UNIVERSITY OF GHANA

CUSTOMS REVENUE MOBILISATION AT THE TEMA PORT:
TRENDS AND CHALLENGES

BY

WEREKO SAMUEL ADJEI
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DECLARATION

I, the undersigned unreservedly declare that except for references duly acknowledged to other peoples’ work, this research is my own work under the supervision of Mr. Allock Asamoah and Dr. Kwadwo Kwabia.

STUDENT:

WEREKO ADJEI, SAMUEL
(UG: 10188918)

SUPERVISOR:

DR. KWADWO KWABIA

Regional Maritime University,
Nungua, Accra.
DEDICATION

I dedicate this work to my parents Mr. Kwesi Wereko and Mrs. Beatrice Arthur for their unconditional support and encouragement. I also dedicate it to my siblings, especially my brother Kwame Wereko who has been the substratum of my education up to this level.
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LIST OF ABBREVIATIONS

ACD: Afghanistan Customs Organisation
ACV: Agreement on Customs Valuation
ASYCUDA: Automated System for Customs Data
BDV: Brussels Definition of Value
CEPS: Customs, Excise and Preventive Service
CIF: Cost, Insurance, Freight
DICs: Destination Inspection Companies
ECOWAS: Economic Community of West African States
GCNet: Ghana Community Network
GCMS: Ghana Customs Management System
GPHA: Ghana Ports and Harbour Authority
GRA: Ghana Revenue Authority
GSA: Ghana Shippers Authority
IMF: International Monetary Fund
IRS: Internal Revenue Service
OECD: Organisation for Economic Cooperation and Development
PNDCL: Provisional National Defence Council Law
SARA: Semi-Autonomous Revenue Authority
SAP: Structural Adjustment Programme
SSA: Sub-Saharan African
WCO: World Customs Organisation
WTO: World Trade Organisation
ABSTRACT

Customs revenue is a form of government revenue mobilised primarily to finance public expenditure. It is considered as one of the important revenue, especially in developing countries. This survey study with the main aim to enhance customs revenue mobilisation at the Tema port, determined the pattern of CEPS revenue mobilised at the port from 1998 to 2009; identified challenges that affect effective mobilisation of customs revenue; examined whether in real terms CEPS revenue collected over the period 1998 to 2009 increased or decreased and ascertained the nature of relationship between the yearly import cargo throughput and the yearly real CEPS revenue generated at the Tema port. The study involved five sets of respondents. The Head of Research and Monitoring Department (CEPS) and Deputy Public Relation Officer (Tema Port Administration) were tasked to complete questionnaires on CEPS revenue and import cargo throughput recorded at the Tema port from 1998 to 2009 respectively. The participating customs officers numbering 80 also completed questionnaires on challenges affecting effective revenue collection while 20 clearing agents responded to questions on corruption and work rate of customs officers at the Tema port. The Director in charge of tax policy at the Ministry of Finance was interviewed on customs tax policies. The results showed that customs revenue mobilisation at the Tema port follows an inconsistent pattern over the period studied. Furthermore corruption, political interference, widespread tax exemption on imported goods, multiplicity of state agencies, poor motivation of customs officers, frequent breakdown of the GCNet, logistical constraints and smuggling (under-invoicing) were identified as the challenges that affect effective customs revenue collection. The results of the study also showed that an increase in the nominal customs revenue mobilised may not necessary result in an increase in the real value. The findings of the study showed that there was a significant relationship between yearly import cargo throughput and yearly real CEPS revenue mobilised at the Tema port from 1998 to 2009.
CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Customs revenue collection in Ghana dates as far back as 1839, when the Customs Department in the Gold Coast was established by the British colonial administration. Since then, the customs legal regime has undergone several transformations in order to suit global standards and also to generate adequate revenue. The first reform in the legal status of customs was in 1855 and later replaced in 1876 by a customs law based in the United Kingdom. Up until 1985, customs formed part of the civil service. In 1986, the Customs, Excise and Preventive Service Law (PNDC Law 144) was enacted to grant full operational and partial financial autonomy to customs. Currently, Customs Excise and Preventive Service (CEPS) operates under the Customs, Excise and Preventive Service Law 1993, PNDCL 330. This law mandates CEPS to design and implement effective strategies and programmes to collect, account and protect customs, excise and other assigned tax revenues.

However, with respect to customs revenue mobilisation at the Tema port, this begun in 1962 when the port was first opened for international trade. The Tema port, although the younger of the two ports in Ghana, generates higher customs revenue than the Takoradi port (www.ghanaweb.com). The disparity in revenue generation among the two ports is usually as a result of the locational, hinterland connectivity, depth of quays, number of berths and other logistical differences. Presently, CEPS collects about 50 percent of the total government revenue; according to Dr. Duffour (Minster for Finance and Economic Planning), the Tema port, generally, accounts for about 55% of the total domestic revenue that is mobilised by CEPS.
(Ocloo, 2010). This he indicated signifies the extent to which customs revenue collected at the Tema port is considered as one of the most important sources of government revenue.

Generally, the sources of government revenue can be categorised into two broad groups, namely: internal and external sources. The internal source comprises indirect taxes (import tax, export tax and excise tax); direct taxes (income and property taxes); royalties and dividends from state-owned enterprises, and divestiture receipts. The external source is made up of foreign grants. The composition and magnitude of the two classes of revenue plays a critical role in determining the rate at which a country can advance its economic and social developmental agenda.

According to Fosu (2003), the mobilisation of the various sources of revenue by government revenue agencies has been "uneven". In attestation to this fact, Aryeetey et al. (2001), comment that the overall government revenue mobilisation has not been a "smooth road". For instance after independence in 1957, Ghana under Nkrumah’s government had a strong revenue base as a result of the huge revenue reserve she bequeathed from the colonial administration. This revenue aided in financing the Seven Year (1957-1964) Development Plan which entailed free education up to age 16, free national health service and rapid industrialisation. However, in 1964 as a result of government inability to generate adequate revenue domestically, the vision fizzled out. As further noted, the growing difficulty in mobilising government revenue at the time resulted in government expenditure outstripping available revenue. This, according to Ewusui (1986) is evidenced in the budget deficits that were experienced in 1964 (GHC 75,954,000), 1965 (GHC 77,573,000) and 1966 (GHC 37,502,000).
Despite the ideological change from socialist to pro-private capitalism in 1966, the situation of the budget deficit still remained unresolved. In fact, as a result of the inadequate state revenue mobilisation, given the rising government expenditure, the country’s budget deficit kept increasing over the years. For instance, as a percentage of GDP, central government revenue which amounted to about 21 percent in 1970 fell to 5 percent in 1983 (Tabatabai, 1986). This circumstance led the government to resort to a heavy reliance on external sources, such as the World Bank and the International Monetary Fund (IMF) to finance a greater part of its expenditure (Fosu, 2003).

Fortunately, the adoption of the Structural Adjustment Programme (SAP) in 1983 by the government improved the ability of government revenue agencies to mobilise revenue for the state. Although SAP entailed various economic policies, it was however, the proceeds derived from the privatisation of state enterprises, corporations and joint ventures espoused by SAP that significantly increased the country’s domestic revenue at the time (ISSER, 2001). The earnings made by the state from the divestiture policy accounted for the budget surplus experienced from 1983 to 1991, despite the increase in government expenditure (Fosu, 2003).

In spite of the improvement in the absolute contributions from the various sources, tax revenue still remains the single most vital government revenue. This is evidenced by the remarkable proportion of the total government annual revenue that is derived from taxes. Over the period 1989 to 1992, taxes on the average accounted for 81.95% of government total revenue (ISSER, 2001). The corresponding proportion of government’s revenue that was derived from taxes over the period 2000-2008 is averagely 72.11% (ISSER, 2009). With respect to tax mobilisation in
Ghana, currently, the tax revenue collection agencies are Internal Revenue Service (IRS), CEPS and Value Added Tax (VAT) Service which have all been brought under one umbrella known as the Ghana Revenue Authority (GRA). The IRS collects direct tax, whilst CEPS and VAT Service collect indirect taxes.

Indirect taxes have generally constituted the most important source of government revenue, accounting for more than two-thirds on average, of the total government revenue over the period 1960-1982 (Fosu, 2003). From 1984 to 1996, the average revenue derived from indirect taxes was about 60% whilst direct taxes accounted for about 18.7% (ISSER, 2001). It must be noted that indirect taxes levied in Ghana can be grouped into two: international trade taxes (import tax and export tax) and sales tax, the latter of which was replaced in 1999 with the Value Added Tax.

A relatively large portion of the government’s indirect tax is generated from import and export taxes. However, the share of indirect tax as far as total government revenue is concerned in Ghana shows some inconsistencies. In 1960-1961 it was about 54%. This fell to about 14.7% in 1981. The fall was as a result of the decline in revenue from both import tax and cocoa export duty at the time. In 1983, the figure rose to 48% before declining again to 26.7% in 1993 (Fosu, 2003).

CEPS as a state revenue collection agency is mandated to collect international trade taxes, as well as the value added tax levied on imported goods. The drive to generate adequate state revenue from the maritime industry, specifically the seaport, necessitated the adoption of various
economic measures and programmes. These include the Gateway Project in year 2000 and the adoption of the WTO Valuation and Destination Inspection Scheme (DIS). Furthermore, in 2003, there was the automation of the clearing procedure at the port with the installation of the Ghana Customs Management System (GCMS) and the switch from Automated System for Customs Data (ASYCUDA) to Ghana Community Network (GCNet).

1.2 Statement of the Problem

Generally, African countries have performed poorly in tax revenue mobilisation (www.businessactionforafrica.org). However, this becomes problematic when experienced in a key revenue generating sector of the economy like the seaport.

This has led to a series of expressed dissatisfaction by various authorities regarding the ineffectiveness in customs revenue mobilisation activities at the ports in Ghana and especially at its major port (Tema port). Data from the Ministry of Finance indicates that prior to 1998, CEPS revenue generation at the Tema port was as low as 23% of set target (www.gofep.gh.com). This shows a significant difference between revenue collection performance and set target (www.ghanaweb.com). Another agency that showed some dissatisfaction about the work of Ghana Customs is the Ghana Shippers Council, who stated categorically that CEPS was struggling to effectively collect customs duties at the Tema port for the state (www.ghanashippers.council.com).

Available data on revenue mobilised by CEPS at the Tema port also shows that CEPS was unable to meet its annual revenue collection target for 2009. According to the Minister for
Finance and Economic Planning, Dr. Kwabena Duffour, revenue mobilisation at the Tema port for 2009 dwindled massively compared to that of 2008. This, he described as an unacceptable situation and one that could stifle the country's growth if not remedied (Ocloo, 2010).

1.3 Research Objectives
The study examined customs revenue mobilised at the Tema port and how to improve upon the effectiveness of CEPS revenue mobilisation.

The following are the sub-objectives:

- Determine the pattern of revenue that was mobilised by CEPS at the Tema port from 1998 to 2009.
- Identify the factors that challenge effective CEPS revenue mobilisation at the Tema port.
- Examine whether in real terms the yearly revenue that was generated by CEPS at the Tema port increased/decreased over the period 1998 to 2009.
- Ascertaining the relationship between yearly import cargo throughput and yearly real revenue that was generated by CEPS at the Tema port over the period 1998 to 2009.
- Suggest ways to resolve the factors that militate against effective revenue mobilisation at the Tema port.

1.4 Research Questions and Hypotheses
The study sought to find answers to the following questions:

- What is the pattern of the yearly revenue that was generated by CEPS at the Tema port from 1998 to 2009?
• What are the specific factors that account for CEPS inability to meet its revenue collection targets?

• In real terms what was the nature of the yearly revenue that was generated by CEPS at the Tema port over the period 1998 to 2009?

• What is the nature of the relationship between the yearly import cargo throughput and the yearly real revenue that was generated by CEPS at the Tema port over the period 1998 to 2009?

• What could be done to ensure effective customs revenue mobilisation at the Tema port?

Hypotheses:

1. Ho: There is no significant relationship between the yearly import cargo throughput and the yearly real CEPS revenue that was mobilised at the Tema port by CEPS over the period 1998 to 2009.

2. Ha: There is a significant relationship between the yearly import cargo throughput and the yearly real revenue that was mobilised at the Tema port by CEPS over the period 1998 to 2009.

1.5 Relevance of the Study

The study would contribute to existing literature on customs revenue mobilisation in the maritime industry. The findings and recommendations of the study would be submitted to the authorities at CEPS, if implemented, it is hoped would help improve customs revenue collection at the Tema port and other ports in the country.
Furthermore, this research work, which would be given to the Ministry of Finance and Economic Planning would assist the Ministry in terms of customs tax policy formulation and implementation at the Tema port.

1.6 Scope and Limitation to the Study

The World Customs Organisation (WCO) has indicated that there are three key functions of customs agencies. These are to collect revenue for government, facilitate trade and promote trade investment and provide security (www.wtocentre.org.fw). This study focused on only customs revenue collection in the maritime industry and with specific reference to the port of Tema. The customs revenue studied by the researcher comprised of import duties and import VAT mobilised by CEPS at the Tema port. The researcher excluded export tax from the study. This is because in Ghana, export tax is collected by the Bank of Ghana and thus not by CEPS.

The study examined the revenue trend from 1998 to 2009. The 12 years under studied is made up of 3 political regimes. From 1998 to 2000, the country was under the watch of President Jerry John Rawlings (NDC); 2001 to 2008, under the supervision of President John Agyekum Kufour (NPP); and for 2009, the country was managed by President John Evans Atta Mills (NDC). The wide time frame of 12 years was to control political biases and also to enable the researcher to know the actual trend of revenue collection in the past. Consequently, guide the researcher to make informed recommendations.

According to Walsh (2003), what affects effective customs revenue mobilisation differs from port to port. In order to identify the actual challenges that affect CEPS revenue collection at the
Tema port, the study examined several possible direct factors that have been identified by several researchers as responsible for inconsistencies or decreases in customs revenue mobilisation in several parts of the world. These include corruption, smuggling, tax exemptions, political interference, slow work rate of customs officers, inadequate staff capacity (number of customs officers at a port), ambiguous and rigid legal framework of customs administrations, valuation of import and the relatively high tax rates.

