



## PULSAR DO COMÉRCIO EXTERNO

### Overcoming the challenges faced by Small Scale Cross Border Traders in Mozambique: The case of the Ressano Garcia Border Post<sup>1</sup>

Mozambique is a net importer of various products with recent figures (2022) showing imports at \$21.97 billion while exports at \$1.78 billion and its largest trading partner is South Africa with 21% of total trade.<sup>2</sup> The Ressano Garcia border post is the principal avenue through which trade is conducted with South Africa and the main entry point small-scale traders in Mozambique use to purchase and sell their goods in the neighboring country.

#### The importance of small-scale cross border trade

Cross-border trading has become a way of life for many in the informal sector in Mozambique, geographically encompassing every part of the country. From a gender perspective, women are more involved in cross-border trading activities and men are mainly involved in the sale of the products brought back from South Africa<sup>3</sup>, with data showing that in Mozambique 90% of SSCBT are women. It is estimated that about \$5.1 billion to \$15 billion in intra-African cross border trade is attributed to informal small-scale cross-border trade (ISSCBT) and informal cross border trade accounts for between 30% and 72% of formal trade between neighboring countries<sup>4</sup>, which in the case of Mozambican imports from South Africa would be equivalent to between \$675 million and \$1,6 billion per year.<sup>5</sup>

This female-intensive sector has broad poverty and development ramifications. It constitutes a vital source of employment and livelihood for the poor, for low-income and low-skilled people. Given the cumbersome formal trade system in Mozambique, informal cross-border trade tends to meet demand for goods more quickly and cheaply.

#### Challenges faced by informal and small cross border traders

In recent years, there have been many studies – at regional and national levels - attempting to deepen the understanding of the challenges faced SSCBT. In the case of Mozambique, a recent study by Trademark Africa identified the challenges faced by SSCBT, which include:<sup>6</sup>



<sup>1</sup> Honorata Chipepo, Trade Consultant, e-mail: honoratachipepo@gmail.com; the opinions expressed in this article are of her sole responsibility.

<sup>2</sup> INE (2022), Estatísticas do Comércio Externo de Bens

<sup>3</sup> Chikanda, 2016

<sup>4</sup> UNECA, 2021

<sup>5</sup> Data from UNComtrade (2021) shows that Mozambique imported from South Africa goods worth \$2.2 billion

<sup>6</sup> Chipepo, 2023. Commissioned by Trademark Africa

- Long wait times at the border posts (specifically Ressano Garcia border with South Africa), sometimes leading to losses of product due to decay as vehicles used to transport the goods are not refrigerated;
- Rent seeking activities taking place, which are aggravated by the lack of information or clarity on the duties that have to be paid, as well as the perceived high duties and taxes applied to certain products. Since SSCBT are not registered as companies nor do they have a formal business name, the traders are often not in a position to take advantage of any fiscal benefits the law affords them had they been legally registered;
- Limited knowledge of the actual border procedures and even less understanding of the fees, duties and levies that they are responsible for, although traders have an overall knowledge of what happens at the border. This lack of knowledge is more notable with the informal traders that purchase smaller quantities of goods; and
- Limited access to financial services, specifically commercial loans, which are very expensive and often require collateral to approve. Furthermore, the advanced age of many traders (more than 60 years old) makes them ineligible for commercial bank loans. To finance their business traders, rely on loans from friends, relatives, microcredit institutions or loan sharks.
- Adoption and Implementation of a Simplified Trade Regime (STR), which is a mechanism “intended to ease customs procedures for small-scale traders exporting or importing small consignments of goods.”<sup>7</sup> The Southern Africa Development Community (SADC) trade agenda includes the STR under the SADC Trade Facilitation Programme 2020-2030.<sup>8</sup> This mechanism, if implemented can allow existing trade preferences under the SADC Trade Protocol, which are currently almost exclusively used by formal traders to be extended to SSCBT. An STR would include simplification of documentation and procedures for SSCBT and could lead to reduced clearance times for the traders, less congestion at the border, reduce barriers and reduce overall costs.
- Since most small scale cross-border trade is conducted by women in Mozambique, mechanisms for safely reporting abuse or harassment must be developed and disseminated through various platforms such as traders' associations and at the border. Developing mechanisms for reporting abuses or harassment, building awareness of gender sensitive policies and providing gender training to border officials and traders' associations are possible tools that could contribute to the reduction of incidences of abuse.

### Addressing the challenges faced by Informal Small-Scale Cross Border Traders

The extent to which small scale traders are successful can be linked to the knowledge of the procedures and policies, how they benefit from interventions that seek to support or facilitate their activities, and the resolution of the challenges that can be identified as hindrances to cross-border trade. It is possible to reduce if not eliminate the challenges faced by small-scale cross border traders and improve the business enabling environment for them by adopting various mechanisms and tools such as the following:

- A holistic approach is necessary to address the small scale cross-border trade challenges, involving various stakeholders and, most importantly the traders themselves. Given the importance of this sector to Mozambique's economy, sustainably addressing these issues must become a government policy priority.
- Streamline procedures and waiting times at the border i.e. Ressano Garcia border post in particular by enforce existing priority mechanisms for example, for trucks carrying produce so to reduce the losses experienced. Lack of knowledge of proper border procedures can be ameliorated through continuous trainings and awareness activities to sensitize the traders on their rights and responsibilities.
- On a micro level, as SSCBT are essentially running micro enterprises, for them to be profitable, small business acumen is also necessary. Financial management is particularly challenging given that in many cases, commercial loans are not available for the traders. Financial literacy and entrepreneurship training for small enterprises could have significant impact when properly implemented.

<sup>7</sup> Pearson, 2022

<sup>8</sup> Mafurutu, 2022

Mozambique's SSCBT, the economy as a whole and the SADC region, stand to gain much from approaches that will facilitate small-scale cross-border trade, improve the way

things are done and resolve the challenges through a collaborative and sustainable approach.

---

### Equipa Técnica

Samuel Zita, Economista e sócio-gerente

### Layout

SE Trade Advisors, Lda

---


### Website

 <https://www.setradeadvisors.com>

### Email

 [info@setradeadvisors.com](mailto:info@setradeadvisors.com)

### Endereço

 Av. Vladimir Lenine, n° 174,  
Millennium Park, 1º andar esquerdo

---