Informal cross-border trade (ICBT) in sub-Saharan Africa (SSA) is pervasive - its magnitude is often higher than recorded formal trade. Though a tax-evading activity, agricultural ICBT has been observed to contribute to regional food security and support the livelihoods of many. Economic theory suggests that the presence of informal trade depends on the relative costs of trading informally and formally. Qualitative studies document that some of the reasons behind the existence of informal trading include high and unclear taxation, as well as long waits at border posts. However, little is known about what happens when trade costs are reduced – will informal traders switch to formal trade?

My study examines the effect of trade facilitation – policies aimed at reducing trade costs – on ICBT between Uganda and its neighbours. One type of trade facilitation is One Stop Border Posts (OSBP), which combine two custom points into one to speed border crossing and reduce corruption. Firstly, I adapt a gravity model (widely used to analyse formal trade flows) to empirically examine whether informal trade flow patterns change when an OSBP is in operation, using monthly ICBT survey data. Results indicate that overall informal agricultural trade is unresponsive to a reduction in trade costs, but effects differ between goods traded. Complementing my empirical analysis, I conduct structured and semi-structured surveys to examine why some informal traders do not use the OSBP and continue to trade informally.

Despite its pervasiveness, informal trade is understudied quantitatively, with studies on trade facilitation restricted to formal trade. However, SSA governments are increasingly using trade facilitation policies to formalise informal trade. In particular, the number of OSBPs being constructed has grown over the past five years and the amount of investment is substantial. This study provides timely evidence on the implications of these policies not only for those who trade formally, but also for informal agricultural traders who play a role in regional food supply chains and agricultural development.