The research examined whether in real terms the revenue collected by CEPS at the Tema port has been increasing or not over the period under studied. The researcher also assessed the effectiveness of CEPS revenue collection by comparing its yearly set targets against actuals. This approach was used since it is a widely recommended method by researchers in assessing performance in tax administration (McManus and Warren, 2006). Furthermore, since revenue targets are set on the basis of import statistics in the previous year, the target approach is fairly accurate in assessing performance of revenue collected. In order to control one of the major weaknesses of the target approach, that is the impact of inflation on revenue mobilised for the respective years, the researcher used the GDP deflator for the respective years to control any distortions in CEPS revenue collection performance.

The study also considered the nature of relationship between the yearly import throughput and the yearly quantum of customs revenue collected at the Tema port over the period 1998 to 2009. The total throughput used for the study comprises of wet, dry and liner cargoes that was imported into the country through the Tema port from 1998 to 2009. It is instructive to mention that export cargo throughput was excluded. Also excluded were transshipment cargoes and
transit cargoes. The latter were excluded because they do not attract customs import duties as well as import VAT.

Finally, the researcher based on the outcome of the study made recommendation on how the revenue generated at the Tema port by CEPS could be improved.

1.7 Operational Definition of Terms

- **Revenue mobilisation**: The act to demand and collect monies that are legally binding on an individual or an organisation by another institution.

- **Effective revenue mobilisation**: The ability to meet or exceed revenue targets.

- **Import tax**: It is the tax levied on goods or merchandise brought from another country either for personal or commercial use.

- **Export tax**: It is the tax levied on goods or merchandise sent from a country of origin to another country either for personal or commercial use.

- **Corruption**: The misuse of public power or position for private benefit at the expense of government revenue.

- **Tax exemption**: It is a complete relief from tax, tax at a reduced rate, or tax on only a portion of items imported by an organisation or an individual who is subject to tax.

- **Customs valuation**: It is the process whereby customs authorities assign a monetary value to goods imported into the country.

- **Under-invoicing**: This is when the actual value of imported goods indicated on the commercial invoice is understated by an importer.
- **Misdeclaration**: It is when an importer misdescribes, under measures, under weighs or provides inaccurate quantity of imported merchandise.

- **Misclassification**: This is when imported goods are categorised under a wrong tax heading.

- **Outright Smuggling**: It is the complete evasion of customs duties through the physical smuggling of imported goods at the port.

1.8 **Organisation of the Report**

This study was organised in the following order:

Chapter One looks at the background of the study, statement of the problem, research objective, related research questions and hypotheses. It also considers the relevance and scope of the study, definition of terms and organisation of the report. Chapter Two reviews related literature on the study.

Chapter Three of this study considers the research methodology. It comprises the study area, population and sample size, sampling procedure, research design, and field problems. Also the Chapter Four of this study presents the findings and an analysis of the data collected from the field. The final chapter of the work summarises the findings and also presents the study’s conclusions and made recommendations.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter considers the relevant literature used in connection with the study. It discusses the contribution and mobilisation of international trade tax in Ghana, the rationale behind customs mobilisation of trade tax, and measurement of performance in tax administration. It also reviews literature on methodology used in the estimation of CEPS revenue target and challenges that affect effective customs revenue collection. The chapter, further reviews works on the relationship between cargo throughput and customs revenue, impact of inflation on customs revenue, and the impact of ineffective customs revenue collection on government programmes and economic policies. Also discussed in this chapter are mechanisms to improve customs revenue collection.

2.2 Historical Background on Contribution and Mobilisation of International Trade Tax in Ghana

In general, several research findings (Ewusi, 1986; Levi, 1988; Abderrahim and Ndikumana 2000; Fosu, 2003; Sulima, 2005; Bulir and Harmann, 2005; Gupta and Tareq, 2008) indicate that there are numerous difficulties associated with revenue mobilisation in developing countries, especially in Sub-Sahara Africa (SSA). However, in Ghana over the last 25 years (1972-1997), empirical evidence demonstrates a “mix” pattern of tax revenue mobilisation (Aryeetey et al., 2001; Mensah, 2004). The phenomenon of inconsistency in tax revenue mobilisation is however very typical of international trade tax (Fosu, 2003).
According to Di John (2008), Ghana experienced a massive decline in the contribution of foreign trade taxes to government revenue; from an average of 35.3% in 1960-1963, it fell to 10.7% in 1982. Brafu-Insaidoo and Obeng (2008) posit that the effective collection rate of import taxes also declined from an average of 21.8% during the 1965–1971 period to an average of 15.4% for the period 1972–1982. Between 1970 and 1980, taxes on foreign trade and transactions contributed, on average, some 44% of the total government revenue. By 1981, the contribution of international trade tax to total government revenue had fallen again to as low as 15% (Fosu, 2003). The tax reform measures introduced after 1983, however, led to a sharp rise in the share of foreign trade tax to total government revenue from the previous low figure of 15% to 48.3% in 1983, before later declining to 26.7% in 1993 (Terkper, 1995). Brafu-Insaidoo and Obeng (2008), argue that the reforms in tariff structure did not have a sustained impact on foreign trade tax and in particular the collection rate of import taxes. This is because the effective collection rates, even at the peak of the reform (1983-1986) did not show any marked improvement in customs duty collection. This is evidenced in the fall in the average duty collection rate of 21.8% from 1960-1971 to 17% for the period 1990-1992, despite the reforms in the tariff structure (Brafu-Insaidoo and Obeng, 2008).

According to Brafu-Insaidoo and Obeng (2008), although on an annual basis, significant progress has been made in tariff reforms since the mid 1990’s; particularly with the lowering of import duty tariff, the collection rates have remained low. Brafu-Insaidoo and Obeng (2008), hence concluded that despite the surge in imports value, revenue collected from import duties have not improved to match increases in imports throughput since the latter part of the 1990’s.
2.3 Rationale behind Customs Mobilisation of Trade Tax

Reviewed literature postulates that the fundamental reason for customs revenue collection is to finance public expenditure. The PNDC law 144 (Customs, Excise and Preventive Service Law 1986), CEPS Law 1993, PNDCL 330, oblige CEPS to collect, account and protect trade taxes and other assigned government revenues which are mainly used to finance the state expenditure and developmental projects. Customs trade tax is therefore raised with the objectives of providing various public services, including ensuring macroeconomic stability, promoting outcomes such as poverty reduction and income redistribution (www.acp-en-trade.org). As further stated by Leonid Lozbenko (Deputy Secretary General, WCO) trade taxes mobilised by customs for government is a very important source of revenue for financing public expenditure. It is for this reason that Walsh (2003) postulates that customs revenue collection role continues to be important as trade taxes are now and will continue to be for the foreseeable future, especially for developing economies where there is a wide disparity in the demand and supply of basic infrastructure. According to Ebrill et al. (1999), despite the declining importance of trade tax in developed economies, trade taxes still account for about 55.5% of GDP in Sub-Sahara African. Further assertion by Jenkins and Kuo (2000), Agbeyege et al. (2004), have also confirmed that customs import duties often constitute the most important revenue source for financing public expenditure in developing countries.

Battaglini and Coate (2007), opine that customs duties are levied for several reasons apart from that of generating revenue to finance public expenditure. Levi (1988) indicates that the mobilisation of international trade tax demonstrates the long history of thinking on political economy and the history that links the process of state-building with the capacity to mobilise
revenue. Tilly (1990) and Brewer (1990) also noted that the mobilisation of import and export taxes contribute to the achievement of the expected level of functionality, which is an important part of state-building. They further elaborate that taxation in its totality enhances government accountability and provides a focal point around which interest groups mobilise to support, resist and even propose tax policies. This, therefore, reflects the mutual relationship that taxation, in particular trade tax creates between a government and its people.

According to Fox and Gurley (2005), customs duties (import tax) also constitute a mechanism of the protection of local industries from external competition, which would otherwise have an adverse effect on the existence of such domestic firms. Tanzi (1991) further elaborates that governments do not impose import tariffs just to protect local industries, and also maintain a country’s fiscal policies in check, but also customs duties are levied on imported goods as a measure to discourage the consumption of certain commodities that are often considered as harmful to human health. Trade taxes are sometimes used as a retaliatory measure by states to signal their disapproval of an international policy adopted by a country against her or another state (http://en.wikipedia.org).

2.4 Measurement of Performance in Tax Administration

An extensive study by Crandall (2010) on “Performance Measurement in Tax Administration”, presents the following:

Performance measurement is part of the broader process of strategic and operational planning and is essential for accountability and transparency. Performance measurement is defined as an ongoing process of ascertaining how well, or how poorly, an organisation is achieving its goals
and objectives. It involves the continuous evaluation of data that has been collected and the progress made in this regard. Performance indicators or measures are developed as standards for assessing the extent to which targets are achieved. The terms “performance measurement” and “performance management” are often used interchangeably. However, performance management is a broader term that includes not only performance measurement but also the determination of appropriate level of performance, the development and reporting of performance information, and the use of that information to assess the actual level of performance against the target level.

There are two important considerations that form a backdrop for any discussion of performance measurement. Firstly, measuring performance is only relevant if there are consequences for over or under-performance and also if organisational performance can influence matters such as the allocation of an organisation’s resources and the assessment of personnel performance. Secondly, as it is argued that what gets measured gets done. In view of this, performance measurement is used to support the selection of the organisation’s priorities, so that what gets done is done well.

Performance measurement systems can provide several types of information, including information about inputs, activities, outputs and outcomes. The input systems are the resources dedicated to the programme, such as staff and staff time, facilities and equipment. Also, activities such as information system include the implementation of strategies and techniques, whereas output information is the direct products of programme activities and usually measured in terms of the volume of work accomplished. An example of the latter is the amount of revenue collected. An output information system is therefore important because it is intended to lead to target result.
Performance indicators define the measurement of important and useful information about the performance of an institution expressed as a percentage, index, rate or other comparison which is monitored at regular basis and is compared to one or more criteria. Performance indicators hence help to illustrate how well a tax administration is doing in terms of meeting the set targets. Such targets must be relevant, objective, quantifiable, verifiable and attainable.

Tax administrations often apply performance management at different levels within their institutions (Tanzi, 1992). According to Crandall (2010), these levels, among others, may be strategic, operational and individual in nature. As further explained by Crandall, at the strategic level the overall “health” of the organisation is evaluated across a series of key indicators. These may include financial performance, customer satisfaction, staff competencies and integrity. At the operational level, the efficiency of output in terms of revenue collection is the focus; whilst at the individual level, personnel performance is measured against set targets.

Although researchers have proposed several methods by which performance in tax administrations can be measured, according to McManus and Warren (2006) there are two key methods that are usually applied. These are the tax gap method and target approach. Tax gap is defined as the difference between the theoretical tax liability due in accordance with the tax legislation and the actual revenue collected (McManus and Warren, 2006). According to Witte and Woodbury (1985), the tax gap method measures the rate of non-compliance as against the actual revenue collected by a tax administration. Consequently, when the actual revenue collected by a tax agency exceeds the estimated non-compliance level, the tax administration with respect to revenue generation is rated as being very efficient in terms of revenue mobilisation. As a yardstick in measuring the performance of a tax administration, several
researchers (Witte and Woodbury, 1985; Barthelemy, 1998; OECD, 2001) advocate for the use of the tax gap method as compared to the target approach. This is because such researchers posit that, there is a major problem with revenue as a target and measure of assessing effectiveness. This is partly due to the fact that in most countries the amount of revenue collected depends much more on the performance of several other economic indicators such as inflation and GDP rates, and also on changes in tax legislations than on the general performance of the tax administration (statistics.gov.uk/articles/economic-trends). Contrary to the inherent weakness of the target approach, the tax gap method improves integrity within a tax administration, and also controls the impact of the economic variables which are usually difficult to ascertain when measuring tax collection performance (Witte and Woodbury, 1985).

On the other hand, researchers who advocate for the target method opine that government and revenue authorities must enter into contracts which are based on achieving some agreed levels of key performance indicators. One important indicator used is effectiveness; this measures actual revenue collected against revenue target (McManus and Warren, 2006). Researchers who advocate for the target approach criticise the tax gap method on the basis that the latter has the practical difficulty of estimating the tax-gap. Furthermore, according to ATO (2006), the tax-gap as a measure of tax administration performance is costly for rigorous and large scale random audits; hence do not commensurate with their respective benefits. The target approach is cost effective in terms of usage, motivating personnel to work hard, improving revenue collection; additionally, it is considered as being objective in the measurement of performance in tax administrations ATO (2006). The target approach is therefore the most widely used method in measuring performance in tax administrations (McManus and Warren, 2006).
2.5 Methodology used in the Estimation of CEPS Revenue Target

This reviewed literature is credited to Bajrachaya and Kuo, 2000: p.6.

For estimation of customs duties, the elasticity of demand for imports with respect to GDP and with respect to the ratio of the import prices index to the GDP deflator is used. The model also uses a proxy for the tax base of tariff values. The elasticity of tariff revenues with respect to import is usually considered approximately 0.91. The elasticities are then used to forecast tariff revenues while also taking into account explicitly the major economic variables forecasted by the Ministry of Finance and Economic Planning.

The technique for the estimation of import VAT revenues is similar to the former sales tax. It is calculated based on the matrix of the percentage distribution of C.I.F (Carriage, Insurance, and Freight), value across imported duty and VAT rates. The matrix is a two-way table with zero-rated exemption, new concession at 5%, concession at 10% rate, and standard 10% rate at the VAT side. The total value of the elements in the matrix is 100%.

