Institutional and Governance Arrangements Shaping Kenya-Uganda Cross-Border Trade in Charcoal

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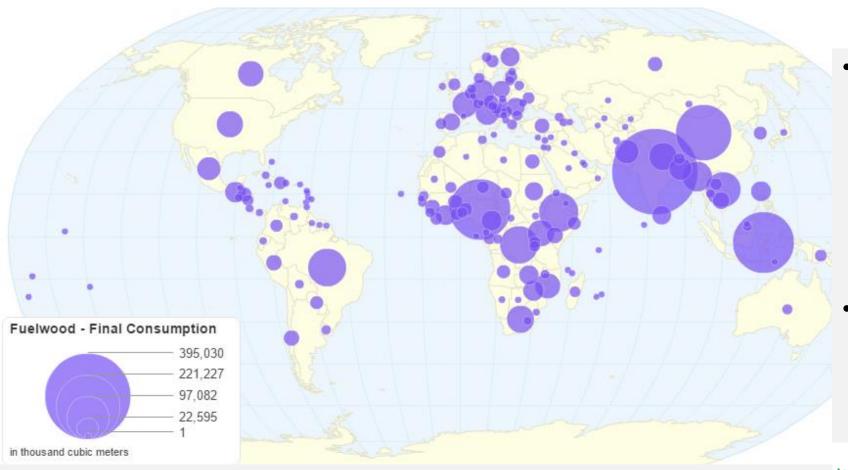






OVERVIEW OF CHARCOAL TRADE AND GOVERNANCE

- Woodfuel (charcoal and firewood) main energy source for cooking and heating 60>% Africans
- 17 per cent of wood extracted from forests worldwide is converted to charcoal
- From 1993 to 2017 Africa accounted for an average of 57% of the global production



- Most governments outlawed commercial production of charcoal
 - but it remains a preferred energy source
 - markets are insatiable and remain legitimate.
- Sustainability of charcoal production and trade, within broader forest-agricultural landscapes, remains urgent issue





Africa trends

 Incremental increase in charcoal producing nations from 2010-2016 mainly from Nigeria, Democratic Republic of the Congo, Ghana, Tanzania

Source: IndexBox, 2020; FAOSTAT, 2020







Charcoal production in Africa Nigeria Democratic Republic of the Congo United Republic of Tanzania Ghana Countries Zambia Uganda Kenya Selected Niger **Burkina Faso** Chad Cameroon Central African Republic South Sudan Zimbabwe 3.000 1.000 2.000 5.000 4.000 Charcoal production level (1000 tons) Year 2016 ■ Year 2010 Year 2000





Cross-Border Trade

- Charcoal cross border trade in Africa has remained mostly informal, illegal, unknown, underestimated
- Kenya is a net importer of charcoal
- Institute of Economic Affairs (IEA) projects a deficit of 63% (33 M tons/year) in 2020
- Governance of charcoal value chains remains challenging attributed to informality
- Mandates are spread across agencies & ministries
- Legal pluralism poorly coordinated agencies leading to unintended consequences
- Important to understand the institutional mechanisms shaping these value chains as they potentially pose a threat to the long-term sustainability of natural forests and woodlands

Study objective:

Investigate Institutional and Governance arrangements shaping cross border charcoal trade flows Busia, Kenya-Uganda Border













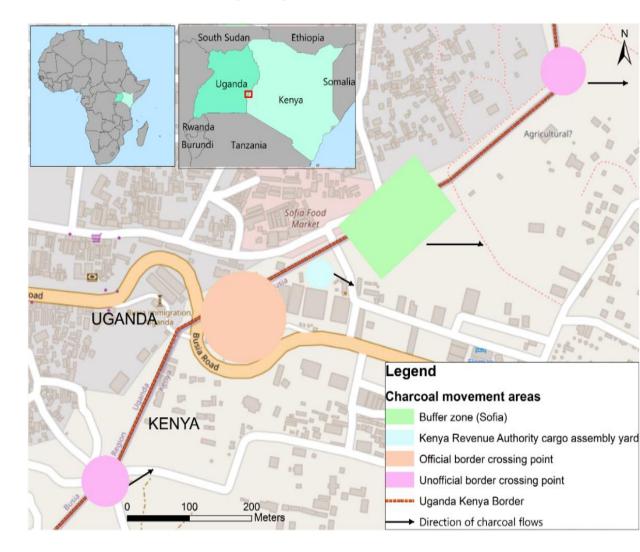
METHODOLOGY-STUDY AREA & METHODS

Busia border post

- Gateway for regional trade between Kenya & East & Central Africa partner states
- 2018-upgraded to one stop border post (OSBP) to ease trade & eliminate trade barriers
- Cross-border trade in charcoal thrives

