

## Designing and Explaining the Model of Improvement of Integrity in the Customs of the Islamic Republic of Iran (Based on Grounded Theory Method)

Gholamhossein Homayouni\*, Abbasali Rastgar\*\*  
Hassan Abedi Jafari\*\*\*, Hossein Damghanian\*\*\*\*

Date Received: 98/06/24  
Date Accepted Final: 98/10/02

### Abstract

*The World Customs Organization has issued a number of statements about the provision of strategies to improve the integrity of the world's customs, the most important of which is the "Revised Arusha Declaration". Since the adopters of Arusha Declaration emphasized that the components mentioned in this declaration should be considered according to the conditions of each country and its degree of economic development, this study sought to provide a model for improving the integrity of the Islamic Republic of Iran Customs on the basis of the Arusha Declaration. In order to achieve this model, the Grounded Theory method was used, and the researcher has obtained the required data from the relevant documents (60 items including book, article, research, dissertation) as well as semi-structured interviews from the experts of executive of the customs that have been up to the saturated theoretical (12 people) who have been selected according to the concept of knowledge and purposefully, and after coding and identifying the categories, the model has been presented. Additionally, for model validation, researcher's sensitivity criteria, methodology coherence, sample fit, repetition of a finding, and use of informed feedback were used. The results show that by focusing on three categories of transparency, accountability and regulatory framework and improving the automation, human resource management, relationship with private sector, audit and investigation, organizational risk management, employee efficiency, transparency in codes of conduct, leadership commitment, and promotion of customs procedures can achieve organizational efficiency and improvement of integrity.*

**Keywords:** *Customs, Integrity, Corruption, Arusha Declaration*

---

\*. Ph.D. Student, Faculty of Economics, Management and administrative sciences, Semnan University, Iran

\*\*\*. Associate Professor, Faculty of Economics, Management and administrative sciences, Semnan University, Iran. (Corresponding Author), Email: a\_rastgar@semnan.ac.ir

\*\*\*\*. Assistant Professor, Faculty of Management, Tehran University, Iran

\*\*\*\*. Associate Professor, Faculty of Economics, Management and administrative sciences, Semnan University, Iran

## **Introduction**

Today, corruption has become a global issue, and governments are aware that corruption is causing much harm and it does not have any limitations, as its results and consequences are varied according to the type of political and economic organization and level of countries development. In any case, corruption is degenerating, putting government policies in conflict with the interests of the people majority and destroying national resources. It also reduces the effectiveness of governments in leading the affairs, thereby reducing people's confidence in government institutions and leading the government to divert its macro policies. On the other hand, if not all, most of the customs functions are prone to corruption, which should be done with the necessary measures to prevent corruption and improve the efficiency and integrity of the customs. The World Customs Organization (WCO), by issuing Arusha Declaration, and encouraging countries to join the declaration, has tried to promote integrity in the world's customs. This declaration has 10 items: Leadership and Commitment, Regulatory Framework, Transparency, Automation, Reform and Modernization, Audit and Investigation, Code of Conduct, Human Resources Management, Morale and Organizational Culture and Relations with the Private Sector (De Wulf & Sokol, 2005: 225). Governments need efficient and effective customs administration to properly implement their financial, economic and social programs and policies. By reviewing customs goals and plans, it can be easily understood that the success or failure of governments to implement policies and programs for economic development depends largely on the role and efficiency of customs in that country. Statistics related to corruption assessment show that corruption in customs organizations is the most severe in comparative to the other public agencies (Rafi Pour, 2007).

It should be noted that the Arusha Declaration is based on the diversity of management, political, economic and legal systems of countries. In principle, countries can implement this declaration to the point where they do not conflict with the principles which are governed of administrative, political, economic and especially legal systems. As customs plays a fundamental role in all international trade interactions and is usually the first gateway to the world from the point of view of it, customs corruption also clearly affects the capacity of a country to benefit from the global

economy (De Wulf&7 Sokol, 2005: 210). Regarding the importance of customs in the country's economy and reports of the existence of corruption in this organization, addressing the issue of integrity as a preventive measure in the customs is necessary. Accordingly, this study seeks to answer this question: "How can be the integrity improvement model of the Islamic Republic of Iran Customs based on Grounded Theory Method?"

## **Definitions**

### **Integrity**

The concept of integrity refers to the application of the values, principles and criteria of government officials in carrying out their daily activities in public and private organizations and institutions. This concept means acting with honesty and transparency and accountable use of power and effort to gain and maintain public trust (Brown et al., 2018, 60).

In addition, the integrity within the organization is linked to issues such as accountability, rule of law, transparency, prevention of offenses and economic crimes and the fight against corruption (OECD, 2012: 12).

### **Corruption**

Corruption is a Conceptual which is multifaceted and varied, not just from one country to another, but from time to time. For example, what the public now condemns in the developed countries as "corrupt acts" was not condemned in the past, or not condemned in other societies. Corruption is a complex Conceptual and this complexity prevents it from recognizing all the causes and factors that affect it. In addition, factors that are involved in the creation of corruption are not necessarily the cause of it. Also, corruption involves a range of behaviors that imply a violation of certain rules and regulations and harm social norms. While corruption can be assumed and even possible in all societies and organizations, scale and extent of corruption varies by individuals, public sector agencies, management cultures and geographic areas. In short, as many scholars and researchers have pointed out about corruption, it is very difficult to achieve a single definition of corruption; corruption always has many social, cultural, legal, and political backgrounds, and in fact, it is a social and cultural phenomenon (Heidenheimer & Johnston,2011).

The Transparency International Organization (TI.org) defines corruption

as "abusing the public power for personal gain" (Langseth,2016).

A report by the Organization for Economic Co-operation and Development (OECD) on integrity states:"People have the right to expect government officials to work with integrity, and to hold government agents accountable for misconduct and corruption. Citizens expect government officials to strengthen values such as integrity and to do so in the day-to-day affairs and act in the interest of the public. Justice, reliability and systematic decision-making in public organizations increase public confidence. Integrity is imperative for the government to legitimize and be trusted and effective, and therefore this is basic and essential element of good governance" (OECD 2012: 32).

### **Customs**

Customs is an international term. The Customs Co-operation Council (C.C.C) defined the customs as: "Customs is an organization that is responsible for the enforcement of customs laws and the collection of import and export duties, as well as import, transit and export of goods." Customs is the financial and economic organization that has existed in countries for a long time, and at any time, according to the requirements of the time and the will of the governments (Tafazoli et al., 2016, 45). According to the World Customs Organization (WCO), "Customs is an essential institution for the good governance, welfare and protection of the community." Customs activities are directly related to the goals and priorities of the government in the following areas: customs clearance, collection of duties, protection of society, environmental protection, the application of business policies, the protection of cultural and historical heritage. Therefore, the customs organization has cooperated with a wide number of ministries and government departments. The role of customs at the national level serves as a heart for success in implementing government policies and programs. Therefore, the success or failure of governments to implement policies and programs for economic development largely depends on the role and effectiveness of their customs (World Customs Organization, 2016).

