



School of Commerce

DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT

A MASTER'S THESIS

On

THE EFFECT OF CUSTOMS CLEARING PROCESS ON THE
PERFORMANCE OF CUSTOM CLEARING AGENTS IN ADDIS ABABA

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DECLARATION

I, the under signed, declare that this thesis entitled “Customs clearing challenges in Addis Ababa and their implication on performance of custom clearing agents”, is my original work and to the best of my knowledge has not been presented for a degree by any other person, and that all the sources of material used for the thesis have been duly acknowledged.

Declared by: Essete Girma

Signature: _____

Date: _____



School of Commerce

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CONFIRMATION

This is to certify that Essete Girma has carried out this research work on the topic Customs clearing challenges in Addis Ababa and their implication on performance of custom clearing agent under my supervision. This work is original in nature and has not been presented for a degree in any University and it can be submitted for the partial fulfillment of the requirements for the award of the degree of Masters of Art in Logistics and Supply Chain Management.

Dr Busha Temesgen

Signature_____

Date _____

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LIST OF ABBREVIATIONS

ASYCUDA	Automated System for Customs Data
ECA	Economic Commission for Africa
ECVS	Electronic custom valuation system
ECC	Ethiopian Customs Commission
HS	Harmonized System
ICT	Information Communication Technology
OECD	Organization for Economic Co-Operation and Development
SPSS	Statistical Package for Social Science
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nation Economic Commission for Europe
VAT	Value added tax
WCO	World Customs Organization

ABSTRACT

The study focuses on identifying the challenges & to show how the challenges affect the performance of Custom Clearing Agents mostly from delivery time interval or from facilitating the clearance process. For the study quantitative data source were used. Primary data were collected through questionnaires & interviews. Data analysis was conducted using descriptive statistics and regression analysis. The findings of the study suggested that the Custom clearing challenges had significant impact on the Customs Clearing Agents' performance. Custom automation system, human resource, risk management and harmonized system had significant impact on the performance of the Customs Clearing Agent whereas valuation system & cooperation among Customs and other related agencies had insignificant impact on the performance of Customs Clearing Agent. The data analysis indicates that there are challenges on Custom clearing process due to these clearance is not facilitated and hence delay in delivery of shipments so that performance of agents decrease on time bases. The study recommended that the improvement on the Customs automation system, human resource, risk management and harmonized system will improve the Customs clearing process and this will lead to minimize the delay and also performance of agents will increase. In addition to this the study will use as a base for further related studies.

Key words: Custom clearing challenges, Customs Clearing Agents, Customs clearing process, Performance

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

As per the revised Kyoto convention (1999), Customs is defined as the government Facility which is accountable for the management of Customs regulation and the collection of duties and taxes and which also has the responsibility for the application of other laws and regulations relating to importation, exportation, movement or storage of goods.

In Ethiopian case ECC (Ethiopian Customs Commission) is governmental institution established to generate income for government through collection revenue from customs duties and domestic taxes. In addition to this ECC has an obligation to protect the public from incidence of illegal trade, and also to balance between trade facilitation and control. (www.erca.gov, 2010)ERCA has changed its name to Customs Commission Before months ago.

Customs Clearance work involves preparation and submission of documentations required to facilitate export or imports into the country, representing client during customs examination, assessment, and payment of duty and taking delivery of cargo from customs after clearance along with documents (Rau, 2013).

Customs Clearing Agents are defined in the Revised Kyoto Convention (RKC) as "third parties" who deal directly with the Customs, for and on behalf of another person, relating to the importation, exportation, movement or storage of goods. Any customs clearing agent who has certificate of professional qualification and competence must possess valid business license to operate customs clearing service meaning they have to be registered and licensed by Customs to operate as a company. A Customs Clearing Agent ensures compliance with relevant laws in order to expedite the import or export process, assist business in clearing of goods through customs and play's an important role in efficient and smooth import and export of goods from one location to another location.

They can give such services ensuring imports and exports comply with the law and regulations of applicable governing bodies, verify that all the required documentation is completed fully & accurately prior to being submitted to regulatory bodies, ensure that goods are correctly classified, check and process duty & VAT(value added tax),arrange custom inspection as required, get release & finally make the delivery ,provide personalized advice about the necessary documents ,rules prior to any shipment & soon(Manaadiar,2009).

After importers and exporters ensuring that they provide all the necessary shipping documents and compliant with all the processes, they cannot be expected to spend their time on getting the shipments cleared in or out. Hence the role of the Customs Clearance Agency comes into the picture for he undertakes to represent the Importer and exporter with the Customs Department and follow through the custom clearance process (Mclinden, 2005).

Customs Agents are experts on Customs regulations, tariff schedules, and free trade agreements. Their role is to ensure that goods are accurately, efficiently and reliably cleared for entry into the country of destination .Even if Clearing Agents are experienced in dealing with complexities in regard to clearing aspects sometimes some of them are beyond their power of control (Mclinden, 2005).

Whether the good is an import or export it is an inevitable action that it will pass through customs clearance. Performing the custom clearance allied with facing so many problems which originate from the process and procedure of clearing and lead to late delivery of the shipment that might affect the business transaction & hinder the positive performance of custom clearing agent. As clearing agent, they are acting on behalf of the importer and exporter & they are on the front seat to face & bear all the burden which stem from the clearing process .The custom clearing challenges cause delay, Inefficiency & increase cost of transaction that will affect the business in unfavorably way(Mclinden, 2005).

As cited in the Buyonge and Kireeva (2008) Journal Article Africa suffers from the highest average customs delays in the world, 12days on average; Ethiopia averages 30 days. Whereas Estonia and Lithuania require one day for customs clearance. The length of time release plays a negative or positive roll on businesses. A short customs clearing time release avoids the serious bottlenecks that hinder trade facilitation. On the other hand, long time release indicates the

customs administration is not equipped with competitive human and technological resources and is inefficient in facilitating import and export goods.

Even though African countries have recognized the importance transparent and predictable customs procedures to facilitate trade, most African countries customs administrations are branded by, excessive documentary requirements, outdated procedures, lack of automation and insignificant use of information technology, lack of proper risk management techniques, lack of transparency, predictability and consistency, as well as lack of collaboration with other government agencies. This results in the waste of enormous amount of time and money. Delays at the customs clearance process are very common in the region (ECA, 2004).

Ethiopian customs administration & clearance is also characterized by similar features. Hence, the aim of this study was to identify the challenges of customs clearing by focusing on customs automation system, human resource capability & management, risk management, harmonized system & custom valuation and cooperation and coordination among customs and other agencies and how the challenges affect the Clearing Agent performance especially in respect to timely delivery.

1.2 Statement of the Problem

Ethiopian Customs Commission made improvements in many circumstances of Custom Clearance practices but still there are claims which are heard from importer, exporter as well as from custom clearing agents. The claims are mostly associated with long transit time is spent to clear out the shipments. These means there are still unsolved problems which need solutions otherwise which leads to an adverse effect on the business transactions in general & create inefficiency on the performance of clearing agents in particular (ERCA,2010).

It is clear that most of the challenges emanate from the custom office clearing procedures but also there are times other agencies are responsible for the sources of the problems. They are clearing agents, Ethiopian road Authority & telecommunications with regard to the infrastructure of the country, traders and others who participated in clearance activities in a direct or indirect way. In addition to these parties there are other parties like regulatory agencies who have some involvement on the import and export items which needs inspection, authorization (permission) etc. As the involvement of parties increase the complexity of the problems also increase hence it

is going to be hard to bit the problems. Despite of these facts the paper was tried to ease the problems at some level & enlighten the problem for future further study. Even there are so many challenged existed in custom clearing area this paper was tried to address the custom clearing challenges in Addis Ababa which directly affected the performances of Clearing Agents (ERCA, 2010).

