UNIVERSITY OF GHANA

A POST-IMPLEMENTATION ASSESSMENT OF THE GHANAIAN CUSTOMS REFORMS: THE VIEWS OF FREIGHT FORWARDERS AT THE PORT OF TEMA

BY

ALEX AGYEI
10134931(MPS0000113)

THIS DISSERTATION IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF M.A. PORTS & SHIPPING ADMINISTRATION DEGREE

JUNE, 2014
DECLARATION

I Alex Agyei, the author of this project report ‘A Post-implementation Assessment of the Ghanaian Customs Reforms: The Case of Freight forwarders at the Port of Tema’ do hereby declare that except for references to other people’s work duly cited, this work was done by me in the Department of Port and Shipping Administration, Regional Maritime University. This work has never been presented either in whole or in part for any degree in this University or elsewhere.

STUDENT: Alex Agyei

SIGNATURE: ........................................... DATE: 03/07/14

SUPERVISOR: A. O Abebrese

SIGNATURE: ........................................... DATE: 03/07/14


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Every achievement in life is as a result of the support of many people who both directly and indirectly share their ideas, talent and wisdom with us all. This work is no exception.

First, I will thank the Almighty God for how far He has brought me. The Lord has been my strength and my savior friend at all times, He is faithful and merciful.

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Finally, I am grateful to my friends, loved ones and all others who have contributed in various ways but whose names cannot be mentioned because of space.

Thank you all and God bless you
DEDICATION

This work is dedicated to God for his protection and to my son’s Nana Agyei Boateng and Paa Kwesi Agyei Appiah and all those who helped me to complete this work successfully.

To all through whose love, care and generosity I have come this far in my education and formation, I dedicate this research work.
ABSTRACT

The study sought to assess the post-implementation of the customs reforms in Ghana: The case of Tema Port Freight forwarders. The primary and secondary data were employed through a survey and one hundred and ten respondents were contacted through the non-probability and snowball sampling regimes were adopted to access the study respondents. Descriptive statistics was used to describe the socioeconomic characteristics of the respondents. The study found that though considerable progress has been achieved at the port, the new system currently operates in tandem with the old system which leads to replication of effort and wasted time. Port and clearance procedures involve delays and informal payments which are also transferred on to inflate overall transportation prices. There are a profusion of actors operating within the port, both formal and informal in nature, some with overlapping or contradictory responsibilities. Separate procedures and individuals to be dealt with create more scope for informal payments and delays. Institutional failure was rated as the factor which is more to be blamed for the underperformance of the reforms. It was found that the customs is a leading culprit as regards bribery and corruption at the port. Incompetence among stakeholders, bribery and corruption, cumbersome customs procedures were identified as major bottlenecks as regards the reforms. Stakeholders expect the eradication of bribery and corruption as well as reduction in the cost of doing business at the port. Consolidated clearance procedures, rather than the current protracted system, would help to reduce delays and reduce the scope for informal payments to officials from customs and other port officials. Continuous professional development needs to be undertaken for all port stakeholders. There is an urgent need for the recruitment and training of more officers and logistics to enable them perform efficiently.
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CHAPTER ONE

1.0 INTRODUCTION

International trade plays an important part in the development of economies and facilitating trade is therefore a natural concern for policy makers (Bolaky and Freund 2008). The increases in world trade of recent decades have placed increasing demands upon customs, (Lane 1998). For instance, De Wulf and Sokol (2005) revealed that in 2002, over US$10 trillion worth of goods crossed international borders; every shipment passed through customs control at least twice, once on export and once on import, making customs a key factor in the international supply chain and in the global economy. This implies that customs needs to adjust to new ports of entry and additional hours of service, and their job is made more complex by a plethora of regional and bilateral trade agreements.

According to UNCTAD (2003) the development of ports is one of the keys to African countries’ integration into international trade. Until recently, African ports were run as a State monopoly and the majority of them were characterized by low productivity, inadequate investment and low standards of service. As a result, Africa’s maritime transport costs were among the highest in the world, which was one factor in the lack of competitiveness of African products in the international marketplace. If these problems were to be solved, it was essential to undertake institutional reforms and open port operations up to private partners. (UNCTAD 2003)

Institutional reform is a prerequisite for the modernization of Africa’s ports. Positive signs of reform have appeared, and the pace is increasing, but much more remains to be done; (Ocean Shipping Consultants, Ltd. 2008). However, De Wulf and Sokol (2005) intimated that customs reforms involve more than the introduction of a set of new techniques for processing cargo and passengers but calls for a new awareness of the developments in trade, requires
political commitment to push through sometime difficult measures, and must start with a good diagnosis of the present situation.

According to Igbanugo and Gwenigale (2011) the reform and modernization programs in Customs currently underway in many African countries should be seen as a part of wider public sector reforms to embed the rule of law and improve service delivery. While Customs practices are changing for the better, businesses need to create customs compliance strategies that reflect an understanding of the Customs clearance processes in specific countries. This study therefore seeks to do a post implementation assessment of the customs' reforms in Ghanaian ports with specific reference to the Tema Port. The chapter under review discusses the introduction, background and the problem statement of the study. It also discusses the research objectives, research questions and the justification of undertaking the study. How the study is organized is as well, dealt with in this section.

1.1 Background of the Study

According to World Bank (2009) in Ghana the customs modernization process arose because of lagging foreign direct investment despite the fact that much of the policy reforms had been accomplished. The customs modernization was part of the government trade policy reforms being enacted to implement the government vision for a Ghana that is open to the rest of the world.

Caesar (2010) postulated that in the year 2000, the Government of Ghana switched from Pre-Shipment Inspection (PSI) for goods entering the country to a Destination Inspection Scheme (DIS). This move formed part of a programme christened the Ghana Gateway Project (GGWP) and its purpose was to facilitate trade and as well, improve Customs and Excise Efficiency in Ghanaian Seaports. It was also aimed at reducing the cost of doing business for traders. According to Alorsor, (2005) in September 2001, the Ghana Ports and
Harbours Authority (GPHA) launched the first phase of its privatization programme with the transfer of part of the cargo handling services to private companies on the basis of a concession.

In 1990, Ghana Customs moved from processing SAD (Single Administrative Document) to ASYCUDA (Automated System of Customs Data) in 1994. Data on SAD was computerized with a Local Area Network (LAN) mainly for statistics purposes. In line with WCO convention Ghana Customs in 2002, moved onto the GCNet platform which is a WAN (wide Area Network) where they can exchange uniform information across offices via the declaration internal remarks. With the GCNet platform Clearing Agent could work from their offices 24/7 on the system, payments of duty on BOE’s can be done at different places; the system also provides reliable update and security to protect the integrity of Customs Data.

Introduction of FCVR (Final Classification and Valuation Report) also brought with it the scanning of containers for proper screening and with the clearance of GoldCard members to facilitate work and reduce the volume of work to be examined.

Further to the above, is the Online Permit and Exemption application which enables other Government agencies to view or access all the documents during the clearance process with a unique number generated by the system when the application is made. These and many others formed part of the Ghana Customs reforms and Modernization programs that are in place.

The Ghana Community Network (GCNet) was, from the outset, the cornerstone of a vision to connect all members of the trading community in an electronic data exchange system.

The rollout of advanced EDI (Electronic Data Interchange) and a new computerised customs management system was initially plagued with problems, but these were eventually addressed and legislation to permit automation of the customs operation was enacted in July 2002. The
system is now fully operational with enhanced software moving from an FES (From End Software) to an online platform called GICCS since 2011 with more functionality such as Manifest submission and payments related processing, Declaration submission, Validation and Notification, Logistics module has cargo Tracking, Container Transfer, Delivery Order submission and Tracking.

De Wulf and Sokol (2004) intimated that the main driving force behind the reforms were Institutional and Management. The institutional problems included: Delays in customs clearance in ports owing to other partners’ inefficiency; outdated procedures and inadequate human resources; Foreign-exchange problems in payment transactions with landlocked neighbouring countries. The area of management included: political interference; multiple layers of civil service oversight; Demotivated and Incompetent staff; little or no leeway for managers to introduce new methods among others.

According to WCO (2002) the main reform objectives of many African countries included strengthening revenue-generating capacity, enhancing trade facilitation, and combating smuggling and corruption. The other objectives included setting up a fully professional, efficient, and integrated administration which would become an effective instrument of investment despite the fact that much of the policy reforms had been accomplished. (World Customs Organization 2002)

Trade facilitation seeks to remedy trade transaction costs. Trade facilitation recognises that transaction costs are wasteful and undesirable for both business and government. Proponents of trade facilitation argue that its principles can increase business competitiveness as well as improve efficiency and control; (Keen, 2003).

According to SITPRO (2007) ‘Trade facilitation’ can be defined as ‘the simplification and harmonisation of international trade procedures’. These procedures include the ‘activities,
practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade'.

Grainger (2007a) intimated that the trade environment is so complex that it sets a wide field for trade facilitation. It is easy to count 60 or more distinct trade procedures targeting goods, the vehicles that move them (for example, ships, planes and trucks) or their operators (for example, drivers, seafarers, flight crew). The control objects of these activities include: revenue collection; safety and security; environment and health; consumer protection; and trade policy. According to Grainger (2007) in the majority of countries a significant share of these controls will be performed by Customs or will be under customs supervision.

In most instances a wide range of intermediaries will be employed to move goods. These include amongst others: transport operators, trucking and haulage companies, freight forwarders, customs brokers, banks and finance companies, insurance companies, port operators and stevedores, and IT systems suppliers.

Compliance with customs and trade procedures demands a great deal of coordination between the various businesses entities involved in moving the goods. Seldom will any one party have full view or knowledge of all operational steps. For example, the freight forwarder will know on which ship the container has been booked and the shipping line will know when and where the goods have been offloaded. At each stage of the movement different types of data are generated and different types of information (often containing the same or similar data) are submitted to Customs and other government agencies.

Every time one of the parties within the supply chain is required to submit information to government agencies, trade transaction costs occur. These might be direct or indirect. Direct transaction costs include immediate compliance costs such as those associated with
collecting, producing, transmitting, posting, faxing and processing information required to prepare and submit documents (paper or electronic).

Direct transaction costs also include the charges and fees associated with setting up and financing customs bonds and guarantees, testing and use of laboratories, inspections, and stamping of documents. Charges and fees are also levied by many of the intermediaries. For instance, the port stevedore is likely to charge for the delivery of a container to the customs shed. Agents, employed to make customs declarations, will charge for their services. Out-of-hours and fast-tracked operations are likely to attract a premium fee. Indirect trade transactions result from delay at the border, uncertainty about procedures and requirements, and missed or lost business opportunities. Typically, indirect transaction costs can be associated with inadequate or contradictory documentation, congestion at inspection facilities, lack of staff (especially when operating outside normal working hours), and unforeseen circumstances – such as bad weather or damage to infrastructure and facilities (OECD 2003).

Through trade facilitation and by supporting easier ways to enforce tariff and duty payments; and by making informal "facilitation payments" to certain customs officers more difficult, Ghana saw customs revenue grow by 49% in the first 18 months after implementing; (De Wulf and Sokol (2005).