The estimates for import duties and import VAT depend on three components: the effective tax rate, the total C.I.F value of imports, and the foreign exchange rate. The effective tax rate relies on the import share distribution matrix and the corresponding statutory tax rates. Since the matrix share is constructed from the actual import statistics in the previous year it is fairly accurate. The total import value hinges on the historical trend alone and therefore it does not take into account changes in growth rate of GDP, changes in the relative prices of imports to local goods, and other economic factors. The adjustment made to project the foreign exchange from time trends is quiet difficult to estimate.
2.6 Challenges that Undermine Effective Collection of Customs Revenue

What affects effective revenue collection has been the subject of a long debate. Researchers have included several variables such as per capita GDP, the sectoral composition of outputs, the degree of trade and financial openness, the degree of political interference and corruption as potential determinants of customs revenue performance (Gupta, 2007). However, Asher (1989) argues that fiscal economic variables such as per capita GDP, sectoral composition of output and inflation tend to indirectly affect customs revenue collection. He also notes that there are other direct factors which impact on customs revenue collection is enormous. Asher postulates that the direct cause of low tax buoyancy and elasticity could be attributed to tax evasion and low compliance resulting mainly from inefficient tax administration, corruption, high tax rates, tax exemptions, technical difficulties, understaffing, political interference, smuggling and legal framework that defines custom operations.

2.6.1 Corruption

It is postulated in theory that there is a negative relationship between corruption in tax administration and revenue collection (Klitgaard, 1988). Research findings by Gupta (2007) attest to the fact that corruption is a significant factor for under performance in tax administration. Similarly, a survey conducted in Mexico, Bolivia, Pakistan and the Philippines highlights corruption as the key cause of the decline in customs revenue collection at the seaports of the countries indicated above (www.oecd.org/LongAbstract). In a related study, Rudzitis (2002) discovered that one out of every five respondents used in his study had encountered corruption in customs, while 45-75 percent of the population considers customs as corrupt. Another study that estimates the impact of corruption on revenue generating capacity of different tax categories in the Middle East, discovered that the low revenue collected as a share of GDP is
due to corruption and the worst affected tax category is international trade tax (Imam and Jacobs, 2007). As discussed by Brafu-Insaidoo and Obeng (2008), corruption in customs administration is one of the major causes of low import tax buoyancy and elasticity during import liberalisation in Ghana. Most literatures attribute the cause of corruption in customs to frequent contact between clearing agents (importers) and custom officers, as well as the ambiguity associated with the interpretation of customs laws (which results in increasing the discretionary powers of officers), low wages of custom officers, weak control over agents who carry out their operations at ports, lack of transparency concerning customs procedures and delay in the clearance of goods (Tanzi, 1998; Ebrill et al, 2001; Rudzitis, 2002; Vlasis, 2004; Fjeldstad, 2005).

Empirical data throughout the 2000’s indicate that corruption in customs have serious consequences on the collection of customs duty (Michael and Moore, 2009). An OECD report regarding customs revenue collection in Bangladesh, in 2000, indicates that the forgone customs revenue traced to corruption was established to exceed 5 percent of GDP (www.oecd.org/dataoecd). In 2004, the latter source indicates that Russia lost about $4.5 billion in import duties revenue on goods from Europe due to corruption in customs administration. In total, global revenue losses as a result of corruption in customs is estimated to be at least $700 billion; it is estimated that a one-point increase in corruption index reduces tax revenue collected by 2-7 percent of GDP (Michael and Moore, 2009).

2.6.2 Smuggling

Smuggling is probably as old as the first tax or regulation on trade. In view of this, it is considered as a major challenge facing customs revenue collection (Keen, 2008). Dominguez (1975) groups smuggling into three types, which are goods that can be transported by single
individual (e.g. jewelries), bulk scale or large-sized products (e.g. machine) and under invoicing. However, according to Wiegand (1993, cited in Deflem and Turner, 2001), smuggling can generally be categorised into two groups: “Petty” and “Commercial smuggling”. Petty smuggling is usually considered as the evasion of tax in small amount whilst commercial smuggling is carried out on a large scale and often with the consent of customs officials.

Although traditionally, smuggling is perceived as the complete evasion from the payment of trade tax, recent studies discuss different forms by which smuggling is carried out at ports. According to Keen (2008), with the modernisation of seaports and the adoption of GATT Article I and VII on Customs Valuation Agreement (ACV), smuggling has taken different forms known as “Technical Smuggling”. The ACV mandates the use of transaction value or the price actually paid or payable for the goods when sold for export to the country of importation as the basis of customs valuation. Technical smuggling includes undervaluation (under invoicing), misclassification and misdeclaration; however the most common form is undervaluation (Arndt and Dunem, 2006).

Several research findings (Sandmo, 1972; MacLaren, 1996; Gatti, 1999; Fisman and Wei, 2004) state that the factors that drive smuggling are usually high tariffs and over strict regulations on certain imported goods. Arndt and Dunem (2006) indicate that there is a strong and positive relationship between high tax levels and tax evasion. According to their study, for each three units of imports that enter a port officially in developing countries, slightly more than one unit is smuggled. Burgess and Stern (1993), while reviewing the theory and practice of taxation in developing countries, characterise tax evasion as a phenomenon that affects tax collecting agencies. In a related work, McLaren’s (1996) survey findings assert that smuggling in the form
of under-declared transaction is a significant factor that erodes revenue collection by tax administrations.

Available estimates of the evasion gap, using Ghana's trade relations with her major trading partners (USA, UK, NETHERLAND, GERMANY, FRANCE AND NIGERIA), demonstrate positive values of evasion gap over the entire period of 1965 -2003 (Brafu-Insaidoo and Obeng, 2008). According to them, despite the fall in the extent of evasion in the early stages of tariff adjustment in Ghana, the magnitude of evasion increased during the 1990-1993 period. Brafu-Insaidoo and Obeng (2008) attribute this to under-invoicing and outright smuggling. The highest incidence of customs tax evasion was recorded in Ghana during the period 1972-1982, thereby suggesting that the period of strict import controls increases the level of smuggling (Fosu, 2003).

In a related case, Kofi Danquah (CEPS Assistant Commissioner, Long Room, Tema), has indicated that in 2003, within three months CEPS officers detected as many as 324 misdeclaration of imported cargo (www.ghanaweb.com).

According to Alano (1984) the Bureau of Customs in the Philippines reported a total of $320 million worth of shipment seized in 1981 as result of smuggling; proportionately the latter amounted to 2.8% of customs revenue that was collected for the year and about 0.6 percent of the total volume of import shipments for the year. A similar study by Macamo (1998) suggests tax evasion arising out of smuggling account for about 10% of the total value of import duty in Mozambique.
2.6.3 Tax Exemption

According to Allum (IMF representative), Ghana's revenue mobilisation agencies face the challenge of lost revenue through tax exemption (www.mofep.gov.gh). As discussed by Ebrill, Stotsky and Gropp (1999), when exemptions become more prevalent, the incentives to classify taxable products as exemption also grows, further contributing to a lower rate compliance. These authors defend, in sum, that increase in customs tax exemption is a recipe for a decline in customs tax collection. One major finding discovered by Brafu-Insaidoo and Obeng (2008) is how tax exemptions impact negatively on customs revenue collection in Ghana. Accordingly, the outcome of their study indicates that the decline in the effective collection rate over the period 1956-1971, is partly as a result of widespread tax exemptions, hence despite substantial growth in the total value of imports, revenue collection was low. Similarly, in 1989, the widespread use of exemptions created a gap in government tax revenue, both directly through legitimate imports of exempted goods and indirectly through the misuse of the exemptions offered (Brafu-Insaidoo and Obeng, 2008). Statistical data indicate that total exempt imports constituted close to 40.1% of total imports in 1998; a little over 50% of such goods were exempted on the basis of the third schedule of the Customs and Excise Act, whilst the rest were exempted because of clearance through bonded warehouse and free zone (WTO, 2001).

2.6.4 Resource Constraints

Researchers generally categorise resources into labour and logistics resources. The impact of these variables on tax mobilisation is quite phenomenal. A lack or absence of adequately skilled customs officers coupled with insufficient modern equipment affects tax collection negatively (Bird, 1989). A study by Kaldor (1955) identifies insufficient staff with inappropriate skills and lack of up-to-date equipment and facilities as a challenge to effective customs revenue collection.
According to Gutierrez Ossio (Director, Reform and Modernisation Program, Bolivia Customs) the absence of highly qualified personnel appropriately equipped has been the cause of decline in customs revenue collection in Bolivia (www.wtocenter.org).

Studies have shown that lack of adequate logistics result in delay of customs procedures and administrative inefficiencies (www.pgbf.com.pk). According to a study conducted in 1999, as a result of labor inefficiency and inadequate equipment the overall revenue lost per year in eight ECOWAS member countries was estimated at 2 billion FCFA; this situation accounts in no small way for the poor customs revenue mobilisation in West Africa (www.uneca.org/tfed.TradeFacilitation).

### 2.6.5 Political Interference

Most present and past literature (Bird and Oldman, 1964; Gillis, 1989; Burgess and Sterns, 1993; Tanzi and Zee, 2000) on tax acknowledges political obstacles as the root cause for the low tax collection in many developing countries. Consequently, in evaluating the impact of Semi – Autonomous Revenue Authorities (SARA) ability to effectively collect tax revenue, Arthur (2004) attributes political interference as the main factor that undermines effective customs tax collection in developing countries. In explaining the outcome of the study, Arthur posits that such political interference, which adversely affects revenue mobilisation emanates from the fact that most of the heads of revenue generating authorities in developing countries are by political appointment and hence their susceptibility to political manipulation.

In a case study on the inefficiency of the Uganda Revenue Authority, the study concludes that political interference accounts for the authority’s inability to meet revenue collection targets.
Similarly, findings from most countries in the Central America have indicated that political interference hamper customs revenue mobilisation (www.iadb.org).

2.6.6 Customs Valuation

Customs valuation of imported goods is the basis on which customs tariff and tax liabilities are levied (Rajkarnikar, 2007). Walsh (2003) opines that customs valuation is thus an important element in a variety of international trade policies including statistics, quota and licensing, taxes and charges levied on imports. However, customs administrations continuously face the difficulties in determining transaction value that is based on the commercial invoice (Ghimire, 2006). Hence valuation fraud tends to affect the effective revenue collection, particularly in developing countries which have relatively high rates of tariff and other taxes on imported goods. In view of the importance of valuation of goods, the procedure for determining the dutiable value of imported goods has been the subject of international negotiations since 1878.

Under the Sea Customs Act 1878, value was based on “real value”. Real value per the Act 1878 is the wholesale price for which goods are capable of being sold at the time and place of importation (excluding duties payable). The definition of value has not been static; under the Brussels Definition of Value (BDV), value was based on a notional concept, which treats customs value as the price at which the goods would be sold in the course of international trade. The essential elements of value under the BDV are price, time, place, quantity and commercial level. Valuation under Customs Act, 1962 and 1988, aim at enabling customs organisations to operate effectively and thereby generate the appropriate tax revenue. These consequently, resulted in the presentation of several concepts in defining the value of imported goods. The definition of import value by the various Customs Acts was considered as subjective, since
customs officials had a lot of discretionary powers in ascertaining customs duty tariffs (Rajkarnikar, 2007).

According to Rege (2002), the massive disapproval of customs valuation based on a notional concept rather than fairness, neutrality and uniformity necessitated the introduction of GATT Article VII (Agreement for Customs Valuation). The Article VII of GATT advocates for the use of ad valorem tax rate as against specific tax rate. The ad valorem makes use of the transaction value of the imported merchandise. In brief, ACV calls for the standardisation, as far as practicable, of definitions and procedures of determining value, and lays down certain principles in this connection. Hence, value for customs purposes could no longer be based on arbitrary values but rather on the actual value of the imported goods. The actual value of an imported merchandise as defined by GATT Article VII “is the price at which, at a designated time and place, such or line goods are sold or offered for sale in the ordinary course of trade under fully competitive conditions” (Rajkarnikar, 2007: p3).

Initially several developing countries opposed the Article VII of GATT’s ACV. According to Ujiie (2006) the initial rejection of Article VII of GATT by most developing countries was due to an anticipated revenue loss if they were to accede to the ACV. However, findings on customs revenue loss under ACV are “mixed” and the more rigorous studies generally show no revenue losses (Rajkarnikar, 2007). But Finger and Schuler (2000) have expressed a contrary view to the latter and argue that the differences in trading environments and absence of adequate computer systems and databases on import prices have resulted in significant customs revenue losses for developing countries. A study conducted as part of the Integrated Framework for Trade Related Assistance – Nepal Rastra Bank (2004) demonstrates that despite increases in the value of
imported goods, custom revenue would not increase correspondingly because of undervaluation of import prices especially in developing countries. Finger and Schuler (2000) hence conclude that although the Uruguay Round Customs Valuation Agreement addresses some part of determining the value of imported goods, until customs administrations have data on import prices, customs administrations would lose significantly in customs duties during the valuation process.

2.6.7 Inflation

Although often neglected in the discussion of customs revenue collection, macroeconomic policy has a major effect on the nominal value of revenue mobilised by customs organisations (www.statistics.gov.uk/articles/economic-trends). In comparing the rate of revenue collection, inflation is a key factor that affects the actual revenue collected by government revenue mobilisation agencies (www.galbithink.org). A nominal value refers to a value expressed in money of the day, month and year as opposed to the real value, which adjusts the effect of inflation on the nominal value (http://en.wikipedia.org). Reviewed literature therefore illustrates that in order to have a true picture of revenue collection performance, economists and government policy makers often find it useful to convert current or nominal economic indicators to real terms, that is to eliminate any inflationary increases of the nominal values (O’Brien, 2009). Dridi and Ziechang (2004) advocate that in order to control the impact of inflation when measuring revenue collection performance it is important to deflate nominal values.
2.7 Relationship between Cargo Throughput and Customs Revenue

According to Ohashi et al. 2004, throughput is the total traffic volume recorded at a port, at a particular period. It is considered as an important indicator in measuring revenue mobilisation at a seaport. Engman (2005) therefore establishes that there is a link between cargo volume that passes through a port and customs revenue. The research work by Engman, postulates that an increase in throughput would have a positive impact on the quantum of trade tax to be generated by customs administrations. A research study also conducted in Afghanistan bordering on trade tax mobilisation by Afghan Customs Department (ACD) concluded that the fall in the quantum of customs revenue was mainly as a result of decline in the volume of cargo traffic recorded at the port (www.mof.gov.af). In a related study that examined the relationship between cargo throughputs and nominal customs revenue, Liu (1995) and Cullinane et al. (2004) concluded that there is a positive relation between cargo throughput and actual revenue. Hence, an increase in cargo volume at a port would lead to a corresponding increase in customs revenue. Another empirical research conducted at the Port of Bluff, New Zealand, illustrated that an increase of 150 -200 percent in cargo throughput further resulted in a surge in revenue by NZ $1 billion (www.nzhistory.net.nz). It is based on such findings that the WCO asserts that global economic recessions which usually affected international trade volume accounts for the drop in tax duties collected by customs organizations during such periods (www.wtocentre.org).