The WCO revised Kyoto convention defines customs clearance as “the accomplishment of the customs formalities necessary to allow goods to enter the home as to be exported or to be placed under another customs procedure “.An effective & efficient clearance of good increase the participation of national economic entities in the global marketplace (Rau,2013).

If Custom clearance is delayed & too much time spent to clear out the shipments, then the transaction cost associated with the clearance will increase. These delay might occurred due to distorted data encoding by the Custom Clearing Agent or Custom disapprove the document provided by the trader, or else for so many other reasons (A & A Customs Brokers, 2017).

The role of Custom Clearing Agent is to ensure that goods are accurately, efficiently and reliably cleared for entry into the country of destination. In addition to this the agent must expedite the Clearance process so that timely deliver will take place .Since they are acting on behalf of the trader they are the one who communicate or deal with custom & any other agencies and if any problem arise at the clearance process they have a responsibility to solve & smooth the process .But despite of their effort most of the time problems will happen as a result custom clearance is delayed and also release time will be prolonged(A & A Customs Brokers, 2017).

Most of the time the performance of Custom Clearing Agent is evaluated using time interval they spent to clear out the cargo. When an importer and exporters deal with selecting the right candidate to perform their clearance process, their main focus is in how many days the agent will clear in or out their shipment since each day is incurring an additional cost. Knowing this Custom Clearing Agents try to put their maximum effort to shorten the transit time & delivery the shipment within the expected time interval (A & A Customs Brokers, 2017).

In contrary to their struggle the release time is elongated due to many reasons such as disagreement between Clearing Agent & Custom officer about the harmonized code or valuation system, disapproval of document by other related government agencies and soon. This directly implicate their performance which is evaluated by short transit time is obviously deteriorate (A & A Customs Brokers, 2017).

Although there are few studies conducted in relation with customs and trade facilities in Ethiopian case the researcher is unaware of any studies in Custom Clearing Challenges and their implication on the performance of Custom Clearing Agent hence the aim of this paper was to identify the Custom clearing challenges specially the one which mostly affect the performance of Custom Clearing Agent.

Custom Clearing Agents are expected to ensure that goods are accurately cleared for entry into or exit out the country, to expedite the entire Customs clearance process, to make sure shipping documents in compliance with the rule & regulation, to verify that all the required documentation is completed fully prior submitting to Custom, to ensure that goods are correctly classified ,check and process duty ,to communicate with Custom officers & other related agencies for smooth clearance & do other contributions. However even if Custom Clearing Agents make an effort and contribution to expedite the clearance process still custom clearance is delayed and also release time will be prolonged. The reason behind this is not identified yet empirically at least from Ethiopian context so the paper was tried to fill this gap of knowledge and created awareness to the Custom clearing problems and challenges and how it was affect the performance of the Clearing Agents.

1.3 Research Questions

1. What are the challenges impose by Custom & other related agencies on Custom Clearing practice?
2. How do these challenges affect the performance of custom clearing agents?
3. How do the custom clearing agents perform in line with these challenges?

1.4 Research Objectives

1.4.1 General Objective

The general objective of this study was tried to identify about Customs Clearing challenges in Addis Ababa & its implication on performance of Custom Clearing Agents.

1.4.2 Specific Objective

- ✓ To identify the challenges of Custom Clearance practice.
- ✓ To identify how these challenges affect the performance of Custom Clearing Agents.
- ✓ To assess how Custom Clearing Agents perform in line with these challenges.

1.5 Significance of the Study

The significance of the study was to know in detail about the challenges & the real cause of the problems of customs clearance practice & give some suggestion that might ease the problems.

Moreover the study might help to know the effect of the challenges on the Custom Clearing Agents performance & give some invaluable endeavor which will be simplify custom process & resolve difficulties faced .

In addition to this the study might help to create awareness about the problems to Customs administration and officers, importer & exporter, custom clearing & forwarding agents, and other involved parties & make improvement.

Finally the study will use as a stepping stone for further study related to customs clearance practice & performance of Clearing Agent.

1.6 Scope of the Study

Even if the custom clearance practice involves so many parties & the challenges affect the performance of all these parties in one way or another, but the study was only focuses on the implication of the challenges on Custom Clearing Agents' performance.

Beside this the study was conducted only to some custom clearing agents who are located within Addis Ababa city administration. Mainly most of the country's import & export shipments undertake in Addis Ababa city.

Since the main player on the custom clearing in Ethiopia is Customs Commission the Subject of this research was focused mainly on the challenges of customs clearance practice on the Clearing Agents that can be mostly emanate from the applied custom procedures of Customs Commission.

In addition more emphasis was given to challenges of customs clearing in Addis Ababa which are in relation to inefficient use Automation, improper implementation of Risk management, lack of skilled and adequate human resource, erroneous classification of items and improper valuation system application as well as ineffective coordination between customs and other government agencies & their implication on performance of Clearing Agents.

1.7 Limitation of the Study

The major challenge was getting information from the Custom Clearing Agent staffs who was reluctant give their point of view about the challenges in believing that the company might not allowed & their identity will be relief .In addition to this the other method of information collection was interviewing, that is face to face reaction between interviewee and interviewer so that interviewee was unwilling to testify their true comment on the subject matter.

The researchers was also anxious that he might not get an answer for some questions which he was distributed or even the questioner will not return at all.

Beside this there are few literatures available hence it was difficult to gather information on the required targeted subject matter specifically.

1.8 Definition of Terms

Challenge: difficulties that countries, institutions, and individuals facing in the process of doing some activities to achieve pre specified objectives in different levels.

Demurrage: payment to be done for container staying beyond free time given.

Customs clearing process: is a process applied for the imported or exported goods pass in or pass out through customs borders of the country.

Customs clearing agents :Some literatures says customs Brokers other say customs house agents/ are natural or legal person who is certified by customs authority to act on behalf of client for the purpose of facilitating customs clearing formalities.

eCMS: latest electronic custom automation system use to process declaration, to give the risk band & soon.

ECVS (electronic custom valuation system): is customs value database use to store different items value and customs use it as base of all values.

1.9 Organization of the Study

The study assessed the challenges of Customs Clearing practice & its implication on the performance of Custom Clearing Agents. The research paper has five chapters. Chapter one gives the Background Information and Statement of the Problem, Research questions, general and specific objectives, significance of the study, scope of the study, limitation of the study, definition of terms and organization of the study. Chapter two discusses the theoretical reviews of the paper challenges in a broader perspective literature. Chapter three contains research methodology .Chapter four contains data presentation, data analysis and data interpretation & discussion of results. Finally, Chapter five deals with summary, conclusion and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Theoretical Literature

2.1.1. Customs and its role

Customs is the oldest governmental authority or agency in a country which is responsible to generate income for government by collecting tariffs. However, the roll of customs turns out to be more vital and more complex due to tax base becomes extended, the occurrence of illegal trade, and the urge for balance between trade facilitation and control. Custom s controls needed in all countries for revenue generation, domestic economic interests, and national security purposes. Beside this Customs is responsible for controlling the flow of goods, including animals, transports, and hazardous items, into and out of a country (Mclinden, 2005).

Customs clearance in the developing world is in rapid evolution. The development in customs can be described in three stages. In the first, the customs authority concentrates on physical inspection and paperwork, in the second, the customs authority works to reduce fraud and maximize revenues, and in the third, the customs works to facilitate trade through internal checks, process management and the development of electronic data exchange (Appels and Henry, 1998).

The roles and responsibilities of customs administration in most developing and least developed countries primarily focused on revenue collection to fill government budgetary requirements Therefore, revenue collection is one of the focal point that customs authority concentrated on among the others (Wondwossen, 2013).

