

# BORDER ECONOMIES: BOTTLENECKS OR GROWTH ZONES?

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## EXECUTIVE SUMMARY

Land borders in the SADC region are critical zones for unlocking economic development, regional value chains and trade. The Beitbridge and Chirundu border posts represent important links in the North–South Corridor and are vital in both regional development and bilateral initiatives. It is at these borders that many issues related to regional integration intersect. Understanding the major complications that prevent competitive trade and undermine trade facilitation initiatives is, therefore, essential. This policy briefing examines the causes of standing time – a major contributor to transport costs in sub-Saharan Africa – in addition to focusing on the softer issues such as driver behaviour and border operations.

It further considers the economic development opportunities for border economies, as these are intimately linked to the operation of border posts. Various complex linkages should be considered, including the potential disruptive impact that trade facilitation measures may have on firms operating at the border. A failure to improve border efficiency can similarly undermine the existing industry.

The policy briefing also reviews challenges and economic opportunities at the Beitbridge and

Chirundu border posts with a focus on women and youth. It provides a series of related policy recommendations for consideration.

## OVERVIEW OF STANDING TIME AND ECONOMIC ACTIVITIES AT BEITBRIDGE AND CHIRUNDU

It has become clear that border delays, particularly standing time, increase transport costs the most, and not the lack of backhaul opportunities, as had been the belief. Softer operational issues rather than hard infrastructure constraints have proven to contribute most to standing time.<sup>2</sup>

In Sub Saharan Africa intra-regional value chain growth and development is, and will continue to be, constrained by the weakest link in the chain – transport and logistics.

The greatest underminer of logistics performance is still border functioning, ie, border delays and standing time at the border. The two components most critical to efficient logistics – time taken and costs to transport – are thus very unfavourable in the Southern African region.

The uncompetitive logistics environment in sub-Saharan Africa continues to stifle growth and the

development of regional value chains. The grassroots issues are understood, and a substantial body of work is available to guide decision makers on what needs to

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be addressed, but it has been noted that ‘what appears to be lacking is appropriate prioritisation, political will and the operational ability to implement necessary changes’.<sup>3</sup> Therefore a bottom-up, value-chain-by-value-chain implementation strategy should be the focus.<sup>4</sup>

Standing time increases transport costs substantially and is dependent on the type of cargo being transported. Regardless of various initiatives by the private sector, logistics companies currently attribute 60% of high and uncompetitive logistics costs to standing time, and identify poor management at borders as the major culprit. Supporting literature notes the problems are operational rather than related to physical infrastructure. The case studies cited in this policy briefing thus sought to explore these softer, operational issues.

Case studies were conducted by a team of four researchers, with interviews being held with various stakeholders and agencies on both sides of the Musina and Beitbridge borders, as well as at Chirundu, using a qualitative research technique. Beitbridge and Chirundu were selected because of the high amount of traffic that passes through them. The methodology consisted of a semi-structured questionnaire, used as a guide for data collection, with the open-ended structure of responses allowing in-depth interviews. Some insights from the stakeholders’ workshops in Harare and Pretoria were also briefly included in the findings.

These stakeholders were chosen randomly or through leads provided by the researchers’ network of consultants. On the Beitbridge side, the stakeholders engaged on the ground and through other mediums included:

- Zimbabwe National Road Administration and Zimbabwe Revenue Authority (ZIMRA) officials (six government officials in total) on immigration control and customs procedures;

- 25 male truck drivers;
- one medical services volunteer from Trucking Wellness;
- eight local business owners, including three truck park owners;
- 12 clearing agencies;
- 24 cross-border traders; and
- five touts and vendors willing to engage.

On the Chirundu side we interviewed:

- 19 clearing agents;
- 23 cross-border traders;
- 17 transit cross-border traders;
- 15 truck drivers;
- six bus drivers;
- the district economic planner;
- the district social planner; and
- the district HIV/AIDS coordinator.

