. A similar trend was recorded in Chad, where a sharp drop in oil prices led to a 21.91 percent decline in merchandise exports during the year. Despite the strong growth in merchandise imports, the country's total merchandise trade declined by 6.72 percent. Nigeria, Africa's largest economy and biggest oil exporter, recorded less than 1 percent growth in total merchandise trade because of a 0.73 percent decline in its exports.

Despite the drop in export revenues in these countries, the group of net oil exporters saw their exports grow by about 3.88 percent in 2019. This fades in comparison to the 29.51 percent growth achieved in 2018, in part because Algeria and Angola, Africa's two largest oil exporters after Nigeria, recorded growth rates of 9.26 percent and 19.21 percent in their exports, respectively.

Subdued global demand for other major commodities of export interest to Africa, especially in the agricultural and metal/mineral sectors including coffee, cotton, palm oil, tea, aluminium, platinum, copper, and lead, put pressure on Africa's total merchandise exports. The pressure arose largely from escalated trade tensions and other challenges in some developed and developing economies during the review period. Global demand grew marginally by about 3.15 percent to US\$506.29 billion in 2019, significantly down from 16.97 percent growth recorded in the region's exports in 2018.

The sharp deceleration in Africa's exports was driven by poor performance of both oil exporters and non-oil exporters. Specifically, two of Africa's six largest trading economies, namely Morocco and South Africa, which account for over 18.26 percent of the continent's total exports, weighed on Africa's aggregate exports. The exports of these countries declined by 3.51 percent and 4.62 percent, respectively, in 2019. Several other non-oil exporters contributed to drag the region's total merchandise exports, including Botswana (-24.46 percent), Côte d'Ivoire (-3.48 percent), Kenya (-8.25 percent), Namibia (-5.69 percent), and Zambia (-22.35 percent) (Table 4.3).

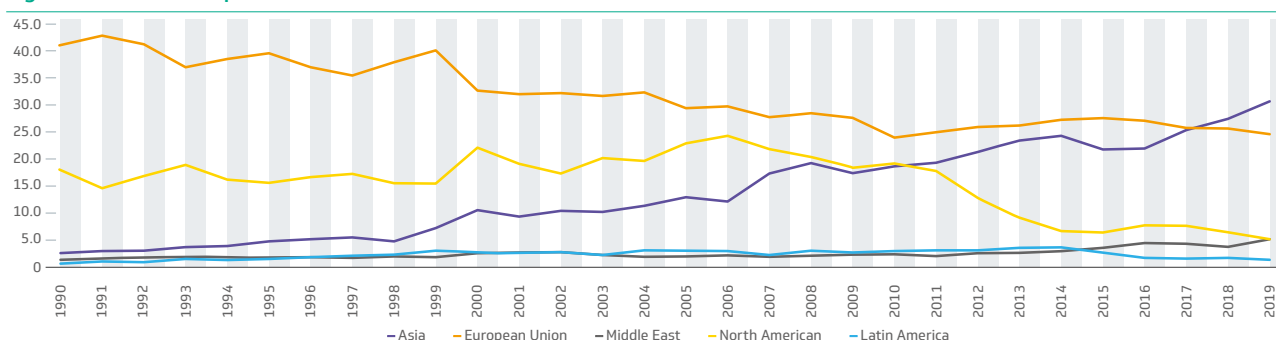
Another factor that constrained Africa's merchandise exports was limited access to financing, especially trade finance, in a region where trade financing gaps have been significant AfDB and Afreximbank (2020). Perceptions of the African business environment as risky, coupled with a stringent global regulatory environment, led several international financial institutions to either scale down their correspondent banking services or provide trade finance under strict terms and shorter tenor. Further, protracted infrastructure and logistical constraints, limited processing capacity, and continued overwhelming dominance of primary commodities in Africa's exports, alongside stringent technical barriers to international markets, put pressure on the region's merchandise exports during the year.

On the import side, Africa suffered a decline in 2019 after recording strong growth in 2018. As shown in Table 4.3, the continent's merchandise imports grew by 8.46 percent to US\$560.02 billion in 2018, then declined by 3 percent to US\$543.22 billion in 2019. The decline in Africa's merchandise imports in 2019 reflects several factors, including challenges in accessing trade finance, liquidity constraints, exchange rate risks, and falling foreign exchange reserves, which have been exacerbated by the sharp depreciation of local currencies.

The group of net oil exporters suffered the largest loss, with their imports dropping sharply by 12.23 percent to US\$107.11 billion in 2019 from US\$122.03 in 2018, led by significant declines in Algeria (33.45 percent), Angola (8.85 percent), the Republic of Congo (9.21 percent), and Equatorial Guinea (4.26 percent). Net oil importers showed more resilience, with their aggregate imports declining by less than 1 percent during the year. While merchandise exports grew by 3.15 percent, imports declined by 3 percent. This compressed the trade deficit, which narrowed to US\$36.93 billion in 2019, significantly down from US\$69.19 billion in 2018.

Although Africa continues to deploy policies and initiatives to improve its position in world trade, the continent remained a small player in trade on the global stage. Its share of global trade has stagnated around 2.7 percent during the last three years. In this regard, it is critical to ensure that practical measures, including incentives and investment aimed at improving trade-related infrastructure and logistics, as well as increasing processing and manufacturing capacity are implemented to broaden the sources of growth and shift the patterns of African trade. These will be especially important during the implementation of the AfCFTA to develop regional value chains and accelerate Africa's integration into the global economy dominated by manufactured products.

Figure 4.4. Africa's export destinations (%)



Source: International Monetary Fund (Direction of Trade Statistics), 2020.

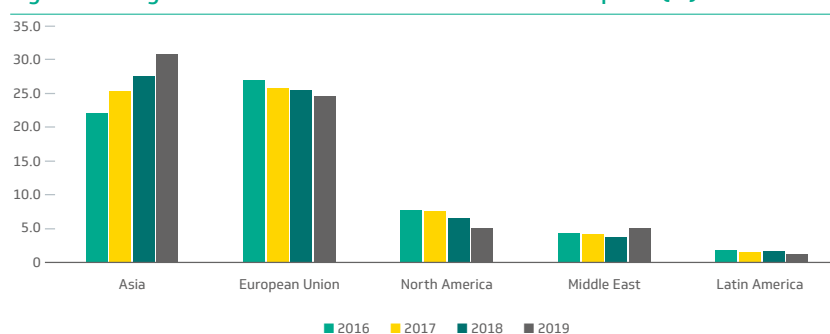
Regarding export destinations, Africa has historically traded more with Europe, particularly with the European Union (EU) than any other region in the world. However, this trend has been gradually changing as African countries diversify their trading partners towards other developing regions, particularly Asia. At the same time, growth stagnation in the EU largely triggered by the 2008-09 global financial crisis and exacerbated by the fiscal and sovereign debt crisis, has reduced the EU's demand capacity for Africa's commodities in recent years. Accordingly, the share of Africa's merchandise exports to the EU, which averaged about 40 percent during the 1990s, has been declining steadily to average about 29.80 percent in the

decade 2000-10 and 26.06 percent 2011-19, while Asia's share has seen a spectacular increase from just about 4.3 percent to 13.6 percent and 23.96 percent, respectively, during the same periods (Figure 4.4).

The growing trade ties between Africa and Asia reached a turning point in 2018, when Asia's share of Africa's exports reached 27.43 percent, exceeding for the first time the share of Africa's exports to Europe – 25.55 percent. That trend continued in 2019 with the deepening trade ties between Africa and Asia and the steady decline in Africa's exports to Europe. The share of Africa's exports to Asia increased to 30.79 percent while the EU's share decreased to 24.6 (Figure 4.5).

China and India have been the main drivers of the rising trade relationships between Africa and Asia. In effect, Africa's merchandise exports to Asia grew by 17.52 percent to US\$141.13 billion in 2019, from US\$120.36 billion in 2018 and US\$96.66 billion in 2017. Of these, the share to China has remained above 50 percent during the last three years and grew to 56 percent in 2019, from 51 percent in 2018 and 52 percent in 2017. At the same time, China's share of Africa's total merchandise exports to the world also increased steadily to 17 percent in 2019 from 14 percent in 2018 and 13 percent in 2017, consolidating its position as Africa's single largest trading partner. The decline in imports from China enabled Africa to enjoy a trade surplus of US\$4.5 billion in 2019 from the deficits of US\$12.9 billion in 2018 and US\$17.7 billion in 2017 (Figure 4.6).

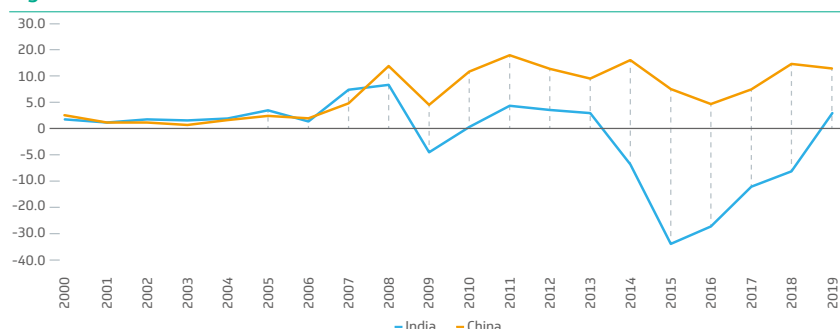
Figure 4.5. Regional distribution of Africa's merchandise exports (%)



Source: International Monetary Fund (Direction of Trade Statistics), 2020.

Trade & Trading Environment

Figure 4.6. Africa's trade balance (US\$ billion)

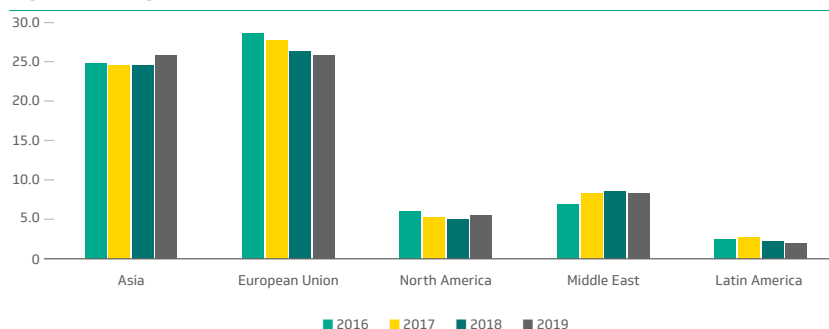


Source: International Monetary Fund (Direction of Trade Statistics), 2020.

India's share of Africa's exports to Asia has remained high over the last three years, though it decelerated to 30 percent in 2019 from about 35 percent in 2018 and 34 percent in 2017. Its share of Africa's total merchandise exports to the world has stabilized, averaging around 10 percent between 2017 and 2019, from 8 percent in 2016. Since the 1990s, Africa's exports to India have always exceeded imports, enabling the continent to enjoy a trade surplus which reached US\$17.9 billion in 2019, down

from US\$19.43 billion in 2018 (Figure 4.6). Although it decelerated slightly, the combined share of China and India in Africa's exports to Asia was 86 percent, consistent with performance over the last three years. Their combined share in Africa's exports to the world has increased steadily during the last four years to 27 percent in 2019 from 24 percent in 2018, 22 percent in 2017, and 19 percent in 2016, consolidating the position of these countries as Africa's single largest trading partners.

Figure 4.7. Regional distribution of Africa's merchandise imports (%)



Source: International Monetary Fund (Direction of Trade Statistics), 2020.

A similar pattern is also observed in the sourcing of imports by African countries. Even though the EU has historically been the largest market for Africa's imports, its share of total African imports has been decreasing steadily. As a source of Africa's imports, Asia has virtually become as important as the EU. In effect, while the EU accounted for over 40 percent of Africa's imports throughout the 1990s, 2000 was the turning point where the EU's position as the leading source for Africa's imports began to weaken while Asia's position continued to strengthen. Hence, over the last three years, Africa's share of imports from the EU decreased steadily to reach 25.63 percent in 2019, from 26.03 percent in 2018 and 27.41 percent in 2017. In contrast, Africa's imports from Asia have increased steadily and accounted for 25.45 percent of total African imports in 2019, up from 24.37 percent in 2018 and 24.34 percent in 2017 (Figure 4.7).

This geographical shift in Africa's sources of imports arose largely from several factors, including protracted economic difficulties in the EU characterized by slow growth and declining industrial production and manufacturing output, contrasted with robust economic growth in Asia boosted by rapid technological advancement and innovation with low input cost, which have turned Asia into the world's factory. Africa's imports from Asia are increasingly dominated by machinery and electrical appliances, electronics, and mineral fuels and oil with a combined share averaging 36.01 between 2018 and 2019 (Figure 4.7). However, the EU remained Africa's most important source of machinery and mechanical appliances, mineral fuels and oil, and vehicles and parts, with a combined share averaging around 38.5 percent during the same period. During the last two years, Africa's exports to Asia have grown faster than imports, enabling the continent to enjoy surpluses of US\$22.6 billion in 2019, from US\$2.6 billion in 2018, while it recorded deficits of US\$6.63 billion and US\$13.62 billion with the EU during the same period.

North America maintained its position as Africa's third largest export destination after the EU and Asia, accounting for 5.11 percent of total Africa's exports in 2019, down from 6.47 percent in 2018 and 7.61 percent in 2017 (Figures 4.4 and 4.5). The weakening in North America's position is due in part to the steady decline of Africa's exports to the United States as the rise in shale oil put the country on a path of energy independence and dramatically cut its imports of oil from African countries. However, Africa's imports from North America increased slightly by 5.49 percent in 2019, from 5.08 percent in 2018, largely as urbanization, private consumption and large infrastructure projects continued to rise in the continent. Africa's imports from North America are dominated by machinery and mechanical appliances, aircraft, spacecraft, and parts, and vehicles and parts (Figure 4.8). Africa recorded a trade

deficit of US\$2.15 billion with North America in 2019 after a surplus of US\$3.85 billion in 2018.

Trade between Latin America and Africa remains marginal. The share of Africa's exports to Latin America were estimated at just about 1.29 percent in 2019, down from the 1.74 percent recorded in 2018. The low performance largely arose from protracted economic challenges in that region, particularly in Brazil, the region's largest economy where persistent challenges with governance and political uncertainty are undermining the recovery process. The share of Africa's imports to Latin America followed a similar trend, decelerating to 1.99 percent in 2019 from 2.32 percent in 2018. Nonetheless, the region remained an important source of cereals, sugar, and meat. Africa recorded its fifth straight year of deficit of US\$3.37 billion in 2019 from US\$3.53 billion in 2018.