Since a significant amount of the national revenue gained from the collection of import duties and related taxes, in many developing and least developed countries, the focus of their Customs authority is, clearly, revenue collection. On the other hand in developed countries, with relatively little reliance on imports as a source of government revenue, there is an increasing emphasis on border protection, with particular attention on the enforcement of import and export prohibition and restrictions, including those arising from free trade agreements. Each country has its own

laws and regulations for the import and export of goods into and out of a country, which its customs authority enforces. The import or export of some goods may be restricted or forbidden (Widdowson, 2007).

2.1.2. Overview of the Ethiopian customs

The Ethiopian Customs Commission (ECC) is the body responsible for collecting revenue from customs duties and domestic taxes. In addition to raising revenue, the ECC is responsible to protect the society from adverse effects of smuggling and contraband .I t seizes and takes legal action on the people and vehicles involved in the act of smuggling, any tax evasion and avoidance while it facilitates the legitimate movement of goods and people across theborder(ERCA,2010).

The ECC has the following objectives:

- ✓ Establish modern revenue assessment and collection system to gather duties and taxes on goods imported or exported ; and render fair, efficient and quality service;
- ✓ Assess, collect and account for all revenues in accordance with tax and customs laws set out in legislation;
- ✓ Equitably enforce the tax and customs laws by preventing and controlling contraband as well as tax fraud and evasion;
- ✓ Implement Laws and International Conventions related to its objectives;
- ✓ Control the importation or exportation of prohibited or restricted goods.

In order to attain its objectives, the Authority shall have the so many powers and duties, to list out some of them

- ✓ To assess duty paying values, collect duties and taxes, collect license and service charges;
- ✓ To inspect documents of importers or exporters so as to apply customs law;
- ✓ To establish customs stations in any customs port, frontier post and transit routes;
- ✓ To approve the place for the deposit of import and export goods, establish warehouses, give license for those who launch customs warehouse, administer the proper handling of deposited goods; suspend or revoke warehouse license
- ✓ To prevent and control the importation or exportation of goods in contraband
- ✓ To detain banned, restricted goods; and take the necessary measure;

- ✓ To collect, organize and distribute import and export data's; (Council of Ministers, 1997).

As a custom clearance process need professionals who are performing a custom clearance process on behalf of importers & exporters, ECC has a responsibility to announce a training program from time to time, recruit and give training to any person who is an Ethiopian, not less than 21 years of age and not accused and convicted of any customs offences (Council of Ministers, 2004).

2.1.3. Customs Clearance

The WCO revised Kyoto convention defines customs clearance as “the accomplishment of the customs formalities necessary to allow goods to enter the home as to be exported or to be placed under another customs procedure”. And release as “the action by the customs to permit goods undergoing clearance to be at the disposal of the person concerned (UNCTAD, 2006).

Expedite Customs Clearance relates to Article VIII of GATT 1994, in particular Art.VIII.1(c):“The contracting parties also recognize the need for minimizing the occurrence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements”. Release in the Customs context means the action by Customs to permit goods undergoing clearance to be placed at the disposal of the persons concerned. Clearance means the accomplishment of the Customs formalities necessary to allow goods to enter home use, to be exported or to be placed under another Customs procedure (RKC). The key measures proposed aim to expedite the clearance and release of goods at the borders. These measures include, inter alia, pre-arrival clearance, separate release from clearance, authorized trader schemes, risk management, and post-clearance audit. Customs modernization through automation and ICT use is a useful step in implementing such procedures.

An effective & efficient clearance of good Increase the participation of national economic entities in the global marketplace, Contributes significantly to the economic competitiveness of nations ,Encourages investment & development of industry and Increases the participation of small & medium enterprises in international trade (UNCTAD, 2008).

2.1.4. Customs Clearance Procedure of Ethiopia

Lodgment of entry, the traders/agents are required to complete the customs declarations. Beginning from the reorganization of the authority, it is the responsibility of agents to make sure that the declaration is fully and accurately completed and all supporting documents are produced and submitted to the customs office (Council of Ministers, 2014).

Checking of declaration, the face vet officer receive and check the goods of declaration against the document produced whether it is as per the instruction or not, then accept or reject.

Identifying risk level, the risk level of the documents identified using the ASYCUDA++ system to make risk based treatment or control (Customs proclamation no. 859, 2014). Previously it was identified on the ASYCUDA++ system. But now to identify the risk level of the documents, using a new system eCMS.

An examination of goods, this activity is undertaken by the examiner to assure that the goods and conditions of the declaration are the same with the nature, origin, quantity and value of the goods (Council of Ministers, 2014).

Release of goods, this is the action taken by the customs to permit goods undergoing clearance to be placed at the disposal of the persons concerned, after the fulfillments of all the formalities (ERCA, 2010).

2.1.5. Customs Declaration and supporting documents

Customs declaration may be made in written form, orally, by bodily action or electronically.

Customs declaration to be presented in written form shall be filled in the prescribed form, signed And contain all the particular necessary for completing custom formalities (Proclamation 622/2009 Art. 12: 1, 2, 3).

On the presentation of customs declarations, the following original documents shall be supplied to customs in a number of copies determined by the authority. Which are transportation document (bill of Lading/Air waybill/Truck waybill), invoice, packing list, certificate of origin, Bank Permit and others necessary documents (Proclamation 622/2009 Art. 13:1)

2.1.6. Customs clearing challenges

According to Getu (2011), Teklewoyni (2012), and Kidist (2010) risk management and customs automation are the two main tools among others to ensure modern and effective Customs administration which can balance trade facilitation with customs control. However, in practice these tools have problems in the Ethiopian context because of poor human resource development effort, lack of clear and predictable legal framework, and lack of cooperation and coordination with stakeholders that are involved in international trade transactions. For effective application of risk management techniques and customs automation, international standards and conventions are integral customs procedures in general and export clearance procedure in particular.

Customs administrations are characterized by excessive documentary requirements; outdated procedures; lack of automation and insignificant use of information technology; lack of transparency, predictability and consistency; as well as lack of cooperation with other government agencies. This results in the waste of enormous amount of time and money (Wondwossen, 2013).

2.1.6.1 Customs Automation systems

In order to be cost-effective and efficient for the Customs and for the trade, the customs shall apply information technology to support Customs operations. As a supplement to Customs reform, automation turn out to be a catalyst for modernization of the Customs and a stimulus for increased use of information and communications technology (ICT) by other governmental department and private sector participate in an automation initiative (De Wulf & McLinden, (2005).

Since automated systems reduce delays at customs procedures, simplify & speed up customs procedures; several African countries are using automated customs systems such as the Automated System for Customs Data (ASYCUDA) or other systems like the Tunisia Trade Net for the case of Tunisia. On the other hand, the incapability of customs officers, agents and other experts within the trade community to entirely exploit services offered by such system is being a big challenge to the successful execution of automated systems. To overcome this challenge, there is a need to create training centers to deliver courses to the principal actors in international trade (ECA, 2004).

eCMS is ECC’s new Electronic Customs System which will replace the current ASYCUDA. eCMS is a complete automated Customs Clearance system powered by Webb Fontaine’s Trade World Manager TWM software platform. eCMS covers all Customs Regimes Import, Export, Transit, Warehousing and others. The Clearing Community and Traders can access eCMS via a web based portal TPM located on customs.erca.gov.et.

ECC was organized a Training program for Clearing Community on eCMS. This eCMS Training Program was started on July 2017. eCMS launch is performed in stages, with a pilot stage focusing on the Galafi – Kaliti corridor but the system is started to use on April, 2018 for Kalti custom clearance & on October 2018 for the Airport section .since the system is at transition stage it is still not applied on the branch offices which located on the rural areas .they are still using ASYCUDA++ gradually they will start to use it as its advantages & drawbacks are really fully aware (Webb Fontaine’s group, 2017).