Customs officials on both sides of the border (ZIMRA and the Zambia Revenue Authority) were also engaged with. The number of interviews depended on respondents’ availability and willingness to answer and was limited by the short time period available.

According to respondents, on average 400 trucks passed through Beitbridge every day in the first half of 2018. The truck drivers indicated that the average waiting time for a truck whose documents were in order was 48 hours. While in Chirundu, we found that an average of 280 north-bound (into Zambia) and 140 south-bound (loaded) commercial vehicles crossed the border every day, with approximately 7 000 commercial vehicles every month and an average of 12 passenger buses every day. Customs officials said that south-bound trucks took between two and 16 hours to complete border formalities in Chirundu, while some drivers estimated their waiting time at 36 hours.

From our findings, the four main causes of standing time at both borders were: poor signage and a lack of disaggregated lanes for offloading trucks, transit trucks, buses, commercial vehicles and passengers; a lack of risk management processes for scanning and inspections, leading to numerous inspections and duplication of efforts among border agencies and causing longer queues; too few customs officials and inadequate inspection bays; and driver behaviour, where drivers remain at the border despite having been cleared.

Poor information communications technology (ICT), weak interagency coordination owing to the lack of ICT connectivity, inappropriate infrastructure, ASYCUDA<sup>5</sup> system failures, badly trained and tardy clearing agents and shorter operational periods (on the Chirundu side), were also listed by stakeholders as extending standing time. One major issue that was mentioned by about a dozen stakeholders was the numerous documents required and delays as a result of inadequate border and internal coordination. This underlines the importance of inter-agency coordination at borders.

Table 1 captures some responses from Chirundu and Beitbridge on the reasons for border delays.

## DRIVER BEHAVIOUR

Truckers face poor working conditions in general, which undermine driver well-being and contribute to slow movement along the corridor. Truck drivers reported a litany of workplace challenges, which are both a serious labour rights concern and have the potential to slow movement at borders. They complained about a lack of downtime between trips and so preferred to spend more time at the border to rest, even once clearance is completed. They did not have enough funds for necessities, as many were not given adequate stipends

by their employers, and as a result of this they were more likely to act as conduits for smuggling by mainly cross-border traders. Other complaints included poor treatment by certain officials; the lack of amenities at border posts; downsizing of support teams such as escorts and co-drivers; concerns over harassment in the Democratic Republic of Congo and xenophobia in South Africa; and reports of union-busting during attempts to organise. It is thus doubtful whether drivers have any incentive to reduce standing time.

Drivers contribute to standing time by remaining at the border despite documentation being cleared. Drivers said that they preferred to stay within the border area to undertake errands, to rest and for entertainment purposes, such as the use of sex workers. Some drivers go home, to nearby towns such as Harare, and wait until the completion of their clearance documents. The additional time spent commuting back to the border adds to standing time. On average, a driver can spend an additional day or two at the border after having been cleared by customs.

The survey showed that driver behaviour is an important cause of extended standing time. This insight reinforces the fact that broad engagement with stakeholders is required when new trade facilitation

**TABLE 1 SUMMARY OF INTERVIEWEES' RESPONSES REGARDING LONG STANDING TIMES, CHIRUNDU AND BEITBRIDGE**

REASONS FOR DELAYS	NUMBER OF TIMES MENTIONED (CHIRUNDU)	NUMBER OF TIMES MENTIONED (BEITBRIDGE)
Staff shortages and inadequate inspection bays	9	5
System failures <sup>6</sup>	6	15
Multiple inspections	2	9
Too many documents and delays resulting from other border and internal coordination issues (OSBP* specific)	11	not applicable
Slow and tardy agents/clearing agents' errors on declarations	2	7
Delays in remitting duties by consignment owners	5	5
Inadequate infrastructure / lack of separate transit lanes	3	20
Delays in bills of entry for the other side of the border (OSBP specific)	4	not applicable
Submission of declarations without import licences where required	no information	10

\* One-stop border post

Source: Compiled by authors

measures are introduced. The implementation of new border procedures to reduce waiting time may be compromised if the source of the constraints/challenges

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causing drivers to remain at borders is not addressed. Driver behaviour must thus be incorporated into trade facilitation initiatives.