The share of the Middle East as a destination for Africa's exports expanded by 4.99 percent in 2019 after declining by 3.72 percent in 2018. The increase in the share of exports to the Middle East arose largely as a result of strengthening economic cooperation between the two regions, especially with member states of the Gulf Cooperation Council. Regarding imports, the Middle East maintained its position as the third largest source of imports for the African continent even though its share decreased slightly to 8.19 percent in 2019 from 8.41 percent in 2018. That region remained the leading source for Africa's import products related to mineral fuels, bituminous substances, and plastics. During the last three decades, Africa's imports have consistently exceeded exports, resulting in a trade deficit of US\$15.23 billion in 2019, from US\$24.32 billion in 2018.

The challenging global economic and trading environment characterised by an escalating trade war resulted in a contraction of 0.13 percent in total African merchandise trade in 2019. The combination of global demand and supply shocks triggered by the coronavirus pandemic has led to a major contraction of global trade in the first and second quarter of 2020 (IMF, 2020). Forecasts point to global trade contracting by 9.2 percent in 2020, with knock-on effects on African trade. Already falling commodity prices and demand resulted in a massive contraction of African exports in the first quarter of 2020.

Figure 4.8 Africa's sources of imports, by region and product group (%)



Sources: International Monetary Fund (Direction of Trade Statistics), 2020; International Trade Centre (Trade Map), 2020.



Chapter Five

Dynamics in Commodity Markets

5.1 TRADE WAR AND DYNAMICS IN COMMODITY MARKETS

Commodity market dynamics are a key driver of growth in Africa, where commodity-exporting countries still account for the lion's share of GDP and export earnings. As a result, African trade and growth have been highly correlated to movements in commodity markets. Historically, volatility in those markets and

the deterioration of commodity terms of trade have heightened uncertainty and exacerbated macroeconomic volatility. That has widened both fiscal and current account deficits in Africa's highly commodity-dependent economies and provided strong rationale for African economic policymakers to track and monitor developments in global commodity markets.

US-China trade war, in which sweeping tariffs and other trade barriers were imposed by the two countries against each other. Overall, an estimated US\$735 billion of Chinese and US products were subjected to new tariffs in 2019. Prices of crude oil, soybeans, and other commodities were directly affected by weak demand emanating from the slowdown in China's demand for US exports, resulting in a drag on global economic activity and on the performance of a large swath of commodities in agricultural, metal, and energy markets.

Nonetheless, despite deep troughs in May and September, agricultural commodity prices began and ended 2019 at about the same level.

The soybean complex—soybeans, soybean oil and soybean meal—was at the heart of the trade war that began in July 2018, when the US imposed 25% tariffs targeted at US\$34 billion worth of Chinese goods. China, the world's largest buyer of several agriculture products, including soybeans, hit back with higher duties on American products. And at one point, China halted purchases of U.S. soybeans entirely, shifting eighty percent of its demand for soybeans to Brazil, the world's largest soy producer and exporter. In the last quarter of 2019, after the US exempted some Chinese products from the tariffs, some Chinese processors resumed imports of soybeans from the US.

That late surge helped soybean prices close the year at 944 cents per pound, up 5 percent compared to prices at the start of 2019.

Figure 5.1 Bloomberg Commodity Index

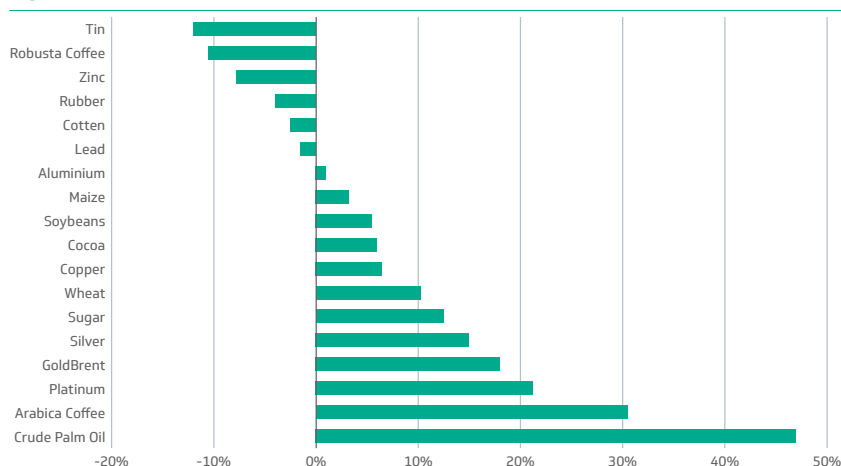


Source: Bloomberg

Global commodity prices rose sharply at the start of 2019, recovering from the lacklustre performance that characterized markets at the tail end of 2018. They stabilized for the rest of the year and, according to the Bloomberg Commodity Index, averaged 79.4 in 2019 compared with 86.2 in 2018.

Although many commodities of export interest to Africa were generally well supported, the market performance of the entire commodity complex was restrained by a combination of high inventories and weaker demand, and deeply impacted by rising trade tensions between the United States and China.

Figure 5.2 Annual Commodity Performance, %



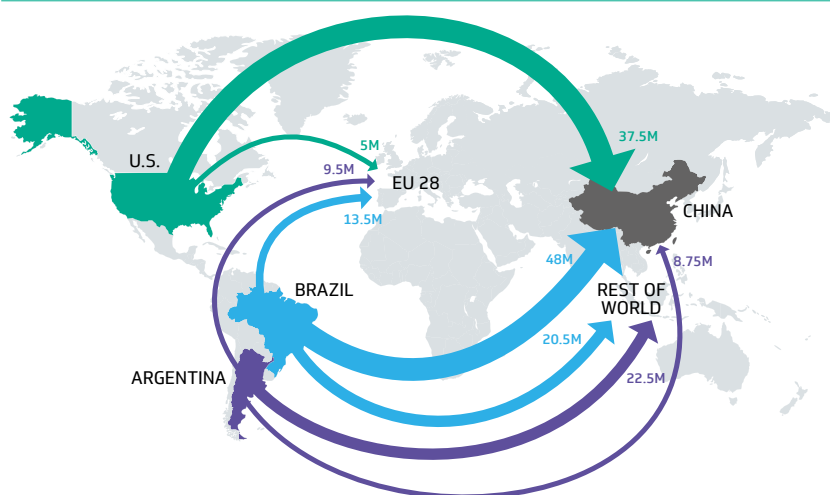
Source: Bloomberg, Afreximbank Research.

Indeed, throughout 2019, commodity

markets were severely affected by the

Dynamics in Commodity Markets

Figure 5.3. Soybean destinations, 2017-2018 (metric tonnes)



Source: Rabobank.

Prices of the two principle varieties of **Coffee** varied sharply in 2019. Prices of Robusta coffee, made from beans of the plant *Coffea canephora* and grown primarily in Africa and Southeast Asia, were weak for most of the year. The price drop was associated with rising inventories which climbed to their highest since 2014, due to excess supply

from Vietnam and Uganda. Although a supply response to low prices helped tighten output towards the end of the year, boosting prices, overall prices of Robusta plunged to their deepest valuation in more than a decade and ended 2019 10 percent lower than at the start of the year.

Figure 5.4 Arabica premium over Robusta



Source: Bloomberg, Afreximbank Research.

In contrast, the price of Arabica coffee reached its highest level since 2017 as exports slumped from Brazil, the world's top producer and exporter. The decrease in exports from the coffee powerhouse was due to the depletion of residual inventories from last season's bumper crop. Strong physical demand was complemented by active investor buying, as fundamentals for Arabica were expected to strengthen through to 2020. This was supported by projections from the International Coffee Organization, which forecasted that world coffee production in the 2019/20 season would decrease by 0.9 percent, to 167.4 million bags. This decline was partly attributed to a 2.7 percent decline in Arabica output to 95.68 million bags due to Brazil's biennial crop cycle—in contrast to Robusta production which was forecast to rise by 1.5 percent to 71.72 million bags. That moved coffee market from a surplus of 3.7 million bags in the 2018/19 season to a deficit of 0.5 million bags in the 2019/20 season.

Cotton prices fell sharply in the first half of the year, with demand affected by escalating global trade tensions. The price drop was exacerbated by ample production of the commodity by the US, the largest exporter of cotton in the world. Prices reversed their decline in the fourth quarter of the year, fueled by stronger-than-expected demand and a growth in trader confidence as trade tensions abated between the US and China, the largest global consumer of cotton. Cotton prices ended the year just three percent lower than at the close of 2018.

Table 5.1. World coffee supply/demand balance (thousands of 60kg bags)

Coffee year (October to September)	2015	2016	2017	2018	2019*	% change 18/19 to 19/20
PRODUCTION	154,996	158,625	160,370	169,001	167,399	-0.9%
Arabica	91,181	100,776	96,698	98,328	95,680	-2.7%
Robusta	63,181	57,849	63,672	70,673	71,718	1.5%
Africa	15,756	16,729	17,370	18,304	18,201	-0.6%
Asia and Oceania	49,484	45,654	46,608	48,662	49,577	1.9%
Mexico and Central America	17,106	20,322	21,725	21,345	21,544	0.9%
South America	72,651	75,921	74,667	78,078	78,078	-3.2%
CONSUMPTION	155,491	158,642	162,565	165,345	167,901	1.5%
Exporting countries	47,548	48,888	49,793	50,510	51,018	1.0%
Importing countries (Coffee Years)	107,943	110,154	112,772	114,835	116,882	1.8%
Africa	10,951	11,130	11,527	11,724	11,939	1.8%
Asia and Oceania	32,863	34,573	35,706	36,742	37,838	3.0%
Mexico and Central America	5,295	5,226	5,321	5,401	5,474	1.4%
Europe	52,147	52,045	53,148	53,896	54,542	1.2%
North America	28,934	29,559	29,941	30,454	30,965	1.7%
South America	25,299	26,111	26,922	27,128	27,141	0.1%
BALANCE	-495	-18	-2,195	3,657	-502	
in 000s of 60kg bags						
*Preliminary estimates						

Source: International Coffee Organization.

The **cocoa** market was impacted by the decision by Côte d'Ivoire and Ghana, which together account for around 60 percent of the global cocoa supply, to impose what they call a 'Living Income Differential' sale price of US\$400 per tonne of cocoa. In imposing the differential, an additional sum to be paid per each tonne of cocoa to ensure the practical increase of the price paid to farmers, the two governments sought to ensure a minimum free on board (FOB) price of US\$2,600 per tonne in the 2020/21 season. The decision by both countries, which despite the critical importance of their cocoa production capture less than 30 percent of revenues along the global cocoa value chain, can be viewed as an attempt to raise their

global market share and mitigate the effects of price volatility on the incomes of farmers and producers.

The target FOB price covers a minimum agreed farm gate value of US\$1,820 per tonne as well as supply chain costs and state taxes. Should cocoa prices rise above US\$2,700 per tonne, all additional funds will go into a government regulated stabilization fund to ensure the minimum price when the FOB price falls below its target. Both countries have also agreed to begin to synchronise the start of their cocoa seasons as a way of attracting a younger generation of farmers to the sector. Cocoa futures markets reacted positively to the

government-led efforts, with cocoa prices closing the year at US\$2,536 per tonne, up from 6 percent compared with prices at the start of the year.

The most dynamic global agricultural commodity in 2019 was **crude palm oil**. Prices of palm oil ended the year up almost 50 percent from the start. In the first half of the year, prices were severely undermined by high inventories, soft demand from India and China, and European restrictions. However, prices soared in the second half of the year as the industry braced for dry weather, which was expected to slash yields, while Indonesia started an ambitious and compulsory biofuel program, which would make it the largest user of palm oil. China, meanwhile, increased its purchases of crude palm oil in the second half of the year, as disease slashed China's hog herds and lowered domestic demand for soybean meal.

Metal prices were softer in 2019 compared with the previous year, as prices of industrial metals came under renewed pressure on concerns of a slowdown in the Chinese economy and struggled to gain momentum as trade talks between the US and China stalled.

Copper prices hit a two-year low in September, when the US followed through with planned tariffs on Chinese imports and China retaliated. Copper exchange inventories remained elevated, due in part to soft demand from manufacturers of electric vehicles, for which copper is a major component.

Nevertheless, copper prices recovered to end the year up 7 percent. The recovery was boosted by easing global trade tensions and by a raft of measures to support flagging economic growth in China, the top metals consumer. Also contributing was the decision of Chinese, to cut production as their profit margins slump.

Dynamics in Commodity Markets

Iron ore futures capped the year by gaining 29 percent, the strongest annual showing since 2016, after supply disruptions triggered a shortfall that proved difficult to fully reverse. Prices hit US\$120 a ton in July, up 73 percent from January, when the deadly collapse of Vale SA's mining waste dam in Brazil disrupted supply in the market. Other miners were unable to raise production in the short term. Prices then reset lower in the second half of the year as investors exited their contracts in view of imminent restoration of some output.

Tin was the worst performing base metal in 2019, ending the year with its price down 12 percent amid a structural decline in the tin market. Demand for the metal fell about 2 percent in 2019, with weakness in semiconductor sales a key contributor, according to a survey by the International Tin Association. The Semiconductor Association estimates global sales fell 12.1 percent last year, reflecting ongoing global trade unrest and cyclicity in product pricing. The demand shortfall could not be balanced by diminishing output by smelters in China. Overall, global production of refined tin fell by 6.6 percent in 2019 to 334,400 tonnes.

Precious metals emerged as overall winners from trade tensions in commodity markets. **Gold** broke out of a six-year trading range to post strong gains in 2019, closing the year at US\$1,517 per troy ounce, up 18 percent compared with prices at the start of the year. The sharp surge in bullion prices was the result of rising geopolitical tensions, the trade war between China and US, an increase in buying from central banks, and in investment demand for gold. Gold also benefited from haven demand, as the dollar softened in the early part of the year. Even though gold prices eventually plummeted at the end of the first quarter of the year, as the dollar recovered and US equity markets gathered pace, haven demand

returned, aided by both weakening economic growth and easing monetary policy in response.

Platinum, largely used to curb emissions from diesel cars, attracted its biggest annual injection of capital from investors in more than three years, as it recovered from a 2015 scandal in the diesel car market which prompted a decline in demand for diesel vehicles. According to some industry reports, the market may have overestimated the decline in demand for auto catalysts, because stricter emissions standards still require increased use of platinum. Consequently, platinum group metals, which includes palladium and rhodium, are likely to remain in short supply in 2020, as tighter emissions standards offset soft auto demand. Platinum, also used in jewelry, has a strong correlation with gold, driving demand in the exchange traded fund market.

Following the generalized decline in **energy** prices in the final quarter of 2018, **oil** prices got off to their best start since 2001 on expectations that OPEC and a group of producers would cut enough output to shrink the global supply glut. This was after the cartel of oil exporters and its allies made sharp reductions to their production forecasts. Oil supply was also threatened by US sanctions against Venezuela and Iran as well as pressure on markets from Saudi Arabia, which reportedly committed to do anything necessary to keep oil prices elevated. Industry data showing below-target output in Nigeria due to tensions in the Niger Delta region also helped buoy oil prices. In the early part of the year bullish market sentiment persisted despite a stronger-than-expected rise in US oil production.