### **Arusha Declaration**

On July 7, 1993, the Customs Co-operation Council approved the Declaration on Arusha (Tanzania) at its the eighty- one and the eighty-second sessions. The purpose of the declaration was to encourage members of the council to comply with the laws governing integrity and its effective implementation by governments. This declaration highlights important points in combating corruption in customs like smuggling of goods, facilitating the flow of legitimate trade, the rule of law of customs affairs, transparency of customs regulations, tariff modifications, to remove tariff restrictions and reducing administrative regulations, simplification of customs procedures, automation, audit, systematic control and inspection, strengthening of appropriate human relationships, regulating codes of conduct, continuous professional training, taking into account the right for employees to participate in the customs decision making and providing sufficient wage and benefit and establishing open and transparent relations with the business communities (Arusha, 1993). The declaration of Arusha was revised in 2003. In a revised statement, members of the World Customs Organization have been working to organize the provisions of the Arusha Declaration in the following ten areas: leadership and commitment, regulatory framework, transparency, automation, reform and modernization, audit and investigation, code of conduct, human resource management, morale and organizational culture, and relationship with the private sector (Arusha, 2003). The revised declaration calls upon customs administrations to implement comprehensive and sustainable integrity action plans based on the key principles outlined in the declaration and on public sector, the business sector and members of the international community to support Customs in its fight against corruption.

### **Theoretical Foundations and Research Background**

Heilbrunn states that the system is more than a simple sum of components, and this concept of the system leads us to the conclusion that the system of integrity becomes greater when considered as part of a broader system of governance. In his view, several international institutions have working to promote political governance and in the past two decades, presented new frameworks for assessment of integrity. These frameworks usually include a combination of elements of governance, such as

legislative, executive, management and educational arrangements that recognize the multilevel nature of values and processes of integrity (Heilbrunn, 2004: 32). In his view, in a well-developed system of integrity, these factors, which underpin good governance and promote ethical and effective pursuit of public goals, will be scattered throughout the political, social, economic, cultural, and legal institutions of a nation.

### **The model of the national integrity system provided by the Transparency International Organization**

The term "National Integrity System" (NIS) was first published internationally by Jeremy Pope, president of the International Transparency Organization (TI.org), in the 1990s. The first glimpse of this concept was launched at the Anti-Corruption Workshop in Tanzania in 1995, which was organized by the International Transparency Organization and the World Bank(WB), and since then it has been given the notion of a very important position in politics and anti-corruption programs after the 1990s. After describing the term National Integrity System in the Source book of the International Transparency Organization in 2000(TI Source Book), this concept was used as the basis for assessing the integrity structure of different countries of the world, and since then, numerous lectures have been written on the assessment of the National Integrity System by different scientists. This concept implies that a system is not stable, unless supported by strong institutions that are necessary for function. Pope states that the improving of integrity and the effectiveness of anti-corruption strategies can not only be left to a single institution, but such affairs need to a set of powerful institutions such effective laws, appropriate measurements and established ethical standards. Pope states that in a society where there are powerful institutions that support the national integrity, that society can benefit from the fruits of that position through the benefits of sustainable development, the rule of law, and the suitable and reasonable quality of life (Pope, 2000).

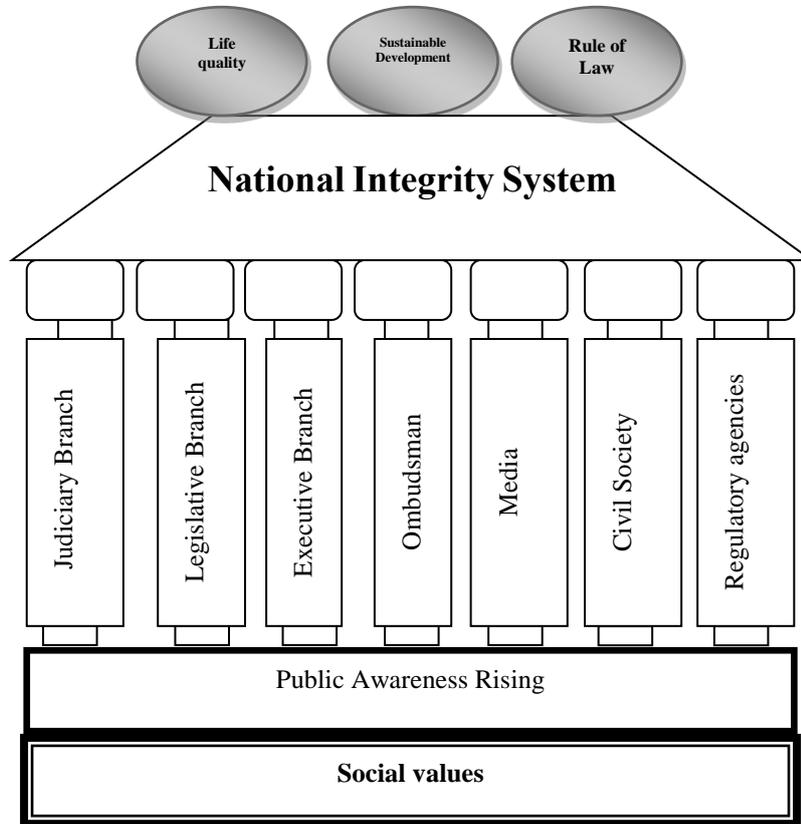


Figure 1. National Integrity System of Transparency  
International Organization (Pope, 2000)

From Kauffmann point of view, the system of integrity has been weakened by behaviors that are ineffective in strengthening the values and principles of organizations. This concept can cover a wide range of behaviors, from simple mistakes in performing administrative tasks through intentionally breach of laws or even criminal activity. Kauffman shows this behavior in the following figure. Kauffman divides this scope into three types of undesirable behaviors: mismanagement, leadership abuse and corruption (Kaufmann, 1999: 8).

**Mismanagement.** Mismanagement refers to administrative tasks that

are not executed properly and accurately. This concept may include inefficiencies, incompetence and poor decision making.

**Misbehavior and leadership abuse.** Misbehavior is more severe than mismanagement. At this point of view, there is a greater level of misconduct than mismanagement. Misbehavior is more than lack of attention or lack of effort. This concept may include violations of behavioral principles and may include dishonesty.

**Corruption.** Corruption is a phenomenon beyond misconduct and involves various forms of "abuse of power or abuse of authority". In a broad sense, the World Bank adds an element of personal gain and defines corruption as "abusing public power for personal gain". Corruption undermines public trust and has a major impact on the reputation of the organization (Ibid. 54).

