



**Border Economies in emerging
countries – Case of Chirundu
Border**

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Outline

- Introduction and Motivation
- Waiting Times and Driver behavior
- Economic Opportunities
 - Localised cross border trade
 - Transit cross border traders
 - Value added services – industrial effect
- Recommendations



Of interest to GEG Africa

The overall objective - document the extent to which trade facilitation measures have been successful in reducing border costs. In particular, we look at:

1. Causes of delays at borders
2. The driver waiting time and time use at the borders
3. The effect of the border on regional economies/socio economic dynamics of borders with special focus on:
 - Cross-border trade – among youth and women
 - Employment opportunities and potential industrial development

Results will be used for policy input into trade facilitation and industrialisation

Methodology

We conducted a survey of stakeholder at Chirundu border post.

Among the agents interviewed are:

Customs officials – on both sides of the border (ZIMRA and ZRA)

Assistant commissioners

Clearing or customs agents

Cross-border Traders – these were classified into two

Localised cross border traders - largely buy and sell within Chirundu cross borders

Transit cross-border trader - those buying commodities and sell in the interior –Lusaka copper belt

Methodology

Truck and bus drivers

Key informants:

Local authorities – Economic planner, Social planner and district HIV/AIDS coordinator (Zambian Side only)

Cross-border trade association – Zambian Chapter

Interviews of cross-border traders at COMESA markets in Lusaka

The cross-border traders, transit traders, drivers and agents were randomly selected

Sampled and interviewed

Agents	Interviewed	Other information
Clearing agents	19	19 (14 male and 5 female)
Cross- border traders	23	(Some in groups of up to 3 & 8 from COMESA)
“Transit” cross-border traders	17	(6 Zimbabwe side and 11 Zambian side)
Drivers	13	(4 Zimbabwe side –bus and trucks) and 13 Zambian side, 4 buses and 9 trucks)

Waiting time and driver time use



The major causes of the delays are:

- Poor coordination between the Zambian clearing agents and the truck drivers – regarding documentation errors by agents especially.
- Some consignments have to be inspected by both the customs officials and other border agencies.

Despite the improvements in border operations, the waiting time for the clearance procedure remains long

- It ranged from 2 to 8 hours for passenger, perishable products and transit trucks
- 4+ days for consignments destined to Zambia

Waiting time and driver time use

1. Delayed payment of duties by consignment owners - tends to delay drivers at the border
2. Scanning- the ZRA regulation requires that all containerized trucks heading North be scanned; resulting in long truck queues and delays
 - Even after being scanned, most of the consignments are also physically inspected – the offloading and reloading processes often take long – adding to waiting time (2+ hrs; 7 mins per truck)
 - *Better risk management processes needed.*
 - Most drivers only hand over the documentation to agents for clearance once they arrive at the border this tends to consume lots of time.
 - *Use of preclearance facilities should be promoted more*

Waiting time and driver time use

Driver Behaviour

- Drivers spend most of their time on the road, with little time with their families. This tends to add to the waiting times in two ways :
 - a) Some drivers leave the trucks at the border and return to their homes; delays result from added commute
 - b) Driver choose downtime for resting purposes rather than proceeding whilst tired adding to standing time.



Waiting time and driver time use

- Delay due to in-country regulations
 - Some transit drivers attributed some of the delays to the in-country regulations that prohibit trucks to travel after some hours.
 - In the case of Zambia, trucks are not allowed to travel after 9.p.m.
- These drivers decide to remain within border regions if trucks are cleared late in order to comply with the law

Waiting time and driver time use

- Longer waiting times at the border adds to the **trade costs incurred** by the transporters and consignment owners.
 - Estimates show that a day's delay costs between \$80 and \$200
- Apart from the costs incurred by the shipping firm, drivers also incur unplanned expenditures such as:
 - Food costs – the drivers indicated that they spent between ZAR 40 if they cooked for themselves and up to ZAR130 if they have to buy on a daily basis
 - Amenities – All the interviewed drivers sleep in trucks. However, they pay for amenities like toilets and showers (average of ZAR 30 daily if they stay in the same place)
 - Use of commercial sex services

Cross-border traders



There is a formal and localized informal cross-border trade between the two countries

- Friday and Monday markets
- Dominated by women (youngest 14 years -72 year) mean age of 37 years
- Their **livelihoods** depend on retailing in markets and cross border trade.

