



MONITORING INFORMAL CROSS-BORDER TRADE IN STAPLE FOODS IN SOUTHERN AFRICA

A collaborative activity between WFP and FEWS NET

Presented at the FANRPAN Workshop on Maize Marketing and Trade Policies in Southern Africa
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IN THIS PRESENTATION:

- Project Rationale and Objectives
- Phasing of activities
- Implementation and border observations
- Evaluation and assessment of sustainability
- Findings relating to utility of the information
 - influencing policy debates
 - informing trade positions

Project Rationale

- Contribution of informal cross-border food trade in redressing supply/demand imbalances is presently not adequately captured in Southern African countries;
- Absence of reliable estimates of informal cross border food trade volumes constrains effective planning. In the absence of this data, food aid or import needs can be over-estimated. Over-supply of food aid or commercial (para estatal) imports can depress trade and production incentives.

Rationale (Cont'd)

- Because the volume and the direction of trade can change from year-to-year, **MONITORING** systems are necessary, rather than one-off studies (good background/ snapshot studies exist - such as the Whiteside study in Malawi).
- The low-cost cross-border trade monitoring system in East Africa under RATIN (Regional Agricultural Trade Intelligence Network) has demonstrated that informal cross border food trade can be captured and can improve the accuracy and reliability of data used to assess supply/demand factors.

Project Objectives

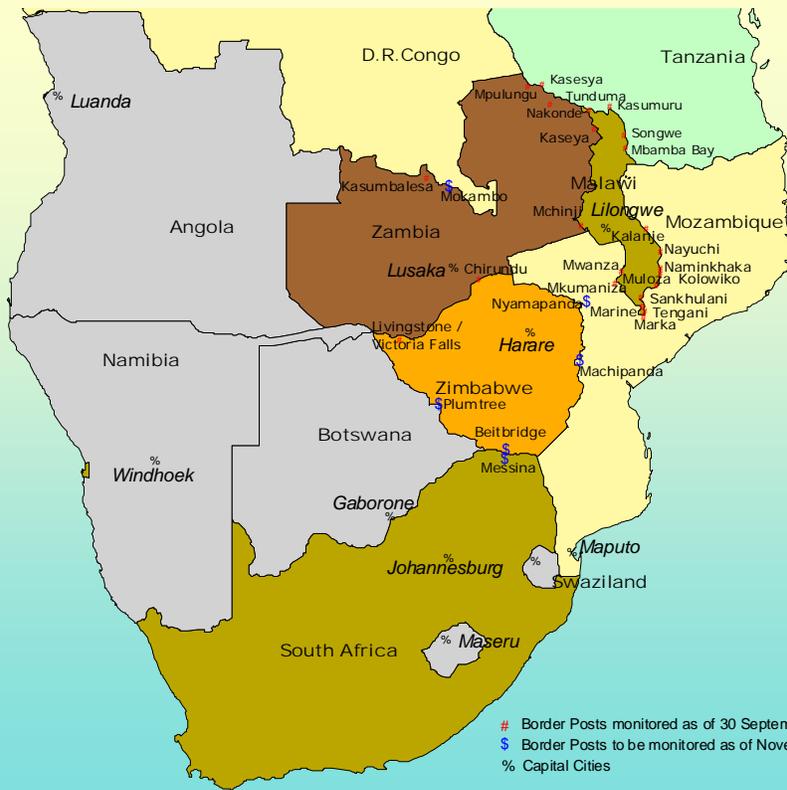
- **Objectives**
- Collect data to understand the volumes and direction of trade (supply and demand) of major food commodities to assist in hunger reduction.
- Collect, analyse and disseminate cross border trade data for use in Food Balance Sheets, strategic regional trade and food aid planning and humanitarian response
- Increase the understanding of livelihoods, hence the food security of vulnerable populations.
- **Expected Outputs**
- Time series data sets for quantity being traded at each border
- Time series price data for key commodities and markets
- Monthly cross border trade report
- Information available and linked to the RATIN website
- Cross border processes documented and impact on livelihoods of people involved analyzed
- Improved Food Balance Sheets reflecting quantities imported and exported through informal trade to assist governments, traders and donors with decision-making