Oil markets weakened in the third quarter of 2019 amid concern that a fragile economic outlook would lessen fuel demand. Market attention remained sharply focused on China, the world's second- biggest oil consumer, where

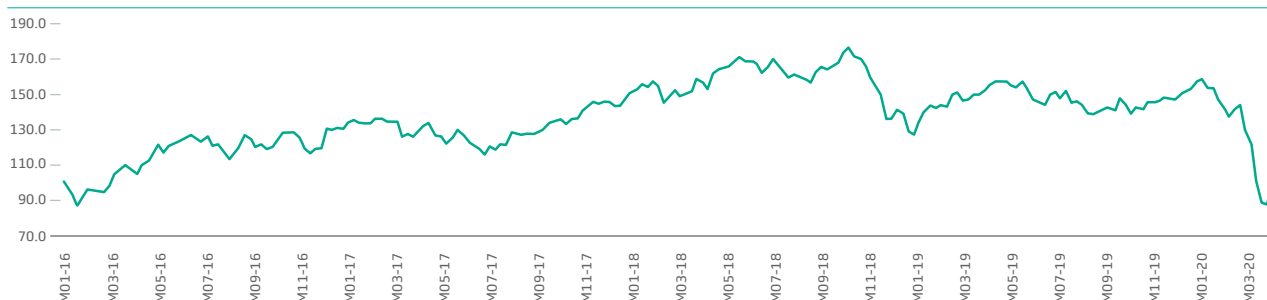
evidence pointed to weak economic growth. That prompted speculators and investors to increase their short positions even after supply was adversely affected by a missile strike on Saudi Arabia's energy infrastructure. Nevertheless, given that trade tensions between the US and China had constrained oil markets, signs of a new trade deal between the US and China lifted prices at the end of the 2019. Brent crude oil prices closed out the year at US\$76/bbl, up 25 percent from the start of the year.

5.2 THE AFREXIMBANK AFRICAN COMMODITY INDEX (AACI)

The precipitous decline in commodity prices in the second half of 2014 (also known as the end of the commodity super-cycle), led to a sharp deterioration in Africa's trade and economic environment, reflected in a decline in foreign exchange earnings and heightened macroeconomic instability triggered by rising current account deficits, especially in heavily natural resource-dependent economies. This development, a recurrent challenge to the region, is a stark reminder of the need to systematically track and monitor the prices of key commodities of interest to the region to preempt some risks inherent to the structure of African trade.

It is against this background that the African Export-Import Bank (Afreximbank) launched the Afreximbank African Commodities Index (AACI). The AACI is a trade-weighted composite index designed to track price performance of 13 different commodities of interest to Africa and the Bank (crude oil, gold, cobalt, aluminum, copper, zinc, cocoa, coffee, cotton, sugar, wheat, corn and palm oil). These account for the bulk of total commodities traded by African countries.

Figure 5.5. The Afreximbank African Commodity Index



Source: Afreximbank Research.

The base year for the index is 2016 (2016=100), which strips out the bias effect of the commodity super-cycle and is also comparable with the base year for commodity indices of industry peers.

The sub-indices of the composite index are allocated within four important commodity classes—Energy, Agriculture, Base Metals, and Precious Metals—and weighted according to the estimated value of total trade across the continent.

Between 2016 and 2019 the AACI was on a rising trend, though the structural break in the third quarter of 2018 caused a shift away from trend growth. Overall, the rising trend illustrated by Figure 5.5 reflected the recovery in commodity markets following the end of the commodity super-cycle. The value of the index closed 2019 at 157, up 57 percent.

Prices for 2016 were the highest over the period. Price performance in 2018 was relatively weak, especially in the fourth quarter, due to the lagged effect of softer commodity prices. That weighed on global and African trade, which contracted by 6.7 percent and 6.3 percent respectively in the first quarter of 2019. The performance of the index in 2016 is attributable to improvements in global demand supported by rising investment expenditures. Growth in infrastructure spending in both the US and China were supportive for base metal prices, while expansionary monetary policies adopted by a large swathe of central banks helped improve liquidity and buttress commodity demand and prices (IMF, 2020). In 2017, the index rose 16 percent, mainly due to continued recovery in the prices of energy, base, and precious metals in contrast to agricultural markets, where prices remained weak due in part to benign weather conditions.

The performance of the composite index in 2018 reflects the general weakness in commodity markets, as high inventories combined with weaker demand and rising trade tensions further dampened global demand. While there was a base effect bounce in the index in 2019, the recovery has been restrained by ongoing concerns, most notably the fragile economic outlook that continues to weigh on global demand for commodities.

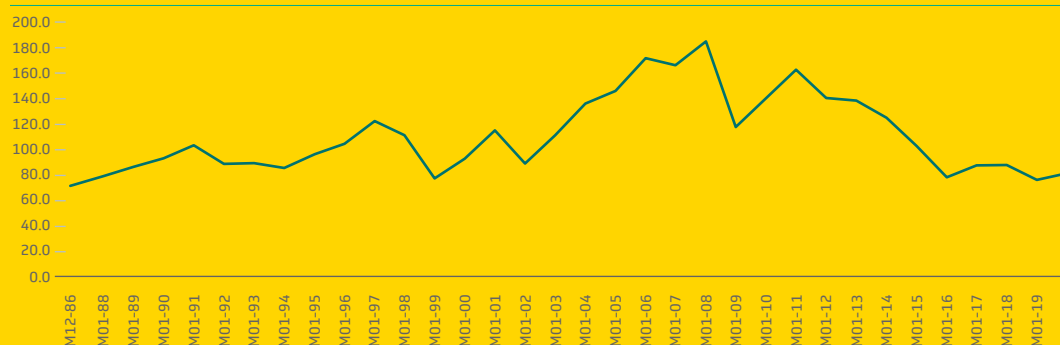
Dynamics in Commodity Markets

Box 5.1: Producer Initiatives to Boost World Prices of Commodities: The Cocoa Experience

Over the years commodities have played an important role in Africa's economic growth due to continuous commodity dependence in the region where oil accounts for around 45 percent of total export earnings and oil-exporting countries account for around 95 percent of GDP, despite ongoing efforts to diversify the sources of growth and trade. While commodity prices have been drivers of growth and helped in the accumulation of foreign exchange reserves during favourable commodity cycles they have also been source of excess growth volatility. As a result, commodity price shocks have also been the bane of the continent. The evolution of commodity prices illustrated by the Bloomberg Commodity Index (BCOM) shows that the volatility of commodity price indices has increased substantially over the past two decades. (see figure B5.1.1).

The decline in commodity prices associated with price volatility can result in a deterioration in fiscal revenues with negative implications for macroeconomic management including through the deterioration of trade balances and recurrent balance of payments crises. For instance, the reserve position of African countries declined to US\$398.24 billion in 2016 from US\$498.96 billion in 2014, reflecting the end of the commodity supercycle which resulted in a 75 percent decline in the price of oil between 2014 and 2016. The volatility in cocoa prices has also been a source of macroeconomic management challenges in cocoa-producing countries like Côte d'Ivoire for which the IMF estimates a 1% drop in revenue from cocoa beans can lead to a 0.63% drop in government expenditure.

Fig B5.1.1: Long term trajectory in commodity prices seen through the Bloomberg Commodities Index (BCOM)



Source: Bloomberg, Afreximbank Research

Due to the long-term deterioration of commodity terms of trade, commodity-exporting countries have often attempted to sustain commodity-based growth by implementing initiatives to sustainably boost world prices of commodities of interest to them. Given that country-specific nuances also show that the incidence of price volatility strongly depends on the importance of particular products in a country's commodity export basket, mitigating the risks posed by excessive commodity price

volatility has required a combination of interventions both at national, regional or transcontinental levels. International commodity agreements that included provisions relating to internationally held buffer stocks and/or supply controls have often been used to stabilize prices. While these measures have been more effective in moderating downward price movements, they have been less successful at reducing volatility (UNCTAD, 2012).

As the largest producer of natural rubber globally, Thailand's Rubber Estate Organisation which oversees rubber stocks has historically purchased the nation's surpluses to influence world prices.

These, national policies can often be enhanced by agreements between large commodity producers. In the case of rubber, Thailand, Indonesia, and Malaysia, which accounted for around 70 percent and 80 percent respectively of natural rubber production and exports, set up the International Tripartite Rubber Council in 2001 to work collectively to ensure fair and remunerative rubber prices for their producers. They subsequently established the International Rubber Consortium Limited, to carry out, among other things, strategic market operations.

In the crude oil market, the Organization of the Petroleum Exporting Countries (OPEC) was established in 1960 and its members collectively supply over 40 percent of world crude oil and control around 80 percent of the world's total proven crude reserves. OPEC member countries

monitor the market and decide collectively to raise or lower oil production in order to maintain stable prices and supply. And while each member country controls the oil production of its country, the organization aims to coordinate the production policies of member countries.

THE COCOA EXPERIENCE

The cocoa sector has a history of producer initiatives as well. These initiatives aim at achieving a long-term price trend that is stabilised, sustainable, and remunerative to the farmers but which also aim to maintain a supply-demand balance that will ensure adequate supply of cocoa in the market at fair prices. These objectives have dominated both national and regional initiatives and are particularly relevant for Africa given the region's dominance in world cocoa production. Côte d'Ivoire is the world's leading producer of cocoa and together with Ghana accounted for over 60 percent of world's cocoa output in the 2018/2019 season (See table B5.1.1).

Table B5.1.1: Cocoa Supply and Demand, 2015/2016–2018/2019
(Thousands of Tonnes)

Region and Country	2015/2016	2016/2017	2017/2018a	2018/2019a	Share of World Output, 2017/2018 (%)
Africa					
Côte d'Ivoire	1,796	2,020	1,964	2,150	42
Ghana	740	969	905	900	19
Nigeria	195	245	255	245	6
Cameroon	232	246	250	250	5
Others	111	142	130	134	3
America	777	760	819	815	18
Asia and Oceania	400	357	326	306	7
Total Production	4,251	4,739	4,649	4,799	100
Total Grindings	4,152	4,397	4,594	4,712	

a. Estimated.

Source: International Cocoa Organization; Afreximbank Research.

Dynamics in Commodity Markets

Box 5.1: Producer Initiatives to Boost World Prices of Commodities: The Cocoa Experience (continued)

In Côte d'Ivoire, following the collapse of the liberalized market for cocoa that guided the industry in the 1990s, a new state entity – Le Conseil du Café- Cacao (CCC) – was created to regulate the market and provide a floor for cocoa prices. The main tenets of this system are to:

- (i) Set a fixed minimum farmgate price for dried cocoa beans in advance of each annual harvest referenced from international exchanges ;
- (ii) Farmers must receive at least 60 percent of the total CIF price (cost, insurance and freight)— World market prices on international exchanges are considered as CIF;

The CCC does not physically purchase beans from farmers itself. Rather, export rights are sold at daily online auctions for the following year's harvest. Based on the bids received, these rights are allocated by the CCC to exporting companies. Exporters then purchase the amount of beans to which they have secured rights directly from farmers and cooperatives, at the fixed price – and declare their purchases to the CCC .

This system contrasts with Ghana's Cocoa Board (Cocobod), the industry regulator responsible for purchasing, marketing and exporting cocoa and cocoa products produced in Ghana. As a way of boosting prices for its cocoa, Cocobod focuses among other things on:

- (i) Undertaking and encouraging the processing of cocoa with the aim of adding value for export and local consumption;
- (ii) Undertaking, promoting and encouraging scientific research aimed at improving the quality of cocoa;
- (iii) Securing the most favourable arrangements for the purchase, grading and sealing, certification, sale and export of cocoa;

Following the sharp drop in cocoa prices during the 2016/17 cocoa season, several bilateral initiatives between Côte d'Ivoire and Ghana were initiated with a view to reducing cocoa price volatility and improving the price outlook for the sector. The last three years have been particularly active in ongoing efforts by the two countries to capture more revenues from global cocoa transactions and trading.

The Ghana-Côte d'Ivoire Sustainable Cocoa Initiative was established in 2017 to influence farmer prices, discourage cross-border smuggling and enhance collaboration between the two countries' cocoa marketing departments.

The following year, Ghana and Côte d'Ivoire agreed a strategic partnership agreement (the "Abidjan Declaration") which reaffirmed the commitment of the two countries to coordinate their efforts in the cocoa sector. It has also seen Côte d'Ivoire move closer to Ghana's system by selling directly to buyers rather than through an auction. The key tenets of the agreement included the following:

- (i) Coordinate production levels to avoid excessive output;
- (ii) Coordinate sales policies such that a standard price between the two countries can be agreed to give the region more control over cocoa's value;
- (iii) Increase local production to support the growth of local processing centers where cocoa can be transformed and sold at a higher cost.;
- (iv) Increase local consumption to reduce reliance on importing nations;
- (v) Build warehouses to regulate supply to the market, especially during surplus seasons;
- (vi) Create joint research efforts on improving quality output.

Pursuant to the strategic partnership signed in 2018, Côte d'Ivoire and Ghana agreed to implement a 'Living Income Differential' (LID) of US\$400 per tonne of cocoa they exported, during the 2020/21 season last year. The objective being to receive a minimum free on board (FOB) price of US\$2,600 per tonne. According to studies from Ghana and Côte d'Ivoire this price covers the cost of production plus 13 percent for farmer income and represents an average price increase of 40 percent for farmers from Côte d'Ivoire and a 20 percent increase for farmers from Ghana.

The target FOB price covers a minimum agreed farmgate price of US\$1,820 per tonne as well as supply chain costs and state taxes of US\$780 per tonne. Should cocoa prices rise above US\$2,700 per tonne, all additional funds will go into a government regulated stabilization fund to ensure the minimum price when the FOB price falls below its target. The adoption of a revenue stabilization fund underpinning the LID mechanism has several implications for welfare and macroeconomic management. In addition to fostering inter-generational equity, it has the potential to minimize real exchange rate volatility.