In another development, Mensah (2012) postulated that efficient policy framework, good human and logistical resource management are very important for effective Customs administration. He indicated that trade and Customs operate in an increasingly Globalized Environment and opined that reforming Customs activities involves improved techniques for clearing goods and processing passengers. The Diasporas as key stakeholders of the ports
demand of Customs effective policies and procedures that ensure expedited clearance and public accountability, disciplined workforce, and a working milieu devoid of corruption;

According to Mensah (2012) the essence of customs modernization in Ghana is to bring the activities of the division in line with modern Customs practices with particular reference to:

- The Revised Kyoto Convention
- The Revised Arusha Declaration
- The SAFE Framework of Standards

The basic requirements of Customs procedures are that they should be designed to:

a. Ensure that all goods are reported and placed under customs control;

b. Process import declarations based on the principle of self-declaration by the importer or agent;

c. Reduce the number of processing steps to a minimum;

d. Introduce selective and effective goods inspection; Release goods from customs control in the shortest time possible;

e. Ensure that the correct amount of duties and taxes is paid; and

f. Ensure that information is provided in a timely fashion.

1.2 Problem Statement

The main objective of the Customs modernization was to ensure the government’s vision for a Ghana that is open to the rest of the world through the reduction of the cost of doing business at the Ghanaian Ports (Caesar, 2010). However, recent events reported at the port of Tema seem to go contrary to that vision. For instance, a ‘Daily Guide’ business desk report filed on August 3rd, 2009 revealed that the President of the Ghana Association of Stevedoring
Companies (GASCO) Mr. Bennet Aboagye appealed to the government to review the Ghanaian port reform policies in a holistic approach to ensure a necessary fair playing field for all players in the maritime industry. A ‘Daily Graphic’ report filed on July 17, 2013 also revealed that the long and cumbersome processes importers have to go through at the Tema Harbour before clearing their cargo are gradually turning the port into an unattractive destination for doing business. A related report filed by the ‘TV 3’ News on July 19th, 2013 also revealed that Importers who clear goods at the Tema Port have bemoaned the long procedures they go through, blaming the situation on the many government agencies operating there. The report also revealed that over 34 agencies under the Ghana Ports and Harbours Authority (GPHA) operate at the country’s major ports of Tema and Takoradi.

In another development, Agyei-Twum (2013) reported that Clearing Agents and Importers operating at the Tema Port are demanding urgent reforms in procedures at Ghana’s largest seaport. They have singled out for blame the Ghana Ports and Harbours Authority (GPHA) and officials of the Customs Division of the Ghana Revenue Authority (GRA), who they accuse of deliberate delays in processing their goods for clearance in order to increase their costs of doing business at the port.

This assertion by the freight forwarders seems to be formalized in a World Bank (2005) report which reveals that administrative hurdles (for example, customs and tax procedures, clearances and cargo inspections) contribute to 75% of trade facilitation delays. Indeed, Kafeero (2008) also formalizes the freighters’ assertion by postulating that fighting corruption in the customs administration is a major challenge for many African governments, as well as for development agencies providing technical assistance. Vast resources have been invested in integrity programs, training and institutional capacity building to no avail.
1.3 Objectives of the Study

The main objective of the study is to assess the post-implementation of the customs reforms with special reference to the perception of Freight forwarders at the port of Tema. Specifically, the study seeks to:

1. Determining freight forwarders' knowledge about modernization in customs procedures in Ghana
2. To analyze the contribution of time reduction with respect to customs procedures after the reforms to trade facilitation in the port.
3. To identify the challenges and or bottlenecks of the reforms.
4. To establish any differences in the perception of Freight forwarders of the port towards the customs reforms.

1.4 Research Questions

1. Are you aware of any customs reforms in place the port?
2. What are the contributions of the various reforms to trade at the port?
3. What are the challenges and or the bottlenecks in the reforms?
4. What are the perceptions of Freight forwarders of the port towards the customs reforms?

1.5 Justification of the Study

The exchange of goods i.e; trade is fundamental to the economic development of every country. Trade facilitation enhances the rate at which goods are exchanged and by implication, this will inevitably attract cargo traffic through a particular corridor of trade. Trade facilitation can lead to direct benefits to government as well as the business community.
Government benefits include: increased effectiveness of control methods; more effective and efficient deployment of resources; correct revenue yields; improved trader compliance; accelerated economic development as well as encouragement of foreign investments. Benefits to traders include: reduced costs and less delays; faster customs clearance and releases through predictable official intervention; simple commercial framework for doing both domestic and international trade; and enhanced competition (Economic Commission for Africa, 2004). There is a strong positive causal link between improvement in trade facilitation with trade potential of increasing Government revenue through increased trade flow has not been able to achieve the set objectives. If trade can be made to flow with minimum disruptions without many bottlenecks, targeted revenue is obtainable for national growth. In other words, much revenue can be collected by the Customs Excise and Preventive Service (CEPS) on seaborne trade in Ghana, than it is currently doing if trade flow can be improved within the port sector.

In 1999, the overall lost revenue per year in eight ECOWAS member countries due to poor trade facilitation practices some of which are even illegal was estimated at 2 billion FCFA (Economic Commission for Africa, 2004). Transit cargo meant for neighbouring hinterland countries (Mali, Niger and Burkina Faso) can be attracted to Ghanaian ports when trade facilitation initiatives are able to work effectively. This is very important if the Government of Ghana’s aim of transforming Ghanaian ports into the most preferred in the region will materialize. The study is also justified in the fact that it will assist Ghana to effectively integrate itself into the international transport chain and give more credence to the country’s drive towards the achievement of a regional trade hub status.

Speed-to-market crucially depends upon the quantity and quality of trade and trade-related institutions and physical infrastructure. This means that it is critical to have modernized and efficient trade facilitating institutions and physical infrastructure; to be able to compete successfully in global markets where value is increasingly placed on fast order-to-delivery cycles. And fast order-to-delivery cycle is impossible without efficient trade facilitation machinery in place.

The relevance of this study is further crystallized by the fact that an efficient customs system in Ghana will not be of benefit to the country only, but other landlocked neighbours like Burkina Faso, Niger and Mali who use the ports of Tema and Takoradi to import and export. In a situation where seaports in Ghana are inefficient, insecure and slow, the landlocked countries using these ports are bound to suffer as their exports will be unable to arrive in the international market on time and at competitive cost.

The reform of customs processes is essential to Ghana’s objective of becoming an important trade and investment centre; (World Bank 1998).

In Ghana, trade facilitation at the seaports is very important because over 60% of the country’s internally generated revenue is derived from indirect taxes on goods that are channelled through the ports of Tema and Takoradi.

The Study will also serve as a guide to other studies and as well, serve as the researcher’s humble contribution to academia.

1.6 Organization of the Study

This study is organized in five chapters. Chapter one features introduction and research background, statement of the problem, justification of the study, objectives of the study, research questions, and significance of the study and organization of the study. Chapter two
discusses relevant literature related to the study while research methodology is covered in chapter three. In chapter four, the research findings and analysis is presented. The last is chapter five, which presents the summary, conclusions and recommendations of this study, based on our research findings and analysis.
CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

A literature review discusses published information in a particular subject area, and sometimes information in a particular subject area within a certain time period. (The Writing Center, 2012). The literature, including Saunders et al., (2007); Bourn, (1996); Bryman and Bell, (2007) have all expressed the importance of empirical review in the entire research process. Bryman and Bell (2007, p. 94) for example, expressed that the exercise of reviewing literature provides the grounds for justifying the researcher’s questions and building the research design. This subsequently sets the stage for effective data collection process. Saunders et al., (2007, p. 57) also explained that literature review helps build the researchers understanding and insight into relevant previous studies and the trend that has emerged. This chapter presents introductions to the relevant theories and concepts that relate to the thesis which provide the fundamental principles for comprehending the basic requirements of the subject area.

2.1 Trade Facilitation

Trade facilitation was included in the mandate for trade negotiations in the Doha Development Agenda in July 2004. Before this decision, some opponents of the inclusion argued that several countries lacked the necessary capacity to implement new rules on trade facilitation and that the potential costs could go beyond the means of many developing countries: (Yasui and Engman, 2005)

Trade facilitation is defined to imply improved efficiency in the administration, procedures, and logistics at ports and customs points (Woo and Wilson, 2000). At the WTO website trade
facilitation is defined as “the simplification and harmonisation of international trade procedures for collecting, presenting, communicating and processing data required for the movement of goods in international trade”.

Programs to remove non-tariff administrative barriers and accelerate the flow of goods and services across borders – trade facilitation measures – are evidently beneficial to most countries. Streamlined procedures in customs fees and formalities, more transparent legal rights and obligations for traders, and harmonized regulatory requirements are certainly core reform goals in most countries. (Bagai, Newfarmer and Wilson 2004)

Zafar (2005) postulated that standard trade theory suggests that trade liberalization leads to a more efficient allocation of resources, enhanced productivity, and higher economic growth. Edwards (1993) identified that there is a strong empirical correlation between an open trade policy and economic growth since trade liberalization has a positive effect on export growth. Greenaway and Milner (1993) identified that there is a wide range of possible revenue outcomes from trade liberalization, depending on initial conditions, the components of the reform package, the effects of changes in tariff rates, changes in the import base, and changes in the exchange rate.

According to Caesar (2010) one of the most important elements of trade facilitation is infrastructure which includes port facilities, highways, railway network, communications, inland clearance depots, information technology, etc. Caesar (2010) mentioned Francois and Manchin (2007) as referring to institutional factors such as customs efficiency, transparency and reforms as ‘soft infrastructure.
2.2 Customs' Reforms and Automation

Automation has been considered a critical part in most customs-related lending projects and it was incorporated in over 90% of the technical assistance projects with a customs component funded by the World Bank between 1994 and 2002. Also, ASYCUDA (Automatic SYstem for CUstoms Data), developed and maintained by UNCTAD, had been installed in over 80 developing countries as of 2005. According to WTO Trade Policy Reviews (2000-2005), most WTO countries, including least developed countries, have established customs automation systems, despite different degrees of development and coverage of the systems; (World Bank, 2005).

According to Yasui and Engman (2005) it is misleading to assume a priori that all WTO members would be required to implement automation for government border procedures under prospective WTO disciplines on trade facilitation. Yasui and Engman (2005) further intimated that in spite of the fact that there is still no full understanding of the type and magnitude of the costs involved in implementing trade facilitation measures, it is generally assumed that a substantial part of the costs are attributed to automation. According to OECD, (2005a) there is a general consensus that automation may efficiently serve both public and private interests because automation has the potential to facilitate trade while also helping to meet objectives related to the maintenance of national and social security. Smooth trade flows are paramount in many countries that are dependent on just-in-time delivery and global supply chain systems. Predictable border services, customs clearance time and trade transaction costs are important factors when companies consider investing or doing business in a country. Yasui and Engman (2005) revealed that from a public sector perspective, limited human resources and rapidly growing trade volumes have led to the recognition of automation as essential to safeguard and meet budgetary, health, environmental and other
social goals. Heightened national security concerns relating to the international movement of cargo following the 9/11 terrorist attacks have also encouraged further use of automation and ICT at borders. Automation serves other purposes than facilitating movement of goods and people: added benefits may include reduced levels of smuggling, corruption, increased productivity in customs operations, and improvements in valuation methods which may have the added benefit of increasing government revenue. (OECD, 2004a).

Customs automation gives rise to costs for both businesses and customs authorities. The costs vary significantly depending e.g. on the initial state of the border procedures and the desired nature and extent of automation. Any cost figure is dependent on each country’s unique situation; (Finger, 2000). The implementation of automation presupposes the availability of related technologies, infrastructure, financial and human resources, and other conditions. For example, it would not work appropriately without stable electricity supply and communication means or appropriate human resources for daily operation, management and maintenance; (Yasui and Engman, 2005).