A quantitative study by Harmse and Matlanyane (2003), on “Revenue implications of trade liberalisation in South Africa”, demonstrates that an increase in cargo volume would not necessarily lead to a corresponding increase in customs revenue if the increment in throughput is as a result of trade liberalisation. Brafo-Insaidoo and Obeng (2008) postulate that trade
liberalisation in the form of reduction in average tariff rate negatively affects customs revenue, despite the increase in cargo throughput.

2.8 Impact of Ineffective Customs Revenue Mobilisation

Several research findings (Ebrill et al. 1999; Jenkins and Kuo, 2000; Fosu, 2003; Agbeyege et al., 2004) have shown that a decline or fluctuation in customs revenue poses a serious threat to government developmental programmes. A study by Mensah (2004) indicates that the wide gap in tax collection accounts for governments in developing countries often inability to provide adequate basic infrastructure to speed up economic growth. For instance with respect to Ghana, Aryeetey et al. (2001), have intimated that the fulfillment of the country's Vision-2020 projection is largely dependent on the ability of revenue mobilisation agencies to generate adequate taxes domestically.

Additionally, Osei and Quartey (2005) conclude that inconsistency in customs revenue and generally low tax revenue account for the unhealthy situation where almost half of total government expenditure is still financed from foreign aids. For example, over the period 1993-1997 and 2002-2006, the share of the Ghana government's current spending that was financed with foreign aids was averagely 16 percent and 36 percent respectively (Gupta and Tareq, 2008). a situation describe by Fosu (2003) as disturbing due to the high rate of volatility and unfavourable conditions usually attached to foreign aids and loans which affect government fiscal policies and the country's growth rate.
2.9 Mechanisms to Improve Customs Revenue Collection

According to Sharp et al (1990), there are two aspects of tax efficiency. First, tax efficiency is concerned with administration and compliance cost of taxes. Consequently, taxes should be easy to collect and enforce. The second and more important aspect of tax efficiency involves the reasonability of tax rates. It is based on these two key principles that researchers with respect to customs tax collection suggest mechanisms by which international trade tax could be effectively mobilised.

Rudzitis (2002) postulates that invisible and ambiguously accessible legislation is a fundamental cause of inefficiency in customs administrations, since it lays the premise for corruption, smuggling and delay in customs clearance procedures. It is in this regard that Tanzi (1998), Gatti (1999), Rudzitis (2002), Winters (2004), Ferreira et al. (2007), Michael and Polner (2007) and Michael and Moore (2009) stress on the need to simplify customs laws and procedures. According to them, the simplification of customs laws and procedures diminish the opportunities for customs officers and clients to expound legislation differently. Furthermore, it minimises the lack of transparency and delay associated with customs activities. With respect to how to combat corruption in customs, most reviewed literature advocate for the implementation of the Arusha Declaration on Integrity (1992) and the WCO Revised Kyoto Convention by customs organisations. This is because they have the elements of improving integrity and simplifying of customs operations. Michael and Moore (2009), advocate for the use of educational materials (such as codes and posters on corruption) and consultative discussion between customs administration and clients as an efficient mechanism for reducing corruption in customs organisations. As suggested by an UNCTAD report (2010) on "Streamlining Customs: more revenue for governments, less delay for businesses", rotation systems for staff in tax
administrations, so that tax collectors would remain for only a shorter period in the same post is effective in controlling corruption (www.unctad.org/en/docs/press2010). Walsh (2003) also advocates for effective internal audit and inspection, as well as enforcement of legislations on offenders of customs rules and regulations.

Although research findings on low tariffs and the quantum of trade tax generated, especially in developing countries, are “mixed” (Harmse and Matlanyane, 2003; Brafu-Insaidoo and Obeng, 2008), several researchers have indicated that high trade taxes result in huge customs revenue loss. Allingham and Sandmo (1972), Gatti (1999), Rudzitis (2002) and Walsh (2003) recommend low customs tariffs as an effective way to minimise smuggling. According to these researchers, in place of high customs duties, customs organisations should be strengthened to enable them to collect taxes effectively.

Automation of customs operations, as described by the Arusha Declaration on Integrity and WCO Revised Kyoto Convention, is considered as an effective mechanism that could be used to enhance customs revenue collection (Ferreira et al, 2007). According to Tanzi (1998) adequate logistics and modernisation of customs procedures minimise corruption, smuggling, and delay, hence results in effective customs revenue collection. It is also contended that an adequate and efficient use of modern technology will reduce the administration cost of customs organisations and also minimise errors made by both customs officers and clearing agents during clearing process (www.wtocenter.org). Kaldor (1955), Bird (1989) and Walsh (2003) are of the view that automation of customs organisations in itself is not enough to lead to effective revenue collection. To them an equally important factor is appropriate training of customs officers that would make them more professional to make maximum use of such technology. Tanzi (1998)
postulates that another effective mechanism to increase customs revenue collection is the motivation of custom officers in the form of good remuneration, conducive working environment and attractive pension package.

According to Ebrill et al. (1999), Tanzi (2000) and Brafu-Insaidoo & Obeng (2008), to ensure efficient mobilisation of customs revenue, tax exemptions should be minimised. Also the approach and the mode of authorisation of customs tax exemptions must be streamlined to reduce discretionary powers that are usually associated with the granting of tax exemptions.

The autonomy of customs organisations is another effective way of reducing political interference (Michael and Moore, 2009). Kusi (1998) asserts that, for customs institutions to mobilise sufficient revenue to fund government expenditure, an independent customs administration devoid of political interference is very important. Hence, Kusi advocates a “Semi-Autonomous Revenue Authority” status for revenue mobilisation agencies. Also there should be strong legislation that punishes politicians who interfere with customs operations (www.u4.no).

Kunio Mikuriya (Director, International Affairs and Research Division, Customs and Tariff Bureau, Japan) suggests that one effective mechanism to reduce clearing time and improve revenue collection is the use of pre and post clearance methods (www.wtocenter.org). As elaborated in the Arusha Declaration on Integrity, the post clearing system improves the relationship between the business community and customs administrations. The system therefore enhances tax compliance and minimises smuggling. In addition, the post clearing system (bonded warehouse) of import encourages importers to import more merchandise, resulting in an increase in cargo throughput (www.uneca.org/tfed/TradeFacilitation).
Researchers also suggest the improvement in customs control and valuation by upgrading of ACV system to suit changes in international trade (www.imf.org/external/np/loi/2010/gnb). Rajkarnikar (2007) indicates that another way to ensure appropriate valuation of imported goods is to have sufficient database on prices of imported merchandise.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter deals with the methods and techniques that were used to collect data from the field. Specifically discussed are the study area, population and sample size, sampling procedure, research design, data analysis and field problems.

3.2 Study Area
The Tema port lies in southeastern Ghana along the Gulf of Guinea (Atlantic Ocean), 18 miles (29km) east of Accra. The Tema port is the larger albeit younger of the two ports in Ghana. It has a water-enclosed area of 1.7 million square metres and a total land area of 3.9 million square metres. It handles about 80% of the nation’s import and export cargo. Opened formally in 1962, the Tema harbour encloses 410 acres (166 hectares) of sea and is Africa’s largest man-made harbour.

The port is more than a mere loading and unloading place for goods. It is a traffic junction, where goods are transshipped and transit cargo desired for the hinterland/landlocked countries of Burkina Faso, Mali and Niger are handled. It is equally a port of wide range of industrial and commercial companies producing and handling, among others, petroleum products, cement, consumables, textiles, iron, steel and aluminium products.

The Tema port has 12 berths besides two others. One of the other two is a dedicated oil berth and the other is operated by the Volta Aluminium Company (Valco). The minimum and maximum berth depths range from 8.0 to 11.5 metres respectively. The port also has a dedicated container
terminal located on the western breakwater, its length being 200 metres long. The port’s container yard is capable of holding over 8,000 TEU’s at any given time. The terminal has three ship-to-shores, four rubber tyre gantry cranes and, a dedicated reefer terminal with 290 points. The port has 100,000 dwt dry dock and a slipway facility, as well as an adjacent railway system for easy carriage of goods. The Tema port also has a separate fishing harbour with cold-storage and marketing facilities. The port is compliant to the International Security for Ports and Ships (ISPS) code and enjoys a conducive environment for business.

3.3 Population and Sample Size

CEPS has several revenue collection centres, but for this study, the Tema Port Revenue Collection Division was used. CEPS revenue staff at the Tema Port is five hundred and thirty-eight (538). The population comprises of three hundred and twenty-two (322) senior officers and two hundred and sixteen (216) junior officers. With regards to sample size, Gupta (2005) indicates that different opinions have been expressed by experts on the subject of sample size rules. Some, he says, suggest the sample size should be 5% while others suggest it should be about 10%. However, the mere size does not ensure representativeness. Other factors like efficiency, representativeness, reliability and flexibility can also influence selection of the sample size. The research used a sample size of approximately 15% of the total population of CEPS officers at the Tema port. This was made up of forty-nine (49) senior officers and thirty-two (32) junior officers. The total sample size used for the study regarding customs officers was eighty-one.

As proposed by most researchers and institutions such as Imam and Jacobs, 2007; Michael and Moore, 2009; and Transparency International (2006), opinion survey is the first type of tool to
identify corruption in an institution. It is against this background that clearing agents formed part of the population. Twenty (20) clearing agents who operate directly with CEPS were selected for the study. They were selected on the basis of an average number of 215 agents who transact business daily at the Tema port with CEPS. It was very necessary for the researcher to use such mode to select clearing agent for the study, because the researcher felt they could provide first-hand information on corruption in CEPS (Tema port); it also ensured that clearing agents who did not have adequate information on the subject matter would not be selected.

One officer at the Ministry of Finance and Economic Planning (MoFEP) was also selected to constitute part of the study sample. This is because CEPS as a state revenue collection institution falls under the ambit of the Ministry of Finance. The Ministry of Finance and Economic Planning therefore assisted in the clarification of customs tax policies and identification of challenges that affect effective customs revenue mobilisation at the Tema port.

One person was also selected from the staff members of the GPHA–Tema. The Tema Port Administration (GPHA) was crucial in the study, since it provided the researcher with key data on import cargo throughput recorded at the Tema port from 1998 to 2009.

It is instructive to mention that the reason for the selection of two officers for both MoFeP and GPHA is because of the specific nature of data required from those institutions.

3.4 Sampling Procedure
The population used in relation to the research comprised Clearing agents, staff members of CEPS, Ministry of Finance and Economic Planning and Ghana Ports and Harbour Authority.
The major focus of the research was on CEPS revenue mobilisation at the Tema port. But there were other organisations/ institutions as indicated or explained in section 3.3 that was of relevance to the study. On that basis, a combination of the probability and non-probability sampling methods were used to select the various sample size.

In the case of the probability sampling method, stratified method was used to select 80 CEPS officers. The 80 CEPS officers were made up of 48 senior officers and 32 junior officers. With regard to the stratified sampling method, the population of CEPS officers was divided into senior and junior officers. Then the sample was drawn from the various strata using the lottery sampling technique (a form of simple random sampling method) to obtain the required sample size. This procedure was to ensure that every individual within the population had a chance to be included in the sample selected as well as ensure that the various ranks (strata) were fairly represented.

For the non-probability sampling method, the purposive method was used to select the Director in charge of Tax Policy at the Ministry of Finance and Economic Planning, the 20 clearing agents, the Deputy Public Relation Officer (Tema Port Administration) and Head of Research and Monitoring Department (CEPS). This sampling method was used because the researcher needed specific information from the respondents.

3.5 Research Design
Several researchers (Sandmo, 1972; Burgess and Sterns, 1993; McLaren, 1996; Tanzi, 1998; Ebrill et al. 2001; Rudzitis, 2002; McManus and Warren, 2006; Michael and Polner, 2007; Imam and Jacobs, 2007) justify the use of the survey method for such a study. The researcher hence
used survey method to collect information from CEPS officers, the clearing agents, the Deputy Public Relation Officer (PRO) - Tema Port Administration and the Director in charge of Tax Policy, Ministry of Finance and Economic Planning. With survey, the findings from the drawn samples are used to generalise to the entire population.

Both closed-ended and open-ended questions were personally administered to the 80 CEPS officers. In the case of close-ended questions, the Likert scale was used to give respondents options to select and determine the degree of response to the question. However, for the Head of Research and Monitoring Department (CEPS), an open-ended questionnaire was administered to collect data on the revenue that CEPS mobilised at the Tema port from 1998 to 2009. Similarly, an open-ended questionnaire was administered to the Deputy Public Relation Officer of Tema Port Administration (GPHA) to collect data on import cargo throughput recorded at the port from 1998 to 2009. In the case of the 20 clearing agents, close-ended questionnaires were administered. Respondents were given ample time to complete the questionnaires in order to control errors and respondent biases.

The Director in charge of Tax Policy at the Ministry of Finance and Economic Planning was interviewed. This offered the researcher the opportunity to seek further clarification on some tax policies with regards to customs revenue collection at the Tema port and the Ministry’s view on factors that constitute challenges to CEPS in its revenue mobilisation activities at the port.

