How Covid-19 affected informal cross-border trade between Uganda and DRC

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Informal cross-border trade, which includes smuggling, is hugely important for survival in, around and beyond border regions. Across the border between Uganda and Democratic Republic of Congo informal trade pays the bills and puts food on the table; it stocks the provision shops and pharmacies; and it keep youths out of trouble, communities on the move, and people employed.

Source: www.unsplash.com

This trade is carried out both through unofficial crossings (where goods are smuggled across the border) and over official border points – where goods are not declared. Considered a legitimate source of livelihood this trade not only supplies the borderlands, but is also a vital supply line for the wider region.

Different reasons account for the informality of cross border trade. These include cumbersome border procedures, shortages of particular commodities on either side of the border, and different taxation levels (with the consequent price difference offering attractive margins for smugglers). Added to these is corruption, and harassment of traders by state officials. For these reasons many traders avoid border controls altogether.

Uganda's central bank has been collecting data on undeclared goods passing through official border points. Between 2010 and 2018, Uganda's informal exports to the DRC nearly doubled, from $143,2m to $269,8m. Given that formal exports to the DRC for those years respectively were $184m and $204m, these figures highlight the importance of informal cross-border trade.

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The Covid-19 pandemic has disrupted cross-border mobility worldwide and its policy consequences are therefore particularly visible around borders.

But, what has been the impact of the pandemic on informal cross-border trade along the Uganda-DRC border? Our new research in a number of key border points found that cross-border trade has been severely affected, with knock-on effects on various aspects of lives far beyond the borderlands. For example, as north-eastern DRC largely depends on imports from Uganda for much of its commodities (such as salt, sugar or soap), their supply in basic goods was strongly affected.

However, we also found that players in the informal trade adapted to various changing Covid-19 policies and contexts, including differences in pandemic responses in Uganda and DRC.

Covid measures

Uganda has imposed some of the strictest Covid-19 lockdown rules in the world. At the start in March 2020, Uganda ordered a stay-at-home lockdown and the closure of all its borders - except for cargo truck drivers. Soon after, it suspended all public transport and non-food markets, and a nationwide curfew.

This led to a severe disruption in supply and distribution channels – both formal and informal. Uncertain supplies and speculative behaviour led to increasing and fluctuating prices throughout the borderlands region.

In order to reduce risk, most informal traders deal in a variety of items. These traders adjusted in a variety of ways. As the initial ban in Uganda excluded food markets, traders would shift from nonfood to food items. Yet, particularly in the initial phase of the lockdown, this was not easy, as it remained difficult to transfer goods across the border.

Report documents increase in illicit alcohol trade due to prohibition
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Second, the cost of trading increased as truck drivers had to undergo screenings leading to long waiting times. Formal exports and imports were "slowed down or completely halted by the Covid-19 restrictions." This had a range of impacts, such as the loss of perishable and short-life items due to the restrictions on demand and supply.

Border areas are traditionally vulnerable to economic, political and mobility-related shocks. Cross-border trade run mostly by small-scale traders with fragile supply chains is especially prone to insecurity and upheaval.

The Covid-19 control measures in Uganda therefore had a severe impact on informal cross-border trade. Many traders lost merchandise, such as agricultural produce or livestock, that they were unable to sell. This led to increased financial stress among informal traders, who then often relied on informal loans, resulting in spiralling debt.

Surviving Covid-19 restrictions

While Uganda employed a heavy-handed approach, with the military shutting off official and unofficial border crossings, this was not the case on the Congolese side of the border. Congo's president did announce the closure of the country's borders and a state of emergency in March 2020. But these directives remained largely ineffective with Congolese authorities making no effort to limit crossings.

This allowed some limited opportunities for informal cross border trade. For example, while markets were forcibly closed on the Ugandan side of the border, they remained open on the Congolese side. As a result, many small-scale Ugandan traders shifted to the DRC to reside there. Many were unable to return due to the closed border, and often stayed in precarious conditions.

To move goods across the border, traders on either side of the border would pay truck drivers to transship goods. Overall, these were fairly small quantities, but still allowed traders to survive. But there were risks too. Traders complained about being duped or shortchanged by truck drivers entrusted with moving or sourcing goods. For example, a driver entrusted with buying Congolese coffee for sale in Uganda may deliver inferior quality beans.

Moreover, traders complained that Ugandan security officials were more vigilant in levying trade taxes but also irregular 'foreigner taxes', more so in the Rwenzori border region.

Informal trade is here to stay

Many Covid-19 border restrictions for traders in Uganda have now been lifted. In theory, travellers need to present a Covid-negative test issued no more than 120 hours before travel – but in practice this is not enforced for small-scale traders. Most security personnel have also been withdrawn from unofficial border crossings, through which cross-border mobility has improved again.

In sum, our research demonstrates once more how informal border trade is a historically grounded reality, constituting an important source of livelihood, and supplier of goods, for many far and beyond. Formalisation of these dynamics should therefore not be seen as the solution, as it will threaten trade operations and endanger the economic viability of border communities.

Instead, what is key here is improving the trade environment for these traders. This can be achieved by tackling various other financial and non-financial obstacles, such as harassment by security officials. Doing so will help to deepen regional integration and foster development in these border communities.