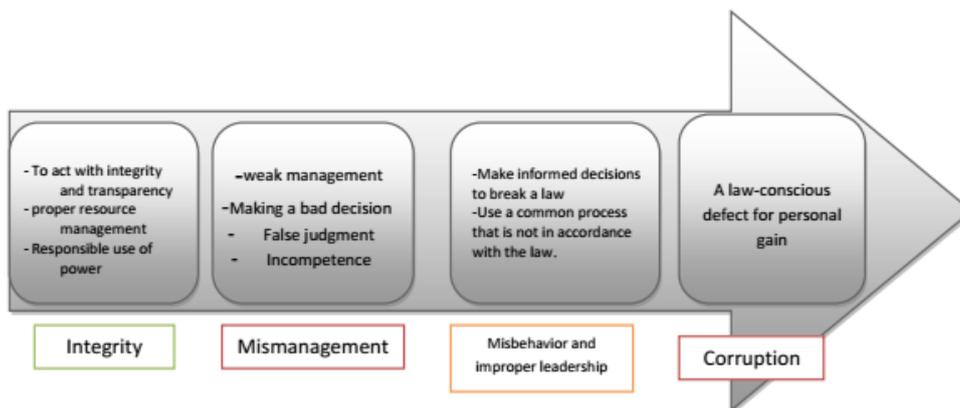


Figure 2. The Transformation of Integrity in an Organization to Corruption (Kaufmann, 1999)

Klitgaard has provided a useful analytical framework for analyzing corruption. According to Klitgaard belief, the likelihood of corruption occurs at the highest level when agents (individuals or groups) enjoy exclusive power over customers, as well as the power or authority to procure goods or services and the level of response is also low (Klitgaard, 1988). According to this framework, the probability of occurrence of corruption follows a simple equation:

### **Corruption = Monopoly + Discretion - Accountability**

This framework has a special relationship with the customs environment, where, because of executive monopolies, customs offices are often the sole responsibility and also are relatively low-level and enjoy decision-making and monopoly power, and oversight and accountability levels are often weak.

### **Research Background**

1. In a study conducted by Dutra entitled "Customs Facilitation and plans for reduction of Customs Corruption", aimed at "Investigating the Relationship between Trade Facilitation and Reducing Corruption in Customs " and which was conducted internationally, the results showed that trade facilitation programs will only help reduce corruption if customs agencies implement widespread and serious anti-corruption and productivity enhancement programs (Dutra,2015).
2. Another research by McLean & Durrani entitled "Investigating Corruption in Customs" which it is implemented in the international scope showed that addressing the problem of corruption in the customs of each country requires constant vigilance and practical strategies for solving the problem in general.  
In this research, factors affecting the reduction of corruption in the customs were as following: anti-corruption tools (including dealing with crimes and offenses during the sampling and laboratories), modernization (automation and use of modern customs tools), and customs reform (reforming in procedures, Customs structures, laws and regulations, enhancement of transparency in customs, improvement of audit and inspection),( McLean & Durrani,2013).
3. The study was conducted by Widdowson in the scope of international entitled "Corruption Bounding: An Analysis of Customs Corruptions which affecting the Society of Merchants" with the aim of "investigating the types of customs corruptions that directly or indirectly affect the business community". The results of the study showed that success in any anti-corruption approach depends on the political, social and cultural environment (Widdowson, 2013).
4. the study was conduct by N.donga in the scale of international entitled "Managing the Risk of Customs Corruption through Single Window

Systems" with the aim of "describing the use of single window systems as a tool to fight corruption". The results of the study showed that single window systems and automation approach are effective when this tools combined with other anti-corruption approaches (including reduced powers with personal discretion, increased accountability of staff and customs officials, improved customs monitoring mechanisms, improved human resources management, improving the quality of training, improving communication with the private sector, promoting organizational risk management, promoting customs procedures, including export, import, review, financial, valuation, transit) (N.donga,2013).

5. The study was done by Michael & Moore entitled "what we have known about Corruption (and Fighting Corruption) in Customs?" aimed at "defining the problem of corruption and examining possible solutions to it" at the international level. The results showed that all approaches adopted in the past decade to fight against corruption in the customs sector are not appropriate, and countries need to revise some of their approaches according to international anti-corruption conventions. In this research, factors affecting the promotion of integrity in the customs sector include internal inspections, criminalization of corruption in the customs, and enforcement of anti-corruption laws and regulations in the customs (Michael & Moore, 2009).
6. In a study conducted by Michael in the scale of international entitled "Do Customs Facilitation Programs Help Reduce Customs Corruption?" With the aim of "studying the impact of customs facilitation programs in different countries", the results of the study showed that the components of corruption and inefficiencies in the customs should be targeted in parallel. No matter how much the ineffectiveness of customs is solved, it cannot be achieved by promoting integrity in this important economic organization (Michael, 2012).
7. The study conducted by N.tabazi entitled "Fighting Customs Corruption with Trade Facilitation; Case Study: East African Countries" with the aim of "Examining the Potential of Trade Facilitation as a Global to Reduce the Prevalence and Consequences of Corruption in Customs In East Africa". The results showed that the trade facilitation program, which has taken effective steps to perform it to East Africa, can be

combined with domestic reform in customs, regulatory reform, executive reform (simplification of customs procedures, automation promotion, improve human resource management ) to help reduce customs corruption (N.tabazi,2010).

8. The study conducted by Fjeldstad entitled "Customs Integrity Survey: experiences gained in Black African States" aimed at "reviewing and criticizing reform approaches aimed at improving integrity in Black African Customs". The results showed that the components of action for the public interest, efficient and long-term management, the commitment of senior management to improve integrity, modify customs formalities, modify informal customs procedures and reduce the likelihood of favoritism can promote integrity of customs (Fjeldstad,2009).
9. The study conducted by Yang entitled "Integrity Recruitment: An Analysis of a Broad Customs Anti-Corruption Program" with the aim of "Investigating the Outcome of Hiring Private Agencies to Collect Government Information for Combating Corruption" in the United States. The results showed that pre-loading inspection programs have positive results, especially in raising customs duties on imported goods (Yang, 2005).

### **Research purposes**

**The main purpose:** to explain the model for improvement of integrity in the Customs of the Islamic Republic of Iran (according to Arusha Declaration).

### **Sub goals:**

- Determination of causal conditions in the explanation of the model of integrity improvement in the Customs of the Islamic Republic of Iran.
- Determining the core category of designing integrity improvement model in the Customs of the Islamic Republic of Iran.
- Determine strategies for integrity improvement in the Customs of the Islamic Republic of Iran.
- Determining intervening conditions for integrity improvement of the Islamic Republic of Iran.

- Determine the context for promoting integrity in the Customs of the Islamic Republic of Iran.
- Determine the consequences of integrity improvement in the Customs of the Islamic Republic of Iran.

### Methodology

The present study consists of two main phases; the first phase is literature review and previous studies. In the second phase, the research has a qualitative approach and use the Grounded Theory method. In qualitative research, the researcher seeks to understand the complexity of interactions between individuals with a sense of meaning and understanding. From the philosophical foundations of research, this research has an interpretive paradigm. In terms of research orientation, this research is fundamental and its approach is inductive and descriptive. In terms of type, this research is qualitative, library and field study.