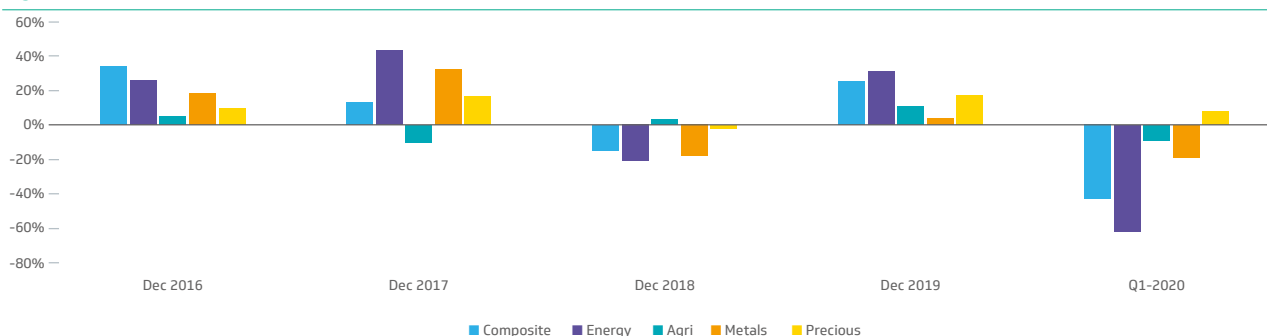
The latest initiative by Ghana and Côte d'Ivoire to set a minimum price level of US\$2,600 per metric ton is comparable to market-induced spikes in prices. But similar to other commodity markets, including energy, higher prices are usually associated with demand rationing in a context of constrained supply or a reflection of high and sustained input costs. Though Africa accounts for 70 percent of world cocoa output and will continue to be the leading player, policy-induced upward improvements in prices could send the wrong signal to the market and stoke an unwarranted supply response in the long term, especially from producers in Asia and the Americas.

Beyond setting a minimum price, Africa's cocoa industry must diversify further to sustain demand and capture more than the current 20 percent (US\$12 billion) of the industry global value chain revenues. Afreximbank has been at the forefront of this strategy, which is reiterated in the Abidjan Declaration, through its African Cocoa Initiative (AFRICOIN) which has expanded processing capacity in Côte d'Ivoire and could prove to be a more sustainable route to increase value retention along the cocoa global value chain and mitigate against price volatility.



Dynamics in Commodity Markets

Figure 5.6. Performance of AACI composite and sub-indices, 2016-2020 (Q1)



Source: Afreximbank Research.

Pandemic Downturn and Outlook for African Commodity Markets in 2020

Since the COVID-19 virus has slammed global demand and commodity prices early this year, the index has trended sharply downward, reaching a trough of 87.3 at the end of March, down 44 percent compared with its level at the start of the year. The impact of the pandemic has been felt especially in oil markets, which first came under pressure when OPEC and partners failed to agree to extend production cuts. It was exacerbated by sudden stops and demand shock occasioned by the pandemic. The energy sub-index traded at 66.9 at the end of March 2020, down over 63 percent from its level at the start of the year.

Global agricultural markets were less affected in the first quarter of 2020 than industrial commodities. Prices of the agriculture sub-index have declined about 9.5 percent since January 2020. This modest decline reflects a lower income elasticity of demand for agricultural commodities (compared to industrial commodities) and less demand pressure triggered by the pandemic downturn. Precious metal prices have risen, with haven demand boosting prices for bullion. At the end of the first quarter 2020, the precious metals sub-index was up 8 percent.

The sharp decline of the AACI in the first quarter of 2020 is in sharp contrast to its performance over the last three years, when the overall index gained 17 percent, even accounting for the structural breakdown in 2018. The outlook for commodity prices during 2020 will depend in large part on the strength of the economic recovery post-Covid-19. Crude oil markets are already beginning to benefit from signs that the continued reopening of economies in the US and Europe could bring balance to oversupplied oil markets in the second half of 2020. Oil markets will be supported by cuts to remove 10 percent of global production by OPEC members and their allies, with OPEC stating that outlook for oil in the second half of 2020 would be more positive as the global economy recovers.

The outlook for gold and other precious metals is likely to depend on safe haven demand and the monetary policy stance adopted by global central banks. A protracted recession that continues to depress asset prices could boost gold and precious metals and sustain the global demand for gold and other precious metals. This is likely to be enhanced by lower interest rates which generally reduce the opportunity cost of holding the non-yielding bullion.

The outlook of most agricultural commodities will depend on demand from China in 2020. For soybeans, China has already boosted its estimate for soybean imports for the 2020-21 marketing year, citing better processing profits and the implementation of the Phase-1 trade deal with the US. Demand for corn will also increase to take advantage of a cheap prices and a buyer's market. China has also revised up its cotton imports in the current season by 300,000 tonnes to 2 million tonnes, due to gradual implementation of the Phase-1 trade deal. Further, as the largest edible oil consumer, edible vegetable oil consumption including palm oil in 2020-21 is expected to rise in China as the virus is brought under control.

The outlook for base metals will depend on policy measures deployed in China, which accounts for over 50 percent, on average of global demand for industrial metals. Industry reports point to signs of recovery in China's construction sector, with many new infrastructure projects scheduled to start in the second half of the year.

The recurrence of commodity terms-of-trade shocks have been the bane of African economies, making it crucial for business and policymakers to consistently monitor trends in the region's key commodity markets. The AACI, which more accurately reflects the composition of African commodities and their contribution to African trade, will be used to track the movements of commodity prices on a quarterly basis. Using the index will make it possible to highlight areas requiring pre-emptive measures by the Bank in its member countries, key stakeholders, policymakers and global institutions interested in the African market, to effectively mitigate risks associated with commodity price volatility. In this regard, the AACI will become a key feature of African Trade Reports in coming years.

Informal Cross-Border Trade in Commodities

The volume of informal trade in commodities in Africa is both high and volatile, with a diverse profile covering grains, petroleum and edible oils. For instance, in East Africa, informal cross-border trade between Uganda and South Sudan, particularly of agricultural commodities, is relatively high, partly by virtue of geographic and cultural proximity but also due to low agricultural productivity in South Sudan. Official studies show that informal exports of beans are frequently more than 60 percent of total bean exports. Informal exports of corn are around 40 percent of total corn exports to regional neighbours, including the Democratic Republic of the Congo and Kenya. Corn is also a prominent informal commodity exported from Rwanda to the Democratic Republic of Congo, while the primary commodities imported by Rwanda from Burundi, the Democratic Republic of the Congo, Tanzania and Uganda through informal channels include coffee and sorghum.

In west Africa, petroleum products are more prominent in the profile of informal exports from Nigeria to Benin, with Nigeria's national petroleum company estimating that around 10 million litres (two million gallons of oil) were traded informally with regional neighbours each day in 2019. The nature of Benin's informal exports was mainly agricultural, comprising grains (mainly rice) and edible oil (mainly palm) re-exported from Asia. In fact, according to the World Bank, Benin's economy is heavily reliant on the informal re-export and transit trade with Nigeria, which accounts for about 20 percent of its GDP (World Bank, 2019). About 80 percent of imports into Benin are destined for Nigeria. This thriving informal trade with Nigeria prompted the closure of Nigeria's borders with countries in the region, partly as a way of improving Nigeria's self-sufficiency in agricultural commodities.

Various studies conclude that high tariffs and import bans could be significant determinants of informal cross-border trade. For instance Johnson and Dorosh (2015) design a spatial multimarket model for rice in Nigeria which explicitly takes into account the potential for informal trade but introduces it in a very simple way: Informal trade includes a 30 percent additional transaction cost and does not imply risk for the trader or for the consumer. They analyse the welfare implications of alternative rice tariff rates, given the government's objectives of increasing domestic production. They conclude that at tariff rates above 40 percent, some informal import of rice is introduced because smuggling becomes more profitable than importing through official channels.

Data from IFPRI (2018) shows that The Democratic Republic of the Congo, Tanzania, Republic of the Congo, Algeria, Nigeria and Cameroon are among the countries with the highest import costs for agricultural products, while The Democratic Republic of the Congo, Republic of the Congo, Gambia, Algeria, Egypt, and Angola have the highest export costs for agricultural products. In some countries, such high costs may incentivise informal cross-border trade. The advent, therefore, of the African Continental Free Trade Agreement, wherein countries commit to remove tariffs on 97 percent of goods and address non-tariff barriers, could be a boost for intra-African commodity corridors between surplus and deficit countries.

Chapter Six

Intra-African Trade



6.1 INTRA-AFRICAN TRADE CHAMPIONS

The value of total intra-African trade fell from US\$156 billion in 2018 to an estimated US\$147.8 billion in 2019, a decline of 5.23 percent. This was much larger than the decline of 2.82 percent for extra-African trade in the same period. The intra-African trade decline reduced its contribution to overall African trade, from about 15 percent in 2018 to 14.4 percent in 2019. The fall in total intra-African trade was in part due to the decreasing average price of commodities, particularly oil, which is heavily traded between the largest

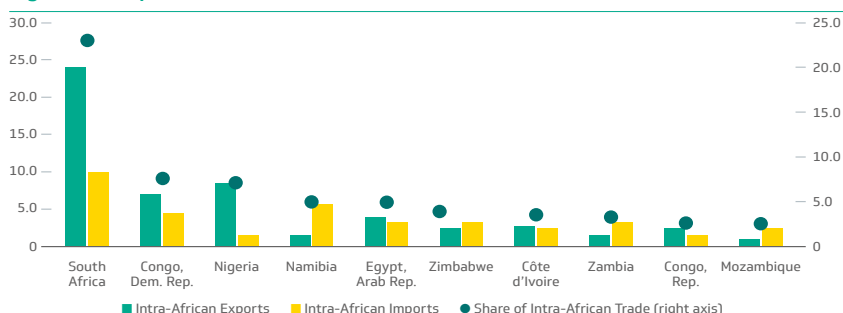
economies and champions of intra-African trade on the continent—Nigeria and South Africa. Brent oil prices averaged US\$64.2/barrel in 2019, compared with US\$71.7/barrel in 2018.

However, the decline in intra-African trade was tempered by still-thriving trade for manufactured goods and equipment in the Southern African Development Community region. What is increasingly apparent in the profile of intra-African trade is the enabling role of regional champions in North, Southern, West, East, and Central Africa in promoting cross-border trade on the continent.

In Southern Africa, **South Africa** maintained its position as the largest intra-African trade nation, with a total intra-African trade value of US\$34.2 billion, slightly down from US\$36.4 billion in 2018. Despite the marginal decline, South Africa accounted for 23.1 percent of total intra-African trade in 2019, compared with 23.8 percent in 2018. Africa is the destination of 26 percent of South Africa's total exports and the source of about 10.7 percent of its total imports. The major import is crude oil. Due to a decline in oil prices, South Africa's oil imports from the rest of the continent fell by 16 percent to US\$5.6 billion in 2019, contributing to a net decline in its total intra-African trade.

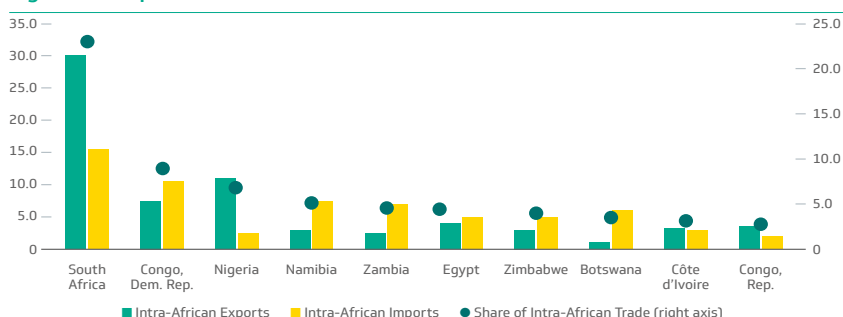
South Africa imports nearly 55 percent of its crude oil from the continent, with Nigeria accounting for more than 70 percent. Nigeria is also the largest global supplier of crude oil to South Africa, ahead of Saudi Arabia. South African imports from Africa are dominated by energy, which accounts for about 55 percent of the imports. However, South Africa's exports to the continent are diverse, including fuel and fuel products, precious stones, vehicles, and machinery. Botswana is South Africa's largest bilateral regional trade partner. Other key regional trading partners include Mozambique, Namibia, Zambia, and Zimbabwe.

Figure 6.1 Top 10 Contributors to intra-African trade, 2019, %



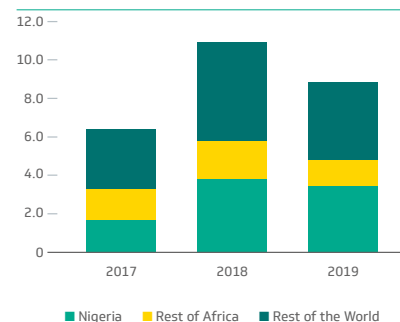
Source: International Monetary Fund (Direction of Trade Statistics), 2020; International Trade Centre (Trade Map), 2020; Afreximbank.

Figure 6.2 Top 10 contributors to intra-African trade, 2018, %



Source: International Monetary Fund (Direction of Trade Statistics), 2020; International Trade Centre (Trade Map), 2020; Afreximbank.

Figure 6.3 South Africa's Crude Oil Imports (USD Billion)



Source: Source: International Monetary Fund (Direction of Trade Statistics), 2020; International Trade Centre (Trade Map), 2020; Afreximbank.

Intra-African Trade

In Central Africa, the **Democratic Republic of Congo (DRC)** consolidated its position as a major contributor to intra-African trade, recording an increase of 10.4 percent in total trade with the continent, to US\$11.35 billion in 2019, up from US\$10.3 billion in 2018. With its expanding share in a context of the generalised decrease in intra-regional trade, the DRC emerged as the second largest intra-African trade economy on the continent. South Africa remains its major bilateral trade partner in Africa, accounting for the bulk of the DRC's imports from Africa.

The DRC's key import items from South Africa include machinery, mechanical appliances, and pharmaceutical products. Elsewhere, the DRC's government is looking to build stronger ties across the continent, by expanding trade with neighbouring countries. In that regard, the DRC has pledged to work together on joint projects with countries including Uganda on trade-

facilitating infrastructure in support of regional integration, and to take advantage of opportunities offered by the new African Continental Free Trade Agreement (AfCFTA).

In North Africa, **Egypt's** trade with the rest of the continent remained firm at US\$7.4 billion, up from US\$7.1 billion in 2018. Egypt has advanced to fourth among the countries responsible for most intra-African trade. More than 14 percent (US\$4 billion) of Egypt's total exports are to Africa, while 5.2 percent (US\$3.4 billion) of its total imports are from the continent. Efforts by Egyptian authorities to further boost trade with the rest of the continent were enhanced by the country's chairmanship of the African Union (AU) in 2019. This tenure included steps by Egypt to foster greater integration and boost trade with the rest of the continent, especially with the Common Market for Eastern and Southern Africa (COMESA) countries.