Table 2.1 Differences between serials A++ and eCMS

Document	Serial in A++	Serial in CTP	Example in A++	Example in eCMS
IM8	T	8	2017 AAK T 12345	2017 AAK00 8 12345
T1	R	T	2017 AAK R 12345	2017 AAK00 T 12345
IM4	C	4	2017 AAK C 12345	2017 AAK00 4 12345
IM5	C	5	2017 AAK C 12345	2017 AAK00 5 12345
IM6	C	6	2017 AAK C 12345	2017 AAK00 6 12345
IM7	S	7	2017 AAK S 12345	2017 AAK00 7 12345
IM9	C	9	2017 AAK C 12345	2017 AAK00 9 12345

Source Webb Fontaine’s group

The new version 3.2.18, custom trade portal has extra better features to fill the data from the supporting documents .Even ECC has given little effort to train the clearing agents in a full capacity & incidence happen on actual practice other than the anticipated ones which leads to delay on the process until the solution is given to the agents. However despite of these facts it has a better version & a latest practice all over the worldwide (Webb Fontaine’s group, 2017).

Thus, automation system in Customs administration has a significant impact to increase transparency in the assessment of duties and taxes, reduce Customs import clearance times, increase predictability and ensure direct and indirect saves for both government and traders. The higher the level of automation of Customs procedures in a country is the greater the possibility of detailed inspections of detections fraud, effective risk management and firm action including prosecution in court (Buyonge and Kireeva, 2008).

Frequently, there are no proportionate increase in automation resources to keep pace with the increased workload and more complex environment. Often, customs is not provided with the technological resources to facilitate and secure international supply chains, to keep pace with the billions of dollars spent by industry. Faced with these challenges, many customs administrations struggle to meet all of these demands and priorities even their main focus is on revenue collection (Mclinden, 2005).

2.1.6.2. Human Resource, Capability and Management

Human resources is used to describe both the people who work for a company or organization and the department responsible for managing resources related to employees. Human resource management is a contemporary, umbrella term used to describe the management and development of employees in an organization. The role of human resources professionals is to ensure that a company's most important asset—its human capital—is being nurtured and supported through the creation and management of programs, policies, and procedures, and by fostering a positive work environment through effective employee-employer relations. Human resource management is therefore focused on a number of major areas, including: or most organizations, agencies, and businesses, the human resources department is responsible for:

- ✓ Managing job recruitment, selection, and promotion
- ✓ Developing and overseeing employee benefits and wellness programs
- ✓ Developing, promoting, and enforcing personnel policies
- ✓ Promoting employee career development and job training
- ✓ Providing orientation programs for new hires
- ✓ Providing guidance regarding disciplinary actions

- ✓ Serving as a primary contact for work-site injuries or accidents
(www.humanresourcesedu.org, 2018)

As international trade increases and becomes a more important factor in the economy, the importance of customs increases and it becomes imperative for customs to administer these complex agreements uniformly, professionally, fairly, and transparently. In performing these functions, customs has to employ a well-trained and well-capable professionals possessing inter-national experience who are experts in the areas of logistics, trade, transport, and law. Customs must organize itself to be a trade facilitator in a rapidly changing world, as well as an efficient provider of budget revenues. This represents a major administrative challenge. However; there is no commensurate capability & increase in customs staffing to keep pace with the increased workload and more complex environment (McLinden, 2005).

2.1.6.3. Risk management & Control method

Risk management as systematic identification and implementation of all measures necessary to limit exposure to customs risk, can ensure compliance with Customs regulations in a way to ensure trade facilitation. By identifying, analyzing, evaluating and treating risks, Customs significantly improve its performance (Biljan and Trajkov, 2012).

Risk management is part of the Customs process & Customs will never catch every fraud, so it is important to make sure that at least the major ones are kept under control. Since the purpose of risk analysis is to allow customs to concentrate checks on high-risk areas while ensuring a fair degree of freedom for most trade flow hence it expedites clearance, because some consignments can be immediately released. Risk management can lead to functional integration between agencies, thus further simplifying clearance procedures. It also optimizes resources and reduces cost, for the same effectiveness (WCO, 2003).

In order to keep pace with the remarkable increase in international trade and transport, the growing awareness of global organized crime and, lately, the threat of terrorism, Customs enforcement has to develop radically. Due to this reasons custom administration in international & national level needs cooperation among them through using information sharing in a large degree. These days, the value of sharing information with law enforcement agencies & business sector has been recognized & given emphasis (ECA, 2004).

Information is regarded as the best method to customs controls in the current international trading environment and basis for risk management. Enhanced screening of pre arrival information is the most effective means of promoting the flow of legitimate trade while in identifying high-risk containers, cargo and passengers for examination. While 100% examination is impossible with present resources, it is feasible & efficient way to custom to use pre arrival information to make selected screening (www.gfptt.org Global facilitation partnership for Transportation and Trade).

Mostly, risk management processes are used to route goods through green channel (Immediate release without examination), yellow channel (Documentary check), Red Channel (Physical examination of goods and documents), and blue channel (Examination at a later stage or post audit) after the goods are released. To apply proper routing of goods in these channels, there should be a sound profile development that relies heavily on gathering, charting and analysis of information from the WCO database, Regional Intelligence Liaison Office database (RILO database), national seizure reports, and other administrations acting under the Nairobi Convention or bilateral agreements. When it is implemented properly, risk management techniques can ensure benefits such as better human resource allocation following implementation of risk-based customs clearance; improved compliance with laws and regulations because it is a general experience that the improved efficiency in Customs together with the traders' incentive to achieve faster release through the green channel; reduced release time and lowered transaction cost focusing on only 10-20 percent of the goods are examined under efficient risk-based clearance. This implies that Customs can release the vast majority of shipments (80-90 percent) immediately after the clearance document has been lodged by applying the principle of Post-Clearance Audit (PCA) in order to verify compliance with statutory and regulatory provisions in accordance with the recommendations of the WCO revised Kyoto Convention (ECA, 2004).

The implemented risk management system and selectivity approach, In general, has caused positive trends toward greater facilitation of legal trade, as well as stronger basis for Customs law compliance particularly in: rise in the number of processed customs declarations, the number of processed declarations by employee and the number of detected customs frauds, as

well as reduction in time delays. By identifying, analyzing, evaluating and treating risks, Customs significantly improve its performance (Biljan and Trajkov, 2012).

2.1.6. 4. Harmonized System (HS)

HS Codes also known as the Harmonized Commodity Description and Coding System, or simply the Harmonized System, are a standardized international system to classify globally traded products. The system was first implemented in 1988 and is currently maintained by the World Customs Organization. The HS Convention, signed in 1983, has over 205 member countries. As signatories, each country agrees to classify its tariff and duty structure according to the HS Code categories. The Harmonized System is used to ease global trade by creating unified categories to classify different types of goods (Mclinden, 2005).

HS Codes have four components chapter, heading, sub heading & extra digits. Countries can use an additional 2-4 digit for country-specific categorizations that is an extra digit. The Harmonized System categorizes about 5,000 commodity groups in simple six-digit codes, broken down into 21 Harmonized System sections, 97 Harmonized System chapters, and thousands of headings (Mclinden, 2005). Ethiopian Customs has adopted HS 2007 & the National code is eight digits.

Also, the complexity of the HS may give rise to disputes between importers and customs, due to the fact that the payment of duties depends on the classification in the HS-based custom tariff. Harmonized Tariff Schedule – a compilation of duties or taxes levied on goods as they enter a country. Each good receives a specific classification number and they are divided into major groups and sub-groups to allow correct and easy identification for the purposes of charging customs duty (Mclinden, 2005).

Points that has to be taken in to consideration in determination of tariff (HS code)

- ✓ Types of the goods
- ✓ Types of Material or component which gives them their essential character
- ✓ Conditions of the goods at the time of import wither it is raw material, semi-finished or finished.
- ✓ Purpose of the goods

- ✓ The goods made up of from different materials, if the components of the goods give them their character equality the goods classified under the heading which occurs last in numerical order among those which equally merit consideration.