Due to the research method of the present study and the use of qualitative methods that all demand a high level of analysis, the concept of "expert knowledge" has been used instead of the Statistical Society and sample. In fact, the expert community rather than the statistical sample has been used by the expert team rather than the statistical sample (Checkland, 2000). The interviewers were purposefully selected among the Customs staffs of Iran and the inspectors of the customs who is monitoring the customs and work for General Inspection Organization of Iran and fully understand the customs, its functions, actions, strengths and weaknesses.

**Table 1. Selected sample by organizational post**

Customs Supervisor in the General Inspection Organization of I.R of Iran	Customs managers in the main customs office and provincial customs headquarters
5 people	7 people

Finally, in the present study, 12 individuals were selected and semi-structured and in-depth interviews were conducted with them. In addition, 60 documents, including books, papers, and theses, researches (in Persian and English language) related to improving customs integrity, were

reviewed and coded, resulting in Table (2). It should be noted that from interview 9 onward, Interviewees did not offer anything new, and the categories reached theoretical saturation.

This method consists of three stages of open coding, axial coding and selective coding, and finally a qualitative research model is developed. The analysis in this study is based on the guidelines of Strauss and Corbin (1990) on how to extract open, axial and selective coding, and finally, the qualitative model of research is expressed.

- A) **Open coding:** Open coding is the analytical process by which concepts are identified and their features and dimensions discovered in the data (Strauss & Corbin, 1990: Lee, 2001, p.49). At this point, the Grounded Theory Model shapes the basic categories of information about the phenomenon under study by segmenting the information. The researcher establishes categories based on the data collected, such as interviews, observations, and events or notes (Creswell, 2002, p.397). During these analyzes, the proposed analytical techniques of Strauss and Corbin were applied. The main units of analysis for open coding were concepts. Interviews were conducted regularly as well as documents available to find out the main categories and subcategories.
- B) **Axial coding:** In axial coding, concepts are based on commonalities or semantics. In other words, the primary codes and categories created in open coding are compared to each other, and by merging codes that are conceptually similar, the categories that related to each other are centered on one another (Strauss and Corbin, 1990: 212).
- C) **Selective Coding:** In open coding, the analyst generates categories and their attributes and tries to determine how the categories change over the specified sequences. In axial coding, categories are systematically improved and linked to subcategories. Selective coding is the process of integrating and improving categories (Danaeifard, Emami, 2007: 86).
- D) Strauss and Corbin (2011) have proposed acceptability criteria instead of validity and reliability criteria for evaluating research based on Grounded Theory. Acceptability means that to what extent the findings of the research are credible in reflecting the experiences of the participants, the researcher, and the reader about the phenomenon under study. Strauss and Corbin have introduced ten criteria for acceptance and 5 of which were used in this study to improve scientific accuracy,

validity and reliability. The evaluation strategies that researcher used are sensitivity, methodology consistency, sample fit, replication of a finding, and audience feedback (Strauss and Corbin, 2011: 123).

### Findings

The research was conducted based on the coding paradigm, analyzing the data from the interviews as well as reviewing the documentation. Finally, 354 open codes were extracted during the coding process, out of which only 192 open codes were briefly mentioned. 70 axial codes and 36 selected codes were extracted and the codes were adjusted based on the paradigm-based Grounded Theory Model. It should be noted that due to the large number of codes concerning the category of "interveners", "casual conditions" and "context" have been removed from the table(2).

**Table (2): Coding carried out in the Explanatory Study on the Model of integrity Improvement in the Islamic Republic of Iran Customs**

Open Coding	Axial Coding	Selective Coding	The Role of Categories Based on Paradigmatic Pattern
Transparency of customs rules	Transparency in Laws and Regulations	Transparency	Axial category
Simplifying customs procedures			
Transparency in Transactions	Transparency in Transactions and Employment procedures		
Transparency in employment matters			
Being accountable to clients	Accountability to individuals and institutions	Accountability	
Accountable to media and regulatory agencies			
Legislation and criminalization	Law Enforcement	Regulatory Framework	
Law Enforcement			
Conformity of customs rules with domestic and international laws	Rule of Law		
Enforcement of laws related to improving integrity			
Periodic, regular or intrusive inspections and monitoring			
Create secure phone lines or e-mails for reporting corruption with whistleblowers			
Collaborate with external regulatory agencies			
Identify corruption areas			

Open Coding	Axial Coding	Selective Coding	The Role of Categories Based on Paradigmatic Pattern
Use of comparative experiences and studies	Adaptation of structure according to international and national developments	Reform and modernization	Strategies
Simplification of customs procedures (under the revised Kyoto Convention)	Organizational Structure		
Inappropriate position of some customs offices in the organizational structure			
Applying professional consultants committee in various fields (financial, legal)			
Customs advisory committees			
Adaptation of customs structure to technology changes			
Executive oversight agencies	Oversight Organizations	External Supervisory Bodies	
Judicial oversight agencies			
Legislative oversight agencies			
Development of information security systems	Development of integrated customs system	Upgrading of customs automation system	
Development and completion of integrated customs affairs system (Implementation of Sailing License system and Floating Passport, provision of automatic clearance of temporary entry licenses and temporary exit of vehicles)			
Increasing the number of countries associated with the Iranian customs system electronically (through bilateral agreements)	Business Single Window development		
Development and improvement of electronic communications with public and private organizations			
Implement the Strategic Plan for Human Capital Development	Strategic Development of Human Resources	Improvement of human resource management	
Implementation of successor managers plan			
Increased job satisfaction of customs staff	Promoting Job Satisfaction, Employee Salaries and Benefits		
Employee benefits from maximum salary			
Using instructors familiar with customs developments at the domestic and foreign levels	Educational quality	Increasing the quality of training and educational facilities	
Provide up-to-date training content			
Continuous implementation of training evaluation			
Use of modern training facilities			educational facilities

Open Coding	Axial Coding	Selective Coding	The Role of Categories Based on Paradigmatic Pattern
Establishment of e-learning and regional training center which is mentioned in World Customs Organization instructions			
Established the Authorized Economic Operators(AEO) System	Government agencies and the private sector	Improve relationship with the private sector and other relevant public agencies	
Sign a Memorandum of Understanding with government agencies and related organizations			
Active participation in international conferences and events related to the customs	International countries and organizations		
Improving general performance evaluation indicators	Inspection and control	Improvement of audit and investigation	
Post-clearance audit			
Creation of electronic monitoring and control dashboard	Electronic Supervision		
Upgrading Single commercial window systems and Comprehensive customs integrated systems and Electronic Packing List(EPL)			
Development and launch of Selectivity at the main customs entrance of the country	Customs risk management	Improve organizational risk management	
establishment of intelligent customs risk management			
Confront the misrepresentation of the goods in terms of weight, number and Certificate of Origin	Combating Customs Offenses		
Combating fraud in obtaining customs duties			
Anti-drug , mass –destruction weapons and radioactive material trafficking			
Strengthen the system of employee participation	Employee participation	Improvement of staff performance	
Creating a working culture	Moral and Ethics		
Quick and proper handling of financial crimes	Investigation of offenses	transparency in Code of Conduct and Ethics	
Reduce the possibility of abuse of managerial and occupational powers			
Providing a Strategic Plan for Improving integrity	Planning for the promotion of integrity	Increase organizational commitment at leadership levels	
Monitor the implementation of the integrity promotion strategies			

Designing and Explaining the Model of Improvement of Integrity in the Customs of the Islamic Republic...