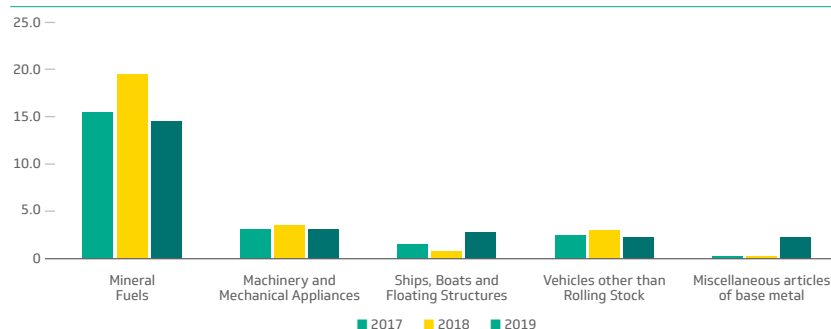
In practice, this has meant concerted efforts to organise trade missions and investment forums to and from Egypt, as well as buyer missions to Egypt. Egypt's largest export partners on the continent traditionally have been in North Africa (Algeria, Libya, and Morocco) but exports to Kenya, Nigeria, and Sudan have been on the rise.

Meanwhile, Kenya, Zambia, and Sudan also are finding a growing market in Egypt, aided by the improving logistical infrastructure and growth prospects associated with elimination of tariffs under the AfCFTA.

In West Africa, although the value of **Nigeria's** trade with the continent declined by 4.7 percent to US\$10.4 billion in 2019, down from a revised US\$10.9 billion in 2018, the country remained the third largest intra-African trade nation, accounting for over 7% of total intra-African trade. About 13 percent of Nigeria's exports are to African countries, with South Africa, Togo, and Côte d'Ivoire the top three destinations. Although crude oil still dominates Nigeria's exports to the rest of the continent, accounting for a significant proportion of its intra-African exports, the composition of its cross-border trade is changing.

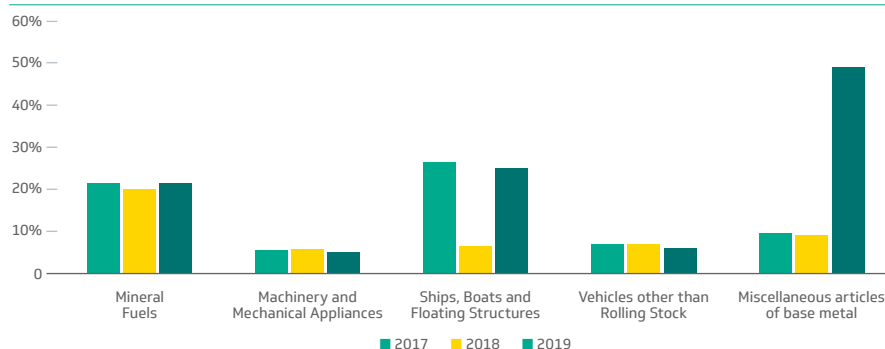
Although only 3 percent of total imports into Nigeria emanate from the continent, historically, there has been a thriving informal cross-border trade in light manufactured products and agricultural commodities within the Economic Community of West African States (ECOWAS) region and with neighbouring countries in central Africa. However, Nigeria's decision to close its land borders—to curb smuggling and increase production and self-sufficiency in commodities such as rice—likely affected the volume of informal trade in 2019. The ECOWAS leaders have formed a committee to study and produce a report on the impact of the closure.

Figure 6.4 Top 5 intra-African Imports (US\$ Billion)



Source: International Monetary Fund (Direction of Trade Statistics), 2020; International Trade Centre (Trade Map), 2020; Afreximbank.

Figure 6.5 Top 5 intra-African Imports as Share of Total Imports



Source: International Monetary Fund (Direction of Trade Statistics), 2020; International Trade Centre (Trade Map), 2020; Afreximbank.

Other significant contributors to intra-African trade include Namibia, Zimbabwe, Côte d'Ivoire, and Zambia, which jointly accounted for about 16 percent of total intra-African trade in 2019, down from 17.2 percent in 2018. Mozambique and Uganda recorded big gains in their trade volume with the rest of the continent in 2019, with growth of 19.5 percent and 27.5 percent, respectively. In contrast, Zambia, Ghana, Kenya, and Angola recorded declines in their trade with the rest of the region. Zambia recorded the largest decline, with its share of African trade dropping from 4.5 percent in 2018 to 3.3 percent in 2019.

One of the key developments in intra-African trade in 2019 was progress in the establishment of the AfCFTA. The African Continental Free Trade Agreement entered into force on 30 May 2019, after reaching the minimum of 22 ratifications by member countries. The operational phase of the AfCFTA was subsequently launched during the 12th Extraordinary Session of the Assembly of the AU in Niamey, Niger, on 7 July 2019. Trading under the AfCFTA Agreement, which was scheduled to begin on 1 July 2020, has been postponed due to the impact of the coronavirus pandemic.

Nevertheless, the African Export-Import Bank (Afreximbank) is working closely with the AU Commission to support the implementation of the AfCFTA through several strategic initiatives. These include the Intra-African Trade Fair (IATF); development of a Pan-African Payment and Settlement System (PAPSS), which will facilitate the clearing and settlement of intra-African trade transactions in African currencies; and establishment of a Pan-African Private Sector Trade and Investment Committee (PAFTRAC), as an advocacy platform to enhance African private sector participation in trade negotiations and investment policy formulation. The Afreximbank also is working with the AU Commission on an AfCFTA Adjustment Facility, to enable countries to adjust in an orderly manner to sudden significant losses in tariff revenue as a result of the implementation of the trade agreement.



Intra-African Trade

Table 6.1 2019 Intra African Trade Data (million US\$)

	Algeria	Angola	Benin	Botswana	Burkina Faso	Burundi	Cabo Verde	Cameroon	Central African Rep.	Chad	Comoros, Union of the	Congo, Dem. Rep. of the	Congo, Rep. of	Côte d'Ivoire	Djibouti	Egypt	Equatorial Guinea, Rep. of	Eritrea, The State of	Eswatini, Kingdom of	Ethiopia, The Federal Dem. Rep. of	Gabon	Gambia, The	Ghana	Guinea	Guinea-Bissau	Kenya
Algeria																										
Angola																										
Benin																										
Botswana																										
Burkina Faso																										
Burundi																										
Cabo Verde																										
Cameroon																										
Central African Rep.																										
Chad																										
Comoros, Union of the																										
Congo, Dem. Rep. of the																										
Congo, Rep. of																										
Côte d'Ivoire																										
Djibouti																										
Egypt																										
Equatorial Guinea, Rep. of																										
Eritrea, The State of																										
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Ethiopia, The Federal Dem. Rep. of																										
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São Tomé and Príncipe, Dem. Rep. of																										
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Sierra Leone																										
Somalia																										
South Africa																										
South Sudan, Rep. of																										
Sudan																										
Tanzania, United Rep. of																										
Togo																										
Tunisia																										
Uganda																										
Zambia																										
Zimbabwe																										

Source: Direction of Trade Statistics (DOTS), IMF (June 2020); Afreximbank Research (June 2020)



Intra-African Trade

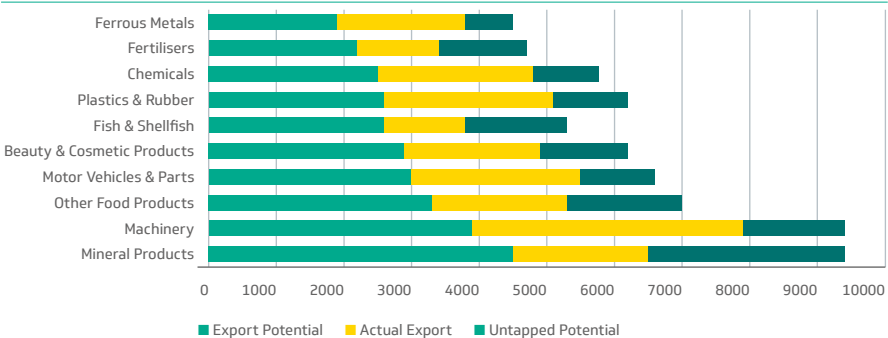


Intra-African Trade Potential

Using an export potential assessment methodology developed by the International Trade Centre (ITC), this section assesses products with the greatest export potential in intra-African trade. The methodology is based on decomposing a sub-region's potential exports of a product to a given target market into three factors: supply, demand, and ease of trade. The export potential indicator identifies products for which specific sub-regions have already proven to be internationally competitive, and that have good prospects for export success in other African markets (Decreux and Spies 2016).

Based on the export potential assessment, taking into account proven ability to export and products that have good prospects for intra-African trade, the export potential for intra-African trade is estimated to exceed US\$84 billion. This could significantly raise the current level of intra-African trade to more than US\$231 billion, hypothetically accounting for more than 22 percent of total African trade, all other conditions remaining the same. The 10 products with the greatest export potential are mineral products, machinery, other food products, motor vehicles and parts, beauty and cosmetic products, fish and shellfish, plastics and rubber, chemicals, fertilisers, and ferrous metals, which collectively account for 57 percent of the total intra-African export potential (figure 6.6).

Figure 6.6. Products with greatest intra-African export potential (US\$ million)

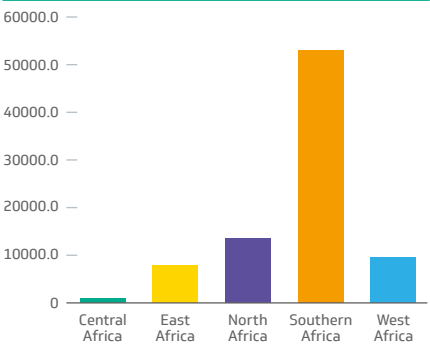


Source: ITC Export Potential Map, Afreximbank Research.

An examination of 40 products with the greatest intra-African export potential—based on each sub-region's proven ability to be internationally competitive and which have good prospects for export success—reveals that the sub-regions with the greatest export potential are Southern Africa, with export potential in excess of US\$53 billion; followed by North Africa and West Africa, with export potential of US\$13.4 billion and US\$9.5 billion, respectively. East Africa holds export potential of about US\$7.8 billion, while Central Africa's export potential is about US\$840 million (figure 6.7). The greater export potential enjoyed by Southern Africa and North Africa largely reflects the complexity and sophisticated nature of the South African and Egyptian economies in a region where industrial products and

manufactured goods are the leading drivers of cross-border formal trade.

Figure 6.7. Intra-African export potential, by sub-region (US\$ million)



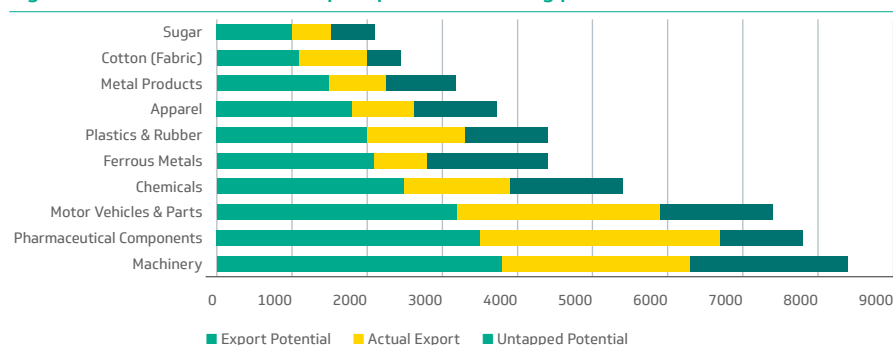
Sources: ITC Export Potential Map, ITC Trade Map, Afreximbank Research.

6.1.1 Southern Africa's Export Potential

Southern Africa's export potential to the rest of Africa is estimated at approximately US\$53 billion. The products with the greatest export potential are primarily industrial products and include, machinery, pharmaceutical components, motor vehicles and parts, chemical products, ferrous metals, and plastics

and rubber, which collectively account for about 55 percent of the region's total export potential (Figure 6.8). The dominance of South Africa's economy—which accounts for more than 80 percent of the sub-region's total export potential—reflects the composition of intra-African trade, which is dominated by manufactured goods with content that is increasingly technological.

Figure 6.8. Southern Africa's export potential: leading products (US\$ million)



Sources: ITC Export Potential map, ITC Trade Map, Afreximbank Research.

The greatest potential for Southern African exports is the Southern African region itself, estimated at US\$28 billion (Figure 6.9), which reflects the deepening process of economic integration within the Southern African Development Community. The products with the greatest export potential for Southern Africa are cotton (fabric), ferrous metals, motor vehicles, chemicals, and machinery. East Africa presents the second highest potential for Southern African exports, estimated at US\$9 billion. The products with greatest export potential are pharmaceutical components, machinery, motor vehicles, and ferrous metals. West Africa has the third greatest export potential for Southern Africa, estimated at US\$7.3 billion, followed by North Africa, with an estimated US\$7 billion. Central Africa has the lowest export potential, estimated at US\$1.1 billion.

Figure 6.9. Southern Africa's export potential, by sub-region (US\$ million)



Sources: ITC Export Potential map, ITC Trade Map, Afreximbank Research.



Intra-African Trade

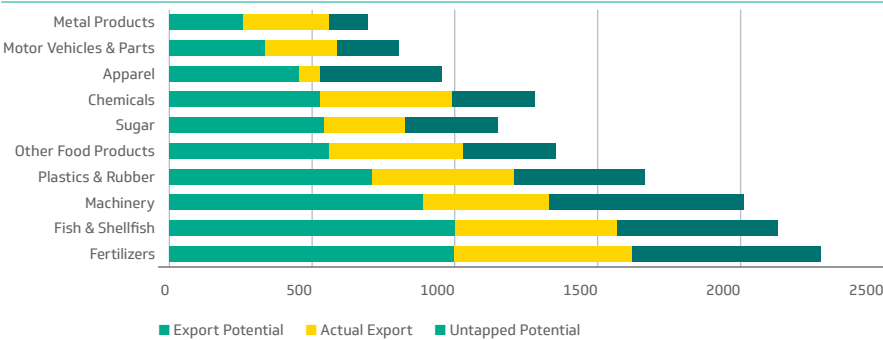


6.1.2 North Africa's Export Potential

North Africa's export potential for the rest of Africa is significant, estimated at US\$13.4 billion. The products with the greatest export potential include fertilisers, fish and shellfish, machinery, plastics and rubber, food products, sugar

and confectionary; and chemicals, which collectively account for about 40 percent of the region's total export potential (figure 6.10). Much like Southern Africa, the sophisticated nature of products with export potential reflects the Egyptian economy's dominance. Egyptian export potential accounts for about 50 percent of the sub-region's total export potential.

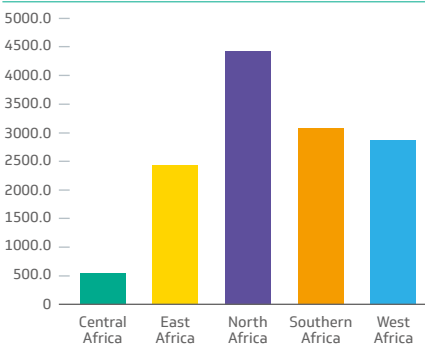
Figure 6.10. North Africa's export potential: leading products (US\$ million)



Sources: ITC Export Potential map, ITC Trade Map, Afreximbank Research.

