Governance practices in peripheral regions of low-income countries often diverge dramatically from statutory rules, with actual governance often representing a hybrid of formal rules and informal practices that are often highly normalised and widely accepted. Any understanding of the prospects for institutional or policy reform in these areas needs to begin from a clear understanding of these realities. Several recent studies have focused on these informal governance practices in the context of cross-border trade and the implications for state authority in border regions. This paper draws on the rich insights offered from this broader body of literature in order to focus on two comparatively discrete questions to better understand the nature of informal payments that are made by cross-border traders through formal trade routes, and the nature of traders’ engagement of informal brokers.

• What explains the prevalence of informal payments and informal brokers at border crossings?
• Second, who benefits and who loses from pervasive informality?

The answers to these questions have important implications for understanding the foundations of local governance in border transactions, the nature of state-society relations in peripheral areas, and the potential for reform that is more aligned with local realities. To address these questions, we investigate trader experiences at the two most important land borders in Sierra Leone, drawing on survey and qualitative evidence in an effort to explore which groups are most advantaged and disadvantaged by the largely informal processes and norms governing cross-border trade.

Informality and cross-border trade in Sierra Leone

Informal, or unrecorded, cross-border trade is prevalent throughout Africa, with important socioeconomic impacts, including income and employment generation. This paper highlights different manifestations of informality within the border regions of study, including the use of informal customs clearance agents, the role of non-state actors in state processes, the prevalence of informal exemptions, the negotiation of customs rates, and the levying of informal – or non-statutory – taxes and fees.

What explains the prevalence of unrecorded taxation and informal brokerage in cross-border trade?

This paper explores five central and interconnected explanations as to why traders make informal payments and engage the services of informal brokers when crossing the border.
1. **Profit**: Traders may make informal payments as a means to reduce overall costs and delays.

2. **Power**: Power dynamics at the border, including through information asymmetries, may influence traders’ decision-making.

3. **Networks**: Networks and personal relationships may influence border-crossing strategies as economic transactions reflect social structures and norms.

4. **Protest**: Traders may make informal payments when they do not trust the state or when they feel isolated from the state.

5. **Institutionalisation**: Traders may engage in informality because of its normalisation and quasi-institutionalisation in these contexts.

In exploring alternative explanations, this paper finds that individual traders do not face a black and white decision between ‘formality’ and ‘informality’; indeed, informal practices are sometimes intertwined and indistinguishable from formal ones. Instead, the systems governing informal payments in cross-border trade are inescapable, highly normalised, and sometimes institutionalised, with individuals correspondingly facing decisions not about whether to engage in these practices, but in how best to navigate these systems given their needs, constraints, and resources.

**Who benefits and who loses from institutionalised informality?**

This paper also considers who benefits and who loses from informal practices in cross-border trade. It has three key findings:

1. While female traders are more likely to face forms of harassment when crossing the border, they are also less likely to face some forms of economic losses.

2. Personal relationships are important to shaping the dynamics of border governance and the experience of traders when crossing the border.

3. Traders who are organised into trade associations or who engage in informal border management committees at the community level face the highest costs of informality, suggesting that the local system of informal governance is not merely economic, but serves a localised political role.

**Conclusions and implications**

1. Power dynamics and information asymmetries are central to understanding relationships and networks at the border; accordingly, strengthening information dissemination strategies could have positive implications for treatment of individuals at the border, as well as improving predictability and opportunities for market entry and decreasing opportunities for border actors to extract rents.

2. Personal relationships are significant to both the incentives to engage in different kinds of informality and the treatment faced by traders at the border, with some evidence of the development of moral economies and mutually beneficial outcomes for border officials and traders.

3. In some cases, state agents engage in informal practices when they feel marginalised from the state. On-the-ground representatives of the state play a central role in shaping official policy, with implications for state authority and sovereignty.

4. Border agents use their considerable discretionary power to maintain the status quo in their favour.

5. Social norms and the quasi-institutionalisation of some informal practices are central to understanding economic interactions and governance within border regions, as well as the perceived legitimacy of such practices. The question for traders thus becomes not whether to engage in informal practices, but what specific informal strategies to adopt given their needs, constraints, and resources.

Underpinning these findings is a conceptual shift away from a normative understanding of informality as legal or illegal, and towards a perspective that starts from the reality of existing practices and the socio-political contexts in which they are embedded, seeking to improve outcomes from that initial foundation.