Open Coding	Axial Coding	Selective Coding	The Role of Categories Based on Paradigmatic Pattern	
Establishment of the Committee on integrity Promotion	measures to improve integrity			
Legislation to Prevent Offenses				
Law enforcement				
Reform of the valuation system and establish the commission of the commodity value in customs	Upgrading of customs systems in different procedures	Promotion of customs procedures (export, import, inspection, financial, valuation and classification of goods, transit)		
Creating a centralized system of customs revenue collection				
Creation of intelligent system of goods entry and exit, transit, judicial, inspection and receipt of claims				
Modify and review of import procedures	Modify and review of customs procedures			
Modify and review of export procedures				
Modification and inspection of transit procedures				
Modify and revise procedures of valuation and classification of goods				
Prevention of customs offenses (bribery, collusion, forgery, smuggling, etc.)	Improving of integrity		integrity	consequences
Strengthen discipline, integrity and transparency				
Strong fight against financial and administrative offenses				
Sustainable government financing and reduced reliance on oil revenues	Promoting organizational effectiveness	Organizational Efficiency		
Improving the satisfaction of customs stakeholders				
Increasing international trade				
Increased international interactions and increased number of border customs with neighboring countries	Increase interactions at national, regional and international levels			
Increase inter-organizational interactions and extra-organizational collaborations				

### **Description of the constitutive components of the model**

**Core Categories:** In this study, transparency, accountability, and regulatory framework in promoting customs integrity of Iran have been considered as a central issue based on Grounded Theory analyze, because based on the data collected, this category has a prominent and central role in the various parts of the data such as gathering the other categories around it. As study shows, transparency and regulatory framework are among the issues which are stated in the Arusha Declaration but the accountability has not been addressed in the Arusha Declaration.

**Transparency:** Transparency is one of the most important factors in promoting integrity in organizations, especially governmental agencies. Transparency should apply to all aspects of customs operation, but due to the complexity of customs operations and the many rules and regulations governing customs, transparency is one of the requirements and in addition simplification of customs procedures (under the Revised Kyoto Convention) is necessary. Transparency should also be considered in customs procurement and employment affairs.

**Accountability:** Accountability is a second key issue, one of the elements that must be institutionalized in the all of the governmental agencies, especially customs. Accountability to clients (exporters and importers, brokers, the private sector) as well as other stakeholders (governmental and regulatory agencies) as well as civil society (the media, NGOs and etc) can be effective in promoting customs integrity.

**Regulatory Framework:** Regulatory framework is among the most important elements of good governance in organizations that can affect the promotion of integrity. Elements of regulatory framework are law enforcement (rule of law, criminalization of customs offenses) in line with domestic and international law, as well as the implementation of declarations and conventions related to customs integrity (Arusha Declaration, Nairobi Declaration, Revised Kyoto Convention).

**Causal conditions:** Causal conditions are a set of events and conditions that affect the central category. Six categories of automation, code of conduct, leadership and commitment, human resource management, staff efficiency and customs risk management were identified as causal factors affecting the central phenomenon.

**Automation:** Automation includes "Integrated Customs System" and "Single Business Window". Integrated Customs System with the development of Infrastructure and Information Security Systems as well as a Single Business Window by increasing the number of countries associated with the Iranian Customs System electronically (through an agreement); and developing and improving customs electronic relationship with neighboring public and private organizations (27 Organizations), can provide causal conditions for improving the integrity of Iran Customs.

**Code of Ethics and Conduct:** The seventh element of the Revised Arusha Declaration implies code of conduct. The elements of this component are "proper criminalization of behaviors which are non-compliance with codes of conduct" and "clear and unambiguous codes of conduct". In other words, by creating ethical codes of conduct, the organization must be able to balance between the offenses and their penalties. In addition, the Customs Code of Conduct should specify how to accept gifts and rewards, disclosure of personal property and interests, and the extent to which employees are involved in government-related transactions.

**Leadership and Commitment:** Leadership and commitment include "senior management's commitment to promoting integrity in the organization" and "committed leadership." The Customs has been preceded with establishing an Office of Integrity Improvement Working Group and has been continuously monitoring the level of improvement of integrity in Customs. Teamwork, value creation, empowerment, systematic thinking, and leadership are some of the elements that should lead the customs administration. In the field of combating corruption and improving the integrity of the customs, there is a determination and will in the customs leadership, due to the nature of the customs function as the fourth state budget provider. Failure to improve the integrity of the customs may result in the customs authorities not be able to fulfill their obligations to providing state budget which the customs authority is responsible for in annual budget of the country.

**Human Resource Management:** Among the human resource management factors can be mentioned the creation of a "comprehensive human resources strategy in customs" as well as "job rotation ". With regard to human resources management, which is one of the components of the

Arusha Declaration, interviews and check the documents in this study showed the level of salary of customs staff was lower than other public organizations which are related to the customs functions. This led to a tendency in customs employees to transition from customs offices to other public organizations with upper salary level, but in the past, this tendency has been the opposite. In addition, the job rotation, which is one of the elements mentioned in the Arusha Declaration, cannot have the capacity for implementation at the Iranian Customs due to the problems it poses to its employees in terms of occupation, welfare and family.

**Employee efficacy:** Employee efficacy includes employee effectiveness, expertise and awareness as well as adherence to ethical virtues, trust, job discipline and avoidance of laziness and working commitment. Effective employees can create productive and efficient organizations and their organizational effectiveness is the foundation for creating and promoting organizational integrity.

**Customs risk management:** Customs risk management is related with factors including breach of customs procedures (including: false clearance of imported, exported and transit goods, drug trafficking, origin and number of goods), violations of laws and regulations (intellectual property rights, Value Added Tax (VAT) fraud, environmental and cultural heritage violations), failure in the risk management system (due to inadequate customs risk management and lack of adequate training in this area). It should be noted that risk management is not mentioned in the Arusha Declaration.

**Intervening conditions:** Intervening conditions are general contextual conditions that influence strategies (Danaeifard, & Emami, 2007: 84). In the present study, intervening conditions are the factors that occur in the process of implementing integrity promotion strategies. Ten(10) categories is considered as intervening in the Iranian Customs for promoting integrity: inefficiency of human resources management (compensation and benefits system, welfare facilities, etc), lack of facilities for proper execution of customs operations, inefficiency of laws and regulations, problems in customs procedures (import, export, review, financial, valuation and classification of goods, transit), sampling and laboratory, customs offenses (bribery, Forgery, collusion, negligence, trafficking, etc), customs supervision system failure, the authority with the high discretion,

inefficiency in the field of Information Technology(IT), structure and processes of customs organization.