The greatest export potential for North African exports is the North African region itself, estimated at US\$4.4 billion (figure 6.11). The products with greatest export potential for North Africa are machinery, chemicals, food products, and mineral products. Southern Africa presents the second highest potential for North African exports, estimated at US\$3.1 billion. The products with greatest export potential are chemicals, fertilisers, plastics and rubber, machinery, and fruits. West Africa has the third greatest export potential for North Africa, estimated at US\$2.9 billion, followed by East Africa, with an estimated US\$2.4 billion. Central Africa has the lowest export potential, estimated at US\$555 million.

Figure 6.11. North Africa's export potential, by sub-region (US\$ million)



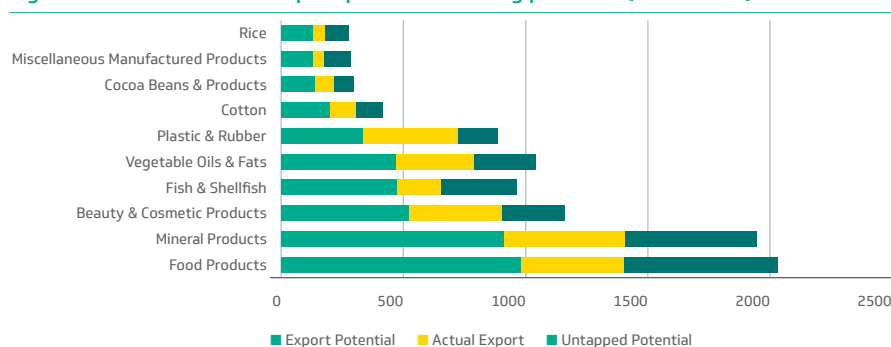
Sources: ITC Export Potential map, ITC Trade Map, Afreximbank Research.

6.1.3 West Africa's Export Potential

West Africa's export potential to the rest of Africa is estimated at US\$9.5 billion, about 11.3 percent of total intra-African export potential. The products with the greatest export potential include food

products, mineral products, beauty and cosmetic products, fish and shellfish, vegetable oils and fats, plastics and rubber, and cotton, which collectively account for about 35 percent of the region's total export potential (figure 6.12).

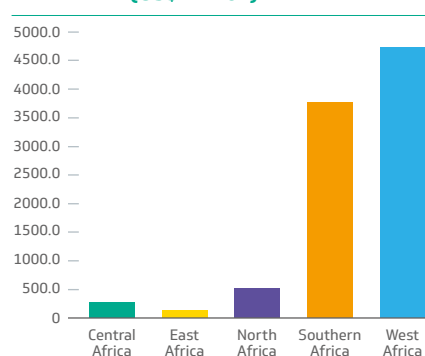
Figure 6.12. West Africa's export potential: leading products (US\$ million)



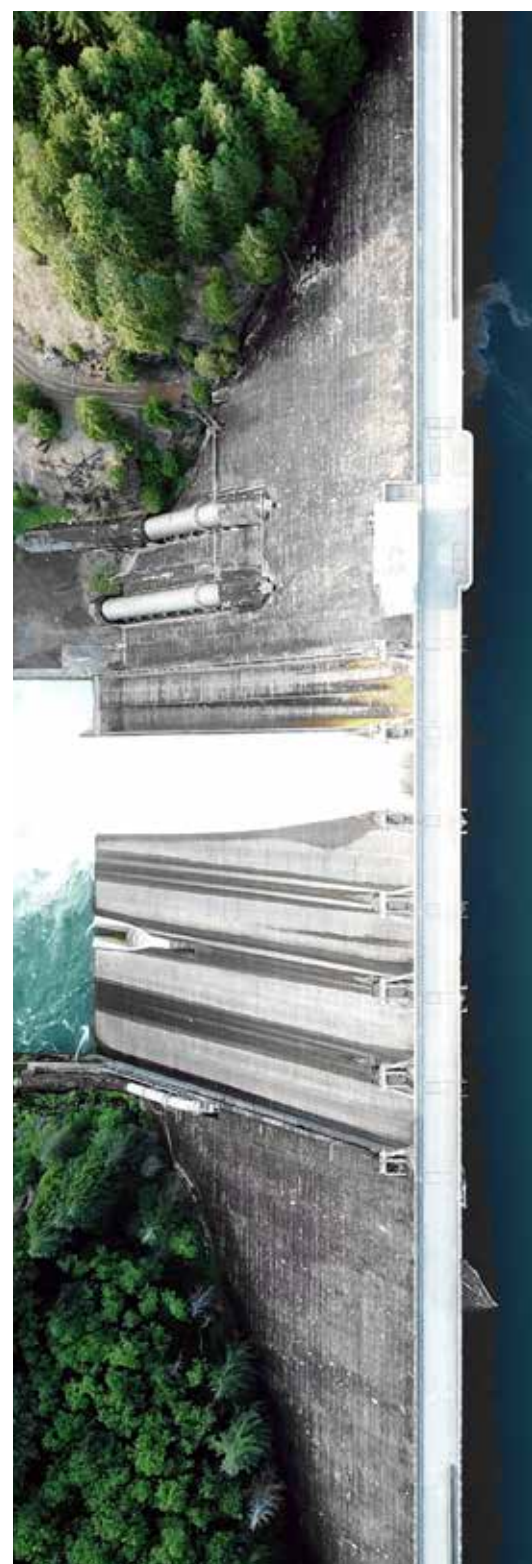
Sources: ITC Export Potential Map, ITC Trade Map, Afreximbank Research.

The greatest export potential for West African exports is the West African region itself, estimated at US\$4.7 billion (figure 6.13), accounting for about 50 percent of West Africa's export potential to the rest of Africa. The products with greatest export potential for West Africa are food products, mineral products, beauty products and cosmetics, vegetable oils and fats, fish and shellfish, and plastics and rubber. Southern Africa presents the second highest potential for West African exports, estimated at US\$3.8 billion. The products with greatest export potential are nuts, chemicals, cotton, wood and vegetable material, cocoa, and vegetable oils and fats. North Africa has the third greatest export potential for West Africa, estimated at US\$552 million, followed by Central Africa, with US\$268 million. East Africa has the lowest export potential, estimated at US\$136 million.

Figure 6.13 West Africa's export potential, by sub-region (US\$ million)



Sources: ITC Export Potential map, ITC Trade Map, Afreximbank Research.



Intra-African Trade

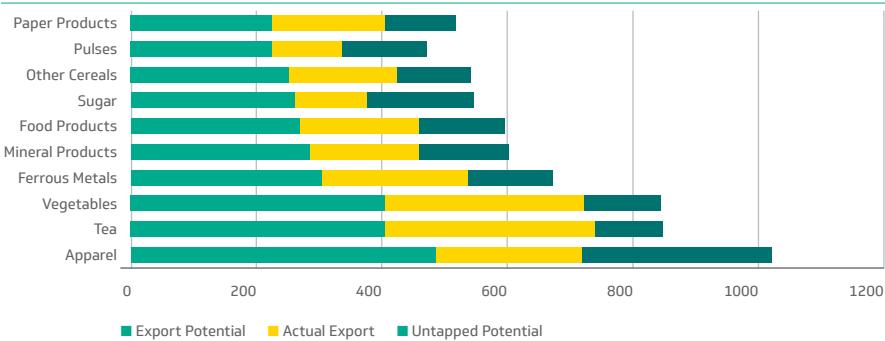


6.1.4 East Africa’s Export Potential

East Africa’s export potential to the rest of Africa is estimated at US\$7.8 billion, about 9 percent of total intra-African export potential. The products with the greatest export potential include apparel, tea, vegetables, ferrous metals, mineral products, food products, and sugar and confectionary, which collectively account for about 31 percent of the region’s total

export potential (figure 6.14). While the products with the greatest export potential are similar across regions, one East African product that stands out is tea. Kenya, Uganda, Malawi, and Rwanda are leading producers of tea globally, with almost 75 percent of their product exported outside of Africa. This analysis suggests that the expanding African market for tea could be the next frontier for growth opportunities in this sector.

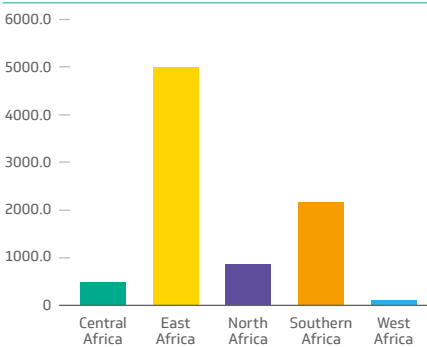
Figure 6.14. East Africa’s export potential: leading products (US\$ million)



Sources: ITC Export Potential map, ITC Trade Map, Afreximbank Research.

Consistent with the export potential in other sub-regions, the greatest export potential for East African exports is the East African region itself, estimated at US\$3.7 billion (figure 6.15), accounting for about 47 percent of total East African export potential. The products with greatest export potential are vegetables, cereals, sugar and confectionary, ferrous metals, mineral products, and pulses. Southern Africa presents the second highest potential for East African exports, estimated at US\$2.7 billion. The products with greatest export potential are tea, pulses, nuts, spices, oil seeds, and leather products. Central Africa has the third greatest export potential for East Africa, estimated at US\$634 million, followed by North Africa, with an estimated at US\$628 million. West Africa has the lowest export potential, estimated at US\$111 million.

Figure 6.15. East Africa’s export potential, by sub-region (US\$ million)



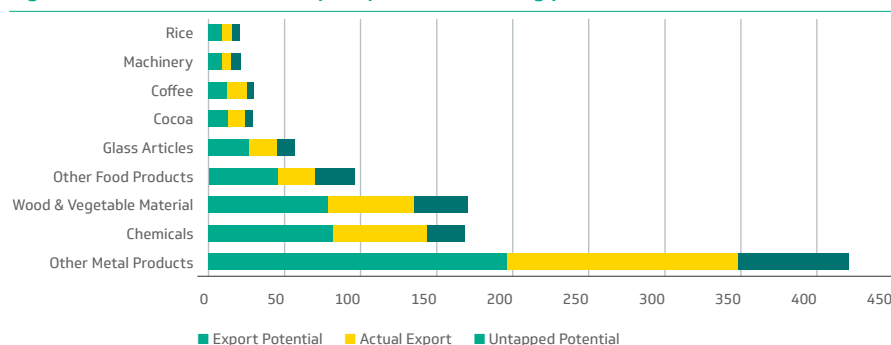
Sources: ITC Export Potential map, ITC Trade Map, Afreximbank Research.

6.1.5 Central Africa's Export Potential

Central Africa's export potential to the rest of Africa is estimated at US\$839 million, in part reflecting and confirming the historically poor performance of the sub-region in intra-African trade. While countries across Africa tend to trade less with each other than with the rest of the

world, the external nature of trade has been most prevalent within Central Africa than in other sub-regions. The products with the greatest export potential include metal products, chemicals, wood and vegetable materials, food products, glass articles, cocoa, and coffee, which collectively account for about 55 percent of the region's total export potential (figure 6.16).

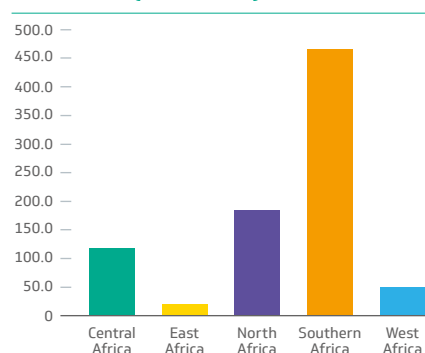
Figure 6.16. Central Africa's export potential: leading products (US\$ million)



Sources: ITC Export Potential Map, ITC Trade Map, Afreximbank Research.

In contrast to other sub-regions, the greatest export potential for Central African exports is not their home region, but rather Southern Africa, estimated at US\$466 billion (figure 6.17), which represents 55 percent of total intra-African export potential enjoyed by Central Africa. The products with greatest export potential to Southern Africa are wood and vegetable materials, cotton, tea, food products, and cocoa. North Africa has the second highest potential for Central African exports, estimated at US\$187 million. The products with greatest export potential are metal products, wood and vegetable materials, chemicals, and coffee. Central Africa has the third greatest potential for Central African exports, estimated at US\$118 million, followed by West Africa, with an estimated US\$50 million. East Africa has the lowest export potential, estimated at US\$20 million.

Figure 6.17. Central Africa's export potential, by sub-region (US\$ million)



Sources: ITC Export Potential map, ITC Trade Map, Afreximbank Research.



Intra-African Trade

Developments in Intra-African Trade

One of the key 2019 developments in intra-African trade was the entry into force and launch of the operational phase of the agreement establishing the AfCFTA. When fully operational, the free trade area will bring together 55 African countries with a combined population of more than 1.2 billion people and a combined gross domestic product of more than US\$2.5 trillion. As one of the world's largest free trade areas, it will be a single continental market for goods and services, with free movement of business, persons, and capital. The AfCFTA is an important step towards rationalising Africa's regional trade arrangements, to both deepen economic integration and draw on economies of scale to accelerate the structural transformation of African economies.

A 2017 study on intra-African market access finds that there are 2,862 potential one-way trade relationships across Africa. Of these, 830, or 29 percent, are governed by at least one active free-trade relationship (Stuart 2017). Consequently, the balance of potential trade relationships (71 percent) are governed by general trade protocols, or most-favoured nation rates. The implementation of the AfCFTA by all AU Member States will mark a significant shift in the balance of potential trade relationships governed by a free-trade relationship to the entire region. The ambition of trading 97 percent of tariff lines duty free under the AfCFTA creates immense opportunities for these potential trade relationships to materialize and drive intra-African trade as well as economic transformation. The agreement offers tremendous chances for the development of regional value chains and could boost intra-African trade, which is expected to more than double within the first decade of its implementation. (Afreximbank 2018).

Member countries were set to commence trading under the AfCFTA on July 1, 2020. However, this date has been postponed due to the COVID-19 pandemic, which allows for the conclusion of critical parts of the agreement, including schedules of tariff concessions and liberalization of services. Also, additional work is needed to ease the implementation and interpretation of the agreement. This includes establishing guidelines about infant industries, rules of origin, and the implementation of trade remedies, and developing regulations for goods produced in special economic zones. Phase 2 negotiations that address investment, intellectual property, and competition are set to commence in 2020.

“

The free trade area will bring together 55 African countries with a combined population of more than 1.2 billion people and a combined gross domestic product of more than US\$2.5 trillion.

