Investigating and tackling corruption in African ports

LSE research helped Mozambique design anti-corruption policies to stem the loss of business from its ports to other countries

What was the problem?

High levels of corruption in Mozambique's port of Maputo affected the country's attempts to position itself as the gateway into Southern Africa and its ability to secure commercial opportunities in cargo transport and storage from nearby landlocked countries.

Despite being one of the world's fastest growing economies with large mineral reserves, the country remains impoverished and indebted after emerging from civil war in the early 1990s. The nation's growth is hampered by corruption, poor infrastructure, inequality and low average life expectancy. The effectiveness of its port in Maputo is a significant factor in the country's ability to develop and grow its economy and increase the wellbeing of its population.

What did we do?

Dr Sandra Sequeira, Assistant Professor in Development Economics in LSE's Department of International Development, conducted an investigation of the corruption occurring in two competing ports in Southern Africa.

Using highly detailed data, she compared the port of Maputo with its competitor, the port of Durban in South Africa, to see whether bribery was affecting the cost of trade, what impact it was having on the region's businesses and what this meant for the success of the ports.

She found that the probability of paying a bribe was much higher in Maputo – 53 per cent compared to 36 per cent in Durban – and that the average amount of the bribe was also approximately three times higher. The frequent and large bribes paid to customs in Maputo increased the cost for firms of using the port by 140 per cent.

Sequeira discovered that the way in which the ports' bureaucracies were organised determined if, and how, officials were able to extract bribes.

The bribery took two forms – collusive corruption where both parties benefited from an illicit deal, such as paying to evade tax, and coercive bribery or extortion, which only benefitted the corrupt official.

To see how this affected business, Sequeira looked at which of the ports firms used when they had a choice. Most of the firms she looked at were equal distance to both ports, but a significant number were closer to the more corrupt port of Maputo. She found that firms were willing to travel, on average, an additional 319 kilometres to use Durban in order to avoid the coercive bribery they would encounter at the Maputo port.

In the most extreme case, a firm would be willing to pay three times as much as the bribe itself to travel 'the long way round' to use to the non-corrupt port in Durban. These firms were willing to pay a premium to avoid the uncertainty surrounding bribe payments.

As well as a loss of revenue for the port, this loss of trade also meant that Mozambique missed out on the wider benefits that come from imported goods, such as technology, and their potential to help encourage economic growth and development.

> ‘Sequeira helped accelerate reform within the port of Maputo by proposing anti-corruption policies based on her research findings.’

Firms that experienced collusive forms of bribery were more likely to use the corrupt port because it reduced their costs, but this corruption was found to be associated with the equivalent to a five percentage point loss of tariff revenues for the government.

What happened?

Sequeira helped accelerate reform within the port of Maputo by proposing anti-corruption policies based on her research findings.

In September 2010 Sequeira was asked by the President of the Mozambican tax authority to present her research findings and policy proposals to high-level customs officials.

At the meeting she recommended designing policies that reduced the opportunities for corrupt officials to have direct contact with the firms using the port, making it more difficult for them to extract bribes.

She provided evidence on how their competitor, the port of Durban, had done this by using an online system to submit clearance documentation, which had resulted in a significant reduction in corruption.

Following her presentation, the Government of Mozambique accelerated the development and implementation of such a system, called the ‘electronic single window.’ The programme was launched in 2012 at the port of Maputo and is expected to be fully rolled out to all the country’s border posts and ports by 2015.

Research has shown that reducing the cost of trade can help increase a country's income and improve social welfare. Although not explicitly documented in this case, and recognising the fact that trade costs are determined by many other factors beyond corruption, such benefits are expected to have accrued.

Sequeira's research has been of interest to organisations such as the World Bank, which has been involved in facilitating the privatization of the port of Maputo, and the UK's Department for International Development, which is designing its own trade and anti-corruption strategies for Sub-Saharan Africa.

The research has also been used by the US Embassies in Maputo and Pretoria for internal briefings on corruption at the port.

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