Automation normally entails substantial costs, in some cases amounting to over two-thirds of the total cost of a customs-related lending project. For example, the 6-year budget for the Russian Customs Development Project (2003-2009) was estimated at nearly USD 190 million, of which USD 133 million is devoted to customs automation (World Bank, 2003). The cost for automation accounted for 40% of the total fund in the customs reform projects in Tanzania and 60% in Central and Eastern Europe (Finger et al., 1999). The estimated cost of customs automation can be significant for governments, in particular for those of least-developed countries. It may be drastically decreased, however, as the use of the Internet has eliminated the need for expensive hardware (World Bank, 2000).
According to UNCTAD (2002a), the cost is normally estimated at less than USD 2 million for the ASYCUDA system and it can be as high as USD 20 million if a country develops an original system. In practice, the introduction of the ASYCUDA system required external funding of around USD 9 million in Bolivia (Gutierrez, 2001) and USD 5.5 million in Jamaica (Grant, 2001). In Turkey, the total introduction cost of the SOFI system amounted to USD 32 million (World Bank, 2005). Yasui and Engman, 2005) reported that one survey commissioned by the Japan Customs (Japanese CTB, 2001a) estimated the cost of setting up Korea's original automated customs system at around USD 24 million between 1992 and 1997. One fourth of this cost was related to programme development and management, and the rest was spent on hardware.

Automated systems incur substantial operating, maintenance and updating costs. It is reported that updating ASYCUDA software requires at least an estimated USD 2 million (Nathan Associates Inc., 2002). The operating and updating costs may be balanced by user fees or financed by governments. Haiti's upgrade of ASYCUDA to ASYCUDA ++ at principal customs offices cost USD 1.43 million. In Singapore, operating costs are covered by user fees, while updating costs are financed by the government. Chinese Taipei updated its air cargo clearance system in 2000 at a cost of USD 5 million, and it will update its ocean-going cargo system in 2004 with a total budget of about USD 6.5 million (WTO CTG, 2002). In the Philippines, updating the automated system from a DOS-based system to a Windows platform increased the costs of its modernisation project by 40% to USD 27 million in total. Most of the funding was used for purchasing hardware and software (Bhatnagar, 2001).
2.3 Trade Transaction Cost

Trade costs are a central component of international trade. In addition to the sources of comparative advantage and the productivity levels of firms, trade flows are largely determined by the size of trade costs that exporters and importers face. Competiveness is affected by barriers to trade, which can be the result of geographical barriers, lack of infrastructure and government distortions (such as tax interventions, weak government institutions or national differences in regulations); (McKeown, Mintah and Starns (2012). It has been argued that transaction costs are a major factor in explaining the pattern of international trade and investment flows (Deardorff (2001; Obstfeld and Rogoff, 2000), and estimates of the share of directly incurred trade transaction costs range from 2 to 15 percent of total trade (OECD, 2005).

Predictable border services, customs clearance time and trade transaction costs are important factors when companies consider investing or doing business in a country (OECD, 2005a). The main objective of trade facilitation is to minimise the transaction costs and complexity of international trade for businesses, while maintaining effective levels of government control. The key feature to note is that trade transactions need to be as efficient, predictable and transparent as possible, both in terms of infrastructure and policies to support trade facilitation. Without an adequate implementation mechanism, measures that appear good on paper will not be translated into real gains on the trade front.

According to Lesser and Moise-Leeman (2009) The term trade transaction cost is sometimes used to refer to a broader set of expenses, arising not only from compliance with trade-related procedures. All costs other than the money price that are incurred in trading goods or services could in fact be coined as trade transaction costs. Trade costs can be broadly
defined to encompass all costs incurred in getting a final good to a final user—other than the
cost of producing the good itself (Portugal-Perez and Wilson, 2008).

Schneider, (2006) postulated that trade transaction costs arising from official import- and
export-related procedures (TTCs), including Customs compliance costs, have been estimated
to range between 1% and 15% of the trade transaction value. They include direct as
well as indirect costs. Some costs are directly related to the level of regulation, others
arise due to differences in regulations across countries. International trade involves
transaction costs; while these costs are essentially unavoidable, it is possible to reduce the
level of costs or the inefficiencies that effectively increase costs, so that some excess
costs are avoidable.

The reduction of tariffs at the multilateral level has led to increased flows of international
trade. However, customs procedures associated with goods transit present added costs in the
form of non-tariff barriers to trade. Expedited border procedures and speedy delivery of good
to consumers will lead to greater trade flows at less cost and, with time, increased
development for trading economies.

It costs US$5,000 to US$8,000 to ship a 20ft container from Durban to Lusaka, compared
to the costs of US$1,500 to ship the same container from Japan to Durban (Pearson,
2011). Border procedures account for up to 15% of the value of good traded in some cases
(OECD, 2007). Inefficient border procedures cost governments through smuggling and lost
revenue, for instance. Cumbersome customs procedures may also lead to a country becoming
a less attractive investment destination. This means that a large amount of time and
money are wasted, hence hampering business and holding back economic growth, especially
in developing countries, since the added costs are passed onto consumers.

Any savings of such avoidable transaction costs are savings which can have a big impact
directly impact directly and through the dynamic effects of chain linkages; (Milner, Morrissey and Zgovu, 2005).

As goods enter a country they are subject to a variety of trade barriers that increase the cost of trading. Trade policy barriers increase the costs of exported goods abroad and the costs of importing goods. Ng and Yeats (1996) argued that the drastic decline in African exports has been related to closed trade regimes in Sub-Saharan Africa.

According to Moise-Leeman (2009) it is very important to note that as far as related costs are concerned, Customs and Excise who are expected to become facilitators of trade end up creating costs for traders at the borders and ports of their respective countries. For example, Djankov, Freund, and Pham (2008) found that each day of delay at customs is equivalent to a country distancing itself from its trading partners by an additional 85 km. It therefore means that simple and transparent customs procedures will eventually help to reduce the amount of time needed to clear a consignment.

Moise-Leeman (2009) revealed that the extent and impact of such transaction costs actually vary depending on the quality of border processes and services in the importing and exporting country, the geographical situation of the country (i.e., landlocked or not), the type of good that is traded (i.e., agriculture or manufactured goods) and the type of company that is trading (i.e., SMEs or larger enterprises). Limao and Venables (2001), for example, empirically demonstrate that TTCs in intra-Sub Saharan Africa trade are substantially higher (and more obstructive) than those for other African countries due to the relatively low efficiency of customs procedures and institutions in that region.

Hummels (2001) estimated that one day saved at the border would equal a 0.5% reduction in tariffs. Another quantitative study on benefits of trade facilitation also suggested that the
welfare gains would be higher for trade facilitation measures reducing delays at the border than those for reducing compliance cost related to border procedures (OECD, 2003c).

Teravaninthorn and Raballand (2008) conducted an extensive trucking survey along four sub-regional transport corridors in Africa and through analysis of the survey results concluded that the most effective way of reducing transport costs in East and Southern Africa is a reduction in border crossing time. They estimated that a 20% reduction in border crossing time would reduce transport cost by between 1% and 4%.

2.4 Institutional Reforms

The globally recognized blueprint for modern Customs administrations, the World Customs Organization’s Revised International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention, 2006) defines “Customs” as “the Government Service which is responsible for the administration of Customs law and the collection of duties and taxes and which also has the responsibility for the application of other laws and regulations relating to the importation, exportation, movement or storage of goods.”

According to Rodrik (2002) improving institutions is a continual process and for trade policy generally, there is no single recipe for design and organization of good institutions. Without a reliable template for institutional design, trying to compel countries reforms to adopt particular organizations or forms under threat of trade sanctions is unlikely to succeed – and may even be counterproductive. Institutions like the Customs and Excise form the bedrock of implementation with regards to trade facilitation issues. The success of implementation will be influenced by the degree of transparency and corruption existing within the environment that these institutions operate. Weak institutions act as significant barriers to international

It is widely recognised that institutions play an important role in determining the outcome of policy reform measures, and institutional reform and capacity building is now part of ‘new’ Washington consensus (Rodrik, 2006).

Buyonge, (n.d.) postulated that all customs administrations operate in a complex national and international legal and regulatory environment that influences the form and content of the national Customs Law. This law reflects the functions that the Customs administration is expected to carry out for the government, such as collection of revenue from imports and exports; facilitation of international trade; enforcement of various restrictions and prohibitions against threats of an economic, social or political nature; protection of the environment; and compilation of international trade statistics.

National trade facilitation programs do not necessarily have to entail huge costs (Hoekman, 2003). Several basic reforms that are cost-effective can be implemented prior to adopting an advanced trade facilitation program. (Bagai, et al 2004) Publishing rules and regulations in an easily available, transparent manner, and adopting existing international standards and rules etc. are some examples (Swedish National Board of Trade, 2003).

According to Mikuriya (2005) the realities of modern international trade have necessitated the modernization of customs legislation in many countries. Outdated customs laws constrain social and economic progress by acting as significant non-tariff trade barriers. They prevent effective revenue collection, discourage foreign trade and investment, and potentially threaten social and national security. According to de Wulf and Sokol, (2005)
modern customs administration is more about consultation and less about control – it is an approach based on partnership.

The sustainability and effectiveness of these reforms seems to vary significantly across countries. A number of factors appear to account for this, in particular variations in the precision in which objectives were specified, variations in the degree of commitment to reform, variations in the resourcing of programmes, variations in the effectiveness of staffing reforms (release of existing staff, hiring of new staff, salary restructuring, training of staff), and variations in the effectiveness of measures to eradicate corruption. (Morrissey, Milner, Falvey, and Zgovu, 2007).

Modernizations of customs techniques also can reduce administrative costs of customs, and thus facilitate trade. A study by the Australian Department of Foreign Affairs and Trade and Chinese Ministry of Foreign Trade and Economic Cooperation (2001) focuses on the benefit of introducing information technologies to customs administration, suggesting that moving to electronic documentation for trade would yield a cost savings of some “1.5 to 15 percent of the landed cost of an imported item.” Hertel, Walmsley and Itakura (2001) also examined the impact on trade of greater standards harmonization for e-business and automating customs procedures between Japan and Singapore and found that reforms would increase trade flows between these countries as well as their trade flows with the rest of the world.

Expediting customs clearance procedures reduces the discretionary power of customs officials, thus reducing the scope for corruption. More transparent border procedures and regulations are particularly burdensome for the many small and medium sized firms in developing countries, including those landlocked nations with extremely difficult access to trade routes. The introduction of EDI (electronic data interchange) systems in Chilean
customs led to savings of over US$1 million per month, for a system cost of US$5 million (WTO, 2000).

Another study explicitly associated limited capacity of ports and inefficient customs procedures with time cost. Hummels (2001) estimated that one-day less in delivery times—whether associated with waiting time in ports or delays in customs—on average around the world reduces landed costs of goods by 0.5 percent. Said differently if developing countries were to shave off an average of 1 day in the time spent handling of all of their trade, the savings would amount to some US$240 billion annually.

Wilson, Mann, and Otsuki (2004) modelled trade facilitation in four dimensions—port efficiency, customs environment, regulatory environment and service sector infrastructure in order to reflect the diverse scope trade facilitation. Their analysis of 75 global countries demonstrates that a catching up of below-average countries halfway to the global average in each of the four trade facilitation categories would increase world trade by approximately $377 billion dollars—an increase of about 9.7 percent. About $107 billion (2.8 percent) of the total gain comes from the improvement in port efficiency and about $33 billion (0.8 percent) results from the improvement in customs environment. The gain from the improvement in regulatory environment is $83 billion. The largest gain comes from an improvement in services sector infrastructure and e-business usage ($154 billion or 4.0 percent).

