The realities of cross-border trade from Sierra Leone to other Mano River Countries

By

Festus M. Lansana

Centre for Economic Research and Capacity Building (CERCB)

81 Pademba Road Freetown

Outline of presentation

- Background

- Aim and Objectives of the study

- Methodology

- Key findings

- Recommendations

BACKGROUND

- It is increasingly recognised that Informal Cross Border Trade (ICBT) in Africa and in particular, the Mano River Union (MRU)) countries is critical owing to its broader impact on the economies of these countries. The Mano River Union is a sub-regional economic and political union comprising of Guinea, Liberia, Sierra Leone and Cote d' Ivoire .

- Consistent with its mandate of trade promotion and facilitation SLIEPA engaged the International Growth Centre (IGC) to undertake a study on cross border trade with a particular focus on agricultural products which are typically traded, processed and consumed in the MRU.

- This was envisioned as a pilot study though produced interesting results, one capable of directing national and intraregional trade policy reform. The pilot study found a number of results that overturned perceptions policy makers in Sierra Leone had in several areas, which led to demand for this larger project to elaborate on the pilot findings.

- Although the pilot study produced interesting results, the study was limited in the sense that it failed to ascertain the magnitude in volume or value of informal trade.

- Thus IGC together with CERCB were then hired to assess the extent to which the country's trade balance is underestimated and the quantum of revenue government is losing due to informal activities at the borders.

Aim and Objectives of Study

- The main aim of this study is to contribute to the basic understanding of informal cross border trade, and to collect data on the volume, value, direction, and composition of imports and exports in the MRU that will help inform reform measures on national and intraregional trade policies.

Specifically, the following are objectives of this study:

- Generate information on informal trading environment which include a detailed empirical picture of the realities of cross-border trade by informal businesses, including variation in these patterns across location, seasons and different groups;

- Collect data on volume of exportation and importation of agricultural goods;

- Collect data on importation and exportation of Cigarette as well as price data for same;

- Track prices of goods through the chain of distribution i.e. from the first importer to market where products are sold

- Estimate payments, both formal and informal, made by cross border traders to both state and non-state involved in CBT;

Methodology(1)

- The survey covered 19 crossing points (seven formal border crossing points and 12 informal/semi-formal border crossing points)
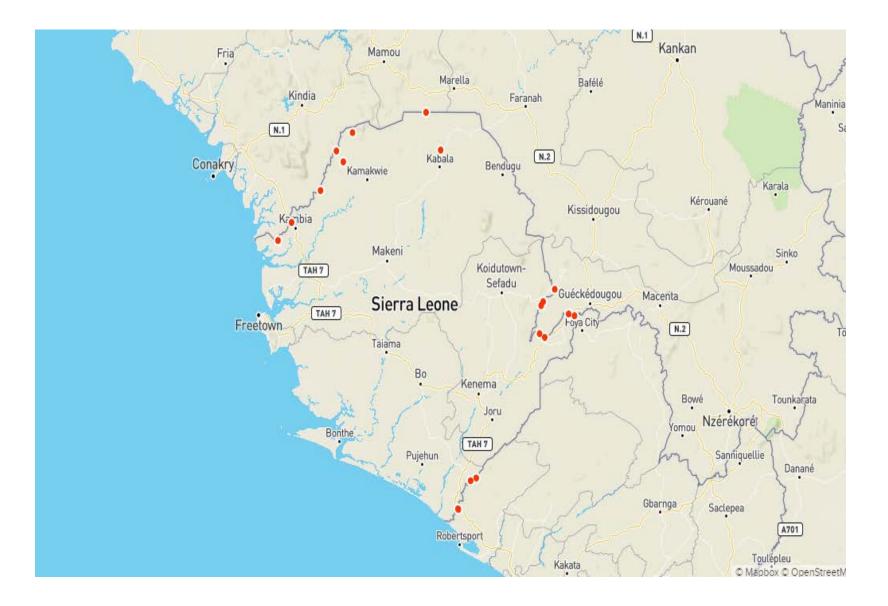
formal border crossing points

- Gbalamuya new custom –Kambia District
- Baidu crossing point –Kailahun District
- Bailu crossing point – Kailahun District
- Dogoloya border post – Koinadugu District
- Jendema border post- Pujehun District
- Kelema border post- Kono District
- Sanya border post – Bombali District

Methodology (2)

Informal Crossing Points

- Yumkella- Kambia District
- Kukuna – Kambia District
- Dal es Salaam – Pujehun District
- Gbaa - Pujehun District
- Thelia – Koinadugu District
- Gbentu - Koinadugu District
- Pengubengu – Kailahun
- Koindu –Kailahun District
- Yibema – Kono District
- Kardu – Kono District
- Gaiya – Bombali District
- Kankan - Bombali

Methodology (3)

- The main part of this exercise was the monitoring and quantitative assessment of informal trade in the same selected locations.