”

Intra-African Trade

Table 6.2 Intra-African Trade (US\$ Billion)

	Intra-African Exports (US\$ Billion)			Growth Rate (%)		Share of Intra-African Exports (%)			Intra-African Imports (US\$ Billion)		
	2017	2018	2019	2018	2019	2017	2018	2019	2017	2018	2019
Algeria	1.40	1.78	1.82	27.37	2.68	2.02	2.27	2.18	8.29	9.59	6.42
Angola	1.71	1.45	2.97	-15.17	105.21	2.47	1.85	3.55	1.58	1.70	0.96
Benin	0.16	0.15	0.13	-5.31	-16.37	0.23	0.19	0.15	0.45	0.69	0.56
Botswana	0.85	0.87	0.66	2.81	-25.05	1.23	1.12	0.78	3.92	4.70	5.59
Burkina Faso	0.37	0.42	0.37	14.95	-12.47	0.53	0.54	0.44	0.96	1.12	1.07
Burundi	0.04	0.04	0.05	-4.00	13.29	0.06	0.05	0.06	0.21	0.19	0.25
Cameroon	0.39	0.38	0.48	-3.06	28.92	0.56	0.48	0.58	0.90	0.97	0.92
Cape Verde	0.00	0.00	0.00	-80.70	670.77	0.00	0.00	0.00	0.03	0.03	0.02
Central African Rep.	0.03	0.04	0.04	28.40	-5.14	0.04	0.05	0.04	0.08	0.09	0.08
Chad	0.01	0.01	0.01	2.35	-5.90	0.01	0.01	0.01	0.15	0.18	0.20
Comoros	0.00	0.00	0.01	-63.61	359.56	0.01	0.00	0.01	0.02	0.02	0.02
Congo, Dem. Rep.	3.14	5.02	7.51	59.80	49.72	4.55	6.41	8.97	4.38	5.26	5.38
Congo, Rep.	1.77	1.88	1.85	5.82	-1.62	2.57	2.40	2.20	1.48	1.40	1.29
Côte d'Ivoire	2.86	2.84	2.75	-0.49	-3.28	4.14	3.64	3.29	1.91	2.46	2.64
Djibouti	0.14	0.16	0.10	8.17	-37.80	0.21	0.20	0.12	0.09	0.06	0.06
Egypt, Arab Rep. of	1.40	2.42	4.10	73.63	69.25	2.02	3.10	4.90	1.26	1.14	1.94
Equatorial Guinea	0.16	0.09	0.08	-46.16	-11.06	0.23	0.11	0.09	0.08	0.07	0.07
Eritrea	0.00	0.00	0.00	-65.36	-21.33	0.00	0.00	0.00	0.05	0.03	0.02
Eswatini, Kingdom of	1.70	1.71	1.85	0.97	7.79	2.46	2.19	2.20	1.29	1.45	1.41
Ethiopia	1.34	1.39	1.50	3.48	8.03	1.95	1.78	1.79	0.56	0.29	0.24
Gabon	0.10	0.11	0.10	8.96	-14.16	0.15	0.14	0.12	0.20	0.21	0.22
Gambia, The	0.01	0.01	0.01	-43.14	29.48	0.01	0.01	0.01	0.27	0.21	0.19
Ghana	2.02	2.55	2.83	25.99	11.00	2.93	3.26	3.38	1.09	1.15	0.97
Guinea	0.35	0.37	0.36	6.80	-3.28	0.50	0.47	0.43	0.27	0.32	0.30
Guinea-Bissau	0.03	0.01	0.03	-63.99	152.81	0.05	0.02	0.04	0.05	0.04	0.05
Kenya	1.82	1.81	1.81	-0.64	0.14	2.63	2.31	2.16	1.60	1.74	1.50
Lesotho	0.35	0.49	0.47	38.24	-3.31	0.51	0.62	0.56	1.25	1.58	1.28
Liberia	0.04	0.02	0.01	-49.37	-56.58	0.06	0.03	0.01	0.30	0.17	0.20
Libya	0.09	0.14	0.08	52.87	-39.92	0.13	0.18	0.10	0.21	0.25	0.34
Madagascar	0.21	0.36	0.20	71.11	-43.47	0.30	0.46	0.24	0.34	0.38	0.32
Malawi	0.25	0.33	0.45	35.49	35.96	0.36	0.43	0.54	0.73	0.75	0.78
Mali	1.14	0.73	0.72	-36.06	-1.87	1.66	0.93	0.86	1.84	1.95	2.12
Mauritania	0.14	0.43	0.58	204.72	34.60	0.20	0.55	0.69	0.19	0.19	0.19
Mauritius	0.45	0.47	0.45	4.50	-4.31	0.65	0.60	0.53	0.71	0.74	0.68
Morocco	2.16	1.83	1.83	-15.33	-0.08	3.13	2.34	2.18	1.08	1.41	1.16
Mozambique	1.04	1.09	1.01	4.38	-7.00	1.51	1.39	1.21	1.86	2.03	2.37
Namibia	2.22	2.33	2.27	5.20	-2.76	3.21	2.98	2.71	4.52	5.54	5.50
Niger	0.20	0.04	0.07	-80.49	87.89	0.29	0.05	0.09	0.35	0.42	0.47
Nigeria	5.48	8.93	8.24	62.86	-7.71	7.94	11.41	9.84	1.41	1.78	1.80
Rwanda	0.20	0.37	0.14	88.02	-63.35	0.28	0.47	0.16	0.56	0.71	0.66
São Tomé and Príncipe	0.00	0.00	0.00	20.91	-43.17	0.00	0.00	0.00	0.04	0.04	0.03
Senegal	1.08	1.09	1.80	1.08	65.00	1.56	1.39	2.15	1.01	1.28	1.00
Seychelles	0.03	0.03	0.03	6.75	-16.14	0.04	0.04	0.03	0.13	0.13	0.12
Sierra Leone	0.04	0.05	0.07	24.47	32.80	0.06	0.06	0.08	0.08	0.09	0.09
Somalia	0.07	0.09	0.14	36.19	50.18	0.10	0.12	0.16	0.56	0.55	0.54
South Africa	23.37	24.78	23.78	6.03	-4.04	33.84	31.67	28.40	8.57	11.59	10.39
South Sudan	0.00	0.00	0.00	55.36	-7.65	0.00	0.00	0.00	0.52	0.42	0.52
Sudan	0.21	0.13	0.07	-35.83	-47.66	0.30	0.17	0.08	0.33	0.31	0.38
Tanzania	1.43	1.48	2.11	3.51	42.94	2.07	1.89	2.53	0.63	0.95	1.12
Togo	0.60	0.79	1.38	31.66	75.68	0.87	1.01	1.65	0.27	0.18	0.11
Tunisia	1.02	1.07	1.14	4.81	6.20	1.48	1.37	1.36	0.96	1.14	1.17
Uganda	1.19	1.23	0.98	3.80	-20.41	1.72	1.58	1.17	0.91	1.31	2.00
Zambia	1.59	1.81	1.68	14.41	-7.30	2.30	2.32	2.01	5.12	4.97	3.33
Zimbabwe	2.66	2.61	2.63	-1.98	1.00	3.85	3.33	3.15	3.44	3.66	3.21
Total	69.05	78.23	83.73	13.29	7.03	100.00	100.00	100.00	69.05	79.63	74.27

	Growth Rate (%)		Share of Intra-Africa Imports (%)			Total Intra-African Trade (US\$ Billion)			Growth Rate (%)		Share of Total Intra-Africa Trade (%)		
	2018	2019	2017	2018	2019	2017	2018	2019	2018	2019	2017	2018	2019
	15.64	-33.09	12.01	12.04	8.64	9.69	11.37	8.24	17.32	-27.50	7.02	7.20	5.22
	7.71	-43.66	2.29	2.14	1.29	3.29	3.15	3.93	-4.16	24.70	2.38	2.00	2.49
	53.42	-18.41	0.65	0.86	0.75	0.61	0.84	0.69	38.04	-18.04	0.44	0.53	0.43
	19.96	18.97	5.68	5.91	7.53	4.77	5.58	6.25	16.90	12.06	3.45	3.53	3.96
	16.19	-4.65	1.40	1.41	1.44	1.33	1.54	1.44	15.85	-6.79	0.96	0.98	0.91
	-9.01	31.67	0.30	0.24	0.33	0.25	0.23	0.30	-8.12	28.25	0.18	0.15	0.19
	7.15	-4.68	1.31	1.21	1.24	1.29	1.34	1.41	4.08	4.73	0.93	0.85	0.89
	3.63	-25.98	0.04	0.04	0.03	0.03	0.03	0.02	0.14	-20.42	0.02	0.02	0.02
	16.33	-9.63	0.11	0.11	0.11	0.11	0.13	0.12	19.80	-8.25	0.08	0.08	0.07
	20.50	10.79	0.22	0.23	0.27	0.16	0.19	0.21	19.66	10.13	0.11	0.12	0.13
	50.32	-22.28	0.02	0.03	0.02	0.02	0.02	0.02	28.19	-1.23	0.01	0.02	0.02
	20.18	2.30	6.34	6.60	7.24	7.52	10.28	12.89	36.73	25.45	5.44	6.51	8.16
	-5.04	-8.22	2.14	1.76	1.73	3.25	3.28	3.13	0.88	-4.44	2.35	2.08	1.98
	28.83	7.35	2.77	3.09	3.56	4.77	5.31	5.40	11.26	1.65	3.45	3.36	3.42
	-25.18	1.04	0.12	0.08	0.09	0.23	0.22	0.16	-4.27	-26.48	0.17	0.14	0.10
	-9.45	69.70	1.83	1.44	2.61	2.66	3.57	6.04	34.15	69.39	1.92	2.26	3.82
	-6.74	4.50	0.11	0.09	0.10	0.24	0.16	0.15	-33.41	-4.01	0.17	0.10	0.10
	-39.56	-32.42	0.07	0.04	0.03	0.05	0.03	0.02	-40.03	-32.31	0.04	0.02	0.01
	12.63	-3.11	1.87	1.82	1.89	2.98	3.16	3.25	6.00	2.79	2.16	2.00	2.06
	-47.57	-16.63	0.81	0.37	0.33	1.90	1.68	1.75	-11.46	3.76	1.38	1.07	1.10
	7.03	5.85	0.28	0.26	0.30	0.30	0.32	0.32	7.70	-1.16	0.22	0.20	0.20
	-21.59	-6.51	0.38	0.26	0.26	0.27	0.21	0.20	-22.29	-5.65	0.20	0.13	0.13
	6.28	-15.69	1.57	1.45	1.31	3.11	3.70	3.80	19.11	2.69	2.25	2.35	2.41
	18.49	-8.73	0.40	0.41	0.40	0.62	0.69	0.65	11.95	-5.82	0.45	0.44	0.41
	-11.11	15.73	0.07	0.05	0.06	0.08	0.05	0.08	-33.63	47.38	0.06	0.03	0.05
	9.20	-14.21	2.31	2.19	2.01	3.41	3.55	3.30	3.97	-6.91	2.47	2.25	2.09
	26.19	-18.97	1.81	1.98	1.72	1.61	2.07	1.75	28.84	-15.27	1.16	1.31	1.11
	-41.24	15.99	0.43	0.22	0.27	0.33	0.19	0.21	-42.19	8.61	0.24	0.12	0.13
	22.20	37.60	0.30	0.31	0.46	0.30	0.39	0.43	31.70	9.72	0.22	0.25	0.27
	10.78	-15.13	0.49	0.47	0.43	0.55	0.73	0.52	33.77	-28.94	0.40	0.46	0.33
	1.94	3.97	1.06	0.94	1.04	0.98	1.08	1.23	10.38	13.85	0.71	0.68	0.78
	5.85	8.58	2.67	2.45	2.85	2.99	2.68	2.83	-10.19	5.73	2.16	1.70	1.79
	-1.10	-3.11	0.28	0.24	0.25	0.33	0.62	0.76	85.68	22.98	0.24	0.39	0.48
	3.52	-7.72	1.03	0.92	0.91	1.16	1.20	1.13	3.89	-6.39	0.84	0.76	0.71
	31.19	-17.63	1.56	1.77	1.57	3.24	3.24	2.99	0.14	-7.72	2.34	2.05	1.89
	8.65	16.83	2.70	2.54	3.19	2.91	3.12	3.38	7.12	8.50	2.11	1.97	2.14
	22.57	-0.69	6.54	6.95	7.40	6.74	7.87	7.77	16.85	-1.31	4.88	4.99	4.92
	19.65	12.28	0.50	0.52	0.63	0.55	0.45	0.54	-17.08	18.80	0.40	0.29	0.34
	26.06	1.27	2.05	2.24	2.43	6.89	10.71	10.04	55.32	-6.22	4.99	6.78	6.36
	25.68	-6.82	0.82	0.89	0.89	0.76	1.08	0.80	41.75	-26.15	0.55	0.68	0.50
	6.53	-7.25	0.05	0.05	0.05	0.04	0.04	0.04	6.71	-7.76	0.03	0.02	0.02
	27.08	-21.87	1.46	1.61	1.35	2.09	2.37	2.80	13.65	18.03	1.51	1.50	1.77
	-4.81	-2.45	0.19	0.16	0.16	0.16	0.16	0.15	-2.63	-5.29	0.12	0.10	0.09
	9.82	4.64	0.12	0.11	0.13	0.12	0.14	0.16	14.62	14.66	0.09	0.09	0.10
	-1.71	-1.83	0.81	0.69	0.72	0.62	0.64	0.67	2.33	5.54	0.45	0.40	0.43
	35.21	-10.35	12.42	14.56	13.99	31.94	36.37	34.17	13.86	-6.05	23.13	23.04	21.63
	-19.25	23.18	0.76	0.53	0.70	0.52	0.42	0.52	-19.21	23.16	0.38	0.27	0.33
	-4.82	22.12	0.47	0.39	0.51	0.53	0.44	0.45	-16.81	1.31	0.39	0.28	0.28
	50.19	18.12	0.91	1.19	1.51	2.06	2.43	3.23	17.82	33.24	1.49	1.54	2.05
	-34.52	-34.91	0.39	0.22	0.15	0.87	0.96	1.50	11.11	55.44	0.63	0.61	0.95
	18.33	2.53	1.39	1.43	1.57	1.99	2.21	2.31	11.36	4.31	1.44	1.40	1.46
	44.59	52.63	1.31	1.65	2.70	2.10	2.55	2.98	21.45	17.21	1.52	1.61	1.89
	-3.00	-33.05	7.41	6.24	4.48	6.71	6.78	5.01	1.12	-26.16	4.86	4.30	3.17
	6.37	-12.13	4.98	4.59	4.33	6.10	6.27	5.85	2.73	-6.67	4.42	3.97	3.70
	15.31	-6.74	100.00	100.00	100.00	138.10	157.86	157.99	14.30	0.09	100.00	100.00	100.00

Intra-African Trade

Box 6.1: The Democratic Republic of Congo and Intra-African Trade

The economy of the Democratic Republic of Congo (DRC) has been on a path to recovery since 2018, following a sharp decline occasioned by the commodity price shock of 2014 to 2017. The value of total trade was especially constrained by the fall in the copper prices—which accounted for over 50 percent of total exports of goods and services between 2014 and 2016—and exacerbated by uncertainty in the business environment ahead of political transition in the country in 2018/19. GDP growth is estimated to have reached 5.8 percent in 2018, up from 3.7 percent in 2017, as commodity prices recovered, boosting the economy which is primarily mining-sector based.