2.1.6.5. Valuation System

In the majority of cases, the valuation agreement forms the basis for the customs values declared to customs administrations. Five alternative hierarchical valuation methods are also contained in the agreement and applied in cases where the transaction value of imported goods cannot be established.

The customs value for the purpose of applying the customs tariff and calculating other import charges should use the following methods:

Transaction value: the customs value of imported goods shall be the price actually paid or payable for the goods (Art.33:1).

Valuation of identical goods: where the customs value of imported goods cannot be determined on the basis of the preceding article, it shall determine by taking the transaction value of identical goods sold for export to Ethiopia at the same commercial level and in subset initial the same quantity at or about the same time as the goods being valued. Where it is impossible to determine the customs value in accordance with the above sub article, the transaction value of identical goods sold at a different commercial level or in different quantities by making adjustments to take account of differences attributable to the commercial level or to the quantity(Art.34:1, 2).

Valuation of similar goods: where the customs value of imported goods cannot be determined on the bases of the last articles it shall be determined by taking the transaction value of similar goods sold for export to Ethiopia at the same commercial level and in substantially the same quantity at or about the same time as the goods being valued. Where it is impossible to determine the customs value in accordance of the article, the transaction value of similar goods sold at a different commercial level or in different quantities by making adjustments to take account of differences attributable to the commercial level or to the quantity(Art.35:1, 2).

Deductive value method: where the customs value of imported goods can't be determined as set forth in the previous articles, it shall be determined by using the unit price of identical or similar

goods imported at or about the same time and which are sold in Ethiopia in their original state in the greatest aggregate quantity to persons who are not related to the seller, provided, however, that the price shall be reduced by: an amount of commission, expenses and profit equal to that usually reflected in sales with in Ethiopia of identical or similar goods of imported (Art 36:1).

Computed value method : where the customs value of imported goods can't be determined as set forth in the last articles it shall be based on a computed value, consisting of the sum of : the cost of manufacturing or processing of the goods, an amount representing the selling expenses and profit equal to that usually reflected in the sales of identical or similar goods by producers in the country of export, and the transport, loading, unloading, handling and insurance costs associated with the transport of the goods to the port of entry in to the customs territory in Ethiopia(Art: 37,1).

2.1.6.6 Coordination and Cooperation among Customs and Other Agencies

Development and cooperation at policy and operational levels between the different national agencies and establishment of relationships with other administrations and agencies have ensured that information is exchanged effectively and efficiently. The establishment of effective internal communication and cooperation between the intelligence functions within the customs administrations is set in order to maintain the highest possible level of efficiency in customs services and create an environment where all customs administration staffs assume responsibility for managing risk (Rathor, 2005).

Although Customs is usually the most visible body at the international border, many more governmental agencies share responsibility for regulating and controlling imports, exports and transit of commercial goods .agency cooperation addresses the requirements for interaction, sharing of responsibilities and communication amongst/between different agencies. The cooperation can expand to various areas including examining shipments and monitoring compliance, collecting and exchanging information, and risk-management. At the national level it is implemented through coordinated intervention, integrated risk management, integrated and shared facilities and equipment- including IT systems and Single Windows for trade, common data and messaging standards, and joint training activities. (UNCTAD, 2008).

However, border crossing clearance procedures often involve lengthy formalities. Throughout the clearance process, traders may have to prepare various sets of data or documents and make them available in different formats or use separate access channels for each of the relevant agencies. When goods arrive at the border, traders have to undergo multiple formalities with multiple national agencies who conduct document and physical checks of the goods, means of transport, and persons accompanying the goods (Teweldeberhan, 2011).

This often leads to a duplication of effort and processes, such as the presentation of documents and the conduct of inspections. This lack of coordination also leads to inefficiencies for the public authorities. The agencies must maintain different systems for collecting data. This is inefficient, since the sharing of intelligence and information on consignments across borders would allow a better targeting of risks. Border Agency Cooperation attempts to identify and implement solutions to improve cooperation amongst border agencies. It also provides opportunities for financial savings for governments by sharing equipment and facilities, and easing the pressure on staff, such as inspection officers (UNECE, 2012).

Where interaction with Customs is mediated by customs brokers, business people usually get the impression that delays are largely caused by customs authorities. This may be partly true in the case of delays caused by pre-shipment inspection companies sub-contracted by Customs to carry out verification of values, quantities and quality of goods. In other cases, customs usually have limited control over the activities of other government agencies responsible for checking goods standards, phyto-sanitary and health inspection. Unless reform and modernization of Customs is done in tandem with modernization in these agencies, the gains from Customs may not benefit businesses to the optimum. This does not mean that businesses do not always see the value of the interventions made by other agencies. On the contrary, the intervention of Kenya Bureau of Standards in Pre-shipment Verification of Quality has significantly reduced importation of counterfeit goods into Kenya. According to World Customs Journal Up to 75% of the delays experienced by business can be controlled through actions by customs authorities, other government agencies and the private sector (UNECE, 2012).

2.1.7. Customs Clearing Agent

Doing export and import is by no means a simple endeavor. There are documents to be collected and e-forms to be filled. Depending on the nature of the goods, there are various taxes, duties and excises to be paid. Also, international trade is governed by a whole host of regulations. To maximize compliance, importers or exporters need to be familiar with all applicable laws (A & A Customs Brokers, 2017).

As experts in the field, Customs Agents can assist importers or exporters to aware the changing regulations and understand import specifics related to certain commodities. They are highly knowledgeable in all entry procedures, admissibility requirements, classification, valuation, and the duties and taxes imposed on imported & exported goods (A & A Customs Brokers, 2017).

"Customs Clearing Agent" means a person authorized to deal with the customs, for and on behalf of another person, to carry out customs formalities related with the importation, exportation and in general with the movement and storage of such goods within the customs territory of a given country. The customs Formalities which are perform by the custom clearing agents are any customs operations carried out in connection with importation, exportation or transit of goods from the time of arrival at the customs port until released from the customs control (Council of Ministers, 2004).

In order to perform a Custom Clearing service , Custom Clearing Agent should have a Certificate of Professional Qualification which is a certificate issued by the Authority for a person that has completed customs clearing agent training. Having this certificate & met the compulsory manpower and office provisions can work as Customs Clearing Agent (Council of Ministers, 2004).

There are Criteria for the issuance of certificate of competence Any person wishing to engage in customs clearing services shall meet the following criteria in addition to the requirements stipulated under Commercial Registration and Business Licensing proclamation No. 67/1997 to obtain a business license;

- A. has stable workplace with adequate telephone, fax computer and related communication equipment to carry out the work;

- B. suitable place to retain any correspondence financial and customs documents;
- C. at least two employees that have certificate of professional qualification and;
- D. Such amount of money in the bank account or acceptable guarantee the Authority may require be depositing or furnishing from time to time (Council of Ministers, 2004).

2.1.8 Role of Custom Clearing Agents

Mostly importer and exporter don't have a personnel experienced in the complex regulatory requirements governing the transport of goods across borders. In this case, they can outsource this business hassle and hire a customs clearing company. Good companies offer a complete portfolio of import/export services, including logistics, freight forwarding, warehouse and distribution, so importer and exporter can rest assured their business is fully taken care of (A & A Customs Brokers, 2017).

There are so many explanations why importers & exporters should consider using the services of Customs Clearing Agents. The following are the main reasons that are likely to resonate the need of them (A & A Customs Brokers, 2017).

-Customs Clearing Agents do have skills to smooth the entire customs clearance process regardless of the port of entry. They make sure the shipments cross the border and reach their intended destination securely.

-Custom Clearing Agents help in avoiding unnecessary costs as experts they have an awareness of the ever changing rules and regulations and requirements for each type of goods in cross-border transactions, hence they can help importers and exporters to avoid costly delays, penalties, repossession of their commodities.