The Asia-Pacific Economic Cooperation (APEC) (1999) found that a reduction in trade costs from trade facilitation efforts vary from 1 percent of import prices for industrial countries and the newly industrializing countries of Korea, Chinese Taipei and Singapore, to 2 percent for other developing countries. The report estimated that APEC merchandise exports would increase by 3.3 percent from trade facilitation efforts. Francois, van Meijl, and van Tongeren (2003) estimated that a 1.5 percent reduction of trade-related transaction costs would result in
a $78 billion increase in global welfare. According to a study by Walkenhorst and Yasui (2003), welfare gains as a result of a 1 percent reduction in trade-related transaction costs are estimated to amount to about US$40 billion worldwide.

Empirical evidence culled from Gatti, 2004 strongly supports the view that trade costs are an important determinant of extortion and evasion behaviours. Gatti (2004) used data on corruption and trade policy to show that trade costs are indeed associated with a higher level of corruption. Dutt and Traca (2007) provided preliminary evidence to the effect that the trade inhibiting effect of corruption depends on the level of trade costs. The authors demonstrated that as tariff rates increase, firms in corrupt countries can limit their impact by making side payments to customs officials.

2.5 Benefits of Trade Reforms

There is widespread evidence that improving clearance procedures leads to dramatic reductions in the time taken for goods to pass through Customs, implying dramatic reductions in trade costs. (Morrissey, et al (2007). Several country experiences indicate that customs automation benefits both traders and governments. Effective implementation of modern customs procedures (e.g. risk management, pre-arrival processing, and post clearance audit), uniform application of national laws and regulations as well as the generation and analysis of customs data enhance the efficiency of customs procedures, for example through the reductions in direct costs and delays.

It also provides an effective anti-corruption mechanism thanks to the reduced face-to-face interaction between customs officials and traders. Efficient trade facilitation (e.g. increasing the efficiency of border procedures) can help lower trade transaction costs hence reduce the margin between domestic and international prices to benefit consumers and producers. In some case increasing efficiency of border procedures may require simple re-organisation of
tasks and procedures, whilst in others it might require investment in infrastructure and human resources. According to Morrissey, et al (2007) the cost of implementing improvements (reform and modernisation) in customs procedures varies according to the size of the customs service, existing customs infrastructure and human resources.

OECD (2005c) found a strong positive causal links between improvement in trade facilitation with trade flows and government revenue (mostly for developing countries by implementing customs modernisation programmes that result in more efficient collection of trade taxes). Furthermore, OECD (2005c) demonstrated that facilitated cross-border movement of goods would have a positive effect on the ability of a country to attract foreign direct investment and better integrate in international production supply chains. Morrissey, et al (2007) reported that improvements in trade facilitation (e.g. from faster and more efficient border crossings of goods) would significantly increase global welfare. APEC (2002) found that reducing TTCs by 5 percent in the APEC region would lead to an increase of US$ 154 billion to member economies. APEC (1997) compared the average gains from trade facilitation in the Asia-Pacific region with potential gains from tariff liberalisation. The results showed that gains from the former were almost twice the size of potential gains from tariff liberalisation.

Some country experiences provide quantitative assessments of overall benefits, especially in terms of customs clearance time. According to WTO (2006), customs clearance can be quickly executed under electronic environments provided that all the requirements and paper formalities are in order. For instance, in Canada the standard clearance time was 45 minutes in 2000, but most goods were cleared within seconds (WTO CTG, 2000). In Australia, over 98% of electronically lodged import entries were processed within 15 minutes in year 2000 (Australian Customs Service, 2002). Customs clearance time was reportedly an average of 4 hours in Spain (OECD, 2000), 30 minutes in Greece (OECD, 2001), 14 minutes in France (OECD, 2003a), and less than 24 hours in major cases in Mozambique (OECD, 2003b).
Thanks to the paperless trading system, the average customs clearance time has fallen from 5.3 to 1.5 hours in Chinese Taipei, and from 12.2 to 1.1 hours in Mexico (Australian DFAT, 2001). Morocco’s automated system contributed to a reduction of the average clearance time from 132 hours in 1997 to less than an hour in 2002. Major effects of the Peruvian customs reform programme included release time reduced from 360-720 hours in 1990 to 2-48 hours in 1996 (Wilson et al., 2002). Automated systems in Costa Rica helped the average customs clearance time to be reduced from 144 hours before 1994 to 12 minutes for the cases without inspection and 115 minutes for those requiring physical inspection in 2000. Argentina reports that a reorganisation and the introduction of its Maria Informatics System helped reduce clearance time from four days to 24 hours.

OECD (2003a) estimated that a one per cent reduction of trade costs for goods will benefit all countries, e.g. as share of GDP: MENA (0.27 percent) and SSA (0.18 percent). APEC (2002) estimated that a five per cent reduction in trade costs for goods will raise APEC’s GDP by 0.9 percent. An APEC (2004a) study adopted a Gravity model and found that improved customs procedures by 10 per cent boosts intra-APEC imports by 0.5 percent. Kim et al. (2004) used a Gravity model and identified that improvement in customs procedures performance by 50 percent would increase imports by 1.7-3.4 per cent in industrialised to 7.7-13.5 per cent in industrialising APEC economies.

In a survey of 80 countries Batra et al. (2003) found that customs and foreign trade regulations was the second most serious tax and regulatory constraint on businesses. According to Hummels (2001) each day saved in shipping time is worth 0.8 percent ad valorem for manufactures. In a related development, Wilson et al. (2003) also determined through a Gravity model that enhanced port efficiency has a greater positive effect on trade even than improvements in customs. Soloaga, Wilson and Mejia (2006) applied gravity models to estimate the impact of improvements in trade facilitation by Mexico and Mexico’s
trade partners and reported that improvements in trade facilitation in Mexican partners would increase Mexican exports by $2 billion (1.4% of Mexican exports).

The effectiveness of automation is more tangible when one compares customs clearance time between automated and paper-based systems. The New Zealand customs service envisaged the processing of EDI import entries within 0.5 hour and paper-based entries within 24 hours (WTO TPR, 2003). In Chile, the average customs clearance time was 2.2 hours (the maximum was 3 hours) with EDI processing, and 10.8 hours with the paper-based system (WTO CTG, 1998). The Philippines’ project for computerising tax and customs administrations during the period 1994-1999 also resulted in considerably reduced customs clearance time for EDI users compared to non-EDI users in the first quarter of 2002 (Arevalo, 2002). In Thailand, it takes less than an hour on average for EDI systems, while 3-4 hours are needed for non-EDI processing (WTO TPR report, 2003).

### 2.6 Ethics and Integrity of Customs Officials

According to Osei-Bonsu (2013) “corruption” is defined by the Enclopaedia Britannica as “improper and usually unlawful conduct intended to secure a benefit for oneself or another. Its forms include bribery, extortion, and the misuse of inside information”. The Mirriam-Webster Dictionary defines corruption as “inducement to wrong by improper or unlawful means (as bribery)”. Transparency International has defined corruption operationally as “the abuse of entrusted power for private gain”. It adds that a bribe is paid to receive preferential treatment for something that the bribe receiver is required to do by law and at times paid to obtain services the bribe receiver is prohibited. In this paper, I will extend the meaning of “corruption” to include certain acts by individuals or groups that have harmful effects on individuals or the society. By “national development”, I understand the process by which a
country tries to improve the welfare of its people. It may do this, for example, by providing amenities like quality education, potable water, transportation infrastructure, medical care, etc.

According to the Bribe Payers Index (2008), customs administration is perceived by business executives to be one of the most corrupt sectors of government in many African countries. Case studies from individual countries and regions across the continent provide a grim picture of the problem and find that the most discredited institutions are the police and tax administration, including customs. As a merchant and one of the survey participants in Kafeero’s (2008) study lamented: “You bribe Customs and prosper or you stick to the ethical principles and perish”.

Although generally decreasing, Transparency International’s Global Corruption Barometer 2010 confirms that Ghana continues to be affected by high levels of petty bribery, with 37% of respondents (compared to 42% in 2009) reporting that they have paid a bribe to obtain a service in the 12 months preceding the survey. (Chène and Hodess, 2010). While Ghana has improved its regulatory framework in a number of areas - such as administrative procedures for starting a business, paying taxes and trading across borders - low salaries and inefficient government bureaucracy continue to provide both opportunities and incentives for corruption and rent-seeking behaviour (World Economic Forum, 2009). According to the 2007 World Bank Enterprise Survey, close to 40% of companies operating in Ghana expect to make informal payments to get things done, 23% to get an operating licence and 18% in meetings with tax officials.

According to Chène and Hodess, (2010) there have been corruption concerns in the customs administration. Business executives interviewed within the framework of the World Economic Forum’s Global Competitiveness Report 2009-2010 complain about the burden of
cumbersome custom procedures that create opportunities for requesting unofficial payments (World Economic Forum, 2010). Consistent with these perceptions, customs administration is seen as one of the most corrupt institutions in the country by the respondents of TI’s 2008 Bribe Payer Index, scoring 4.1. According to Global Integrity, corruption remains widespread in the Customs, Excise and Preventive Services (CEPS, with CEPS officials in border areas routinely accepting bribes from good smugglers (Global Integrity, 2008).

According to the World Bank 2007 Enterprise survey, close to 40% of companies reported that they expect to give gifts to obtain an import license in response to Corruption in Africa generally, and in Customs administration specifically, has been widely documented (Stasavage and Daubréé, 1998; and Hors, 2001). The demand and receipt of bribes by revenue administration staff subverts tax compliance, undermines governance, and concerns many stakeholders. Organizations such as Transparency International have prominently exposed the issue of corruption. All the Anglophone African countries are signatories to the revised Arusha Declaration on Integrity in Customs that tasks individual member countries to implement the framework.

Measures taken by some of the countries and revenue agencies/Customs administrations include: (1) passage of national anticorruption legislation; (2) creation of anticorruption agencies or Ombudsmen offices; (3) development of revenue agency-specific anticorruption strategies that are aligned to national policy; (4) increased accountability through national auditor general investigations and representation before parliamentary accountability committees; (5) declaration of assets by revenue/Customs administration staff; (6) creation of specific staff internal affairs units and staff disciplinary frameworks; (7) establishment of ad hoc commissions of enquiry into revenue agency corruption; and (8) prosecution of offenders (revenue agency staff and taxpayers).
Customs administrations do not operate in a vacuum, and national ethical attitudes and practices have important behavioural bearing. Any Customs (and domestic tax) administration and its staff will be particularly at risk in a generally corrupt environment where governance and accountability are lacking.

2.7 Role of Different Government Agencies in Trade Facilitation

According to Uzzaman and Abu Yusuf trade facilitation needs an integrated approach because it requires the combined effort and efficiency of a number of government agencies as well as private parties and individuals. The World Bank’s Logistics Performance Indicators (LPIs) suggest that customs authorities are only responsible for approximately one-third of the delays that the trading community encounters at the border, and that a number of other government institutions are responsible for the majority of the problems traders face at the border (McLinden, Fanta, Widdowson & Doyle 2011).

Excessive control and inefficiencies in customs procedures, combined with a monopoly of service providers at key entry points in importing countries, are prevalent in many parts of the developing world. For example, complexities and resultant disputes over classification, valuation and overall clearance procedures stand as depressing phenomena in the case of trade facilitation in Association of Southeast Asian Nations (ASEAN) countries (Chia 2010).