## RISK MANAGEMENT PROCESSES

Improved risk management processes are needed at these borders as they contribute to unnecessary queues. At Beitbridge, drivers reported that Vehicle Inspectorate Department officers failed to issue receipts to truck drivers immediately after they pay for road transit coupons, and at times as much as three hours later. In Chirundu it was noted that a lack of coordination and cooperation among border agencies often resulted in multiple inspections, increasing standing time. Consignments must be offloaded for physical inspection by customs, by agricultural experts for import and export permits, and by standards officers, among others, before reloading. Additionally, queuing for the electronic scanner can take up to two hours per truck. A randomised scanning procedure could be considered to reduce standing time during such procedures.

## STAFFING POLICIES

A review of staffing policies at both borders is required to ensure they are well staffed, especially during peak traffic flows, as long queues cause unnecessary waiting. Truck drivers also attributed the extended border standing time to Zimbabwean customs officers who serve clients while accessing social media on their cell phones. In addition, those interviewed reported that some clearing agents were tardy, mixed up procedures, and made errors on documents that then had to be corrected. This is caused by a lack of appropriate training in clearing and forwarding for most clearing agents on the Zambian side submitting documentation to customs agents, which causes a disconnect in procedural expertise. To

ensure gender mainstreaming among government staff, an official staffing audit should be conducted to ensure officials are equally represented. This would also help female cross-border traders to report harassment or seek legal recourse with more ease, by being able to approach a female official.

## POOR SIGNAGE

As a result of poor signage, touts are needed at borders to assist travellers, creating an enabling environment for corruption and unnecessary middleman interactions, and resulting in added time. Despite Chirundu's being a OSBP, insufficient signage and poor coordination between agencies increase time at the border. Beitbridge requires a serious border re-design to simplify its time-consuming crossing processes by including sufficient signage and reducing the multiple steps taken by trucks, commercial vehicles and passengers. Modernisation plans are currently under way. It would be interesting to analyse the economic implications of this, as the difficulties with the Beitbridge crossing have seen the volumes of freight using the border post decrease noticeably in 2018, with drivers preferring to use other routes such as Grobler's Bridge or Pont Drift.

## TRADE FACILITATION MEASURES

Trade facilitation measures may have a disruptive impact on firms operating at the border, but a lack of improvement in efficiency at the border can also undermine the industry. For example, Beitbridge is now open 24 hours a day, which has led to the closure of major hotels in the area as travellers prefer to continue with their journey rather than seek accommodation. In examining the current economic activities at these borders, it is clear that, while some level of border activity will likely remain regardless of trade facilitation changes, the current structure of border economies does not seem sustainable if improvements are made to facilitate border crossings without the creation of new economic opportunities in the long term.

Additionally, resistance from local industry could undermine trade facilitation reforms, as could firms' failure to take advantage of these reforms. For example, while the Beitbridge border now operates on a 24-hour schedule, most clearing agents do not, which undermines the impact of such reforms. Similarly, clearing agents require training and capacity building to ensure they

comply with new and existing procedures, and that the benefits of the government-introduced facilitation measures are realised.

Firms were also concerned about the risk of trucks' choosing alternative routes because of difficulties at the Beitbridge crossing, as mentioned earlier. There has reportedly been a 16% decrease in traffic since 2016.

Hence there is a need for broad engagement with stakeholders when new trade facilitation measures are introduced. This public–private interaction is necessary to ensure the tension between trade facilitation measures and stakeholders engaged in border activities is minimised and that the needs of the various stakeholders are incorporated in such measures.