3.6 Data Analysis
Both descriptive and inferential statistics methods were used to analyse data collected. With the descriptive method, tables and graphs were used. The Time Series graph was used to analyse
trends in CEPS revenue mobilised at the Tema port from 1998 to 2009. With respect to inferential statistics, the researcher used the Statistical Package for Social Sciences (SPSS) in the analysis of the data. The research hypotheses that sought to examine the nature of relationship between yearly import cargo throughput and yearly real revenue was analysed using Pearson’s product-moment correlation (r). This is because, both variables correlated were quantitatively scored; Fraenkel and Wallen (2003) postulate that the Pearson (r) is the appropriate correlation coefficient tool to use in hypothesis test of this nature. The significance level of the correlation variables was tested at the critical level of 0.05.

3.7 Field Problems

The researcher, generally, encountered some initial amount of the non-co-operation from some of the respondents, in particular clearing agents. This was because despite the assurance by the researcher to handle all information provided by respondents confidentially, they thought that their responses were going to be used for purposes other than what the researcher had stated in the questionnaires. Therefore, it took the researcher a lot of time to persuade them of the purpose of the research before the researcher had their co-operation to provide the relevant information needed to complete the study.

Another major difficulty the researcher faced in the study was getting CEPS target revenue figure for 2005. Also due to poor data management practiced by CEPS in the 1960’s up until the early 2000, it was very difficult to have records on CEPS operations at the Tema port. Also the researcher underestimated the resources needed for the work and this nearly affected the completion of the study.
CHAPTER FOUR: PRESENTATION OF FINDINGS AND DISCUSSION

4.1 Introduction

This Chapter presents the findings of the study. The data was solicited with questionnaires the researcher administered to the Head of Research and Monitoring Department (CEPS), Clearing agents, CEPS officers at the Tema port and Deputy Public Relation Officer-Tema Port Administration. Also presented are data that was collected through a scheduled interview with the Director of Tax Policy (Ministry of Finance and Economic Planning).

The data collected from the Head of Research and Monitoring Department of CEPS has been presented first. This is followed by the data collected from the CEPS officers at the Tema port. Thereafter the data collected from the 20 clearing agents and the responses provided by the Director of Tax Policy are presented respectively. Finally, the researcher presents findings on the relationship between yearly import cargo throughput and yearly real CEPS revenue mobilised at Tema port.

4.2 Data Collected from the Head of Research and Monitoring Department of CEPS

The Head of Research and Monitoring Department of CEPS provided information on CEPS revenue (import duty and import VAT) from 1998 to 2009 at the port. The information is presented in Table 4.1.
<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Revenue</th>
<th>Target Revenue</th>
<th>Deviation</th>
<th>% Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>97,270,873.79</td>
<td>102,560,358.00</td>
<td>(5,289,484.21)</td>
<td>(5.16)</td>
</tr>
<tr>
<td>1999</td>
<td>75,867,950.59</td>
<td>80,300,000.00</td>
<td>(4,432,049.41)</td>
<td>(5.52)</td>
</tr>
<tr>
<td>2000</td>
<td>90,228,226.07</td>
<td>91,859,323.99</td>
<td>(1,631,097.92)</td>
<td>(1.78)</td>
</tr>
<tr>
<td>2001</td>
<td>121,757,419.90</td>
<td>104,407,454.00</td>
<td>17,349,965.90</td>
<td>16.62</td>
</tr>
<tr>
<td>2002</td>
<td>300,631,073.60</td>
<td>285,608,600.00</td>
<td>15,022,473.60</td>
<td>5.26</td>
</tr>
<tr>
<td>2003</td>
<td>536,095,491.20</td>
<td>467,094,000.00</td>
<td>69,001,491.20</td>
<td>14.77</td>
</tr>
<tr>
<td>2004</td>
<td>704,120,716.10</td>
<td>720,740,000.00</td>
<td>(16,619,283.90)</td>
<td>(2.31)</td>
</tr>
<tr>
<td>2005</td>
<td>617,084,051.60</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2006</td>
<td>985,704,009.50</td>
<td>1,095,000,000.00</td>
<td>(109,295,990.50)</td>
<td>(9.98)</td>
</tr>
<tr>
<td>2007</td>
<td>896,258,132.74</td>
<td>885,048,000.00</td>
<td>11,210,132.74</td>
<td>1.27</td>
</tr>
<tr>
<td>2008</td>
<td>1,123,000,000.32</td>
<td>1,050,000,000.00</td>
<td>73,000,000.32</td>
<td>6.95</td>
</tr>
<tr>
<td>2009</td>
<td>1,308,421,673.71</td>
<td>1,356,220,000.00</td>
<td>(47,798,326.39)</td>
<td>(3.52)</td>
</tr>
</tbody>
</table>

Note: Revenue figures are in Ghana Cedis. Figures in parenthesis indicate a shortfall of actual revenue vis-à-vis the respective target revenue.

Figure 4.1: Trend in Actual and Target CEPS Revenue Mobilised at the Tema Port, 1998-2009.
Note: the target revenue for 2005 was not provided by CEPS.

Figure 4.1 shows that CEPS’s revenue mobilised at the Tema port from 1998 to 2009 shows some inconsistencies.

4.3 Data from CEPS Officers at the port

Eighty (80) questionnaires were administered to 48 senior officers and 32 junior officers. All the
80 questionnaires which sought primarily to identify the challenges CEPS encounters in its revenue mobilisation activities at the Tema port were retrieved.

The findings are presented in the order of the background of respondents and respondents' views on major factors that affect effective customs revenue mobilisation at the Tema port. Respondents’ suggestions on how revenue collection could be improved at the Tema port are also presented.

4.3.1 Background Data of CEPS Officers

The background data deals with the age, gender, educational level and number of years in the service as CEPS personnel.

<table>
<thead>
<tr>
<th>Age</th>
<th>Senior officers</th>
<th>Junior officers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>31 - 40</td>
<td>5</td>
<td>10.42</td>
</tr>
<tr>
<td>41 - 50</td>
<td>32</td>
<td>66.67</td>
</tr>
<tr>
<td>51 - 60</td>
<td>11</td>
<td>22.91</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010

Table 4.2 shows that 66.7% and 62.5% of both senior and junior officers, respectively,
were within the 41-50 age brackets.

Table 4.3 shows that 62.5% of both senior and junior officers were males. The gender status for

<table>
<thead>
<tr>
<th>Gender</th>
<th>Senior officers</th>
<th>Junior officers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Male</td>
<td>30</td>
<td>62.50</td>
</tr>
<tr>
<td>Female</td>
<td>18</td>
<td>37.50</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

both senior and junior female officers is represented by 37.5%.

Table 4.4: Educational background of CEPS officers

<table>
<thead>
<tr>
<th>Educational level</th>
<th>Senior officers</th>
<th>Junior officers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>GCE O/A level</td>
<td>3</td>
<td>6.25</td>
</tr>
<tr>
<td>Training college/ Diploma</td>
<td>4</td>
<td>8.33</td>
</tr>
<tr>
<td>Tertiary</td>
<td>41</td>
<td>85.42</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 4.4 shows that 85.42% of the respondents ranked as senior officers had acquired a tertiary education, whilst another 8.33% senior officers had training college or diploma certificates. Only 6.25% of senior officers had GCE O/A education. For the junior officers, 43.75% had GCE O/A level certificate. Fourteen (43.75%) had training college/diploma certificates whilst 4 representing 12.5% had had tertiary education.

Table 4.5 shows the number of years respondents had worked as CEPS officers. The Table 4.5

<table>
<thead>
<tr>
<th>Duration of service</th>
<th>Senior officers</th>
<th></th>
<th></th>
<th>Junior officers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percentage (%)</td>
<td>Number</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>1 - 10</td>
<td>4</td>
<td>8.33</td>
<td>9</td>
<td>28.13</td>
</tr>
<tr>
<td>11 - 20</td>
<td>24</td>
<td>50.00</td>
<td>16</td>
<td>50.00</td>
</tr>
<tr>
<td>21 - 30</td>
<td>20</td>
<td>41.67</td>
<td>7</td>
<td>21.87</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100</td>
<td>32</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

shows that 50% of the senior officers who responded to the questionnaires had worked at CEPS for 11 to 20 years whilst another 41.67% had worked between 21-30 years. Only 4 representing 8.33% of the senior officers had worked at CEPS for 1 to 10 years. For the junior officers, 50% had worked at CEPS for 11 to 20 years. Also, 28.13% of the junior officers had worked for 1 to
10 years, whilst the remaining 21.87% junior officers had worked as CEPS officer for 21-30 years.

4.3.2 *Challenges facing Customs Revenue Mobilisation at the Tema port*

Table 4.6 shows CEPS officers’ view on whether the legal framework under which CEPS is mandated to operate limits effective customs revenue collection at the Tema port.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of CEPS officers</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>2</td>
<td>2.50</td>
</tr>
<tr>
<td>True</td>
<td>5</td>
<td>6.25</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>8</td>
<td>10.00</td>
</tr>
<tr>
<td>Untrue</td>
<td>15</td>
<td>18.75</td>
</tr>
<tr>
<td>Very untrue</td>
<td>46</td>
<td>57.50</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4</td>
<td>5.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field data, August 2010

Table 4.6 shows that 57.5% of the respondents indicated that it is very untrue that the legal framework which mandates CEPS to collect revenue at the Tema port limits revenue mobilisation. Another 18.75% of the respondents stated that it is untrue that CEPS laws limit
revenue collection. Two of the respondents representing 2.5% stated that it is very true that CEPS legal framework is a challenge to effective revenue collection at the Tema port.

Table 4.7 shows whether the current laws are rigid in terms of meeting changes that have occurred at the Tema port. From Table 4.7, 61.25% of the respondents indicated that it is

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of CEPS officers</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>3</td>
<td>3.75</td>
</tr>
<tr>
<td>True</td>
<td>2</td>
<td>2.50</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>8</td>
<td>10.00</td>
</tr>
<tr>
<td>Untrue</td>
<td>17</td>
<td>21.25</td>
</tr>
<tr>
<td>Very untrue</td>
<td>49</td>
<td>61.25</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1</td>
<td>1.25</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

very untrue the current CEPS laws are rigid in terms of flexibility to meet changes that usually occurs at the Tema port. Another 21.25% of the respondents indicated that it is untrue that CEPS laws are rigid. Only 1 respondent representing 1.25 out of the respondents indicated that he/she
did not know whether CEPS laws are rigid with respect to suiting changes that occurs at the Tema port.

Table 4.8: Opinions on whether tax exemptions lead to large revenue losses to CEPS

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of CEPS officer</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>64</td>
<td>80.00</td>
</tr>
<tr>
<td>True</td>
<td>12</td>
<td>15.00</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>1</td>
<td>1.25</td>
</tr>
<tr>
<td>Untrue</td>
<td>1</td>
<td>1.25</td>
</tr>
<tr>
<td>Very untrue</td>
<td>2</td>
<td>2.50</td>
</tr>
<tr>
<td>Don’t know</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

Opinions of the respondents on whether tax exemptions lead to large revenue losses to CEPS at the Tema port have been presented in Table 4.8. As could be seen in Table 4.8, 64 of the respondents, representing 80% indicated that it is very true that tax exemptions lead to customs revenue loss at the Tema port. Another 15% of the respondents indicated that it is true that tax exemptions lead to huge CEPS revenue losses. The combined proportion of the respondents that
stated that it is either untrue or very untrue that tax exemptions lead to revenue losses to CEPS at the Tema port is 3.75%.

As could be seen in Table 4.9, with respect to the issue of under-invoicing, 61.25% of the respondents indicated that it is very true that it affects customs revenue collection at the Tema port. Another 30% of the respondents stated that it is true that under-invoicing affects CEPS revenue collection at the Tema port. Four, representing 5% of the respondents indicated that it is neither true nor false that under-invoicing affects customs revenue, whilst one respondent, representing 1.25% indicated that it is untrue that under-invoicing is a challenge encountered by CEPS.

Table 4.9: Under-invoicing as a challenge facing CEPS revenue mobilisation

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of CEPS officers</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>49</td>
<td>61.25</td>
</tr>
<tr>
<td>True</td>
<td>24</td>
<td>30.00</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>4</td>
<td>5.00</td>
</tr>
<tr>
<td>Untrue</td>
<td>1</td>
<td>1.25</td>
</tr>
<tr>
<td>Very untrue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Don’t know</td>
<td>2</td>
<td>2.50</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.
Table 4.10 shows expressed opinions of the respondents on the issue of outright smuggling. As could be seen 40% of the respondents indicated that it is very untrue that outright smuggling affects effective CEPS revenue collection. Another 20% of the respondents expressed that they do not know if outright smuggling occurs at the Tema port; 15% stated neither true nor false as response. Only 4 of the respondents, representing 5% of the sample stated that outright smuggling is a very true phenomenon that happens at the Tema port.

Table 4.10: Opinions on whether outright smuggling of imports occurs at the port.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of CEPS officers</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>4</td>
<td>5.00</td>
</tr>
<tr>
<td>True</td>
<td>6</td>
<td>7.50</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>12</td>
<td>15.00</td>
</tr>
<tr>
<td>Untrue</td>
<td>10</td>
<td>12.50</td>
</tr>
<tr>
<td>Very untrue</td>
<td>32</td>
<td>40.00</td>
</tr>
<tr>
<td>Don’t know</td>
<td>16</td>
<td>20.00</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

Table 4.11 shows the expressed opinions on whether CEPS operations at the Tema port are hampered by logistical constraints. It shows that 35 of the respondents, representing 43.75%
Table 4.11: Logistical constraints as a challenge hampering CEPS revenue collection

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of CEPS officers</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>35</td>
<td>43.75</td>
</tr>
<tr>
<td>True</td>
<td>30</td>
<td>37.50</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>4</td>
<td>5.00</td>
</tr>
<tr>
<td>Untrue</td>
<td>6</td>
<td>7.50</td>
</tr>
<tr>
<td>Very untrue</td>
<td>2</td>
<td>2.50</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3</td>
<td>3.75</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

stated that it is very true that inadequate working tools affect CEPS revenue collection at the Tema port. Another 37.5% indicated that it is true that logistical constraints affect effective revenue collection. Also, 2.5% of the respondents indicated that it is very untrue that inadequate logistics is a factor that affects CEPS revenue mobilisation at the Tema port.