**Human Resources Inefficiency:** Issues related to inefficiencies in the HRM system include crimes and violations of laws and regulations by staffs (subject to the Law on Investigation of Administrative Offenses of Governmental Employees), collusion, bribery and counterfeiting( subject to Islamic Penal Code), incorrect distribution of labor and manpower (inadequate distribution of manpower between main office of customs and provincial offices, inadequate distribution of manpower between different provincial customs according to their performance, high volume Customs duties compared to the number of man powers, use of the policy of transferring of wrongdoer employees to the border customs of the country as a mean in punishing such employees, inappropriate supervision of staff in the absence of efficient mechanisms for encouraging and punishing at the customs, inappropriate situation clients access to the relevant authorities and the low salaries and wages of customs staffs compared to other neighboring organizations were noted.

**Lack of facilities:** One of the factors contributing to the improvement of customs integrity is the lack of facilities for customs clearance, such as the lack of a standard seal, lack of control tools such as advanced X-RAY devices, lack of specialized warehouses and cold stores, and lack of proper filing systems for declarations.

**Inefficiency of laws and regulations:** The multiplicity or lack of laws and regulations is one of the factors that interfere with the promotion of customs integrity, which is due to the lack of transparency of some laws and regulations, the low level of confidence in the Customs Commission for Resolving Disputes between customs and owners of goods, as well as the inconsistency of customs rules and regulations with international standards. Another factor that has led to the inefficiency of laws and regulations is the plurality of policy makers in customs law, the failure to on time notification of customs by Ministry of Industry, Mines and Commerce's regarding Annexed Tables of Annual Trade Reference Law and no public release of votes related to the Customs Commission for Resolving Disputes between customs and owners of goods.

**Problems in customs procedures:** Customs procedures can include import, export, review, finance, valuation and classification of goods, transit

and security of freight transport. Some of the failures in customs procedures are the problems in warehousing bills, the inaccuracy of the owners or agents of the goods, the clearance of credit card documents before liquidation with the bank, express mail clearance without compliance with customs laws and regulations, failure to pay attention to the permissions required for clearing, manipulation of clearance appendices, incomplete information of the owners of goods or their legal representatives in the coding system, setting a peace agreement for tax evasion, failure to declare some of the goods in the manifest, negligence in renewing the date of temporary importation guarantees for commercial goods and to provide a fraudulently guarantee by the declarants to clear the temporary goods entry.

In addition, there have been failures in the area of finance procedure, including inefficiencies of the customs finance automation system, failure to mechanize the methods of controlling liabilities and strict supervision of accountants to the contents of bank guarantees.

**Sampling and Laboratory:** Violation or negligence in sampling including inaccuracy in sampling procedures, ambiguity in laboratory notification, sampling substitution, improper maintenance of control samples, inconsistency in laboratory notification of re-examination by customs and the lack of precise seal and wrapping of the samples of the goods and sampling in petroleum products that are being in container are among the shortcomings which reduce the integrity in customs,

**Customs Offenses:** Offenses in any organizational system can endanger the integrity of that system and lead to corruption. Customs offenses may include counterfeiting, requesting a bribe to write the goods in the lists, or ignoring high-tariff goods (classified as low-tariff), or requesting a bribe to accept a country of origin that is not correct.

**Failure in the customs supervision system:** This failure is both in the control system in the customs headquarters as a result of the lack of efficient supervision of the officials and the ambiguity in the role and scope of customs control areas of the executive units, weakness in equipment and control facilities, lack of supervision in weighing goods, inaccuracies in load control due to lack of employees whose duty are counting of goods, lack of effective oversight over the safety of imported goods, uncontrolled customs doors, failure to use a barcode or hologram, and failure to encrypt electronic licenses and inquiries can lead to reduced integrity in customs.

**High discretionary authority:** Evidence shows that the staffs have a high degree of discretion in the customs, which can lead to corruption and reduced integrity promotion. Of course, in recent years, with the introduction of a Single Business Window and the integrated customs system, the customs has been able to greatly reduce the authority of customs officials to set tariffs, but surveys have shown that there is still some way to put inappropriate influence of expert's opinion on clearance. It is still possible to redirect the imported goods into the system for sufficient reasons by the assessor and the technical assistant of the customs authority concerned.

**Customs information Technology Problems:** In the field of Information Technology(IT), deficiencies in the Customs Management Information System (MIS) is obvious because the lack of proper use of comprehensive integrated customs system reports, in the absence of a database of tax liabilities records, business card and contract work card, value system separation from authentication system and cashier system from integrated customs information system, not mechanization of customs exit door information, and also system slowdown especially during work traffic which resulted to incomplete automation process.

**Problems in Customs Structures and Processes:** Customs in processes and structures are faced with problems and shortcomings such as lack of relationship between transit and import declaration, lack of uniformity of procedures for export of petroleum products, lack of adapting the customs structure to technological and environmental changes, the inadequate position of some general departments in the organization as well as the high number of customs offices. Concerning the latter case, the Customs of Iran has attempted to remedy this deficiency by implementing the plan for reorganization customs entry offices.

**Context:** The context is specific conditions that influence strategies. In this study, the context includes morale and organizational culture, audit and investigation, modification and modernization, and oversight of external organizational monitoring bodies in public sector. Creating conditions in which employees are proud of their organization and innovation, spirituality and knowledge-based organizational atmosphere, self-efficacy and a high sense of camaraderie and empathy within the organization can enhance morale organizational culture in a way that promotes integrity in the Iranian

Customs Organization. Integrity culture as a part of organizational culture, with appropriate opportunities for customs staff career development, having a culture of disgusting corruption in the organization, acceptance of a proper level of activity by customs staff to promote integrity and creating incentives for employees to participate in the programs related to combating corruption plays a constructive role in shaping the proper context for promoting integrity. According to the sixth element of Arusha's Revised Deceleration concerning the audit and investigation, the Islamic Republic of Iran's Customs has set up an internal customs audit system as well as establishing post-clearance audits and also periodic, regular and intrusive inspections, establishment of hotlines or secure e-mail for reporting corruption, detect corruption areas, and reform structures and procedures to improve integrity as well as collaborate with oversight agencies for example General Inspection Organization of Iran, Supreme Audit, Anti-Trafficking organization and etc.

**Strategies:** Strategies are actions or interactions that result from an axial phenomenon and provide solutions to the phenomenon in question that lead to outcomes. According to research findings, improvement of customs automation system, improvement of human resource management, improvement of training quality, improvement of relationship with private sector and other organizations, improvement of audit and investigation, improvement of organizational risk management, clarification of codes of conduct, increased organizational commitment at leadership levels, promotion of procedures (export, import, review, finance, valuation, transit) have been identified as effective strategies in enhancing Iranian Customs integrity.