Phasing of Activities

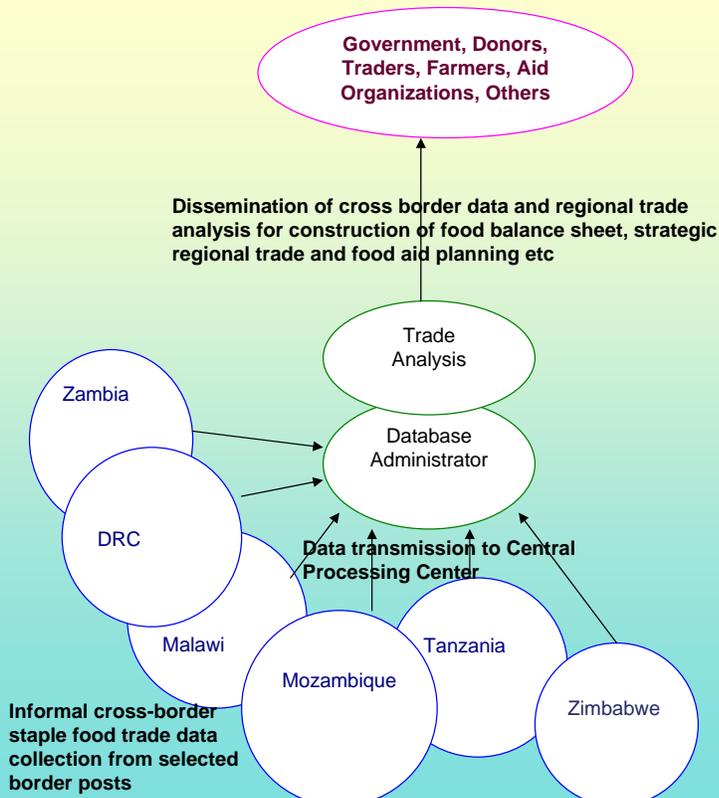
- Phase 1 – Design and Development
(April to June 2004)
- Phase 2 – Implementation
(July 2004 – September 2005)
- Phase 3 – Evaluation and Assessment of Sustainability
(May 2005)



Location of Border Monitors



System Design



Phase 1: Design and Development

1. Set up a project steering committee, secure funding and hire consultancy firm (IMCS Zambia) to implement phase 1
2. Background Research and Preparation
3. Study tour to East Africa
4. Country Strategy Visits
5. Selection of borders to be included, hiring and training of monitors.
6. Final Design of the System

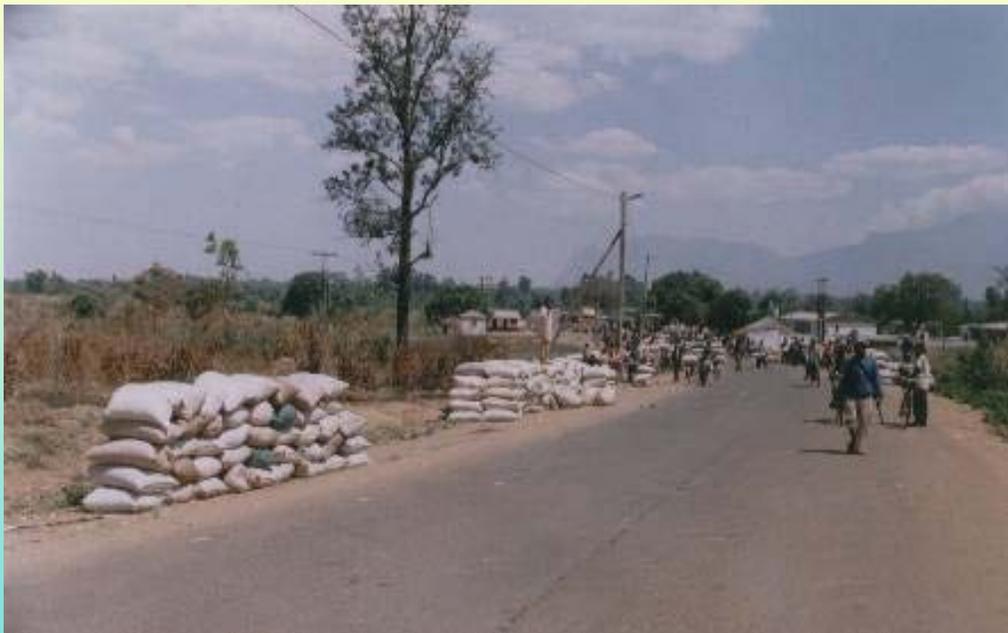
Phase 2: Implementation

- Implementation of Phase 2 (July '04 – September '05)
- In this phase -
 - A Central Processing Facility was established and a market economist hired (currently based in Malawi).
 - Data from all selected sites collated, put in tables and distributed (began July 2004)
 - Regional bulletin produced (first report issued in 10/15/04 as a quarterly – thereafter, monthly). Malawi prepares a monthly national report
 - Data regularly uploaded to www.ratin.net

Monitoring methodology

- Depends on the way trade happens at each respective border; the commodities are carried either by bicycle, ox-cart, trucks, etc :-
 - the monitor endeavors to record any staple commodity that crosses the border without going through the official process of documentation (not officially recorded by customs)
 - daily, the monitors at their post will move around, talk to traders, physically count each unit of commodity that crosses the border and record the data (volume, prices, source and destination) on a proforma