Table 4.12 shows whether inadequate staff is a challenge facing CEPS at the Tema port. The Table shows that 60% of the respondents indicated that it is very untrue that inadequate CEPS personnel at the Tema port affects import tax collection. Also 18.75% of the respondents
Table 4.12: Identify whether inadequate staff is a challenge affecting revenue collection

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of CEPS officers</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>3</td>
<td>3.75</td>
</tr>
<tr>
<td>True</td>
<td>2</td>
<td>2.50</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>7</td>
<td>8.75</td>
</tr>
<tr>
<td>Untrue</td>
<td>15</td>
<td>18.75</td>
</tr>
<tr>
<td>Very untrue</td>
<td>48</td>
<td>60.00</td>
</tr>
<tr>
<td>Don’t know</td>
<td>5</td>
<td>6.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

indicated that it is untrue that the size of CEPS personnel is a challenge facing revenue collection. Two of the respondents, representing 2.5% of the total respondents indicated that it is true and 3 (3.75%) stated that it is very true that lack of adequate CEPS personnel affects customs duty collection at the Tema port.

Table 4.13 shows the expressed opinions of the respondents regarding whether political interference negatively affects effective CEPS revenue mobilisation at the Tema port. From the Table, 64 of the respondents, representing 80% of the total respondents indicated that it is very true that political interference negatively affects CEPS revenue collection at the Tema
Table 4.13: Identify whether political interference challenge CEPS revenue collection

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of CEPS officers</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>64</td>
<td>80.00</td>
</tr>
<tr>
<td>True</td>
<td>2</td>
<td>2.50</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>8</td>
<td>10.00</td>
</tr>
<tr>
<td>Untrue</td>
<td>4</td>
<td>5.00</td>
</tr>
<tr>
<td>Very untrue</td>
<td>2</td>
<td>2.50</td>
</tr>
<tr>
<td>Don’t know</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

On the other hand, 2.5% of the respondents stated that it is very untrue that political interference affects CEPS revenue collection. Also, 2.5% of the respondents indicated that it is true that political interference affects CEPS revenue mobilisation effort at the Tema port. None of the respondents stated that they did not know whether political interference affects revenue collection.

Table 4.14 shows the expressed opinions of respondents regarding whether CEPS revenue is negatively affected by the valuation of imported goods at the Tema port. As shown in Table 4.14 67.5% of the respondents indicated that it is very untrue that valuation of import affects customs...
Table 4.14: Identify if CEPS revenue is affected by valuation

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of CEPS officers</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>2</td>
<td>2.50</td>
</tr>
<tr>
<td>True</td>
<td>1</td>
<td>1.25</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>4</td>
<td>5.00</td>
</tr>
<tr>
<td>Untrue</td>
<td>13</td>
<td>16.25</td>
</tr>
<tr>
<td>Very untrue</td>
<td>54</td>
<td>67.50</td>
</tr>
<tr>
<td>Don’t know</td>
<td>6</td>
<td>7.50</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

Another 16.25% indicated that it is untrue that valuation is a challenge to effective CEPS revenue collection. Also 7.5% stated that they did not know. Another 5% indicated neither true nor false as response. Two (2.5%) of the respondents indicated that it is very true that valuation of imports affects revenue collection. Also, 1.25% of the respondent indicated that it is true that CEPS revenue mobilised at the Tema port is negatively affected by valuation.
Table 4.15 shows whether high customs duties account for tax evasion at the Tema port.

**Table 4.15: Identify if high customs duty is the cause of tax evasion**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of CEPS officers</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>48</td>
<td>60.00</td>
</tr>
<tr>
<td>True</td>
<td>9</td>
<td>11.25</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>14</td>
<td>17.50</td>
</tr>
<tr>
<td>Untrue</td>
<td>4</td>
<td>5.00</td>
</tr>
<tr>
<td>Very untrue</td>
<td>2</td>
<td>2.50</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3</td>
<td>3.75</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

Table 4.15 shows that 60% of the respondents stated that it is very true that high import duties account for tax evasion at the Tema port. Also 17.5% stated neither true nor false as response to the question. Another 11.25% and 5% of the respondents responded true and untrue respectively. While 2.5% of the respondents indicated that it is very untrue that high tax in anyway accounts for tax evasion.

**4.3.3 Responses of CEPS Officers on other Challenges that affect Revenue Collection at the port**

The respondents stated four other factors that affect effective mobilisation of customs taxes at the
Tema port. Most (82%) of the respondents indicated that lack of motivation of staff in the area of salaries; working conditions and end of service benefit affect officers' commitment level. Also stated as a challenge that affects effective CEPS revenue collection at the Tema port are the frequent breakdown and slow operation of the GCNet. Another challenge indicated by respondents was the multiplicity of state agencies involved in the clearance of goods, and the usually poor cooperation among such agencies create a lot of loopholes for tax evasion. The fourth challenge stated by the respondents is the decline in cargo volume at the Tema port.

4.3.4 Responses from CEPS Officers on how Customs Revenue could be Maximised at the port

Most respondents (82.5%) recommended that political interference in customs activities should stop in order to allow CEPS to have complete autonomy over its operations. The respondents also stated that review and reduction of tax exemption laws are necessary if CEPS is to effectively generate adequate revenue. Some of the officers stated categorically that some of the tax exemptions do not benefit the general public; rather it profits few individuals at the expense of government revenue. Another recommendation made by about 82% of the respondents was the need for CEPS officers to be properly motivated. According to the respondents provision of good salaries, further education and retirement benefits would increase the commitment level of officers. The respondents indicated that the need to have other network providers in addition to the current GCNet is imperative. Also the respondents recommended that the duplication of government agencies should be reduced to facilitate clearance procedures, this would consequently, encourage more importers to route their goods through the Tema port to improve customs revenue. The respondents also stated that provision of adequate logistics (equipment) would further enhance the current CEPS revenue collected at the Tema port.
4.4 Data Collected from Clearing Agents

The researcher administered 20 questionnaires to clearing agents who operate directly with CEPS officers at the Tema port. The researcher was able to retrieve all the questionnaires that were administered to this category of respondents.

The respondents’ background data have been presented first. This is followed respectively by the respondents’ opinion on corruption in CEPS operations, and also on the general work rate of CEPS officers at the Tema port.

4.4.1 Background Data of Clearing Agents

Table 4.16 shows the age distribution of the respondents. Ten or 50% of the clearing agents were within the 41-50 age category. Also, 25% and 15% of the respondents were within the 31-40 and 20-30 age brackets respectively. The least represented age category was 10% of the respondents.

<table>
<thead>
<tr>
<th>Age</th>
<th>Number of clearing agents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 – 30</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>31 – 40</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>41 – 50</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>51 – 60</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

20-30 age brackets respectively. The least represented age category was 10% of the respondents.
Table 4.17 shows the gender status of the clearing agents who responded to the questionnaires.

### Table 4.17: Gender status of clearing agents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of clearing agents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>15</td>
<td>75</td>
</tr>
<tr>
<td>Female</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August, 2010.

The Table 4.17 shows that 75% of the respondents were males, while 25% were females.

Table 4.18 shows the number of years respondents had worked as clearing agents at the port.

### Table 4.18: Duration of clearing agents’ operation at the Tema port

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of clearing agents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>6 - 10</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>11 - 15</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>16 - 20</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>21 - 25</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.
4.4.2 Opinions of Clearing Agents on Corruption and Work of CEPS Officer at the port.

The study, solicited the views of the clearing agents on the issue of CEPS officers involvement in corruption; and the general work rate of officers at the Tema port.

Table 4.19: Clearing agents’ opinion on corruption at CEPS

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of clearing agents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>14</td>
<td>70</td>
</tr>
<tr>
<td>True</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Untrue</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Very untrue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

Table 4.19 shows that 70% of the respondents indicated that it is very true that most of CEPS officers at the Tema port are corrupt. Another 10% of the respondents indicated that it is true that CEPS officers at the Tema port are corrupt. Also 10% stated neither true nor false as response. Whilst 5% of the respondent stated that they do not know whether CEPS officers at the Tema port are corrupt. Another 5% of the respondent stated that it is untrue that CEPS officers are corrupt. None of the respondents indicated that it is very untrue that officers are corrupt.
Table 4.20 shows the respondents’ opinion on the frequency of corruption in CEPS operation at the Tema port. Table 4.20 shows that 65% of the respondents indicated that it is very true that corruption occurs frequently in customs operation at the Tema port. Also 15% of the respondents stated that they did not know about the frequency of corruption in CEPS. Another 10% of the respondents responded that it is true that CEPS officers often engage in corrupt practices. Also 5% of the clearing agents responded neither true nor false to question, while 5% indicated that it is very untrue that corruption occurs frequently in CEPS.

On the issue of whether delays in clearing goods at the Tema port is largely as a result of CEPS officers’ inefficiency. As shown in Table 4.21, 75% of the respondents indicated that it is

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of clearing agents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>13</td>
<td>65</td>
</tr>
<tr>
<td>True</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Untrue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Very untrue</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data. August, 2010
Table 4.21: Clearing agents’ opinion on delay in CEPS

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of clearing agents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>15</td>
<td>75</td>
</tr>
<tr>
<td>True</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Untrue</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Very untrue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August 2010.

very true that delay in clearance of goods at the Tema port could be attributed to CEPS. Another 10% stated that it is true that delay in clearance of imports is caused by CEPS. Whilst 3 of the respondents, representing 15% stated that delay in clearing of goods at the Tema port is untrue, very untrue and neither true nor false as caused by CEPS.

Table 4.22 shows clearing agents’ opinion on the work rate of CEPS officers at the Tema port. From the Table. 70% of the total respondents indicated that it is very true that CEPS officers work at very slow pace. Another 15% indicated that it is true that CEPS officers are very slow. Also 10% of the respondents indicated that they did not know the work rate of CEPS.
Table 4.22: Clearing agents’ opinion on the work rate of CEPS officers

<table>
<thead>
<tr>
<th>Responses</th>
<th>Number of clearing agents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very true</td>
<td>14</td>
<td>70</td>
</tr>
<tr>
<td>True</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Neither true/false</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Untrue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Very untrue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Don’t know</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, August, 2010

officers at Tema port. Whilst 5% of the respondents stated that it is neither true nor false that the work rate is very slow.

4.5 Data Collected from the Director of Tax Policy, Ministry of Finance and Economic Planning

The researcher, through a scheduled interview with the respondent, collected data such as the Director’s opinion on what accounts for inefficiency in CEPS revenue mobilisation at the Tema port. Also, the respondent’s view on corruption in CEPS operations at the Tema port was obtained. Other information solicited from the respondent was the Ministry of Finance and Economic Planning’s position on tax exemptions that are granted to certain category of imported goods. Also the researcher asked how the ad valorem tax system espoused by Article VII of
GATT affects customs tax mobilisation. Finally, the respondent was requested to make recommendation on how CEPS revenue collection at the Tema port could be maximised.

### 4.5.1 Opinions of Respondent (Director of Tax Policy)

Concerning what accounts for inefficiency in CEPS revenue mobilisation at the Tema port, the respondent indicated that the Ministry of Finance and Economic Planning has identified two major challenges which tend to hamper customs revenue collection at the Tema port. Firstly, the respondent stated that the Ministry of Finance and Economic Planning has been receiving several complaints from individual importers and organisations on the cumbersome processes involved in clearing of goods at the Tema port. When asked how this has a direct impact on customs revenue collection, the respondent expressed that it has resulted in some importers routing their goods through neighbouring ports, specifically the Lome port. The respondent elaborated that such an incidence usually results in a decline in cargo traffic; furthermore the porosity nature of our borders makes it very difficult for customs duties to be efficiently levied on such imports.

Another challenge stated by the respondent was the issue of tax exemptions granted on certain categories of imported goods and how these cause customs revenue losses. The respondent explained that CEPS loses a sizeable amount of its revenue to tax exemptions, and such trend has grown over the years. The respondent indicated that the growth rate in exemptions emanate from government policies to attract more investors, increase the country’s industrial capacity and also improve the general living standards of Ghanaians. The respondent cited the Gateway Project, the Free Trade Zones (FTZ) policy, the government special package on tax reliefs for certain professionals (doctors, nurses, teachers and farmers) and some organisations as examples that
have broadened the base of the tax exemptions. The respondent expressed that tax exemption on imports significantly reduces the amount of customs revenue that is collected for the state.

The respondent stated that corruption among customs officers account for CEPS revenue losses. According to the Director of Tax Policy, despite the fact that some aspects of CEPS operations have been automated, corruption still accounts for significant revenue losses. The respondent further indicated that the cumbersome clearing procedures at the Tema port constitutes one major avenue by which corruption thrives in CEPS operations.

Concerning the Ministry’s future plans regarding tax exemptions, the respondent stated that the Ministry was reviewing its policies on tax exemptions. For instance, the respondent stated that, currently, imported goods which are classified as luxury or exceed certain threshold and which are brought into the country by organisations or individuals who benefit from tax exemptions are made to pay most of the customs duties and therefore limits customs revenue loss. Also the respondent indicated that the Ministry of Finance has taken the step to abolish the policy where importers of finished products are granted a bonded warehousing facility. He intimated that such incentives would only be granted to importers of raw materials. The respondent further stated that the Ministry has also introduced a new policy for the renewal of exemption certificates. Instead of the previous annual renewal of exemption certificates, this has been reduced to quarterly renewal. The respondent explained that this measure is to help the Ministry assess whether an organisation or individual still merits such tax exemptions. The Director stated that the Ministry would increase customs duties levied on tobacco and spirits imported that are into the country. This, he explained, would increase customs revenue.
On the impact of Article VII of GATT on customs tax mobilisation, the respondent stated that notwithstanding that the application of ad valorem tax rate means some revenue losses to CEPS, the impact on customs revenue loss is minimal. The respondent explained that the introduction of DICs to do the valuation of imported goods has really mitigated the impact of CEPS revenue loss. He credited this to the fact that the various DICs have fair knowledge of the actual prices of most imported goods that are brought into the country; hence they are able to detect severe underestimation of commercial import receipts. The respondent further indicated that, since the various DICs handle imported goods from specific locations of the world, they have mechanisms of cross-checking the quoted import value by importers. Also the Director of Tax Policy stated that the ad valorem tax rate is good, since it responds to changes in global price of imported goods and exchange rates when compared to the specific tax rate.