Upgrading the customs automation system can include the development of an integrated customs system (information security, the implementation of a Sailor Licenses System and a floating passports, the possibility of automatic clearance of temporary entry and exit vehicles), the development of a single commercial window (Increasing number of other Customs of countries related to Iran Customs system electronically by agreement and development of customs electronic relationship with public and private organizations which customs must cooperate with them in carrying out their duties.).

Improving human resource management is also one of the strategies for improving integrity in customs which can be achieved through strategic

development of human resources and implementation of successor managers plan, promotion of employee satisfaction by promotion of salaries and benefits, increase the quality of staff training by the use of instructors who are familiar with customs revolution at regional and international levels, the provision of up-to-date training content, and educational evaluation to determine the impact of training on customs staff behavior. In addition, in terms of educational facilities, the customs require modern facilities and appropriate training building for their employees. However, in recent years, Electronic Training Systems have been lunched in the customs and some form of training justice has been executive. Other solutions include improving relationship with the private sector and other organizations and with other countries and international organizations, which should be implemented by launching a system of Authorized Economic Operators (AEO), signing cooperation agreements with other organizations which are related to the customs duties and active participation in international meetings. Effective measures can be taken to improve customs control systems by improving performance evaluation indicators, performing post-clearance audits, creating a dashboard for monitoring and electronic control. In order to improve customs risk management, Selectivity System should be developed at the country's main customs office to counter customs offenses, including inaccurate declarations of import, export and transit goods in terms of weight, number and certificate of authenticity, as well as counteracting fraud in obtaining tax and other customs duties and the fight against trafficking in weapons of mass destruction and radioactive materials. Employee efficacy, which is one of the factors for enhancing integrity in customs, can be achieved by improving the participation of employees, promoting code of conduct by creating an organizational culture based on offering honest service and enhancing organizational commitment. In addition, it can be enhanced by clarifying codes of conduct and ethics by quickly and appropriately addressing staff corruption, as well as enhancing organizational commitment to promote integrity at senior management levels by establishing Integrity Improvement Committee in customs and also the proper implementation of laws and regulations. Promotion of customs procedures (export, import, inspection, finance, valuation and classification of goods and transit) should also be achieved through the reform of the valuation system, the launch of a centralized system of customs revenue

collection, the launch of an intelligent entry and exit customs system, transit, judicial, review and collection of claims, and modification and review of customs procedures.

### **Consequences**

Consequences are the outputs of implementing strategies that include: enhancing integrity by preventing customs offenses (bribery, collusion, forgery, trafficking, etc.) and strengthening discipline in financial and administrative subjects, transparency, decisively combating financial offenses and crimes, increase organizational effectiveness (sustainable government financing by reducing reliance to oil revenues, enhancing customs stakeholder satisfaction, increasing foreign trade), and enhancing internal and external interactions with customs stakeholders at national, regional and international levels.

### **Conclusion**

**(A) Extracting a localization Model for improving integrity in Iranian Customs:** The World Customs Organization stated in the Revised Integrity Development Guide (IDG): "When designing and reviewing the IDG, it is necessary to take into account the economies at different stages of development. Therefore, it will be necessary to establish a balance when developing a model of integrity development that is relevant to all members of the World Customs Organization". This clearly shows that, according to the recommendations of the World Customs Organization, the Arusha Declaration needs to be reviewed with respect to each country and the stage of development in order to be effective. Arusha's Declaration identifies the following 10 factors: leadership and commitment, legal framework, transparency, automation, reform and modernization, audit and investigation, code of conduct, human resource management, morale and organizational culture, relationship with private sector. Whereas in the review of the presented model of promoting integrity in the Customs Organization of the Islamic Republic of Iran based on the Grounded Theory, in addition to the components of the Arusha Declaration, other aspects of the specific customs conditions of Iran must be taken into account by the senior management in order to achieve the ultimate goal of promoting integrity in customs.

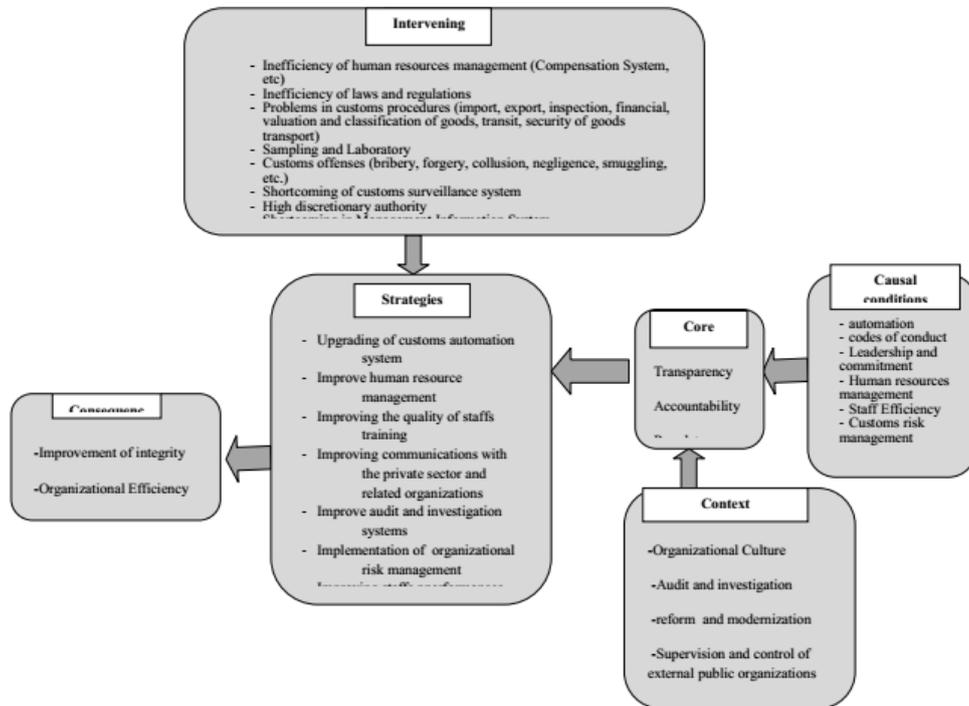


Figure 3: Improving Integrity Model for I.R of Iran Customs Based on Grounded Theory Method

- 1) **Causal Conditions:** As can be seen, there are two components in the causal conditions of promoting integrity that are not mentioned in the Arusha Declaration, f which are "staff efficiency" and "customs risk management".
- 2) **Core category:** In the core category, the model refers to the components of transparency, accountability and regulatory framework, which are included as a category beyond the Arusha Declaration. This is in fact the accountability of customs to individuals and governmental institutions and others stakeholders.
- 3) **Context:** the contexts of promoting integrity in the customs are "morale and organizational culture", "audit and investigation", "reform and modernizing" and "monitoring and control of external-supervision organizations in public sector". "Monitoring and control

of external supervision organizations in the public sector" is a component beyond the Arusha Declaration, which is specific to the system of supervision in the Iranian government.