Example of cross border trade at the Mozambique – Malawi (Milange/ Mulanje) Border: Maize is stacked close to the border awaiting transportation



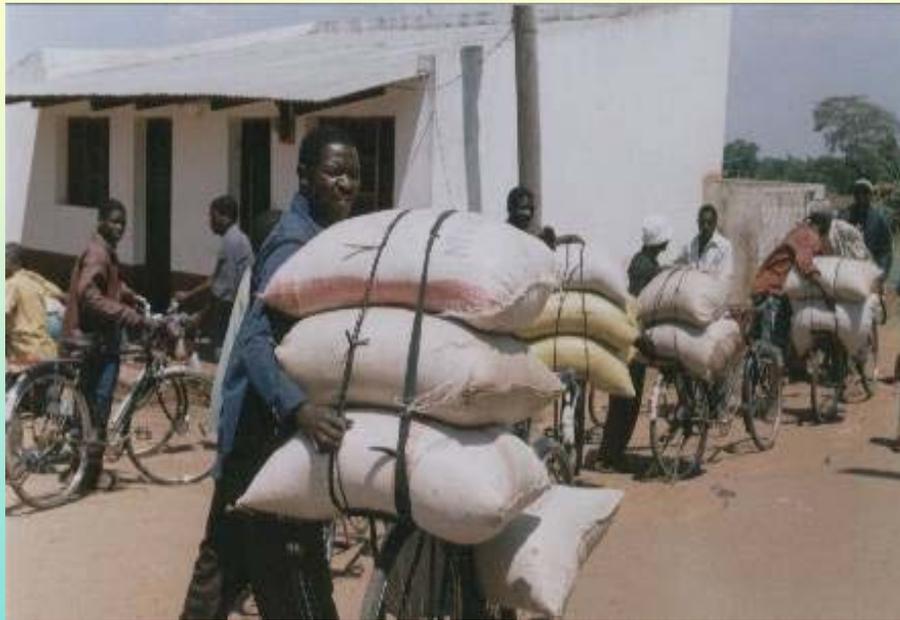
Stacks of maize at Milange - the Mozambican side



Cyclists carry maize across the border into Malawi- an estimated 100 cyclist were crossing every 30 minutes (September)



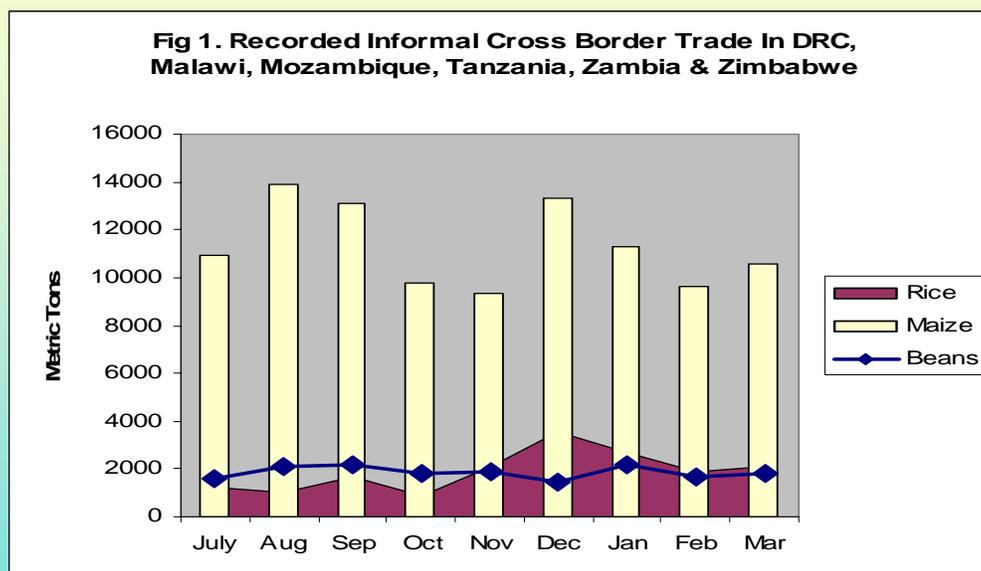
Cyclists transporting maize cross the Milange border exit into Malawi



Maize now loaded in trucks destined for urban centers



Observed Trade July 04 to March 05



Observed Maize Trade July 04 - March 05

Table 1: Informal Cross Border Trade in Maize (MT)