- Enumerators were stationed at 12 informal border crossings and seven formal borders to observe and record trade flows for seven days each in four months i.e. 10th October to 17 October 2016 (end of raining season), 12th to 19th December 2016 (dry season), 16th to 22nd March 2017(peak of dry season) and 7th to 13th August 2017 (Peak of raining season).

- Overall, 19 border crossings accounting for about 15% of total border crossings in the 12 border chiefdoms were investigated.

Methodology (4)

- During the observation enumerators recorded all goods, in particular agricultural goods and cigarettes crossing the borders (i.e. both imports and exports).

- Data was also collected on the composition of traded goods, quantity or volume of goods, value, and direction of trade, mode of transport, packaging, and border permeability.

- During each observation in the week, particular focus was paid to border activities taken place on the following days: before weekly market day, on weekly market day, after market day, and non-market day on the Sierra Leone side of the border.

- Throughout the exercise, monitoring and recording only took place on the Sierra Leone side of the border to avoid the problem of double counting.

- However, surveyors collected market information from the other side of the borders to verify the declared value of goods.

Key Findings

Table A.2. Summary value and direction of agricultural trade between Sierra Leone and neigbouring countries - Formal Borders				
Name of Border Post	Export Value(Le)	Import Value (Le)	Difference	Remark
Gbalamuya new custom	8,664,904,056	12,518,052,592	(3,853,148,536)	Net Importer
Jendema border post	178,324,667	11,991,437	166,333,230	Net Exporter
Dogoloya border post	184,567,500	298,002,048	(113,434,548)	Net Importer
Baidu crossing point	-	2175008	(2,175,008)	Net Importer
Bailu crossing point	85,015,000	216,469,802	(131,454,802)	Net Importer
Sanya border post	64,966,333	40760000	24,206,333	Net Exporter
Kelema border post	96,222,444	6,625,000	89,597,444	Net Exporter
Total	3,274,809,277	13,094,075,887	(9,819,266,610)	Net Importer

Magnitude of under reporting

Table A.3. Summary of magnitude of underreporting of agricultural goods at formal border crossings in Metric ton						
	Export			Import		
Name of Border Post	Phytosanitary	Enumerators	Difference	Phytosanitary	Enumerators	Difference
Gbalamuya new custom	401	1032.792	-631.792	903.55	1389.975	-486.425
Jendema border post	168.95	400.473	-231.523	184.95	414.625	-229.675
Total weight	569.95	1433.265	-863.315	1088.5	1804.6	-716.1
% of underreporting		39.8%			60.3%	

Non Reporting

Table A.4. Magnitude of non-reporting of agricultural products at formal borders in metric tons		
	Export	Import
Dogoloya border post	44.324	80.1
Baidu crossing point	44.582	35.335
Bailu crossing point	0	0.55
Sanya border post	28.867	19.46
Kelema border post	3.527	1.44
Total (Metric tons)	121.3	136.9
Extrapolate for one year	1,559.6	1,760

Informal Payments

Table A.3. Informal Payments at formal borders in millions of Le		
Name of Border Post	Amount (Le)	Extrapolation
Gbalamuya new custom	114.2	1,468.7
Jendema border post	4.0	51.6
Dogoloya border post	7.9	101.2
Baidu crossing point	0.283	3.6
Bailu crossing point	3.4	43.3
Sanya border post	27.1	348.8
Kelema border post	0.447	5.7
Total	157	2,023.0
USD	21,300	273,378