The respondent recommended that the clearing procedures at the Tema port should be further streamlined to reduce corruption in CEPS and also to attract more business to the Tema port. The Director of Tax Policy stated that the valuation performed by DICs should be monitored and improved to obtain the right values of imported goods that pass through the port. This, the respondent said, would enable CEPS to generate adequate customs revenue at the port.

4.6 Real Value of CEPS Revenue Mobilised from 1998 to 2009

The nominal yearly revenue of CEPS generated at the Tema port has been deflated using the respective yearly GDP deflators to derive the real value of each year’s revenue.
## Table 4.23: Deflated CEPS revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal value</th>
<th>Real value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>97,270,873.79</td>
<td>140,972,280.90</td>
</tr>
<tr>
<td>1999</td>
<td>75,867,950.59</td>
<td>96,035,380.49</td>
</tr>
<tr>
<td>2000</td>
<td>90,288,266.07</td>
<td>90,288,226.07</td>
</tr>
<tr>
<td>2001</td>
<td>121,757,429.90</td>
<td>90,190,681.41</td>
</tr>
<tr>
<td>2002</td>
<td>300,631,073.60</td>
<td>182,200,650.70</td>
</tr>
<tr>
<td>2003</td>
<td>536,095,491.20</td>
<td>251,688,024.00</td>
</tr>
<tr>
<td>2004</td>
<td>704,120,716.10</td>
<td>289,761,611.60</td>
</tr>
<tr>
<td>2005</td>
<td>617,084,051.60</td>
<td>220,387,161.60</td>
</tr>
<tr>
<td>2006</td>
<td>985,704,009.50</td>
<td>312,921,907.80</td>
</tr>
<tr>
<td>2007</td>
<td>896,258,132.74</td>
<td>249,654,076.00</td>
</tr>
<tr>
<td>2008</td>
<td>1,123,000,000.32</td>
<td>267,380,952.40</td>
</tr>
<tr>
<td>2009</td>
<td>1,308,421,673.71</td>
<td>258,581,358.30</td>
</tr>
</tbody>
</table>

Source: Computed from field data, August, 2010
The trend of real values of CEPS revenue mobilised at the Tema port from 1998 to 2009 show some inconsistencies. From the 1998 value of 140,972,280.9, the real value fell consecutively in 1999 (96,035,380.49), 2000 (90,288,266.07) and 2001(90,190,681.41). However, there was a steady rise to 182,200,650.9, 251,688,024 and 289,761,611.6 in the years 2002, 2003 and 2004, respectively. Then in 2005 the real value declined again, and picked up in 2006 with a real value figure of 312,921,907.8. The 2008 and 2009 real revenue values showed another inconsistency of 267,380,952.4 and 258,581,358.3 respectively.

Figure 4.2: Trend of CEPS real revenue value mobilised at the Tema port from 1998-2009.

Note: Real values in figure 2 have been rounded up.
4.7 Relationship between Yearly Cargo Throughput and Yearly Real CEPS Revenue

The nature of relationship between the yearly import cargo throughput and the yearly real CEPS revenue mobilised at the Tema port shows a positive correlation. This was evidenced in the positive correlation co-efficient (r) of 0.7. At the critical value of .05, r (2.78) > 2.23, this indicates that there is a significant relationship between yearly cargo throughput and the corresponding real revenue value.

4.8 Discussion of Findings

4.8.1 Trends in CEPS Revenue Mobilised at the port from 1998-2009

Generally, the pattern of CEPS revenue mobilised at the Tema port shows first a particular trend of decline in revenue collection performance, followed by a period of effective collection performance and then again a decline in the collection rate. CEPS revenue mobilised at the port hence follows “down-up-down” revenue collection trend. The average duration for effective collection rate and trough in performance usually lasted for a period of between 2-3 years. Using revenue target as a yardstick to measure effective revenue collection by CEPS, out of the 11 years, effective mobilisation of CEPS revenue at the Tema port was in 2001, 2002, 2003, 2007, and 2008. This corresponds respectively with positive deviations of 16.62%, 5.26%, 14.77%, 1.27% and 6.95% of set revenue target. On the other hand, CEPS was unable to meet revenue collection targets for 1998, 1999, 2000, 2004, 2006 and 2009; this is represented, respectively in negative deviations of 5.16%, 5.52%, 1.78%, 2.31%, 9.98% and 3.52% of set revenue targets.
Even when the researcher controlled the impact of inflation on the nominal value of CEPS revenue, it also showed the same trend of inconsistency. However, there were some instances where the nominal revenue value increased compared to previous nominal figures, but the real value did not reflect such increment. For instance, despite the low nominal revenue figure recorded in 1999 of 75,867,950.59, its real value was 96,035,380.49 which was higher compared to 2000 and 2001; which recorded high nominal values of 90,288,266.07 and 121,757,419.9, yet low real values of 90,288,266.07 and 90,190,681.41 respectively. Also in 2008, the nominal revenue collected by CEPS at the Tema port was 1,123,000,000.32 which had a real value of 267,380,952.4 higher than that of 2009, which had a nominal value of 1,308,421,673.71, yet a low real value of 258,581,358.3.

Previous research study on trade tax mobilisation by customs administrations, especially in developing countries, report an inconsistency in the trend of customs revenue collection. The result discovered from this study also supports the assertion that customs revenue collection is inconsistent. The result of the study supports Aryeetey et al., (2001) and Fosu (2003) whose findings indicated that over the last 25 years mobilisation of trade taxes in Ghana shows a "mixed" pattern. The result also supports Brafu-Insaidoo and Obeng (2008) findings which described CEPS collection of trade tax as uneven. The results further support findings by Di John (2008) and Terkper (1995) works on trade tax mobilisation in Ghana.

4.8.2 Challenges that affect effective CEPS Revenue Mobilisation at the Tema port

Previous researchers have discovered several direct factors that affect effective customs revenue collection. These include the degree of political interference, corruption, high customs duties, delay in clearing of import, tax exemptions, valuation of imported goods, inadequate logistics,
smuggling and low salaries of customs officers. The findings of this study show that not all of these variables affect effective CEPS revenue mobilisation at the Tema port.

According to the findings of this study it was discovered that most of the clearing agents indicated that CEPS officers are very corrupt. The Director in charge of Tax Policy at the Ministry of Finance also stated that corruption is a challenge facing CEPS revenue collection at the Tema port. On the frequency of corruption in CEPS, most of the clearing agents indicated that it is very true that CEPS officers at the Tema port often engage in corrupt practices. The findings of this study support Rudzitis (2002) study that discovered that 5% percent of respondents had encountered corruption in customs, while 45-75 percent of the population considers customs as corrupt. The result of the study also supports Imam and Jacobs (2007) findings which indicated that among the various government taxes, the worst affected by corruption is foreign trade tax. It also supports the findings discovered by Brafu-Insaidoo and Obeng (2008) who concluded that even reduction in import duties in the 1980s did not reflect an increase in CEPS revenue collection performance due to corruption in CEPS.

The findings of the study shows that delay in clearing of goods at Tema port exist. According to the findings of this study, majority of clearing agents used for the study indicated that it is very true and true that delay in the clearance of goods at the Tema port is caused by CEPS. The Director of Tax Policy also indicated that clearing of goods at the Tema port is usually affected by delays. This accounted for as many as 85% of clearing agents indicating that CEPS work rate at the Tema port is very slow. The delay in clearance of goods is not as a result of inadequate CEPS personnel at the Tema port. Since most of CEPS officers who responded to the questionnaire indicated that it is very untrue and untrue that CEPS staff at the port is inadequate.
Rather, the delay in clearing of goods could be attributed to poor motivation of CEPS officers, frequent breakdown of the GCNet and multiplicity of government agencies involved in the clearing process. Furthermore inadequate working tools also accounts for delay in clearing of goods at the Tema port.

Research findings by Ebrill et al. (1999), Tanzi (2000), WTO (2001), and Brafu-Insaidoo & Obeng (2008) show that tax exemption is a challenge facing effective customs revenue mobilisation. The findings of this study also support the assertion made by such previous researchers. Since the findings discovered by the researcher shows that majority of CEPS officers indicated that it is very true that tax exemption is a challenge facing effective customs revenue collection at the Tema port. Also the Director of Tax Policy attested to the fact that tax exemptions significantly affect customs annual revenue.

The finding of the study shows that most of CEPS officers who responded to the questionnaire stated that political interference is a major challenge facing effective customs revenue collection at the Tema port. The result of the study supports Arthur’s (2004) findings that discovered that because of political interference most SARAs were ineffective in tax revenue collection. Also the findings support research works of Bird and Oldman (1964), Gillis (1989), Tanzi and Zee (2000), who acknowledged political interference as the root cause of low tax collection in developing countries.

Although Finger and Schuler (2000) indicated that valuation of imports has resulted in huge revenue loss in developing countries, it could be stated, that valuation of imports at the Tema port is not a major challenge to CEPS revenue mobilisation. This is based on the fact that a
significant number of the respondents indicated that it is very untrue and untrue that CEPS loses huge customs revenue during valuation of imports. Also, according to the Director in charge of Tax Policy (Ministry of Finance), CEPS is not challenged in terms of valuation of imports, even under the ACV system due to effective strategy in place to detect severe undervaluation and misdeclaration of imports by importers and clearing agents. The strategy which the Director in charge of Tax Policy explained as the introduction of DICs has helped to mitigate the impact of undervaluation. This is evidenced in CEPS ability to detect as many as 342 misdeclared imported goods in 2003, as disclosed by Kofi Danquah (CEPS Assistant Commissioner, Long Room-Tema port).

However, the impact of under-invoicing cannot be ruled out completely as not being a challenge facing CEPS revenue collection at the Tema port. Since most of the CEPS officers indicated that it is very true and true that under-invoicing affects customs revenue mobilisation. The researcher in trying to identify whether importers and clearing agents are able to smuggle imported goods completely without paying any customs duties, discovered that majority of the respondents are of the view that such an incidence does not occur at the port. This shows that in as much as CEPS may lose customs duties as a result of under-invoicing, complete evasion of customs taxes on imported goods are insignificant. The findings of this study support studies by Alano (1981) and Macamo (1998) that discovered that under-invoicing of imports receipt significantly affects custom revenue. Although Brafu-Insaidoo and Obeng (2008) discovered outright smuggling as a major challenge facing CEPS revenue collection in the 1980s and early 1990s, outright smuggling may not be counted as a major challenge affecting effective customs revenue collection in the present study. This could be due to improvement in port security, most especially now that the Tema port operates under the ISPS code.
Generally, most researchers (Sandmo, 1972; MacLaren, 1996; Gatti, 1999, Fisman and Wei, 2004) have shown that high import duties result in huge customs revenue loss, hence a challenge facing effective revenue mobilisation. The findings of this study also support such previous studies. Since most of the CEPS officers indicated that it is very true and true that high customs duties results in high rate of customs tax evasion.

Although, Kaldor (1995) highlighted inadequate customs personnel as a challenge facing effective customs tax mobilisation in his study, the findings of this study indicate that the number of customs officers at Tema port is not a challenge in terms of effective CEPS revenue collection. Also in terms of the scope of CEPS laws and how it affect customs tax collection at the Tema port, the findings indicate that CEPS laws do not affect effective revenue collection. Since a significant number of the respondents stated that the current customs laws are both adequate and flexible to generate enough revenue for CEPS. This shows that despite several researchers (Gatti, 1999; Rudzitis, 2002; Ferreira et al., 2007; Michael and Moore, 2009) indicating customs legal framework as a challenge to effective customs revenue collection, based on the findings of this study CEPS laws are not in any way a challenge to effective customs tax collection at the Tema port.

4.8.3 The Relationship between Yearly Cargo Throughput and Yearly Real CEPS Revenue

Research findings by Liu (1995) and Cullinane (2004) have shown that there is a positive relationship between cargo throughput and nominal customs revenue. This study correlated yearly import cargo throughput and yearly real customs revenue from 1998 to 2009. The result indicates that there is a significant relationship between the two variables as well. The result of the study supports the assertion made by CEPS officers that decline in cargo volume affects the
quantum of CEPS revenue mobilised. The result also confirms the assertion made by the Director of Tax Policy that an increase in import cargo volume would correspondingly result in effective CEPS revenue mobilised at the Tema port.

The researcher discovered that in some years the import cargo throughput volume increased but both real and nominal revenue value declined. For instance, in 1998, the import cargo throughput was 4,716,409 metric tonnes, the actual CEPS revenue mobilised was GHC97,270,873.79 and real value was GHC140,972,280.9. In 1999, the throughput volume increased from the previous 1998 figure to 5,403,716 metric tonnes, but the nominal CEPS revenue value declined to GHC75,867,950.50. The real value for 1999 also fell to GHC96,035,380.49. Also in 2000, the import cargo throughput volume declined from 5,403,716 metric tonnes to 5,038,439 metric tonnes, but the nominal CEPS revenue increased to GHC90,228,226.07 compared to the 1999 nominal figure. But the real value for the same year (2000) declined to GHC90,288,226.07. This incidence also occurred for 2008 and 2009. It was discovered by the researcher that the type of cargo that makes up the total annual import cargo throughput plays a critical role in determining the quantum of customs revenue to be generated for a particular period. This is because, customs duties are usually a percentage of the transaction value, and hence high value cargo generates higher customs duties than low value cargo. Also another variable that could account for a situation where there would be an increase in throughput, yet decline in customs revenue is the impact of unstable foreign exchange rate. However, generally, there is a positive relationship between yearly import cargo throughput and customs revenue.
CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This Chapter summarises findings of the study. It further draws conclusions and makes recommendations based on the outcome of the study.

5.2 Summary of Findings and Conclusions

The study which sought to determine the trend of CEPS revenue collected at Tema port from 1998 to 2009 shows inconsistencies in the pattern of revenue collection.