-Custom Clearing Agents help in verification of declarations even if custom clearing agents are the one preparing the custom declaration on behalf of importers and exporters, each party have their own part on the legal responsibility as faulty declarations can result in audits, fines and even sanctions for both business, each party has to make sure to give and fill the correct data and declarations must be verified carefully by the agents.

-Even though importers and exporters are not enforced by law to use the services of a customs clearing agents, many companies prefer to work with one. This is because of the convenience

in entrusting all the paperwork and communication with relevant agencies to an expert. Even more importantly, their expertise in the field can save the company from making costly mistakes.

-In addition to this Customs Clearing agents are well versed in the Harmonized Tariff Schedule – a compilation of duties or taxes levied on goods as they enter or out from the country. Each good receives a specific classification number and they are divided into major groups and sub-groups to allow correct and easy identification for the purposes of charging customs duty (A & A Customs Brokers, 2017).

Overall, the job of the customs broker involves the following:

- ✓ analysis of shipping documentation to ensure compliance
- ✓ preparation and e-submission of documents to government agencies
- ✓ correct classification of goods, determination of taxes, excises, and duties
- ✓ serving as a liaison between the company and government agencies
- ✓ coordinating transportation, storage, and distribution of goods
- ✓ cargo insurance against damage, loss or theft
- ✓ Overall streamlining of the clearance process (A & A Customs Brokers, 2017).

2.1.9 Performance of Custom Clearing Agents

One of the main routine of Customs Clearing Agent is to make sure the importer or exporter shipments cross the border and reach their intended destination safely on timely basis. They have the skills to facilitate the entire customs clearance process, regardless of the port of entry. When it comes to deliveries, importers & exporters want to be certain that their shipments will clear customs on schedule & hassle free. In order to do that they want their shipment will be handle by the clearing agent who has an experience & provide fast clearance service .While selecting the Custom Clearing Agents the importer or exporter look at the service that the agents provide ,see what their customers have to say about them & make an informed decision. The Custom Clearing Agents know exactly what is to be done & they will do it on time & yield positive customer response and above all ensure that shipments face reduced delay. Beside this the Agents prepare all paper work filed & ready prior to shipment arrival .This ensures reliable clearance times so that delivery schedule meet (A & A Customs Brokers, 2017).

As Problems happen to every business, the Customs Clearing Agency business is no exception. Within the industry there are a variety of problems of various degrees that might hinder the Custom Clearing Agent performance. The most common problems that Custom Clearing Agents face are delays and custom clearance problems. Delays are probably the most inevitable problem. This is mainly because most of the time, delays have nothing to do with Custom Clearing Agent and how they managed their business. Delays can happen for any number of reasons from Customs Clearing procedures, miscommunication to negligence from the other participating parties or many more reasons. Due to these reasons the Agents fail to provide fast & quick delivery despite of their effort to facilitate the clearance so as timely deliver will take place (A & A Customs Brokers, 2017).

2.2. Empirical Studies on Customs Challenges & their effect on the clearance process

Byonge and Kireeva, (2008) studied that; Customs, administrations in Africa are going through a period of rapid changes, which requires a paradigmatic shift in Customs operation. There are ongoing positive developments by Customs to reform and modernize procedures and processes, as well as admirable initiatives by the private sector to take a more proactive approach to improve Customs administration for the benefits of government and the business.

The Kenya and Tanzania Time Release study findings point out an important role for companies and third party service providers in expediting clearance of goods, specifically through prior lodgment of documents. It has been noted that prior lodgment alone cuts down the processing by up to half.

It must be admitted that many African Customs administrations do not have strong risk management systems enabling discriminatory treatments of importers and exporters on the basis of the risk they pose to loss of revenue or compliance with regulatory requirements (Byonge and Kireeva, 2008).

During 1996, Morocco government decided to undertook Customs reform, based on the Initial observation of Customs clearance operations. At that time the Customs clearance operation were slow, cumbersome, contentious, unpredictable and completely ill adapted to modern logical

requirements for handling goods For example in the port of Casablanca, releasing a container took 18 to 20 days and half of that time was directly attributable to Customs formalities.

The Customs reform has been based on restricting examinations to only selected declarations and on improving the method by which goods are selected for examination. The Customs administration has set a goal of releasing 95% of field declarations without immediate physical verification. The objectives are to increase transparency and fairness and, indirectly, to reduce Customs processing time (Steenlandt and Wulf, 2004), as a result releasing time down from 18days average to 10days.

Study conducted in Tanzania (Musaka, 2013) concluded that Businesses in Africa perceive the impacts of customs as mostly unfavorable a mixture of obvious and slight impediments. This impact is felt primarily in some interconnected ways such as costs that can be direct (via fees) or indirect (via extra staff costs) to perform all procedures needed for customs or through storage costs for goods awaiting processing; they can be inflated if the processing time is prolonged; Elongated time due to elongated processing time for imports can lead to shortage of materials hence the operations can possibly stop; and inflexibility as the goods becomes tied up in customs processing are not available for further decision or sale .Other impediments are cumbersome regulatory systems and decentralized documentation processes coupled with bureaucratic clearing procedures; and Lack of communication between stakeholders .

According to OECD (2005), many countries have inefficient border procedures that make traders suffer from delayed and unreliable delivery, costly customs clearance and missed business opportunities. Successfully implemented trade facilitation programs may reduce trade transaction costs, increase customs productivity and improve the collection of trade taxes. Based on the finding the paper concluded that inefficient customs procedures resulted from the inefficient utilization of risk management process, ICT, and poor customs cooperation with business has a negative impact on trade facilitation and control. A survey conducted by the World Bank in 1999-2000 and involving more than 10,000 companies in 80 countries found that companies in many parts of the world still find ineffective customs (and foreign trade regulations) a major or moderate obstacle to trade. The survey also shows that companies in most developing countries perceive these procedures as a serious impediment to growth and similar research by OECD finds that Customs and administrative procedures have substantial effects on international trade

and Also, cumbersome Customs and administrative procedures have been found to be a challenge for developing countries in exporting to developed and other developing countries.

Study conducted in Dar-Es-Salaam by Florentina (2013) concluded that Clearance procedures at the Dar-Es-Salaam Port customs Offices involve a number of documentation processes that in turn hinder it's efficient and effectiveness. From the findings it can be concluded that the documentation procedure is too long and involves many other governmental organs which do not work in an integrated way to shorten the process. The involvement of many intervening body leads delays in clearance process.

In the Ethiopian context, a survey conducted in (2011) by Teweldeberhan on challenges of customs on trade facilitation revealed that there is a delay in Customs clearing and most of the customers are dissatisfied with the service provided.

In line with the BPR customs personnel are being provided with training in order to achieve the target. Even though the Ethiopian Government is also taking measures to reduce delays in import clearance time by establishing dry ports at Semera, Kaliti, Dire Dawa and Modjo, and easing the process of implementing multi-modal transport services, the customs clearance services are given in very fragmented places for export goods. As indicated on the analysis part, the weighted national average clearance time for export goods was 6 days. Considered against the best performers (Australia, Japan, Korea and Ghana), this time indicates that there is a delay in the clearance of export cargo in Ethiopia. This fact has been recognized by the BPR study of ERCA undertaken in 2007. The reasons for the delay in the border clearance of goods in Ethiopia include documentary requirements of many regulatory bodies, constraints during transit and at customs stations. So the target of eight hours set by the BPR of ERCA for export clearance is unrealistic. The survey by Addis Ababa Chamber of Commerce also compared TRS undertaken by countries like Ghana, Tanzania, Kenya, Uganda, Japan, South Korea, and Australia, no TRS, pursuant to the WCO Guidelines, has ever been undertaken in Ethiopia. As indicated earlier, ERCA undertook a BPR study in 2007 as an in-house exercise. The target set by the BPR study for the clearance of export cargo as eight hours is admirable, but ambitious. As broad stakeholder participation is not visible from the BPR study, the immediate concerns of business operators do not seem to have been reflected (Tsegaye and Endris, 2011).