Due to its abundant mineral resources (including copper, cobalt, cadmium, petroleum, industrial and gem diamonds, gold, silver, zinc, manganese, tin, germanium, uranium, radium, bauxite, iron ore, coal, timber, and hydropower) the DRC is considered to be potentially one of the richest mining countries in Africa (SADC). On that account, the performance of the DRC on both extra- and intra-African trade is largely driven by activity in the mining sector with the country being the world's third largest producer of industrial diamonds. While agriculture is the mainstay of the DRC economy, there has been only moderate and insufficient expansion in the sector and the main cash crops consist of coffee, palm oil, rubber, cotton, sugar, tea and cocoa. But according to the World Food Programme, domestic food production in the DRC only covers around 30 percent of food needs, meaning that the country must rely extensively on food imports to meet domestic consumption.

The DRC's total trade increased by 3.7 percent from US\$30.94 billion in 2018 to US\$32.94 billion driven by growth acceleration and cross-border trade. The intra-regional component of its trade increased by 10.4 percent to US\$11.4 billion in 2019 from US\$10.3 billion in 2018 and only US\$7.54 billion in 2017. The sustained increase in the intra-regional component of its overall trade has raised the profile of the country which has become the second-largest intra-African trading nation, accounting for over 7.8 percent of total intra-African trade, right behind South Africa with which it shares a thriving trading relationship supported by their membership of the Southern African Development Community.

The distribution of DRC's intra-African trading partners is very insightful. Of the top African trading partners 33 percent of imports and 13 percent of exports are from the SADC region (South Africa, Zambia, Namibia and Angola) while 10 percent of imports are from the EAC region (Uganda, Tanzania, Kenya). While the top-10 intra-African trading partners account for over 90 percent of its combined intra-African trade, SADC member countries alone account for 70% of that trade. Essentially the DRC's trade with the rest of the continent is largely anchored within East and Southern Africa even though the country is at a confluence of Eastern, Southern but also Central Africa. Its trade with central African countries in the CEMAC region has remained marginal, accounting for less than 1% of total intra-African trade.

As the DRC's largest trading partner, products of iron and steel and precious metals were the top exported products to South Africa in 2019 while the DRC imported crude oil, coal, petroleum and electricity, prepared cereals and pastry, fruits and nuts, fruit juices and prepared vegetable products, wheat, malt and milled grains. While the value of the DRC's exports to South Africa in 2019 are near their ten-year average, the value of its exports to Zambia—which are made up almost entirely of copper and cobalt—recovered strongly in 2019 to reach US\$901 million after dipping sharply to an average US\$488 million between 2015 and 2017, from US\$1.23 billion in 2013.

Exports to regional neighbours Uganda and Tanzania have proven resilient over a ten-year period, rising to US\$251 million and US\$164 million in 2019 from US\$204 million and US\$135 million in the prior year. Exports to Uganda and Tanzania comprise of gold, scrap iron, refined copper and wood. Kenya, Angola and Namibia together account for 4.3 percent of total DRC exports and 11.7 percent of its total intra-African exports in 2019. The DRC exports sawn wood, perfume plants and specialised vehicles to Kenya, Angola and Namibia. However, trade, particularly exports to Kenya have been trending lower since 2016. In 2016 Kenya accounted for 9 percent of intra-African export destinations for the DRC compared with 4.3 percent in 2019. In response, Kenya has announced plans to set up warehouses in the Democratic Republic of Congo as part of a strategy to boost trade in the regional export market.

In all, the DRC recorded a strong intra-African trade surplus of US\$ 2.6 billion in 2019, its first since 2005 (when it recorded a trade surplus of US\$384 million). This reflects its comparatively strong exports to the rest of the continent is consistent with the DRC's trade profile with the rest of the world, with which it recorded a trade surplus of US\$1.8 billion.

Despite the strong performance achieved in 2019, the DRC's exports are still largely dominated by primary commodities and natural resources. As such, the DRC's trade remains highly volatile and affected by commodity price cycles. Sustaining the growth and resilience of its trade, both extra and intra-African will very much hinge on progress in value addition and expansion of processing capacities to mitigate the volatility associated with commodity price cycles and the long-term deterioration in terms of trade.

An aerial photograph of a city, likely Harare, Zimbabwe, showing a river with several ships and a dense urban area with various buildings and green spaces.

Chapter Seven

Prospects

An unheralded development that began as a health crisis in early 2020, the COVID-19 pandemic soon morphed into a major global economic crisis. This economic crisis was triggered by the globalisation of containment measures, which in turn led to global demand and supply shocks.

7.1 GROWTH

There has been severe economic fallout from these containment measures (lockdowns, quarantines, and closures), which were enacted to protect lives and help health systems cope with the pandemic. The global economy, which previously was projected to expand by 3.3 percent in 2020, now is forecast to contract by 4.9 percent (IMF 2020), a performance that is far worse than during the 2007-2009 financial crisis.

The magnitude of contraction in world output reflects the globally synchronised nature of the pandemic downturn, which has affected both developed and developing market economies. Major economies such as the United States, European Union (EU), India, and China—which together have been leading drivers of global growth, accounting for about 70 percent of global output—will all record a significant fall in aggregate output.

These economies are also Africa's major trading partners and accounted for as much as 60 percent of total African trade in 2019. Some, most notably the United States and EU, also are the primary sources of remittances inflows into Africa. Hence, the forecasted sharp contraction in these economies and other major economic partners is set to affect Africa's growth prospects in 2020. Africa as a whole is set to contract by 1.7 percent, significantly down from the earlier forecasted expansion of 3.7 percent. The economic downturn facing the region also is highly synchronized. It will affect both small and large economies, as well as economies dependent on and not dependent on commodities, even though the contraction is expected to be sharper in the former, which will be severely affected by both a collapse in commodity prices and weak demand. Tourism-dependent economies are also expected to be severely affected by the pandemic-downturn.

7.2 TRADE

Global and African trade also are set to contract sharply as a result of the global demand and supply shocks triggered by the pandemic. Even before the outbreak of the pandemic, trade was already seriously undermined by escalating trade tensions between the world's two leading economies—China and the United States. The pandemic, and measures taken to contain the spread of the virus, further exacerbated the disruptions to supply chains and will result in one of the biggest trade contractions in history. According to a forecast by the World Trade Organization (WTO), global trade will contract by 9.2 percent in 2020, with all regions of the world, including Africa, will be affected (WTO, 2020).

Most governments have unveiled large monetary and fiscal stimulus plans to support the process of an economic recovery after the virus is contained. Multilateral development finance institutions have accompanied these measures with strong support, including debt service suspension and countercyclical support. In countries most affected by the pandemic, relief from debt service payments will free up scarce financial resources that can be directed toward vital emergency medical efforts and other relief. At the same time, through their countercyclical relief responses, the multilateral institutions are extending direct financing to address the economic impact of the COVID-19 shock and to support the process of economic recovery in the post-containment phase. To complement initiatives undertaken by other multilateral institutions, the African Export-Import Bank's (Afreximbank's)

US\$3 billion Pandemic Trade Impact Mitigation Facility (PATIMFA) is providing much-needed liquidity support to meet both trade payments falling due and trade payment deficits (Afreximbank, 2020). This also is assisting member countries whose fiscal revenues are tied to specific export sectors to manage the sudden revenue declines as a result of a collapse in global demand and commodity prices. The combination of monetary and fiscal stimulus is expected to set the world on a path toward strong economic recovery, with world output projected to expand by more than 5 percent in 2021, assuming that the pandemic fades in the second half of 2020. More than boosting global trade, the strong and synchronised global recovery will lift demand for commodities and prices, with positive spillover on Africa's growth, which is projected to expand by as much as 4 percent in 2021.

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ANNEX 1. EXISTING DATA COLLECTION INITIATIVES

1. West Africa

- The most comprehensive long-term data collection exercise in the region has been led since 2013 by the Permanent Interstate Committee for Drought Control in the Sahel (Comité permanent Inter-Étatique de Lutte contre la Sécheresse au Sahel or CILSS, in French). This initiative tracks ICBT in food, fisheries and agro-silvo-pastoral products and has recently been re-branded 'ECO-ICBT' due its integration into ECOWAS's Informal Trade Regulation Support Programme (Programme régional d'appui à la Régulation du Commerce Informel dans l'espace CEDEAO or PARCI in French). (Commission de la CEDEAO 2018).
- From September to December 2019, UNECA and the Afreximbank conducted a pilot data collection project in the Abidjan-Lagos Corridor to collect data on informal cross-border trade, expanding the scope of data collection to address "some existing data gaps (...) such as gender disaggregation, payment methods and coverage of all commodities rather than only agricultural ones". (UNECA and Afreximbank 2020).
- Data has also been collected at the national level in Nigeria (Central Bank of Nigeria 2016), Sierra Leone (International Growth Centre 2018) and, in the context of a sub-regional data collection initiative by UEMOA Member States such as Benin (INSAE 2012) and Togo (INSEED 2019).
- Efforts are underway to coordinate all of these data collection initiatives under the ITRSP, which is the region's flagship strategy on informal cross-border trade, and to integrate the data into official national and regional statistical databases. (UEMOA, CILSS and ECOWAS 2019).

2. Central Africa

- Cameroon is one of the few countries in which the National Statistics Agency (Institut National de la Statistique) has conducted an official data collection exercise on ICBT, the results of which are summarised in its publication: *Enquête sur les échanges transfrontaliers de marchandises au Cameroun : Bilan méthodologique et résultats*. (Institut National de la Statistique du Cameroun. 2014).
- Several independent studies have been carried out on informal cross-border trade: between Cameroon and its neighbours in the CEMAC region (Nkendah et al. 2011 (2011) and Nkendah 2013); between Cameroon and Nigeria (Amin and Hoppe 2013 (Amin and Hoppe 2013); Ndumbe 2013 (Ndumbe 2013).
- The only research that has been completed at the regional level was sponsored by the Economic Community of Central African States (ECCAS 2018) and consists of a survey of four hundred and sixty-seven (467) informal cross-border traders (including 371 women) covering nine (09) ECCAS Member States: Burundi, Cameroon, Congo, Gabon, Equatorial Guinea, Central African Republic, Democratic Republic of Congo, Rwanda and Chad. (CEEAC 2018).

3. East Africa

- Uganda and Rwanda are the only two countries in Africa that systematically collect data on ICBT at their borders. Uganda has been collecting data on ICBT since 2005 and Rwanda has been doing so since 2009 (World Bank, forthcoming). (World Bank 2019).
- Some limited data has also been made available by the Kenyan National Bureau of Statistics (KNBS), covering informal trade flows in the 2nd quarter of 2011. (KNBS 2011).

- Data has also been collected through a series of ad hoc surveys at the DRC's easternmost borders.
 - Two surveys organised by International Alert provide substantive data on informal cross-border traders in the region operating along the borders of the DRC: the first covered 1,005 traders operating at three border crossings between Goma in the DRC and Gisenyi in Rwanda) (Kimanuka and Lange, La Traversée - Petit commerce et amélioration des relations transfrontalières entre Goma (RD Congo) et Gisenyi (Rwanda) Par 2010); the second covered a total of 3,640 traders operating at four borders in the Great Lakes region, namely Bukavu-Cyangugu (DRC-Rwanda), Uvira-Gatumba (DRC-Burundi), Arua-Arua (DRC-Uganda) and Cibitoke-Bugarama (Titeca and Kimanuka, (2012).
 - More recently, Mwanabingo (2015) interviewed 260 traders operating at Goma-Rubavu and Bukavu-Rusizi borders between the DRC and Rwanda.

4. Southern Africa

- Official data on ICBT in Southern Africa is limited to the Namibia Statistics Agency's reports on ICBT Statistics, the most recent of which was published in 2019. (NSA 2019).
- In addition the COMESA Secretariat is currently compiling gender-disaggregated statistical data on small-scale cross-border trade at four borders between Zambia and its neighbours; these are Mwami/Mchinji border with Malawi, Chirundu border with Zimbabwe, Kasumbalesa border with the DRC and Nakonde/Tunduma border with Tanzania. (COMESA 2018).
- Data is also available from non-official sources, such as FEWS-NET

Annexes

(the Famine Early Warning Systems Network), which monitors cross-border trade in staple foods through the region, with a focus on informal flows. (FEWS NET 2020).

- Lastly, ad hoc academic studies have been conducted at the regional, national and border levels as follows:
 - Regional level: Peberdy et al. (2015); Nshimbi and Moyo (2017), UNCTAD (2019); Gaarder, Mtonga and Mvunga (2019)
 - National level: § Angola: Lopes (2007)
 - Botswana: Ama et al. (2013); Ama, Mangadi and Ama (2014)
 - Mozambique: Macamo (1999); Jairoce (2016)
 - South Africa: Peberdy and Crush (1998); Peberdy (2002)
 - Zimbabwe: Ndlela (2006); Crush and Tevera (2010); Chikanda and Tawodzera (2017)
 - Border level:
 - Chirundu border between Zambia and Zimbabwe: (Muqayi and Manyeruke 2015)
- Kasumbalesa border between Zambia and the DRC: (GIZ 2020).
- Mwami/Mchinji border between Zambia and Malawi.

5. North Africa

- The most comprehensive estimate of the overall scale and scope of ICBT in the North Africa region is provided by Ayadi et al. (2013) who use mirror statistics, field observations and interviews with customs officials and cross-border traders to assess ICBT flows between Tunisia and its two neighbours, Libya and Algeria (Ayadi, Benjamin, Bensassi, and Raballand, An Attempt to Estimating Informal Trade Across Tunisia's Land Borders 2014).
- Another serious attempt to generate quantitative data on ICBT in the North Africa region is made by Bensassi et al. (2017) who use mirror statistics, satellite imagery and a survey of traders to estimate informal trade between northern Mali and southern Algeria.
- North Africa is the only region in Africa where ICBT seems to be the affair of males, exclusively. Timmis (2017).provides an overview of the gender breakdown among informal cross-border traders in Morocco, Algeria, Tunisia, Libya and Egypt.



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