Volume and direction of trade

A.4. Summary volume and direction of trade between Sierra Leone and neigbouring countries -Informal Borders				
Name of informal border	Export (Metric tons)	Import (metric ton)	Difference	Comment
Yumkella	103.593	76.88	26.713	Net exporter
Kukuna	17	23.365	-6.065	Net importer
Dal es Salaam	10.61	4.58	6.03	Net exporter
Gbaa	2.05	0.95	1.1	Net exporter
Thelia	70.363	25	45	Net exporter
Gbentu	61.802	6.53	55.272	Net exporter
Pengubengu	0.96	0.8	0.16	Net exporter
Gaiya	14.949	7.695	7.254	Net exporter
Kankan	0.675	2.98	-2.305	Net importer
Yibema	105.206	7.565	97.641	Net exporter
Kardu	80.478	42.7	37.778	Net exporter
Total	468	199	269	Net exporter

value and direction of agricultural

A.5. Summary value and direction of agricultural goods between Sierra Leone and neigbouring countries through Informal Borders				
Name of informal border	Export (million Le)	Import (million Le)	Difference (million Le)	Comment
Yumkella	228,829	410,138	(181,309)	Net Importer
Kukuna	77,292	143,832	(66,540)	Net Importer
Dal es Salaam	58,720	114,483	(55,763)	Net Importer
Gbaa	1,060	889	171	Net Exporter
Thelia	181,015	128,963	127,054	Net Exporter
Gbentu	133,605	53,961	79,644	Net Exporter
Pengubengu	1,910,000	2,304,000	(394,000)	Net Importer
Gaiya	71,334	10,723	60,611	Net Exporter
Kankan	1,685	26,820	(25,135)	Net Importer
Yibema	142,123	30,925	111,198	Net Exporter
Kardu	132,808	330,374	(197,566)	Net Importer
Total	2,938,471	3,555,109	(541,635)	Net Importer

Informal payments

Table A. 6. Informal payments on import and export at informal borders		
Name of informal border	Informal payments (million Le)	Extrapolation (million Le)
Yumkella	5.46	70.19
Kukuna	1.99	25.52
Dal es Salaam	0.626	8.05
Gbaa	0.224	2.88
Thelia	3.5	45
Gbentu	3.6	47
Pengubengu	1.7	22
Ganya	0.6	8
Kankan	0.5	6
Yibema	6.3	82
Kardu	5.4	69
Total	30.0	385.7
USD	4,054	52,122

Revenue loss at informal borders

A.7. Revenue loss at informal crossing points in millions of Le		
Name of informal border	Amount (million Le)	Extrapolation (million Le)
Yumkella	72.8	936.5
Kukuna	48.7	626.21
Dal es Salaam	6.99	89.89
Gbaa	0.99	12.71
Thelia	14.46	185.93
Gbentu	3.83	49.31
Pengubengu	0.34	4.37
Gaiya	2.9	37.26
Kankan	11.05	142.07
Yibema	30.97	398.18
Kardu	0.86	11.09
Sanya	40.04	514.8
Total	233.93	3008.32
USD	31,612.16	406,530

Conclusion

- Trade volume increases significantly during the dry seasons for the major agricultural commodities traded across the borders but is relatively lower during the raining owing to the production cycle, and bad road network for all borders except Gbalamuya on the Sierra Leone side of the border.

- in terms of volume, Sierra Leone is a net exporter of agricultural goods to its neigbour but remains a net importer in terms of estimated value of cross border trade.

- The highest agricultural trade occurs between Sierra Leone and Guinea. It was also observed during this study that there are excessive payments of informal taxes and fee at official borders.

- The non-availability of customs and phytosanitary officers in most of the borders has increased informal cross border trade thereby exacerbated underreporting of trade statistics in Sierra Leone.

- Other factors influencing informal trade practices include high formal taxes, unfair administration of tax system, and price variations.

Recommendations

- Thus deployment of customs officers particularly at bigger semi-formal borders, in particular Sanya, Yumkella and Kukuna,
- harmonize taxes and making tax administration fairer would provide more reliable revenue for countries in the MRU,
- The ban on key commodities such as rice and palm oil was identified as one of the causes of informal trade practices.
- There is a need for government to revisit this policy, and if possible lift such ban but levy fairer taxes on such commodities to ensure fair trade in the sub-region.
- With the introduction of excise on cigarette through the Finance Act 2017, there is need for robust border monitoring to minimize smuggling of Cigarrete and tobacco products into the country.
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End of Presentation

- Thank Your for your attention