Regarding valuation, Customs usually presumes under-invoicing and sometimes arbitrarily raises the values declared by importers. Some importers also have the tendency to submit false invoices to Customs. Delays in any customs station can arise due to a variety of reasons, the most frequent ones being determination of the correct classification, the assessment of the value of the goods for customs purposes, and missing documentation. (WCO 2002). A recent
detection of gross under-invoicing and incorrect classification of goods imported by Airtel and Grameen Phone at Dhaka Customs House, Bangladesh (The Daily Jugantor, 7 February 2011) highlights importers' tendency to undervalue with a view to evading duties and taxes. Such under-invoicing and incorrect classification results in an increased dependency on physical verification, often in the presence of other organisations (such as Customs' intelligence directorate, Bangladesh Telecommunication Regulatory Commission [BTRC]) resulting in further delays in customs clearance.

Excessive documentation, physical inspection, and sometimes multiple inspections in the presence of more than one agency cause lengthy delays and cost escalation in customs clearance. One estimate showed that cost may increase 7 to 10 per cent of the value of world trade (Staples 1998).

Haque & Manik (2008) found that importers file cases with or without valid grounds when the customs raises any objection against the release of any consignment. “Most of the cases are lodged by debating the certified prices fixed by the pre-shipment company,” adding that, the number of such cases climbed to 10,033 till February (2007), thereby blocking revenues.

Widdowson, (2007) found that apart from Customs, other agencies/parties are also responsible for the overall delays in border trade. Therefore, for trade facilitation to be achieved, a whole-of-government approach (as recognised by the Revised Kyoto Convention) to border management is pivotal where other government agencies involved in international trade need to become efficient and responsive in the global trade facilitation effort. This signifies the necessity supply chain and an insecure supply chain has negative effects on both government and business. Collaborative arrangements with supply partners are also important. Further, a good intelligence network is one of the most effective tools for the government to detect potential security threats posed by a consignment
prior to its arrival. The main objective of trade facilitation is to improve the overall trade environment and reduce trade costs. (Widdowson & Holloway 2009)

According to Teklu and Negus, (2011) modern customs administrations have recognized that streamlining and simplifying clearance procedures are beneficial to importers, exporters and national economies. Customs administrations are thus increasingly introducing simplified procedures so as to put in place efficient and effective clearance procedures while maintaining the traditional duties of revenue collection and enforcement.

2.8 Conventions on Customs Reforms and Modernization

The World Customs Organization in their vision to play a leading role in the development, promotion and implementation of modern Customs procedures, in 1974 adopted a convention called The International Convention on the Simplification and Harmonization of Customs procedures (The Kyoto Convention) and was subsequently revised or amended in 1999. The revised came into force in 2006 and it incorporates several key governing principles such as transparency and predictability of customs controls; Standardization and Simplification of the goods declaration and supporting Documents among others.

The need for modernization and reform has never been greater, since the original Kyoto Convention entered into force; there have been many developments which have the change the face of International trade and Customs administration around the world as pointed out by Pravion, (2007);

"The challenges of the 21st Century are placing massive demands on Customs administrations. Now, more than ever before, there is a need for Customs administration to be more responsive. An understanding is required of issues such as globalization, the
dynamics of international trade, the technicalities of the trade supply chain, emerging policy direction and the complexities of the global landscape.”

The revised Convention is now the foundation for simple and efficient Customs procedures for the 21st century. Kyoto is designed to help Contracting Parties to achieve a modern Customs administration, to achieve improved facilitation and control, and to deliver a simpler, harmonised and more flexible approach.

However, in noting that Customs administrations throughout the world perform a number of vitally important and crucial tasks on behalf of their Governments and contribute to national goals such as revenue collection, community protection, trade facilitation and protection of national security, the World Customs Organization acknowledge that integrity is a critical issue for all countries and for all Customs administration and that the presence of corruption can severely limit Customs capacity to effectively accomplish its mission in 1993 adopted another convention called The Arusha Declaration on Customs Integrity and was later revised in 2003. This Convention seeks to deal with issues of corruption and integrity among Customs official such as revenue leakage and fraud, Transparency, Audit and Investigation, Automation, Reform and Modernization etc.

It is a non-binding instrument which provides a number of basic principles to promote integrity and combat corruption within Customs administration.

Prior to the terrorist attacks of 11th September 2001, Customs controls related to national security issues or threats did not feature prominently on the policy priorities of the World Customs Organization (WCO). After 9/11, the WCO began to focus much more on its work on supply chain security. This transition culminated in 2005 with the adoption of the WCO Framework of Standards to secure and Facilitates Global Trade (SAFE Framework)
The SAFE Framework is a non-binding instruments that contains supply chain security and facilitation standards for goods being traded internationally, enables integrated supply chain management for all modes of transport, strengthen networking arrangement between customs administration to improve their capability to detect high-risk consignment, promotes cooperation between customs and the business community through the Authorised Economic Operator (AEO) concept, and champions the seamless movement of goods through secure international trade supply chains. (WCO, 2005).
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

According to Naslund, (2002: 322). “Methodology deals with how we gain knowledge about the world” This chapter describes the procedures and methods that were used in conducting the study. It deals with research design, population of the study, sampling techniques, data collection instruments and analysis.

3.1 Study Area

The study was carried out in the confines of the Tema Municipal Area especially in the environs of the Port of Tema. According to Asuliwonno (2011) the Port of Tema was opened in January, 1962 to regular traffic with the opening of the ceremonial declaration on the 10th of February, 1962. The choice of the Port of Tema as the study area was premised on the fact that according to Owusu-Mensah (2007) about 80 percent of imported goods in Ghana are handled by the Tema port. The location of the Tema port is on the Greenwich Meridian and latitude 5.4 degrees north of the equator. It is about 30km east of the national capital, Accra. The port occupies a total land area of 3,904,754 m² and the quay length is 2,196 m². The port has a coverage storage area of 53,270m and 97,200m of open storage. (GPHA 2006).

3.2 Research Approach

According to Spens and Kovacs, (2005) a research approach is defined as the path of conscious scientific reasoning, and while following distinct paths, have the common aim of advancing knowledge. There are three general approaches in research, through which a researcher can obtain new knowledge, namely the inductive, deductive and abductive
research approaches. The inductive research approach is a theory development process that starts with observations of specific instances and seeks to establish generalizations about the phenomenon under investigation.

The deductive research approach is a theory testing process, which commences with an established theory or generalization, and seeks to see if the theory applies to specific instances (Hyde, 2000). “A third, less known, abductive approach stems from the insight that most great advances in science neither followed the pattern of pure deduction nor of pure induction: Abduction is generally understood as reasoning from effect to causes or explanations” (Spens and Kovacs, 2005: 374).

Berrada and Ciro (2009) revealed that when conducting a research study, there is a choice of several research methods, with two most prominent one: qualitative research method and quantitative research method. According to Yin (1994), research strategy should be chosen as a function of the research situation. “Each research strategy has its own specific approach to collect and analyse empirical data, and therefore each strategy has its own advantages and disadvantages” (Amaratunga, et. al. 2002: 17). In order to establish which method is more suitable to this research, it is important to distinguish between the two. The qualitative method concentrates on words and observations to express reality and attempts to describe people in natural situations. “In contrast, the quantitative approach grows out of a strong academic tradition that places considerable trust in numbers that represent opinions or concepts” (Amaratunga, et al. 2002: 16).

In general, qualitative researchers are more interpretive and subjective in their approach. This anti-positivist approach states that the world is essentially relativistic and thus one must understand it from the inside rather than the outside. It can only “be understood from the
"Qualitative research is generally gaining recognition in logistics resulting from the entrance of behavioural approaches in the discipline" (Spens and Kovacs, 2005: 383). Traditionally, "quantitative methods were often linked to deductive and qualitative to inductive research approaches" (Spens and Kovacs, 2005: 383). However, "qualitative research is not inductive per definition; also deductive research can employ qualitative methods" (Spens and Kovacs, 2005: 383). Spens and Kovacs (2005) argue that the word qualitative implies an emphasis on processes and meanings. This is important considering that this study relies considerably on operational processes of freight forwarders in relation to the daily activities of the CEPS.

This thesis will employ the qualitative research method for the reasons that follow:

I. It takes a look at the phenomenon from inside.

II. It considers the differences between people, processes or settings.

III. The result aims to be a theoretical generalization, to find further application.

The main primary methods used to obtain information for the purposes of this study are:

Analyzing text and documents; and Interviews.

3.3 Data Collection

Two kinds of data collection methods were employed. These are primary and secondary. The nature of each of these will be discussed briefly.

(i) Primary Data: This consists of original information from the specific purpose at hand (Fraund and Williams, 1989). The answers given by respondents to the questionnaires
administered will constitute one type of primary data. Personal observation was another type of Primary data. Each of the primary data is discussed briefly as thus:

(a) Questionnaires and Interview Sessions: This serves as one of the major research instruments adopted by the researcher to retrieve information needed from the stakeholders. It has been expedient for this researcher to use this approach because of the explorative nature of the study and the type of data needed. The questionnaires contained multiple choice (close-ended) questions with possible answers which are designed to reflect different shades of opinions. This helped to achieve unbiased and immediate answers. Also, open-ended questions which allow respondents to express views more precisely were included.

(b) Observations: Some of the explanatory procedures were based on the researcher’s observations and his experiences for on the spot assessment of events for onward inclusion into his findings.

(ii) Secondary Data: Kotler (1997) intimated that secondary data consist of information that already exists somewhere having been collected for another purpose. The secondary data used in the study consisted of published articles, textbooks, magazines, newspapers, project and materials on the related subject from the internet etc.

3.4 Data Collection Methods

Secondary data comprised the framework of the investigation. The Survey method was used in gathering the primary data. Survey constitutes a descriptive method that operates by collecting data from a wide range of respondents. According to Saunders, Lewis and Thornhill, (2003) survey method applies to researchers requiring an understanding of the link between variables by considering the perspective of different parties. This method of data
collection has advantages and concurrent disadvantages that required consideration by the researcher before its application for this study.

For instance Salant and Dillman (1994) posit that the survey method can establish the relationship between variables but fails to cover the direction of the relationship so this study adopted the mixed method to address this dilemma by using closed and open-ended questions in the survey questionnaire. Closed questions obtain responses by selecting from a given set of options such as yes or no, agree or disagree, or by checking or ranking preferred answers. Closed questions place a range of possible answers in order to test theories. Open-ended questions applied in drawing attitudes and experiences of the respondents (Saunders, Lewis and Thornhill, 2003)

Further, survey method draws data from many respondents but is heavily reliant on self-reported data dependent on the subjective perspective of the respondents creating the risks of unreliability of data. This study adopted the use of uniform measures in treating the answers to address this potential issue. Again, the survey method enables the drawing of information from many respondents but requires a long period of data collection. The resolution to this issue is compliance with a research timetable and the researcher believes using twelve weeks; from August to October addresses this issue.

Interview and observation also constituted methods of data collection and Creswell (2003) intimates that these are qualitative methods. Combining interview with the survey method led to an effective means of collecting data from the respondents. Observation of the situation of the shipping industry also supported the derivation of insights into the research topic; for instance it was a critical input in the choice of type of sampling procedure adopted by this study.
3.5 Sampling Method

Non-probability sampling regime was adopted because it was impossible to access the listing of the contacts of the members of the freighters. Non-probability sampling relies on the personal judgment of the researcher rather than chance to select sample elements and Malhotra (1999) postulated that these sampling techniques do not use chance selection procedures.

