

An analysis of The Role of Trade Facilitation in Curbing Corruption in Customs. A Case of Zimbabwe Innocent Muranganwa

Executive Summary

Costs incurred in trade need to be as low as possible for businesses to remain competitive in the global markets. Corruption and delays at Ports of Entry especially in developing countries remain a big challenge for business. The Trade Facilitation Agreement (TFA) outlines a number of measures which if implemented properly can help reduce costs associated with importing and exporting goods across international borders.

The study looks at the challenge of corruption at Ports entry in Zimbabwe, especially at the country's busiest border Post Beitbridge. To try and address this challenge the Zimbabwean Government introduced a number of Trade Facilitation (TF) measures which include pre-clearance, electronic lodgement of customs declarations, introduction of the Authorised Economic Operator (AEO) system, advance rulings in valuation, origin and classification of goods, use of risk management, use of Post Clearance Audits, automation of processes and simplification of procedures but corruption has remained very high at Beitbridge. According to previous studies, corruption goes down when TF measures increase. However, after the introduction of these measures the challenge of corruption remains very high at Beitbridge Border Post.

Key Findings

The results of the study have shown that Trade facilitation reduces corruption caused by bottlenecks and inefficient Customs and Border procedures. However, at Beitbridge Border Post corruption has remained very high because of the following;
Manual processes like Physical Inspections and vehicle valuations

- Processes that still require physical interaction between Customs and Clearing Agents.
- Harsh economic conditions, high inflation
- Lack of automation by other Government Agencies

- No standard operating procedures binding all Government Agents operating at the Border
- Too many import and export controls
- Payment of duty for certain specified goods in foreign currency
- Highly informal owner-managed import and export businesses dominate the economy and are prepared to pay bribes to increase their profits.
- Other Government Agencies being left out in the TF drive.
- Rates of duty especially on basic commodities have remained very high in an economy performing poorly.
- Too many uncoordinated Government Agencies at Border Post
- Weak systems to fight corruption in other Border Agencies

Context of Problem

Economic theory looks at corruption from two angles, that is, from the view that where there is bureaucracy corruption has a “greasing” effect to improve efficiency and secondly from the view that corruption may act as a tax and may have some distortionary effect on economic activities, (WTO, 2015). These two views have been maintained in international trade and the relationship between trade facilitation and corruption has been largely based on the two views. Inefficient Customs Administrations (Michael, Ferguson and Karimov, 2012), Lack of strong institutions to fight corruption (Beverelli and Ticku, 2022), high regulatory barriers, (Kumanayake, 2022) and too much time and cost in taking goods across borders (Shepherd, 2009) are the main causes of corruption at Ports of Entry.

Scientific approach/ methodology

The study adopted a case study approach to analyse the role of trade facilitation in curbing corruption at the Beitbridge Border Post. A qualitative analysis of the country’s Trade Facilitation Index, Corruption Perception Index, Logistics Performance Index and Zimbabwe Revenue Authority’s Corruption Index was made. To further understand the effect of TF on corruption at Beitbridge Border Post Focus Group discussions were carried out with ZIMRA employees at different levels in the organisation’s hierarchy.

New knowledge and/or added value

While TF is important in making sure goods do not spend long periods at Ports of Entry, its effectiveness in curbing corruption is only limited to corruption related to bottlenecks and inefficient Customs and Border processes. Where corruption is caused by other economic and administrative challenges as highlighted above TF will not help. If anything the high prevalence of corruption may actually reverse the benefits of TF.

Policy Options/ Recommendations

- It is recommended that when trade facilitation measures are introduced a complete analysis of the country’s trade policies be done so that there are no policies that remain supporting or encouraging corrupt practices in the movement of goods across borders. Implementation of trade facilitation measures should not be left to Customs alone but to all Agencies who are involved in border processes. Uncoordinated border management may be a source of corruption at Ports of Entry. For purposes of countering inflation, an exchange rate backed by a good trade balance and fiscal discipline and a workable monetary policy is needed to cushion the negative economic growth as result of inflation.

Keywords



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*Trade Policy
Reforms*

Tariffs

Economic Growth Inflation

*Household Final
Consumption*

Further Reading

Beverelli, C. & Ticku, R. (2020). Trade facilitation and tariff evasion. ESI Working Paper 20-24. https://digitalcommons.chapman.edu/esi_working_papers/319/

Beverelli C and Ticku R, (2022) Reducing Tariff Evasion: The Role of Trade facilitation, Journal of Comparative Economics 50, (2022) pages 534 - 554

Kumanayake N S (2022) Do customs and other trade regulatory barriers lead firms to bribe? Evidence from Asia, The Journal of International Trade & Economic Development, 31:3, 340-357, DOI: 10.1080/09638199.2021.1962391

Michael, B; Ferguson, F and Karimov, A (2012): Do Customs Trade Facilitation Programmes Help Reduce Customs-Related Corruption?

Shepherd, B (2009), Speed Money: Time, Corruption, and Trade, MPRA Paper No. 17337, Munich Personal RePEc Archive

About the Author(s)



Innocent Muranganwa is a holder of an MSc Degree in Fiscal Studies (N.U.S.T, Zimbabwe), an Executive Master Diploma In International Trade Policy and Trade Law and an MSc Degree in International Trade Policy and Trade Law (TRAPCA in association with Lund University, Sweden) and has more than 27 years of experience in Customs and Excise Management. He has been involved in Customs Border Management and Control, Origin, Valuation, HS Classification, Customs Risk Management, Customs Modernisation and Trade Facilitation. His research interests are in Trade Facilitation.



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