Data collection methods

- In-depth semi-structured interviews
- Survey & monitoring of informal cross-border charcoal trade flows
- Content Analysis of policy/regulatory/import documents
- Analysis of secondary data on formal trade flows
- Measurements and weighing of charcoal in estimating tonnage



Formal Institutional Mechanisms shaping cross-border trade in charcoal



Timber
harvesting &
logging
moratorium
bans charcoal
production in
government &
community
forests

Gazette
Notice No.
1938 forming
a taskforce to
review chain
of custody of
imported
charcoal

Circular
(CIR/2/KFS/5
0) allowing
formal
importation;
multi-agency
government
actors
formed to
oversee
importation

Charcoal traders issued with import permit authorizing formal charcoal importation

Mass formal charcoal importation Closure of
Border Post
due to Covid19 (only
charcoal on
transit from
DRC & South
Sudan
authorized)

Strict enforcement of Uganda's NFTP act, 2003 bans charcoal exports to Kenya







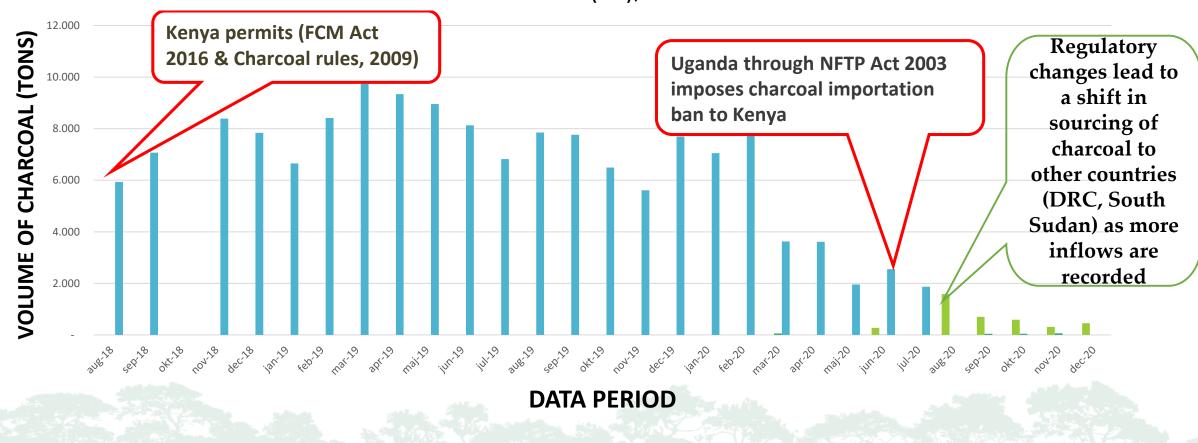






RESULTS: Formal institutions shaping trade flows

Total imports=2,073,530 bags (Approx. 155,500 tons)-97.3% (UG); 2.5% DRC & 0.2% S. Sudan



DRC. CONGO









South Sudan



Uganda



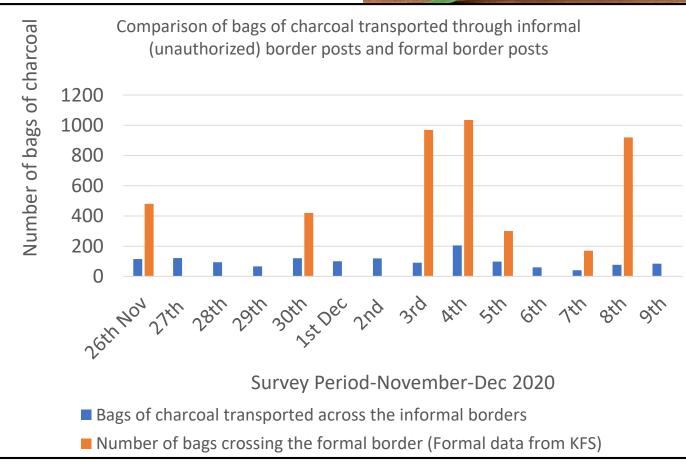
Informal institutions & charcoal flows

- Trading norms and practices
- Bicycles 55% and motorcycles 37% were the major mode of transportation
- During 2 week study period 1387 bags of charcoal were imported into Kenya through three informal crossings while 4,295 were recorded across the formal border post,
- accounting for 24% and 76% respectively
- So almost a quarter and more charcoal trade flows are unknown, unrecorded, underestimated, informal, illegal