Additionally, Getu (2011), Teklewoyni (2012), and Kidist (2010) concluded that risk management and customs automation are the two main tools among others to ensure modern and effective Customs administration which can balance trade facilitation with customs control. However, in practice these tools have problems in the Ethiopian context because of poor human resource development effort, lack of clear and predictable legal framework, and lack of cooperation and coordination with stakeholders that are involved in international trade transactions. For effective application of risk management techniques and customs automation, international standards and conventions are integral customs procedures in general and export clearance procedure in particular.

According to Mersha (2016), Although customs operating situations have been now improved, there are still many irregularities that need to get remedial actions. The Ethiopia Customs Valuation System does not provide reasonable and unbiased valuation and does not safeguard traders from threat of subjective valuation by the customs officers. Since higher price is considered as right price by customs officials, these made anxious the importers when they buy from international market at lower price. Beside there is rejection of actual price presented by importers and customs authority set its own higher price base value during customs valuation process. In addition importers are troubling in case of slight description difference, customs officials charge them higher price to be on the safe side.

Customs administrations are characterized by excessive documentary requirements; outdated procedures; lack of automation and insignificant use of information technology; lack of transparency, predictability and consistency; as well as lack of cooperation with other government agencies. This results in the waste of enormous amount of time and money (Wondwossen, 2013).

2.3. Conceptual Framework

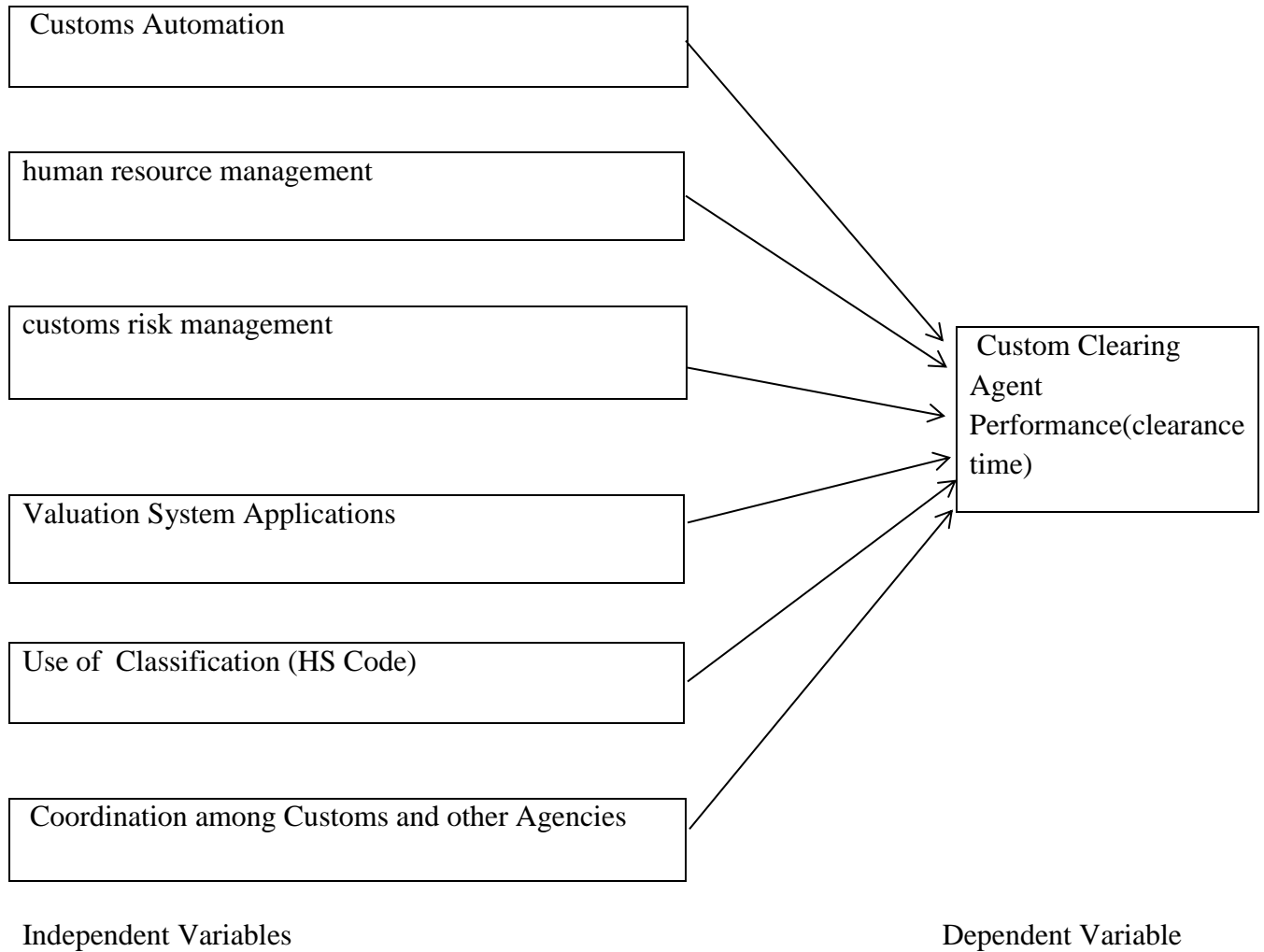


Figure 2-1: Conceptual Framework

Source: Researcher

The researcher tried to find out the effect of the above listed Custom Clearing Challenges on the performance of Clearing Agents which is mostly measured by the Custom clearing time. Based on the developed conceptual framework the paper attempted to explain the independent variables & how each independent variable affect the dependent variable .The framework comprises the six points which are required for the examination of customs’ challenges: Custom Automation, human resource, Risk Management, Valuation System, classification and coordination Customs and other Agencies. These criteria were used in the analysis and discussion of the research findings.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter has detailed the methodology that was used by the researcher in collecting data and information of the study. It included the areas of the study, research design, data collection methods, sample size, sampling methods and data analysis methods. Research methodology is a systematic approach through which research is undertaken.

3.1 Description of the Study Area

The study area is located within Addis Ababa city limit but in different wordas.

3.2 Research Approach

The researcher used a quantitative research approach to obtain a valid & adequate data for analyzing the research problem. By using face to face interviewee and questioner, the researcher attempted to address the research objective & to fill the gap of knowledge.

3.3 Research Design

A research design is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the research problem. It is a framework that has been created to find answers to research questions. In this study the researcher used explanatory research design, the reason of using such type of research design is it focuses on explaining the aspects of the study in a detailed manner; it attempted to connect ideas to understand the cause & effect of the problems & explain what is going on. Hence using explanatory research design helped the researcher to explain the challenges in detail & to show their effect on the performance of the clearing agents.

3.4. Population and Sample

Target population refers to the entire group of individuals or objects to which researchers are interested in generalizing the conclusions. In this research the target population was the custom clearing agents who are located in Addis Ababa city limit and they were 780 (ERCA, 2018).

The other element of sample design was determination of sample size, given the limitation of availability of time and other resources the sample size was determined as follows. Even if, there is no a single right way for the determination of sample size (Fowler, 1984).The researcher used probability sample that is Simple Random Sampling to select respondents so that all the chosen group have equal chance of selection .In addition it is the easiest, simplest way of probability sampling & each element selected independently to the other every element.