Cross-border traders – Dominant trade?



Agricultural products – such as tomatoes, vegetables (from both countries)



What Zambians take to Zimbabwe

- groceries e.g. cooking oil, toilet paper etc.
- Used clothing – shoes, skirts, shorts etc.
- Charcoal



Zambians also buy fruits, vegetables, blankets and sugar

Cross-border traders



None of the women complained of sexual harassment



The traders do not need to fill in any forms to cross borders to trade, as this is simplified

Cross-border traders - Challenges

- Zimbabwean sugar is lucrative in Zambia, however, it is banned on account of the need for fortification with vitamin A
 - Any exports have to be illegal and smuggled
 - Restrictions have become greater after shoprite opened a mall in Chirundu
- The export of used clothing is banned in Zimbabwe and is illegal but are freely sold in the market
 - Most of the used clothes is smuggled through border in smaller parcels or one has to negotiate with gate keeper
- Most women lack capital to grow their business

Transit cross-border traders

- Import most of their merchandise from South Africa
- Most of them are importers of
 - Clothing – children’s wear, menswear, curtains, blankets etc.
 - Groceries and cosmetics, wigs etc.
 - Car spare parts, construction fittings such as taps, electric fittings
- A few export Zambian foodstuffs such as – beans, dried fish and vegetables
- Cross-border trade is the main occupation for most of these traders
 - No record of instances of sexual harassment

Transit cross-border traders

- On the border challenges
- Mainly, the determination of import duties:
 - Most of them are **aware that they can make self-declarations** of the imports to customs
 - However most of them complained that **customs duties tend to be higher** under self declaration than if an agent cleared for you
 - Most of them were not aware of how duties are determined and the **appeal processes** in case of a disputes
 - They also complained of **high brokerage fees** – paid to agents
 - The **system is currently opaque** with potential for breeding corruption

Formal and other Employment

- The border is the main formal employer in Chirundu
- There are over 95 clearing agencies employing 2 to 4 people each
 - Except the large global logistical companies - employed up to 14 people
 - About 40 and 60 freight companies present in Zimbabwe
- On average freight and customs agents employ about 300 youths – about 60% males and 40% females
 - Main source of livelihoods - earning between US\$170 and US\$350 monthly on both sides of the border
 - Fewer Zambian agents had relevant professional qualification than Zimbabwean counterparts

Border has spill-over economic effects

Types of economic activities stimulated and anchored on the border

Several shifting /open market stalls have been established selling food, water and cookies to travelling passengers

Private sector investment – paying toilets at the border are run by private firms that charge up to US\$0.2 per use

Although travelers complain of inconveniences in getting appropriate currency to pay for the services, they felt the charges were affordable.

Several truck parks have been established to service the waiting drivers. These also employ guards etc.

Additional jobs exist in restaurants, housing construction and new investments in malls etc.

Policy Recommendations

- Minimizing delays for north passenger and commercial terminals
 1. High waiting time is partially due to lack of technical skills by clearing agents. Deliberate efforts must be put in place to professionalize the workers
 2. Improve the communication between clearing agents on both sides in transmitting documentation for trucks (and inter agency coordination within ZRA)
 3. ZRA should increase its staffing levels especially on the physical inspections side and value determinations
 4. The ZRA could undertake sampling of containers for scanning rather than scanning every truck – this creates congestion and high waiting time

We consider the following

- On Cross-border
 - Inform: The revenue authority could publish how it calculates the duties in simple and accessible formats for cross-borders traders
 - Educate: There is a need to educate the cross-border traders about the procedures for legal recourse in cases of unfair charges.
 - This is not currently obtaining because of lack of information between traders and customs officers
 - Stakeholders could engage simplifying the complex customs and related documentation to make it accessible to cross-border traders

THANK YOU

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