Two steps were applied in sampling the population for this study: Firstly, the selection of the sampling units, that is to say the places where the interviews were conducted. Thus judgmental sampling was used to choose those units. According to Malhotra (1999), judgmental sampling is a form of convenience sampling in which the population elements are purposefully selected based on the judgment of the researcher. This method is necessary as the places which are believed to be representative of the target population had to be chosen subjectively (Crask, et al., 1995).

To select the respondents who were to be interviewed two non-probability sampling procedures were adopted: the convenience sampling method and the Snowball sampling method. Convenience sampling is a non-probability sampling technique that attempts to obtain a sample of convenient elements; the selection of sampling units is left primarily to the interviewer” (Malhotra, 1999). According to Struwig and Stead (2001) convenience sampling is chosen purely on the basis of availability. Respondents are selected because they are accessible and articulate. Convenience sampling is the least expensive and least time consuming of all sampling techniques. The sample elements are easily accessible, easy to measure, and co-operative.

Notwithstanding, Snowball sampling method determines the research respondents through the network of the researcher. A sample emerges by requesting referrals from existing
respondents. This sampling method relies on known contacts. (Creswell, 2003). The researcher commenced with known contacts with firsthand knowledge and experience of the Freight Forwarding involvement of shipping companies and expanded outwards to the network until the respondents were able to represent different perspectives.

3.6 Definition of the Target Population/Scope of the Study

According to Crask, et al., (1995) the population of interest is called the target population. Data should only be gathered from objects in the population of interest. Properly defining the target population is a crucial step in the design of the research project. The sampling population was defined as all the members of the Ghana Institute of Freight Forwarders, Tema. The study is limited to freight forwarders activity, primarily confined to the port reforms by CEPS and assumes that the port is also the point of destination.

3.7 Sample Size

One hundred respondents were contacted from the population of the Ghana Institute of Freight Forwarders (GIFF) and some ten (10) senior members of the institute were interviewed to have an appreciable level of firsthand ideas about the industry for a comprehensible assessment of the study. In all a total number of about One hundred and ten respondents were contacted.

3.8 Sampling Units

The Tema Port Long Room areas, the former Black Star Line building areas and the main Harbour areas were selected through the method of judgmental sampling explained above. The researcher is convinced that the selected places are representative of the target population of the Freight Forwarders.
3.9 Data Analysis Techniques

This is a process of converting the collected data into information so that it can serve as the factual base for recommendation and management decision. A computerised statistical analysis of the data was necessary to describe and interpret the data that was obtained from the questionnaires. A conversion was made through a computer package, Statistical Package for The Social Sciences (SPSS version 16) and Microsoft excel in order to analyse the information. Based on the questionnaire, frequencies and percentages were used for all variables of this study.

3.10 Pilot Study

To test the validity of the survey instrument a pilot study was conducted. The questionnaires were pilot tested before it was finally administered. Face validity was further ensured by asking professional shipping gurus with expertise on Freight Forwarding so as to ensure that it included the best Institutional factors affecting the Freight Forwarding Industry in Ghana.

To achieve the objective of the study, a survey was conducted in March and May of 2013. Questionnaires was designed and distributed to Freight Forwarders of different age groups and of different educational level attained across the Metropolis.

3.11 Limitations

- A sample of the population was studied therefore there is the possibility of sampling error occurring.

- The research will be done in the Tema Municipal Area therefore it may not be possible to generalize the results of this study to all Freight Forwarders in Ghana.
3.12 Delimitations

The study was limited to the Tema Metropolitan Area. The reasons for this are:

- Ghana is too large for the researcher to travel all over the country.
- The Tema Metropolitan Area is one of the largest cities in Ghana and the biggest harbour city in Ghana and as well, has a heterogeneous population which ensures a wide spread of potential respondents to the study.
- The cost and time required to conduct the study was lower because the study was limited to a restricted geographic area.
CHAPTER FOUR

PRESENTATION AND DISCUSSION OF DATA

4.0 INTRODUCTION

This chapter presents the results the data collected for the study in relation to the specific objectives of the study. Firstly, a brief description of the socioeconomic characteristics of the consumers is presented. In carrying out the research, a total of one hundred and ten questionnaires were sent out, a hundred were sent to the Freight respondents (SME’s) while 10 were also sent to corporate members and some officers from governmental institutions like Ministries of Transport and Trade and Industries as well as the Customs Service, the GPHA, the Ghana Maritime Authority and Shippers Authority.

4.1 Socioeconomic Characteristics of Respondents

The socio-demographic characteristics of respondents are presented here. It must necessarily be noted here that this study did not do any cross tabulation of these demographic variables because it was not within the scope of this study to analyse the relationship among these variables.

Table 4.1 Gender Distribution

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>71</td>
<td>71.0</td>
</tr>
<tr>
<td>Female</td>
<td>29</td>
<td>29.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data;
Information gathered in table 4.1 above show that the male respondents nearly doubled that of the females. The researcher contacted 71 males representing 71% respondents while the females were 29, representing 29% of the respondents. This revelation does not imply that at the port of Tema male freighters outnumber their female counterparts because that cannot be explained away academically especially so when there is no empirical evidence to prove that.

The male-female discrepancy revealed in the study may be as result of the methods adopted in conducting the study (non probability sampling) and perhaps when and where the field work took place (in the Tema Port Long Room areas, the main Harbour areas and the frontages of some freight offices).

**Table 4.2: Age Distribution of Respondents**

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;20</td>
<td>6</td>
<td>6.0</td>
</tr>
<tr>
<td>21-30</td>
<td>27</td>
<td>27.0</td>
</tr>
<tr>
<td>31-40</td>
<td>34</td>
<td>34.0</td>
</tr>
<tr>
<td>41-50</td>
<td>15</td>
<td>15.0</td>
</tr>
<tr>
<td>51-60</td>
<td>11</td>
<td>11.0</td>
</tr>
<tr>
<td>60+</td>
<td>7</td>
<td>7.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source: Field Data**

According to the findings in table 4.2 above the age groups were divided into six categories. A greater number of the respondents fell within the 21-40 years age category. The lowest category of respondents were those below 20 years with a percentage point of 6% and that is very closely followed by those above 60 years with a frequency of 7 people representing 7% of the respondents.

Table 4.3 below reveals the educational level of respondents and the highest frequency (35) representing 35%, have JHS and this was followed by those with SHS, with a frequency of 29
SME’s representing 29% whilst 23% representing 23 Freight Forwarders (SME’s) have HND/Diploma qualification. The least category of respondents were those with professional degrees with relative frequencies of 5 respondents representing 5% of the SME’s and this is closely followed by those with first degrees of 8% representing a frequency of 8 SME’s contacted.

Table 4.3: Educational Level

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCE 'O'/'A' Level/SHS</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>HND/Diploma</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>University first degree</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Junior High School (JHS)</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Professional degree</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Data

Empirical results in figure 4.3 below shows the answer to the question of how freight forwarders rate small business development in Ghana. The answers provided show that a small majority of the respondents rated SME as moderate, 15% rated it as high, 19% rated SME as average; while 9% rated it as low.
Fig 4.1 Type of Business

Table 4.4 No of Employees

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3</td>
<td>40</td>
<td>40%</td>
</tr>
<tr>
<td>4-6</td>
<td>18</td>
<td>18%</td>
</tr>
<tr>
<td>7-9</td>
<td>16</td>
<td>16%</td>
</tr>
<tr>
<td>10-12</td>
<td>15</td>
<td>15%</td>
</tr>
<tr>
<td>13 and above</td>
<td>11</td>
<td>11%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

As regards the number of employees engaged by respondents, the least was those who employ 13 employees and above. That was followed closely by those who employ between 10 and 12 employees, with those employing 7 to 9 people also closely following with a frequency of 16 respondents and those employing between 4 to 6 employees following in that order with a frequency of 18 freight respondents. It is important to note that the highest number of respondents were those who employ between 1 and three employees with a
distinctive frequency of 40 respondents. This data revelation seems to corroborate to a certain extent the data in figure 4.1 which indicates that majority of the respondents were sole traders.

Table 4.5 Four Major Bottlenecks in Running your Business at the Port

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unclear accessible guidelines</td>
<td>95</td>
<td>95%</td>
</tr>
<tr>
<td>inability to track shipment</td>
<td>89</td>
<td>89%</td>
</tr>
<tr>
<td>Political interference</td>
<td>83</td>
<td>83%</td>
</tr>
<tr>
<td>Misplaced Objectives</td>
<td>80</td>
<td>80%</td>
</tr>
</tbody>
</table>

Once in port, processes break down for a variety of reasons. While the reason most frequently cited by importers is incomplete or incorrect documentation, inability to track shipment custody was the second most frequent problem identified. These problems apply both to the import of tax-exempt humanitarian aid and to the import of commercial merchandise. This corresponds to the comments and observations of the respondents to the survey that suggest that “incompetence among stakeholders” is the highest ranked variable among the list with 82% of freight forwarders indicated that Incompetence among stakeholders “militate against efficient trade flow through the port; and that was followed by “Bribery and Corruption” and “Cumbersome Customs Procedure” which inhibit the efficient flow of trade through the port and other entry points. Respondents suggested the need to strengthen and speed up the customs clearance process through (1) clear, accessible guidelines, (2) tools for controlling the customs documentation, and (3) tools for tracking shipment custody.

It is important to note that the issue of corruption among port officials is often cited in the literature. Although there are many different opportunities for customs officials to extract illicit payments from importers (McLinden 2005), the most common mechanism is in the tax-valuation negotiation (Yang 2005). Respondents revealed that by undervaluing goods for
import duty purposes, corrupt customs officials are able to negotiate a kickback on the illegal “savings” from the importer. They can equally punish compliant importers by holding up the clearance process, causing them to incur time and cost penalties. Majority of the respondents argued that the best preventative measure is to have the tax valuation approved before the goods ever leave the port of origin, and this is possible wherever the destination countries have a preshipment inspection process in place.

![Figure 4.2 Perception of Bribery and Corruption among Customs Officials](image-url)

Figure 4.2 Perception of Bribery and Corruption among Customs Officials
Pursuant to the above, the researcher sought ascertain whether or not respondents perceive that there are institutional challenges in the customs administration and the data analysed in figure 4.3 revealed that virtually all the respondents, (89%) indicated that there was indeed institutional bottlenecks prevailing within the administration.
Figure 4.4 above reports the flow of information between officials and their clients. The data revealed that 63% representing 63 respondents indicated that the reform has enhanced communication between officials and its clients. However, 29 respondents (29%) proffered that the reforms have not enhanced communication at all, while 8% indicated that the reforms have their advantages and disadvantage in as much as sharing information with clients is concerned because the facilities are ran both mechanically and electronically concurrently.

Table 4.6 Training after Reforms

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>76</td>
<td>76%</td>
</tr>
<tr>
<td>No</td>
<td>24</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

The above table displays the training on ICT offered to employees of the administration and seventy-six percent of the respondents indicated that they had ICT training after the reform.
4.2 Discussions of Findings

Sequel to the findings above, this section discusses further findings which were made during the field work which are not carried in the analysis section.

Under the data analysis, “institutional failure” was rated as the factor which is more to be blamed for the underperformance of the reform. A very high majority of the respondents mentioned bribery and corruption as one of the major reasons for failure of trade-related institutions at the Port of Tema in Ghana. Apart from the Freighters, other stakeholders admitted that the Customs Excise and Preventive Service (CEPS) is a leading culprit as regards the issue of bribery and corruption at the Port. For instance, specific reference was made of illegal practices where officials of the CEPS demanded what is termed as ‘goro’ in their local parlance which means money extorted by these corrupt officials in order to facilitate the processing of cargo declarations without which cargo documents will not be attended and processed. Regardless of the Ghana Community Network (GCNet) the practice of “greasing the palms” of CEPS officials have not ceased leading to lack of transparency within the existing clearance system.