On the factors that challenge effective CEPS revenue mobilisation at the Tema port, it was found and concluded that corruption, tax exemptions, political interference, logistical constraints (in the form of working tools), frequent breakdown of the GCNet and poor motivation of CEPS officers affect effective customs revenue collection. Also, multiplicity of government agencies involved in the clearing of imported cargo at the Tema port affects CEPS effective revenue collection at the port. Although valuation of imports may not be considered as a major challenge that affects effective CEPS revenue at the Tema port, under-invoicing to some extent still affects effective customs revenue collection. From the findings it was concluded that the CEPS laws do not affect effective customs revenue mobilisation at the Tema port. In addition, the number of CEPS officers at Tema port is not a challenge that hampers customs tax collection.

From the findings on whether in real terms there is an increase/decrease in CEPS revenue mobilised at the Tema port from 1998-2009, it was discovered that out of the 12 years under studied, there was a real increase in the value of CEPS revenue for 1998, 2002, 2003, 2004, 2006

The nature of relationship between yearly import cargo throughput and yearly real CEPS revenue mobilised at the Tema port shows a positive correlation. Base on the finding, it was concluded that there is a significant relationship between yearly import cargo throughput and yearly real CEPS revenue mobilised from 1998 to 2009.

Based on the overall findings of the study it was concluded that the prospects of CEPS effective revenue mobilisation at the Tema port would be much better if the numerous identified challenges are solved. Also, all other things being equal, revenue collection at Tema is anticipated to increase, especially with the Ministry of Finance new policies on customs taxes.

5.3 Recommendations

Base on the findings of the study, the researcher made the following recommendations:

The Ministry of Finance and CEPS administration must institute attractive motivational packages for CEPS officers. This could include: good salaries, further education with support from the Ministry and CEPS administrations. Also attractive pension plan should be designed for customs officers. This would help reduce the rate of corruption in CEPS, improve the commitment level of CEPS officers, and limit the unnecessary delays by CEPS officers to extort monies from importers.
Also there should be additional network providers to augment the current GCNet to speed up clearing of import at the Tema port. Furthermore, CEPS should be given all the needed working tools. Complete automation of clearing of imported goods at port is very necessary. If these measures are implemented it would reduce clearance time drastically and minimise the rate of corruption. It would further help to improve the annual import cargo throughput recorded at the port, since most importers would prefer routing their cargo through the Tema port as against neighbouring ports.

Furthermore, customs taxes should be maintained at competitive rates, especially using import rates charged by neighbouring ports as basis for fixing customs duties. This would improve import cargo throughput and also minimise the rate of smuggling in the form of under-invoicing of import receipts. Still on tax policies, the current measures by the Ministry of Finance to increase taxes on tobacco and spirits imported into the country must be implemented with much care. Since most researchers have shown that over strict regulations and high import tariffs increase the rate of customs tax evasions. Also the complete abolishment of the bonded warehouses system for importers of finished goods should be reconsidered. Since in as much as it would enhance timely recovery of CEPS revenue to be collected on imports, it can also lead to delay in clearing of goods and also affect the volume of cargo throughput. The researcher rather recommends that instead of the 2 years bonded warehouse system previously granted to such importers it should be reduced to create a “win-win” situation for both parties.

Also the researcher recommends that measures should be put in place to reduce political interference to its barest minimum. The present situation where the Head of CEPS (Commissioner) is appointed by the President should be abolished. Rather, an independent body
should be constituted to elect the Commissioner of CEPS. In addition, politicians found interfering with CEPS operations should be punished. Also CEPS officers, importers as well as clearing agents found to be involved in any corrupt practices should be sanctioned.

The researcher suggests that the multiplicity of government agencies involved in the clearing process should be streamlined. This would further help to reduce the loopholes available for customs tax evasion at the Tema port. Furthermore, it would reduce clearance time and enhance effective customs revenue collection.

Ghana Port and Harbour Authority being the overseer of the port should improve and provide quality services to its clients to make the port the preferred destination for business. Also, the Ghana Shippers Authority (GSA), representing the interest of shippers should frequently forward difficulties facing its members; and report officers found extorting monies from importers to the authorities of CEPS for sanction. The GSA should caution and educate its members on the consequences of corruption to the state and the parties culpable.

Finally, the researcher recommends that Ministry of Finance should work hard to effectively manage the various economic indicators since they indirectly affect customs revenue mobilisation. Since CEPS revenue is mobilised primarily to finance public expenditure, high rates of inflation would affect the real value of CEPS revenue mobilised, and consequently affect what the revenue collected can really do.


Kaldor, N. (1955) An Expenditure Tax, London: George and Unwin,


University Press.


**Online Information Sources**


http://en.wikipedia. org


www.mofep.gov.gh

www.wtocentre.org

www.pgbf.com.pk

www.american.edu/sis/faculty
APPENDIX I: QUESTIONNAIRE FOR THE HEAD OF RESEARCH AND MONITORING DEPARTMENT (CEPS)

QUESTIONNAIRE ON CUSTOMS REVENUE MOBILISATION AT THE TEMA PORT: TRENDS AND CHALLENGES

This academic exercise is been conducted purely to enhance customs revenue mobilised at the Tema port. The researcher is a student of the Regional Maritime University, offering a course in Master of Arts in Ports and Shipping Administration. The study is therefore in partial fulfillment for the award of a Master’s degree.

I therefore humbly seek for your cooperation and also, to assure you that any information given shall be handled confidentially.

Please, fill in the spaces provided with the right yearly CEPS revenue collected at the Tema port from 1998-2009.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ACTUAL REVENUE</th>
<th>TARGET REVENUE</th>
<th>DEVIATION</th>
<th>% DEVIATION</th>
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<tbody>
<tr>
<td>1998</td>
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<td>2009</td>
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APPENDIX II: QUESTIONNAIRE FOR CEPS OFFICERS AT THE TEMA PORT

QUESTIONNAIRE ON CUSTOMS REVENUE MOBILISATION AT THE TEMA PORT:
TRENDS AND CHALLENGES

This academic exercise is been conducted with the objective of enhancing customs revenue mobilisation in the maritime sector, particularly at the seaports. It is for this reason the researcher seeks to examine Customs, Excise and Preventive Service (CEPS) revenue collection at the Tema Port.

The researcher is a student of Regional Maritime University, offering a course in Master of Arts in Port and Shipping Administration. The study is therefore in partial fulfillment of the requirement for the award of a degree in port and shipping administration.

I therefore humbly seek for your cooperation, and also to assure you that any response given shall be handled confidentially.

SECTION A: BACKGROUND DATA OF RESPONDENT

This section of the questionnaire seeks to gather background information about the respondents. Please circle the option or write your preferred answer in the given space after the question.

1. What age range do you fall within?
   a. 20 – 30 years   b. 31 – 40 years   c. 41 – 50 years   d. 51 – 60 years

2. What is your gender status?
   a. Male      b. Female

3. What is your highest educational level?
   a. Below SSS level
   b. SSS level certificate
   c. GCE O/A level
   d. Training College or Diploma
   e. Tertiary Certificate
   f. Other (please specify)........................................

4. What is your current rank in the service?
   a. Senior officer   b. Junior officer

5. How long have you work as a personnel of CEPS .................................
SECTION B: CHALLENGES THAT AFFECT EFFECTIVE CEPS REVENUE COLLECTION AT TEMPA PORT

The following questions tend to identify the challenges that prevent CEPS from effectively raising adequate revenue at the Tema port. For each of the question, indicate by ticking the box attached to the question the extent to which the statement is:
Very true, True, Neither true nor false, Untrue, Very untrue, Don’t know.

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>RESPONSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The legal framework that defines CEPS mandate to collect revenue limits the capacity of CEPS to generate enough revenue.</td>
<td></td>
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<tr>
<td>2. The current customs laws are rigid and do not suit changes that have taken place at the Tema port.</td>
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<tr>
<td>3. Tax exemptions form a large part of CEPS revenue loss.</td>
<td></td>
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<tr>
<td>4. Importers who clear their goods at the Tema port often under-invoice the import receipts.</td>
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<tr>
<td>5. Some clearing agents/importers even smuggle goods through the Tema port without paying import duty at all.</td>
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<tr>
<td>6. Lack of adequate working tools is a major cause of the inability for CEPS to generate adequate revenue at the port.</td>
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<tr>
<td></td>
<td>Very True</td>
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<tr>
<td>7. The inadequacy of customs personnel at the Tema port minimises the effectiveness to collect customs duties</td>
<td></td>
</tr>
<tr>
<td>8. Political interference in the operations of CEPS at the Tema port significantly affects revenue mobilisation</td>
<td></td>
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<tr>
<td>9. Customs lose huge revenue due to the technical difficulties associated with the valuation of imported goods.</td>
<td></td>
</tr>
<tr>
<td>10. High customs duties charged on imported goods at the Tema port lead to massive tax evasion.</td>
<td></td>
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</tbody>
</table>

11. What other factors affect CEPS revenue collection at the Tema port?

12. What could be done in your view to improve customs revenue mobilisation at the Tema port?

Thank you for your assistance.
QUESTIONNAIRE ON CUSTOMS REVENUE MOBILISATION AT THE TEMA PORT: TRENDS AND CHALLENGES.

This academic exercise is been conducted purely to enhance customs revenue mobilised at the Tema port. The researcher is a student of the Regional Maritime University, offering a course in Master of Arts in Ports and Shipping Administration. The study is therefore in partial fulfillment for the award of a Master’s degree. I, therefore humbly seek for your cooperation and also to assure you that any information given shall be handled confidentially.

SECTION A: BACKGROUND DATA OF RESPONDENT

Please circle or write the appropriate option attached to the questions.

1. What age range do you fall within?
   a. 20-30 years  b. 31-40 years  c. 41-50 years  d. 51-60 years

2. What is your gender status?
   a. Male  b. Female

3. How long have you been a clearing agent at the Tema port?

SECTION B: RESPONDENT’S VIEW ON CORRUPTION & WORK RATE OF CEPS OFFICERS

The objective of this part of the questionnaire is to find out your view on corruption in CEPS operations at the Tema port. Also, to help evaluate the general work rate of CEPS officers at the Tema port.
For each of the question, indicate the extent to which the statement is:

Very True, True, Neither True nor False, Quiet Untrue, Very Untrue, Don’t Know.

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>RESPONSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Most customs officers at the Tema port are corrupt</td>
<td></td>
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<tr>
<td>2. Corruption in customs operations at the Tema port occurs frequently.</td>
<td></td>
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<tr>
<td>3. Delay in clearing of goods at the Tema port is largely as a result of</td>
<td></td>
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<tr>
<td>CEPS officers inefficiency</td>
<td></td>
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<tr>
<td>4. Work rate of CEPS officers at the Tema port is very slow.</td>
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</tbody>
</table>
APPENDIX IV: INTERVIEW WITH THE DIRECTOR OF TAX POLICY (MINISTRY OF FINANCE AND ECONOMIC PLANNING)

INTERVIEWER’S GUIDE

This interview session is being conducted purely for academic purpose. It is to help the researcher conclude a study on Customs Revenue Mobilisation at the Tema Port: Trends and Challenges.

The researcher is a student of the Regional Maritime University, offering a course in Master of Arts in Port and Shipping Administration. The study is therefore in partial fulfillment of the requirement for the award of Master of art degree in Port and Shipping Administration.

The researcher therefore seeks your cooperation and also to assure you that any information given shall be handled confidentially.

1. Is corruption a factor to customs revenue loss at the Tema port?

2. What other factors in your opinion accounts for CEPS inability to meet yearly revenue collection targets at the Tema port?

3. There are complains about widespread tax exemptions on imported goods, what is the Ministry of Finance position on tax exemptions granted on imported goods?

4. As a director of tax policy, how would you describe the impact of ad valorem tax rate on CEPS revenue collection at the Tema port?

5. What could be done to improve customs revenue mobilisation at the Tema port?

Thanks for your assistance.
APPENDIX V: QUESTIONNAIRE FOR THE PUBLIC RELATIONS OFFICER

(TEMA PORT ADMINISTRATION)

QUESTIONNAIRE ON CUSTOMS REVENUE MOBILISATION AT THE TEMA PORT:
TRENDS AND CHALLENGES.

This academic exercise is been conducted purely to enhance customs revenue mobilised at the Tema port. The researcher is a student of the Regional Maritime University, offering a course in Master of Arts in Ports and Shipping Administration. The study is therefore in partial fulfillment for the award of a Master’s degree.

I therefore humbly seek for your cooperation and also to assure you that any information given shall be handled confidentially.

Please, fill in the spaces provided with the right yearly cargo throughput of imports recorded at the Tema port from 1998-2009.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>IMPORT CARGO THROUGHPUT</th>
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<tbody>
<tr>
<td>1998</td>
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<td>1999</td>
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<td>2008</td>
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<td>2009</td>
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</tbody>
</table>

Thank you for your assistances.
APPENDIX VI: GDP DEFLATOR FOR GHANA (1998-2009)

<table>
<thead>
<tr>
<th>YEARS</th>
<th>DEFLATOR VALUES</th>
<th>AT BASE RATE 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>69.006</td>
<td>0.69</td>
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<tr>
<td>1999</td>
<td>78.625</td>
<td>0.79</td>
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<tr>
<td>2000</td>
<td>100</td>
<td>1</td>
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<tr>
<td>2001</td>
<td>134.58</td>
<td>1.35</td>
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<tr>
<td>2002</td>
<td>165.213</td>
<td>1.65</td>
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<tr>
<td>2003</td>
<td>212.542</td>
<td>2.13</td>
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<tr>
<td>2004</td>
<td>243.077</td>
<td>2.43</td>
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<td>2005</td>
<td>279.54</td>
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<tr>
<td>2006</td>
<td>315.209</td>
<td>3.15</td>
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<tr>
<td>2007</td>
<td>358.953</td>
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<td>2008</td>
<td>419.699</td>
<td>4.2</td>
</tr>
<tr>
<td>2009</td>
<td>506.47</td>
<td>5.06</td>
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</tbody>
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Source: World Bank