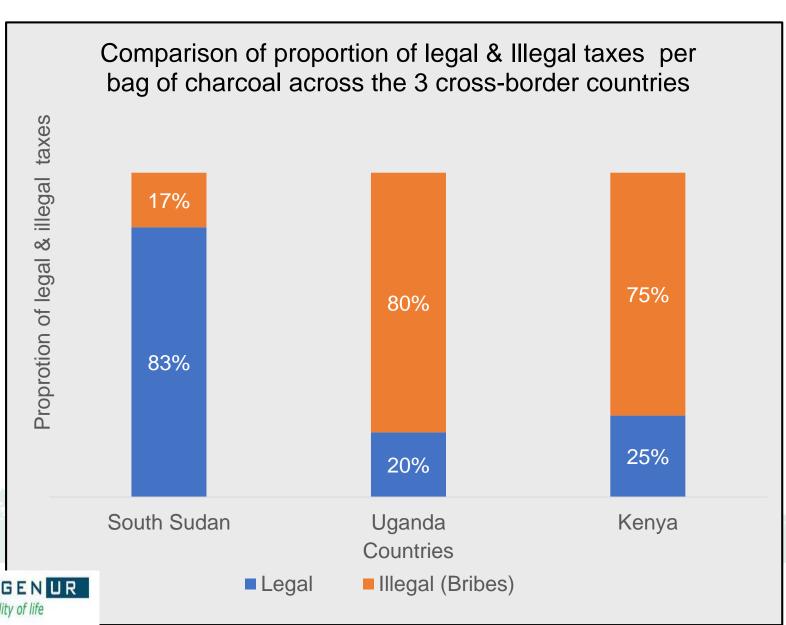






Corrupt practices in the cross-border charcoal value chains

- Bribes to customs officials to facilitate verification & approval of charcoal imports
- Bribes to law enforcement officers
- Bribes at roadblocks to law enforcement officers
- Fake approval papers at Busia Border Post
- Lost cess tax by local governments (counties)-73%









Corrupt practices in the cross-border charcoal value chains

On average:

Charcoal importers spend more on illegal taxes (bribes) (approx. 57%) than on legal taxes (Approx. 43%)

On average corruption represents Approx. 20% (\$4.5 per bag) of total final selling cost

Implication:

Corruption leads to increase in prices of charcoal along the value chain as traders seek to cover the costs of corruption

Explains why a bag of charcoal purchased in South Sudan at \$2.72 is sold in Nairobi at \$22.68













In conclusion.....3 governance arrangements shape charcoal trade flows

Enforcement mechanisms

Penalties
Licensing/Permitting
Legal tax/duties
prosecutions

Statutory governance

- -Forestry laws in Kenya & Uganda
- -Forestry regulations in Kenya
 - -Circulars
- -Revenue administration laws in Kenya (National & subnational)
- -Regional trade protocol
- -EAC protocol on NRIV

Customary governance

- -Trading norms-e.g. brokers controlling pricing & sourcing
- -little recognition of territorial boundaries

Enforcement Mechanisms

Penalties
Language (common language)
Cultural norms & exchange
Unwritten credits/advances

Institutional cooperation Institutional overlap Institutional competition

Determined outcome of cross-border trade

Institutionalized corruption

-Normalized bribes for approval and authorization -illegal fees by law enforcement officers -Illegal roadblock fees -Regularization of documents (fake papers)

Enforcement Mechanisms

"cartels" collect bribes on behalf of officials
Confiscation
Harassment/intimidation
Seizure of charcoal











Key messages: implications for sustainability

- 1. Charcoal business is booming with continued demand in Kenya and regional supply
- 2. Some of supply areas threatened by deforestation or degraded
- 3. Woodfuel bans don't effectively regulate or manage the value chain, they shift production elsewhere and drive informal and corrupt trade= more detrimental to the environment as what is not known cannot be managed
- 4. Significant amount of woodfuel trade flows are through informal, illegal, unknown, unregulated, channels. A threat to sustainable value chains? Socio-ecological impacts?
- 5. Charcoal imports/exports are largely guided by in-country laws & regulations role of regional protocols unclear
- 6. Thus a call for improved enforcement of national and regional strategies guiding, supporting and regulating woodfuel value chains in Africa
- 7. Need greater engagement with stakeholders at regional and continental level to implement policy into practice













Thank you

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