Source	Destination	Jul-Sept-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Total
Tanzania	Zambia	796.2	713.7	225.1	981.8	441.1	453.6	86.5	3,698.0
Zambia	Zimbabwe	2,661.8	2,242	1,400.0	1,986.0	1,624.0	1,764.0	1,428.0	13,105.8
Zambia	Malawi	484.0	144.0	113.9	655.0	690.6	42.5	26.3	2,156.3
Zambia	Tanzania	71.4	3.7	9.9	6.3	0.5	0	1.0	92.8
Malawi	Zambia	0.4	0.7	12.9	5.0	7.5	2.6	3.9	33.0
Zambia	DRC	256.2	495.0	1,333.0	1,226.1	1,596.1	1,345.0	2,066.6	8,318.0
Mozambique	Malawi	33,358.0	6,045.5	6,115.1	8,272.0	6,613.1	5,055.6	5,769.2	71,228.5
Malawi	Tanzania	315.3	108.1	55.1	63.0	40.0	33.9	21.9	637.3
Tanzania	Malawi	21.6	21.2	71.6	146.0	292.8	900.2	1,201.9	2,655.3
Mozambique	Zimbabwe	-	-	-	-	-	2.2	0.4	2.6
Total Traded (MT)		37,964.9	9,773.9	9,336.6	13,341.2	11,305.7	9,599.6	10,605.7	101,927.6

MALAWI Example: MAIZE TRADE BALANCE SHEET
2004/05 Marketing Year
(Formal trade data currently available is in red)

	SOURCE - Formal and informal	QUANTITY
Opening stocks	Formal	29,103
Imports (as at 30 March 05)	Informal Imports from Mozambique (71,229) from Zambia (2,156), from Tanzania (2,655)	76,040
	Formal Imports	(35,626)
Total Production (04/05)	Production less 15% post harvest losses	1,473,156
Estimated Availability	National Cumulative	1,613,925
April 04 - March 05 Exports	Informal exports (Tanzania and Zambia)	670
	Formal exports	(0)
Total Consumption (includes seed, but excludes SGR)		1,979,291
Maize Surplus/ Deficit	All sources (Excluding informal)	-366,036 (-441,406)

Phase 3: Evaluation and Assessment of Sustainability – May 2005

- System designed to be low cost to help with sustainability
- Evaluation of system carried out in May/ June 2005 both to inform next steps process, funding decisions and sustainability issues
- Discussions continue to define a regional 'host' including COMESA and SADC

Scope of Work for Evaluation

- **Review quality of data collection:**
- **Review quality and utility of bulletins:**
- **Assess comprehensiveness of system:**
- **Assess possible links (and eventual hosting) by Regional Organizations:**
- **Suggest next steps for the initiative.**

Overall Conclusion

- Uniform agreement, from all stakeholders consulted, on the value and importance of data on informal cross border trade
- Uniform support for the continuation of the system - "tremendously disappointing", "disastrous", if it stopped now
- But-
- Differing ideas on what the system should deliver, and how

Findings on Utility of information

- Uses of information mentioned included:
 - Improvement of national food balance sheets
 - Leading to improved food aid estimates
 - and more informed import decisions by Govt
 - **Influencing trade policy debates**
 - Usage in VAC analysis of estimated needs
 - **Informing trade positions of large scale traders**
 - Procurement operations of WFP, Govt (NFRA) and traders
 - Design of development programmes by NGOs/UN and targeting
 - Early warning of national food security situation – confirms deficits

Utility of information: **Influencing policy debates**

- Improved understanding of trade dynamics is impacting on trade policy debates
 - System can help identify tariff and non tariff barriers that inhibit trade especially among small scale traders. These include trade policy and practice (tariffs, bans, complex documentation procedures, SPS standards, rules of origin etc)
 - Could also help address the question of determining the ability of the market (private sector) to fill the deficit, and residual role for Govt purchases. Food purchases are expensive and carry high opportunity costs
 - Current interaction between private trade and govt is almost non existent in Malawi and weak elsewhere – the XBT links to policy debates can improve this interaction

Utility of information: Influencing policy debates

- Influencing policy debates (cont'd)
 - The XBT reports help to highlight the potential of the private sector – analysis of quantities is almost secondary. Reports add to market transparency
 - Need to educate policy makers about the impacts of policy choices. Can influence policy decisions such as maize export ban in Zambia and rice export ban in Malawi. Debate has to influence politicians as well as policy makers
 - Noted that traders assessed actions of Government as far more significant in depressing markets than WFP distributions

Utility of information: Informing Trade positions

- **Informing trade positions:**

Although there is potential, currently limited (not receiving reports).

 - Traders do need better estimates of deficits (the XBT can provide this)

BUT

 - Traders generally tend to place limited confidence in estimates, what is more influential to their decision making are other factors such as uncertainties around government policy.



Thank you!!!