These notwithstanding, deficiency in the provision of requisite training for other government institutions like Ghana Standards Board (GSB) and the Ghana Forestry Commission (GFC) has led to unnecessary delays at the ports. Ghana Ports and Harbours Authority (GPHA) is also a key stakeholder of the reform and they have institutional challenges such as inappropriate port management system, overstaffing and low staff morale.
4.3 Bottlenecks within the reforms

Incompetence among stakeholders, bribery and corruption, cumbersome customs procedures, etc was identified as major bottlenecks within the reforms. The study identified that "incompetence among stakeholders" was the highest ranked variable. It was gathered through various interviews with some expert and Port officials that of all the identified stakeholders, incompetence was quite rife among freight forwarders and logistics service providers. It became evident that most freight forwarding firms in the country have not been given the needed requisite and level of training. It was gathered that most of the freight employees are high school leavers who joined either a family business or start a "suite case" freight forwarding company. Even though there is a professional freight forwarding association, the Ghana Institute of Freight Forwarders (Giff), several of their members allow unregistered companies to clear goods at the port with their recognized and approved stamps and identification numbers.

It was gathered that this anomaly could not be unfortunately checked by the CEPS since they do not have the necessary mechanism to check the phenomenon. This lack of mechanism to check and adequately control the activities of freighters at the port has led to the entry of 'quacks' into the sector which has spiralled into the menace of the prevailing incompetence which is by all standards a canker to trade at the Tema Port.

Further, it is important to note that the wind of incompetence among Ghanaian freight forwarders has given birth to increase in customer complaints on the unprofessionalism practices being exhibited by these corrupt officials (extortion of money from clients by way of prying on their ignorance – such as levying illegal charges, etc) which has a repercussions on the cost of doing business at the port. It is important to mention here that, the aforementioned challenges posed by incompetence among freight forwarders and other
stakeholders naturally defeat the very objectives for which the Reforms was rolled out. Lack of adequate control is also evidenced by the easy cheek with which unlicensed freight forwarders enter into the port and transact business without any effective mechanism of checks and balances.

4.4 Perceptions and Expectations of Stakeholders on the Reforms

The study found that the cumbersome processes importers have to go through at the Tema Harbour before clearing their cargo are gradually turning the port into an unattractive destination for doing business. As a result of the delays, importers pay more for the trucks hired to cart their goods from the port. It was gathered for instance that an importer had to pay GH¢21,000 to clear printing materials, instead of GH¢6,000, because the containers had to go through many processes. While many trucks exiting the port with loaded cargo have to wait for several days before being processed and discharged by the Customs Division of the Ghana Revenue Authority (GRA) and other agencies involved in the clearing process, some importers have to pay more to clear their cargo as a result of the long delays associated with the winding processes.

Heralding the strenuous processes is the presentation of invoices and packing list of the goods by an importer to the inspection company for inspection and validation of the goods. After that, the importer is required to present the necessary import documents to the Ghana Community Network Services Limited (GCNet) to make a declaration of the goods in a container and make payment to the bank. The importer then goes to the Customs Division for compliance to validate the examination of the goods by the inspection company, after which he or she goes to the shipping line for the release and delivery order.
Afterwards, the documents are expected to be presented to a terminal operator for him to position the container in the yard to allow custom officials to conduct a physical examination of the goods. Depending on the nature of the goods, the Food and Drugs Authority (FDA), the Environmental Protection Agency (EPA) and the Ghana Standards Authority (GSA) carry further examination on them and sometimes subject the goods to laboratory analysis to determine their suitability for consumers.

From there, an importer is required go to the Customs Chemist (laboratory) for a release which is sent to an examination officer for inspection to establish the true value of the import declaration the importer has made. The importer is then made to go to the Ghana Ports and Harbours Authority (GPHA) to pick up a waybill, after paying rent and handling charges, before the goods are cleared from the port. As a result of these frustrating processes, importers doing business at the harbour have advocated the need to further streamline the clearing and handling processes to prevent truck congestion and undue delays. This researcher observed that it was not uncommon to see aggrieved drivers of stranded trucks complaining one way or the other about the bitter situation they experience.

It was evident that the delay also built up expenditure on the cost of doing business as far as the hiring of trucks is concerned. In separate interviews with port operators, it became apparent that all agencies at the port would need to plan and streamline the current clearing processes to pave the way for easy clearance of cargo. They suggested that the system of clearance at the port should be further modernised to meet international standards.

It was also gathered that the presence of over nine regulatory agencies playing different roles at the port had also contributed to the delay in the clearance of containers after they had undergone scanning. Some of the operators also accused some members of the Task Force on Revenue Mobilisation for worsening the frustration importers usually went through at the
A clearing officer revealed that on some occasions some members of the task force stopped importers on the way after they had cleared their goods from the ports to verify all the documents covering their goods.

The Scanner Manager of Gateway Services Limited (GSL) explained that the problem facing importers was to be blamed on the manual checks undertaken by regulatory institutions, including the FDA, the GSA, and National Security, the BNI, the police and the GPHA security. He implored on importers to discard the idea that the scan was the source of the problem, saying that it took the scan 10 minutes, on the average, to scan a container, which then moved to a holding place at the western gate for checks by others, if the container was found with discrepancies.

The President of the Ghana Institute of Freight Forwarders (GIFF) also described the current clearing procedures as obsolete and involving and called for immediate and better reforms to address the challenges and argued that the situation at the port now is a chaotic one he said. He wondered why the FDA, the GSA and the EPA, which have no laboratory facilities at the port for testing and certification of products, should play a key role in the primary clearing process.

The study found that although the expectation of the reform was the lessening of physical cargo inspections eradication of bribery and corruption as well as reduction in the cost of doing business were the gravamen and the very basis of their expectations. Since its inception, the reforms has made significant inroads by reducing the amount of time spent in clearing goods at the port, reduction of public interference among others, it does not measure up to the standard of evaluation of the respondents.
Interview respondents felt that there were strong vested interests in maintaining the system of rent seeking behaviour. As a result, although the implementation of the reform has led to some improvement in the customs and clearance system, the fact that Ghana Revenue Authority (Customs) still insisted on maintaining the old paper in addition to the computerised system has resulted in a less than optimum outcome. It was felt that customs officials are poorly remunerated and informal payments offer an important source of additional income. Others stated that informal payments are as much offered as demanded. Freight forwarders are looking to process freight as quickly as possible and informal payments allow them to do this.

4.5 Perception of Top Ten Forms of Bribery and Corruption at the Port

1. Illegal wavering of payable duty goods by top CEPS officials for 'private benefits'
2. 'Doctoring' of invoices -- over-invoicing and under-invoicing of import costs
3. Issuing freight forwarding licence to unqualified firms by Customs
4. Falsification of cargo processing forms of documents.
5. Extortion of money from the importers/exporters.
6. Undervaluation of goods
7. Varied forms of connivance between Destination Inspection Companies (DIC's) and shippers and freighters.
8. "Facilitation" payments made by fraudulent traders to get their way through dishonest officials by avoiding paying duty due on goods
10. Paying the examination officer to "overlook" discrepancies in the manifested and landed cargo
4.6 General Issues and Challenges within the port industry

- Inefficiencies and distortions in the trading system
- Unnecessary bureaucratic procedures
- Lack of qualified staff such as maritime economists, maritime lawyers, nautical engineers and surveyors of ships
- Lack of adequate institutional and regulatory arrangements to ensure the efficient functioning of the maritime industry as a whole.
- Inundation of the port with containers and vehicles resulting in port congestion
- Inadequate Staffing, there is not enough customs examination officers
- Lack of professionalism on the part of Customs officials – it was gathered that some even lock up documents of importers in their drawers
- Mushrooming of ‘suitcase business’ (i.e. Companies that have no offices, no identity cards, promise lower customs duties, etc).
- High percentage of goods undergoing multiple physical examination by Customs despite introduction of the Customs Risk Management System (CRMS)

4.7 Level of automation in Customs

Automated systems in Customs provide one of the most important tools for facilitation of trade procedures. Customs automation results in increased transparency in the assessment of duties and taxes, substantial reduction in customs clearance times, and predictability, all leading to direct and indirect savings for both government and traders. The higher the level of automation of custom procedures in a country, the greater the possibility of detailed inspections, detection of fraud, and firm action including prosecution in court.
An important lesson that should be learned is to invest in developing the IT skills of the staff of companies if customs technological developments are to lead to improved levels of trade facilitation.

4.8 The Contribution of Reforms to Trade at Port

According to De Wulf and Sokol (2004), clearance times and revenue performance exceed expectation from early 2001-mid-2003. The Treasury has benefited from accelerating revenues and more rapid access to tax payments. Customs Duties in percentage of imports before the reforms was 4.6 but this increased to 6.2 in 2001 after the reforms, import taxes also stood at 10.5 per cent before the reforms but was however increased to 15.4 in 2001 after the reforms.

Customs Processing Times (Hours and minutes per shipment) at the port after the reforms is 44 per cent clearance in two days.

4.9 Freight Forwarders Knowledge about Modernization in Customs Procedures

An interview with some selected freight forwarders staff revealed that, about 60% of the entire freight forwarders population are aware of the Customs modernization programs in the port since 2003 and even mentioned GCNet, DIC's etc., but was however of the opinion that, the impact of the modernization has not been realised to its maximum benefits since there are still some delays in the clearance process. But they sharply blame some of the delays on other stakeholders in the port community like the shipping lines, shipping agencies and the terminal operators as also contributing to the delays in the customs clearance process at the port.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 INTRODUCTION

This chapter summarizes what the study sought to do, the results obtained and the conclusions that could be drawn from these results. Policy recommendations based on these results are given together with suggestions for further research.

5.1 Summary

The study sought to assess the post-implementation of the customs reforms with special reference to the perception of Freight forwarders at the port of Tema. The relationship between the customs administration and the businesses at the port was assessed and the level of automation and extent of modernization in Customs was also determined. The contribution of various agencies to customs delays was analyzed and challenges that confront users of Ghanaian seaports were also identified. The perception of stakeholders of the port towards the Ghanaian customs was also assessed.

The study was carried out in the confines of the Tema Municipal Area especially in the environs of the Port of Tema. Two kinds of data collection methods were employed and these are primary and secondary in a survey through a non-probability and snowball sampling regimes. One hundred respondents were contacted and as well, 10 corporate members and some officers from the governmental institutions like Ministries of Transport and Trade and Industries as well as the Customs Service, the GPHA, the Ghana Maritime Authority and Shippers Authority were interviewed to have an appreciable level of firsthand ideas about the industry for a comprehensible assessment of the study. In all a total number of about One hundred and ten respondents were contacted. The Tema Port Long Room areas, the Shippers Authority offices in Tema areas, the main Harbour areas were selected as the sampling units.
The sampling population was defined as all the members of the Ghana Institute of Freight Forwarders, Tema. The study was limited to freight forwarders activity, primarily confined to the port reforms by CEPS.

Descriptive statistics was used to describe the socioeconomic characteristics of the respondents. A computerized statistical analysis of the data was necessary to describe and interpret the data that was obtained from the questionnaires through the Statistical Package for The Social Sciences (SPSS version 16) and Microsoft excel in order to analyse the information. Based on the questionnaire, frequencies and percentages were used for all variables of this study.