- 4) **Interventions for promoting integrity in customs:** Intervening factors in this study are lack of facilities, inefficiency of human resources management, inefficiency of laws and regulations, shortcoming in customs procedures (import, export, review, finance, valuation and classification of goods, Transit, providing security for Shipping), Sampling and Laboratory, Customs Offenses (bribery, negligence, forging documents, collusion, trafficking, etc.), insufficiency of customs monitoring System, high Discretionary Authority. Compared of this factors to the components of the Arusha Declaration show that the Arusha Declaration merely mentions automation, reform and modernization, audit and investigation, human resources management and the legal framework, while other factors (lack of facilities, inefficiencies in customs procedures, sampling and Laboratory and customs offenses) are among the factors specific to Iranian customs.
- 5) **Strategies:** strategies for Improve integrity in this research are included improving in automation system, human resource management, quality of training and education facilities, relationship with the private sector and other public organizations, audit and investigation systems, organizational risk management, employee effectiveness, clarifying codes of conduct, enhancing organizational commitment at leadership levels and promoting customs procedures. Among which the components of staff improvement, improving organizational risk management and promoting customs procedures are not mentioned in the Arusha Declaration.
- 6) **Consequences:** The consequences of the implementation of strategies which are mentioned in this study are to improve organizational efficiency and promote integrity in the Islamic Republic of Iran Customs. It should be noted that the path of promoting integrity goes beyond promoting organizational efficiency. Without having an efficient, effective and productive

organization that also has effective staff, talking about improvement of integrity in organization is useless.

**B) Presentation of customs promotion of integrity model in Iranian**

**Customs:** In the Arusha Declaration, the impact of factors affecting the promotion of customs integrity is descriptive and linear. However, model for promotion of integrity which is stated in this research based on Grounded Theory Method, taking into account all the factors and conditions in the field of promotion of integrity in the Islamic Republic of Iran Customs (by interviewing experts and studying the existing documents). Above all, the stated model is a process and analytical model that examines the impact of different factors on each other and their primacy and relevance within the components of the paradigm model of Grounded Theory (causal condition, core categories, intervening, context, strategies and consequences). While it includes the factors which are mentioned in the Arusha Declaration on promoting integrity in the world's customs, it also has other factors specific to the Islamic Republic of Iran's Customs in view of its specific circumstances. In addition, compared to other previous researches in this regard, it can be concluded that the model presented in this study is more developed than previous researches and includes all factors affecting the promotion of integrity in customs. Therefore, in order to promote integrity and ultimately increase government revenues from customs duties and commercial profits and increase foreign trade volume, the Iranian Customs should take into account the above-mentioned strategies, while emphasizing the axial categories of customs (transparency, accountability, regulatory framework) and mitigating the impact of the interventions factors, so that they can create effective organization and then promote integrity in the customs.

## Reference

- Arusha, Tanzania**, on the 7th day of July 1993 (81st/82nd council sessions) and revised in June 2003 (101st/102nd council sessions).
- Brown, A. J., Graycar, A., Kelly, K., Coghill, K., Prenzler, T. & Ransley, J. (2018). **A National Integrity Commission–Options for Australia**.
- Checkland, P. (2000). **Soft systems methodology: a thirty year retrospective**. *Systems research and behavioral science*, 17(S1), S11-S58.
- Creswell, J. W. (2002). **Educational research: Planning, conducting, and evaluating quantitative**, pp: 146-166, Upper Saddle River, NJ: Prentice Hall.
- Danaeifard, H. & Emami, S. M. (2007). "Qualitative Research Strategies: Grounded Theory at a Glance". **Management Thought**, Volume 1, Issue 2, 97-69, (In Persian).
- De Wulf, L. & Sokol, J. B. (2005). **Customs modernization handbook**. The World Bank.
- Dutra, P. (2015). **Customs trade facilitation programs and the reduction of customs-related corruption. Are these concepts connected?** (No. 044). OBEGEF-Observatório de Economia e Gestão de Fraude & OBEGEF Working Papers on Fraud and Corruption.
- Fjeldstad, O. H. (2009). **The pursuit of integrity in customs: Experiences from sub-Saharan Africa**. Chr. Michelsen Institute.
- Heidenheimer, A. J. & Johnston, M. (2011). **Political corruption: Concepts and contexts**, Vol. 1, Transaction Publishers.
- Heilbrunn, J. R. (2004). **Anti-corruption commissions: Panacea or real medicine to fight corruption**. World Bank Institute, 2.
- Kaufmann, D., Kraay, A. & Zoido-Lobaton, P. (1999). **Aggregating governance indicators**, Vol. 2195, World Bank publications.
- Klitgaard, R. (1988). **Controlling corruption**, University of California Press.
- Langseth, P. (2016). **Measuring corruption**. In *Measuring corruption*, pp: 23-60, Routledge.
- Lee, J. (2001). **A grounded theory: Integration and Internalization in ERP adoption and use**, 149.
- McLinden, G. & Durrani, A. Z. (2013). Corruption in customs. **World Customs Journal**, 7(2), 3-10.
- Michael, B. (2012). Do customs trade facilitation programs help reduce customs-related corruption?. **International Journal of Public Administration**, 35(2), 81-97.
- Michael, B. & Moore, N. (2009). What do we know about corruption (and anti-corruption) in Customs?. **World Customs Journal**, 4(1).
- Ndonga, D. (2013). Managing the risk of corruption in Customs through single window systems. **World Customs Journal**, 7(2), 23-38.
- Ntabazi, S. M. (2010). **Combating corruption in customs through trade facilitation: case of East Africa community**, Doctoral dissertation, University of Pretoria.
- OECD. (2012). **OECD: Integrity framework**. <<http://www.oecd.org>>.
- Pope, J. (2000). **Confronting corruption: The elements of a national integrity system**. **Transparency International**.

- RafiPour, F. (2007). **Social Cancer of Corruption**. Tehran: Company Publication, First Edition, (in Persian).
- Strauss, A. & Corbin, J. (1990). **Basics of qualitative research**. Sage publications.
- Strauss, A. & Corbin, J. (2011). "**Principles of Qualitative Research**". translation by Mohammadi, B. Tehran: Humanities and Cultural Studies Institute, (in Persian).
- Tafazeli, F., Keyani, H., Golami, E. & Nobakht, J. (2016). "**Investigating the Customs Status of the Islamic Republic of Iran from the Perspective of Good Governance**". Tehran: Customs Research and Capacity Building Office, (in Persian).
- Widdowson, D. (2013). Bordering on corruption: an analysis of corrupt customs practices that impact the trading community. **World Customs Journal**, 7(2), 11-21.
- Yang, D. (2005). **Integrity for hire: an analysis of a widespread program for combating customs corruption**. Gerald R. Ford School of Public Policy Working Paper Series, (2005-001).