## BORDER ECONOMY

Beitbridge's border economy can broadly be divided into four segments: mostly informal cross-border trade; a formal retail network that serves both traders and those crossing the border; a logistics industry largely serving the movement of freight through several clearing agencies; and, theoretically, manufacturing, which has potential for further development through the Musina-Makahdo special economic zone. Stakeholders that serve the border area need to be included in planning processes on trade facilitation initiatives, as a lack of coordination can undermine otherwise useful reforms.

Chirundu's economic activity consists predominantly of small-scale or informal cross-border traders, mainly

women and youth. Small-scale traders bear the brunt of many of the inefficiencies at the border post. There is a need to educate cross-border traders on official customs procedures, particularly on using the Common Market for Eastern and Southern Africa's information desks and the Simplified Trading Regime. The inadequate supply of amenities such as showers, toilets on the Zambian

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side (costing ZMW<sup>7</sup> 2 [\$0.20] per use) and low-cost accommodation is among the constraints experienced by cross-border traders, women and those travelling with children. With increased investment in the district, however, such as the recent construction of a Shoprite shopping mall, there have been positive spill-over effects, eg, the opening up of neighbouring markets to Chirundu's agricultural products.

Key policy options and an example of a draft action plan, highlighting beneficiaries that would benefit from these initiatives, are listed below.

**FIGURE 1 DRAFT ACTION PLAN**

RECOMMENDATION	BORDER FIRMS	TRAVELLERS	TRUCKERS	BORDER TOWNS
Single point of communication for complaints and issues				
Regional trucker federation				
Development of qualifications and support for training				
Construction of secure, low-cost accommodation				
Construction of logistics parks				
Accreditation of vendors and guides at border posts				
Special processes and support to cross-border traders				
Long-term: Centralised warehousing for cross-border traders?				
Long-term: Cross-border economic zones?				

## POLICY RECOMMENDATIONS

- 1 While trade facilitation initiatives are gradually being implemented, the state and private sector should institute coping strategies that involve better and more transparent communication mechanisms between border agencies and the public, and provide amenities at the border targeting women and youth, such as low-cost accommodation. The education of cross-border traders on trade processes should be prioritised. There is an incentive for the state to coordinate policy implementation to ensure trade facilitation measures are aligned with private sector interests.
- 2 The governments of both countries should re-engineer border processes by redesigning the border; deploying efficient signage; disaggregating traffic lanes; reviewing staffing policies, especially during peak traffic flows; conducting joint inter-agency inspections, including implementing procedures to reduce duplication of efforts; and introducing better risk management and sampling procedures for inspections and scans.
- 3 Driver wellbeing must be a priority and the public sector should support the formation of a national or regional-wide association to advocate for better conditions and ensure that drivers are represented in policy design, with driver behaviour also factored into trade facilitation initiatives.
- 4 Border firms need support to ensure clearing agencies provide training and capacity building to existing clearing agents (especially with youth on the Zambian side) to reduce operational errors; the industry should look to standardise clearing agents' qualifications in the SADC region.

## ENDNOTES

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- 2 Lowitt S, 'Cross-Cutting Logistics Issues Undermining Regional Integration Across SADC', TIPS, 2017, <http://www.tips.org.za/research-archive/trade-and-industry/item/3414-cross-cutting-logistics-issues-undermining-regional-integration-across-sadc>, accessed 10 July 2018.
- 3 Lowitt S, 'A Targeted Approach to Improving Logistics Efficiency and Decreasing Transport Costs in SADC Member States', Paper presented at 'Borders in Southern Africa: Unlocking an Economic Development Opportunity', TIPS and GEG Africa (Global Economic Governance Africa) Development Dialogue Seminar, Place, 10 July 2018, p. 1.
- 4 *Ibid.*
- 5 Automated System for Customs Data.
- 6 The researchers were delayed for two hours crossing into Zambia with a private vehicle, owing to the system delays. Officials must wait for authorisation from Lusaka to initiate a manual capturing process for the issuing of toll fees.
- 7 Currency code for the Zambian kwacha.

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