5.2 Conclusion

Considerable progress has been made in improving customs and clearance procedures, in particular the GC-Net system. However, the new system currently operates in tandem with the old system, which leads to replication of effort and wasted time. Port and clearance procedures involve delays and informal payments that are also transferred on to inflate overall transportation prices.

Delays in port and clearance procedures are linked to the nature of the system where delays create incentives for port and customs officials who may demand informal payments from freight forwarders to speed the process up. When systems operate without checks and balances to control these incentives delays are likely to be common.

A proliferation of actors within the port for goods transported to or from the port: Ghana Revenue Authority (Customs Division), the Ports and Harbours Authority (GPHA), transporters associations, stevedores, freight forwarders and the Ghana Shippers Council are all key stakeholders. There are a profusion of actors operating within the port, both formal
and informal in nature, some with overlapping or contradictory responsibilities and some which are based on old legislation that has not been reviewed since they were established more than 30 years ago. When in port, customs procedures create significant delays and involve informal payments.

Separate procedures and individuals to be dealt with create more scope for informal payments and delays. Reform of this kind may have to overcome strong interests from within GPHA, customs, freight forwarders and other bodies as individuals and groups will have strong interests in maintaining the status-quo through which they may receive informal payments. This means change must consider these interests and create alternative incentives – whole sale reform is unlikely but incremental change is possible.

It was gathered that demands for informal payments are made to trucks operating within the law and those who are bending the rules, although the amounts may be lower for those operating legally. This implies that ensuring legal compliance to customs procedures on the part of the private sector is only part of the solution to the problem. Such measure will need to be combined with wider governance reforms within the police, customs and other bodies.

1. Institutional failure was rated as the factor which is more to be blamed for the underperformance of the reforms.

2. The Customs is a leading culprit with regards to bribery and corruption at the port.

3. Incompetence among stakeholders, bribery and corruption, cumbersome customs procedures, etc was identified as major bottlenecks as regards the reforms. Incompetence among stakeholders was the highest ranked variable, especially among freight forwarders and logistics service providers.

4. The lack of adequate control over freight forwarding and logistics companies has led to the entry of “quacks” spiralling the degree of incompetence already prevailing.
5. The expectations of stakeholders are summed up in the eradication of bribery and corruption as well as reduction in the cost of doing business at Ghanaian ports.

6. Bribery and corruption within the port is seriously eroding most benefits that may accrue to trade facilitation initiatives.

7. Training and Orientation for Stakeholders has not been sufficiently covered.

8. 'Unprofessionalism is the word which respondents argued best describes the attitude of customs officials at the port'

5.3 Recommendations

- There may be some benefit in reviewing more thoroughly the current customs and clearance procedures and looking at how this process could be streamlined and consolidated. Consolidated clearance procedures, rather than the current protracted system, would help to reduce delays and reduce the scope for informal payments to officials from customs and other port officials. This may include further computerisation that builds on the success of the GC-Net system that has been used to improve customs procedures so far.

- Continuous professional development needs to be undertaken for those agents with practising certificates, in collaboration with the International Association of Freight Forwarders (FIATA). Minimum academic requirements for entry and evidence of good performance in qualifying examinations for operational staff would be a good indicator.

- Membership in the national association of freight forwarders: If a clearing agent firm is not a member of GIFF, it is a clear sign such a company might be having problematic issues with Customs, and has therefore not been recommended for initial
licensing or renewal. However, membership should not be construed as evidence of a firm’s integrity or professional standing at the present moment.

- Even if the qualifications of the clearing firm could be impeccable, engaging dubious transporters may cause delays if the truck is seized by Customs for one offence or another. For example, there could be situations in which a truck conveying goods that have been cleared legally through Customs that are, however, commingled with others which have been smuggled. This may cause the delay of all the goods if the truck and the goods are seized. Increasingly, it is becoming important to examine the whole supply chain to assure yourself of the safe arrival of your goods.

- Freight forwarders, logisticians need complete training (Degree/Diploma) in the mechanics of international trade, shipping/port operations and maritime business.

- The Ghana Institute of Freight Forwarders (GIFF) and Ministry of Trade and Industry (MOTI) must collaborate and frequently organize workshops for shippers/traders in the country.

- Government trade officials, the Customs Excise and Preventive Service need periodic training (local/international) on topics such as: Meeting Revenue Targets; the Effect of Bribery and Corruption on Trade; Organizational Transformation and Behavioural Change; Information Technology, Cargo Clearance and Human Behaviour, among others. The CEPS

- Training Academy which is responsible for the training of customs officials in Ghana must strengthen their Training Systems by streamlining the content of all training materials and revise to be up-to-date and abreast with trends to meet the needs of the industry.
• There is the need to ensure that integrity of the Ghana Community Network (GCNet) is not breached, and to assure and enhance stakeholders’ confidence in it by consistently demonstrating through its performance that it is credible and reliable.

• There is an urgent need for the recruitment and training of more officers and logistics to enable them perform efficiently.

• It is very important that laws and regulations related to practice of freight forwarding in the country is reviewed or probably given a complete overhaul to reflect changes on the international stage. All laws that are considered to be obsolete and do not encourage modern freight forwarding practice should be repealed.

• The Ghana Shippers’ Authority (GSA) must endeavour to organize seminars and knowledge acquisition workshops for importers and exporters as often as possible to enable them have adequate knowledge about trade procedures in the country.

• The reform and modernisation programs should be seen as a part of wider public sector reforms to entrench the rule of law and improve service delivery to citizens. In this regard, customs practices are changing, now relying more and more on mutual understanding of the problems and consultation and negotiation with clients for their resolution rather than the past practices where the word of a customs official was considered to be the final one and the only way to overcome it was to engage in illegal activity.

• In addition to tracking issues, monitoring of the customs services by keeping statistics as evidence would also facilitate the transparency of Customs. Where there are delays, the recommendations for service improvement can be provided on the basis of the
records kept. In addition, this would help reduce the mutual hostility between customs authorities and business representatives.

- A balanced blend of institutional and infrastructural factors is very necessary for the success of trade facilitation programmes.

5.4 Suggestions for Future Studies

A number of areas need further research, including:

1. The impact of Customs administration reforms on importation (and foreign direct investment) levels;
2. The extent that Customs administration reforms supported domestic tax revenue growth especially in the light of widespread recent ‘chaotic’ situation at the port;
3. Potential benefits of aligning domestic tax and Customs administration reforms;
4. Focus of future value-adding reform; and
5. Implementation compliance to the provisions of the Revised Kyoto Convention and the Agreement on Customs Valuation.


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RESEARCH QUESTIONNAIRE FOR FREIGHT FORWARDERS AT THE TEMA PORT

REGIONAL MARITIME UNIVERSITY, GHANA

I am Alex Agyei of the Regional Maritime University of Ghana carrying out a thesis project as part of my Master of Arts degree program. The main objective of the project is to do a post-implementation assessment of the Customs reforms at the Tema Port with the Freight Forwarders in Ghana as the reference point.

Your co-operation is critical to the success of this project. Kindly answer all the questions as fully and honestly as possible. Please note that it is your initial impression and candid response that I seek.

All the information provided in this questionnaire remains absolutely confidential and would only be seen by the academic researchers involved in this study. Neither your name nor that of your organization will be mentioned in the report without your permission.

Thank you very much for your cooperation and understanding. Once again, thank you.

Please tick ( ) or provide answers where appropriate.

Respondent’s Background.

1. Gender:  a) Male [ ]  b) Female [ ]
2. Age:  (a) 20 – 29 years [ ] (b) 30 – 39 years [ ] (c) 40 - 49 years [ ]
          (d) 50 - 59 years [ ] (e) 60 and above [ ]
3. Education: (a) Secondary /SHS [ ] (d) Vocational / Technical /Training College [ ]
   (e) Tertiary [ ] (f) Non formal / Adult Education [ ] (g) Other (specify)

4. Do you think Freight Forwarding has any institutional challenges? Yes[ ] No[ ]
If ‘No’ please give reasons.

If ‘Yes’ please state the main institutional challenges.

5. Do you think the challenges in freight forwarding can be minimized? Yes [ ] No[ ]
If Yes, please give reasons.

If No, why?

6. The following factors currently militate against efficient trade flow through Ghanaian Sea ports.

   Strongly Agree   Agree   Neither Agree Nor Disagree   Disagree   Strongly Disagree

Bribery and Corruption
Cumbersome Customs Procedures
Inadequate cargo handling facilities
Incompetence among Stakeholders
Sabotage by antagonists of the Reform
Lack of funds for infrastructure
7. What was the nature of reforms that took place at Customs over the period?

8. The Customs' Modernization has made the following achievements since its inception

i. Strongly Agree  ii. Agree  iii. Neither Agree Nor Disagree  iv. Disagree  v Strongly Disagree

Increased the rate of cargo clearance

Made Clearance Less Cumbersome

Improved Revenue Collection Targets

Lessen Degree of Physical Cargo Inspections

Reduce Political (Public) Interference

Infrastructural Expansion (terminals, road, etc)

Increase in volume of Exports

Reduction in Bribery and corruption

9. Rank the achievements stakeholders will prefer the Reform to attain:

1  2  3  4  5

Increase in trade volume

Eradicate Bribery and Corruption

Eliminate Physical Examination of cargo

Instil Professionalism in Industry Practitioners

Customs Valuation –related problems

Eliminate Government Interference

Provide more infrastructures

Reduce cost of doing business
10. The following factors impact on the speed and efficiency of trading at Ghanaian frontiers

I Strongly Agree  ii Agree  iii Neither Agree Nor Disagree IV Disagree v Strongly Disagree

Numerous trade regulations and requirements
Excessive Political Interference
Under manning due to insufficient officials
Low level of competence among trade officials Poor facilities

11. Presently, what is your perception about customs officials?

Strongly Agree  Agree  Neither Agree Nor Disagree Disagree Strongly Disagree

Unprofessional (corrupt)
Least Professional (unethical)
Less Professional (indifferent)
Professional (supportive)
More Professional (reliable)
Most Professional (integrity)

12. Ability of Reforms to fully meet the objectives for which it was launched is dependent on:

Strongly Agree  Agree  Neither Agree Nor Disagree Disagree Strongly Disagree

Providing Relevant training to Officials and Stakeholders
Massive Investment in infrastructure (terminals, roads, railways, etc)

13. Which of the following best describes your perception about corruption among customs, officials?

Strongly Agree  Agree  Neither Agree Nor Disagree Disagree Strongly Disagree

Don’t Know

Port-related corruption cases have declined
The situation has worsened
The situation remains the same

14. Please indicate whether you (1) strongly agree, (2) agree, (3) neither agree nor disagree, (4) disagree, (5) strongly disagree to the following attributes about the reforms

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<th>Attributes</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neither agree nor disagree</th>
<th>Disagree</th>
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<td>Institutional failure has affected the reform</td>
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<td>incompetence among customs officials militate against effective running of the reforms</td>
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<td>less degree of physical cargo inspections is the main achievement of the reforms</td>
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<td>Freight forwarders lack adequate training about the reforms</td>
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Please state any other comments you may wish to make and please do so in the space provided below. (If you would like to continue, please do so on the separate sheet provided and attach it to the questionnaire).

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THANK YOU FOR YOUR PARTICIPATION IN THIS STUDY. I REALLY APPRECIATE YOUR TIME AND EFFORT. THANKS ONCE AGAIN.