In order to determine the required sample size the researcher used the below formula and takes coefficient level(z) 95% ,7% margin of error(sampling error e),population variability(p) 0.7 & q =(1-p)=0.3 and the result sample size is 137 Clearing Agents.

$$n = z^2 * p * q * N / e^2 (N-1) + z^2 * p * q$$

$$n = 1.96^2 * .7 * .3 * 780 / .07^2 (780-1) + 1.96^2 * .7 * .3$$

$$n = 136.9$$

From the selected sample of 137 Clearing Agents, the researcher has interviewed 10 operation mangers & for the remaining 127 questioners was distributed so that respondents had time to think & filled the questioners.

3.5 Data Sources and Types

The researcher used both primary data sources .Primary data is data that collected by a researcher from first-hand sources, using methods like surveys, interviews. It is collected with the research plan in mind, directly from primary sources. The researcher also used a quantitative primary source of data that are using survey method to obtain the needed information or data. These methods the researcher was used are face to face interviewee and by distributing questioner. The questionnaires was developed by the researcher based on research questions & objectives .The reason of using questioner was because it was an inexpensive, respondent take enough time to respond & no bias of interviewer that they respond freely. The other specific method was face to face interviewee .It is a quantitative technique designed to draw out a glowing picture of the participant's on research topic & getting a deep opinion about the subject matter & researcher has a chance to ask supplementary question & adjust language than questioner. Both survey methods are economical & efficient.

3.6 Data Collection Procedures

The researcher used semi structured, self-administered questionnaire for quantitative aspect of the research methods. While a structured interview has a rigorous set of questions which does not allow one to divert, but a semi-structured interview is open, allowing new ideas to be brought up during the interview as a result of what the interviewee says so that is why the researcher used this method. A self-administered questionnaire refers to a questionnaire that has been designed specifically to be completed by a respondent without intervention of the researchers collecting the data. The use of self-administered questionnaires in conjunction with personal interviews is getting an efficient & detail data.

The researcher also used both open-ended questions & close-ended questions. Closed-ended questions are those which can be answered by a simple "yes" or "no," or which a researcher provides research participants with options from which to choose a response while open-ended questions are those which require more thought and more than a simple one-word answer .The greatest advantage of the open-ended question is the freedom the respondent has in answering. Beside this using closed ended question is easy to answer, need little skill of respondent ,less costly & quick .so the researcher will get an advantage of all these through combination use .

3.7 Ethical Consideration

To undertake the research, necessary approval & permit has obtained from the Addis Ababa university School of commerce and a covering letter was attach to the questionnaire in order to protect the participant's secrecy and confidentiality of the information gather from them will not reveal to the third party. Hence, the respondent's rights to privacy, to be fully informed approval, confidentiality, and anonymity was addressed individually. Respondent's name and other identifying information was not use in study. Finally the researcher used many works of others and he has given proper credit to them.

3.8 Validity and Reliability

3.8.1 Validity

According to Kothari (2004) Validity refers to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure. Validity is concerned with the study's success at measuring what the researchers set out to measure.

This instrument has been well validated and used by researchers in studies of Challenges of Customs in Trade Facilitation. In addition the survey questionnaire was validated by professionals. The researcher thoroughly pursued to capture data from the right source using appropriate instruments to make them valid. To ensure the validity the researcher used interview in addition to questionnaire. Beside this to avoid the validity treat the researcher used the same questions and interviewed them consistently under the same condition. Additionally, proper attention has given to the preparation of the questionnaires so that it was in line with the research objective.

3.8.2 Reliability

Reliability refers to the consistency and stability of a measurement and thus addresses to two questions, first applied to similar situation, can the measuring instrument give similar or nearly similar results in two or more time period or places; Second, the measuring devices capable of remaining stable when replicated (Kothari, 2004). Reliability refers to the stability of the measurement. Data collected from questionnaire were cross checked against those collected through interview and document review. The researcher insured the reliability of data by receiving information only from reliable authoritative sources and the results are consistent.

Coefficient alpha ranges in value from 0, meaning no consistency, to 1, meaning complete consistency (all items yield corresponding values). Generally speaking, scales with a coefficient α between 0.80 and 0.95 are considered to have very good reliability. Scales with a coefficient α between 0.70 and 0.80 are considered to have good reliability, and an α value between 0.60 and 0.70 indicates fair reliability. When the coefficient is below 0.6, the scale has poor reliability. Most statistical software packages, such as SPSS, will easily compute coefficient (Zikmund et al, 2010).

Table 3.1 Reliability Statistics

Factors	Cronbach's Alpha	No of Items
Custom Automation system	0.77	3
Human Resource	0.724	3
Risk Management	0.783	3
Valuation system	0.779	2
Harmonized system	0.738	3
Custom & other agencies	0.711	3
Performance of Customs Clearing Agents	0.781	6
Total	0.841	23

According to the above summarized reliability statistics table result; Cronbach's Alpha for this study was 0.841. Scales with a coefficient α between 0.80 and 0.95 are considered to have very good reliability.

3.9 Data Analysis

The collected data processed by editing, coding, classification and tabulation so that they are amenable to analysis. In order to make the data analysis easy, data was organized and present in the form of percentages, tables, and figures. The primary purpose of data analysis is to find evidences from the field in order to answer the research questions and objectives. Each question in the questionnaires was categorized based on the study's research objectives and finally it was grouped on the basis of common characteristic, analyzed and interpreted in chapter four of this paper to arrive at conclusions.

Descriptive statistics plus multiple regression was employed to assess the relationship between the independent variables and the dependent variable. The rational to used Descriptive statistics was to describe the basic features of the data in the study and to provide summaries about the sample. In order to analyze the output the researcher used frequency, percentage, mean and standard deviation. The rational to use multiple regression was to describe features of dependent variable using independent variables & by showing the relationships between them to generalize results and make predictions. Then the data was also organized and presented using tables and the statistical package for social science (SPSS) 20 was used for quantitatively analyzing the responses from the survey.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This chapter presents data analysis, presentation and deliver findings that the researcher collects from Customs clearing agents through questionnaires and interviews. The chapter also tries to show the response rate, the demographic information of respondents and the findings of the study with its detail interpretation and discussion were presented. Therefore, this section of the study contains facts and information about the challenges of Customs Clearing practice in Addis Ababa & its implication on the performance of Custom Clearing Agents.

4.1 Response rate

The sample size has contained 137 respondents, from which 127 respond by questioners and 10 by interviewee. Out of the 127 questionnaires distributed to the respondents, 119 responses were obtained from the questionnaires, this represent a response rate of 93.7 % of total distributed questionnaires to the Clearing agents. The interview targeted ten among all the respondents from which the researcher aimed at obtaining additional information concerning the study to supplement the findings obtained through the questionnaires in order to obtain the meaningful detail information.

4.2. Demographic Characteristics of the Respondents

4.2.1 Sex and Age of the Respondents

A total of 119 respondents were participated in the study. Out of this 84 (70.59%) were male and 35 (29.41%) were female.

Respondents were also categorized into different age groups. As shown in table 4.1 the ages of most of the respondents were between 26-35 years which constitute 65(54.62%) of the respondents. 18(15.13%) of the respondents were under 25 years and 28(23.53%) of the respondents were between 36-45. Those between 46-55 years were 6(5.04%). And the least number of respondent age fall above 55 years which were 2(1.68%) of the respondents. See Table 4.1 for further details.

Table 4.1 Sex and Age of Respondent

Category	Variables	Frequency	Percent
Sex	Male	84	70.59
	Female	35	29.41
	Total	119	100
Age of Respondents	Under 25 years	18	15.13
	26-35 years	65	54.62
	36-45 years	28	23.53
	46-55 years	6	5.04
	Above 55 years	2	1.68
	Total	119	100

Source: Computed by the researcher from the primary data, (2019)

The above finding shows that the number of male respondents was greater than female respondents which were 84(70.59%) and 35(29.41%) respectively.

Most of the respondents who made 54.62% of all respondents were employees aged between 26-35 % hence it implies that more than 50% of the Clearing agents were energetic employee.

4.2.2. Educational Level, Job Position and Work Experiences of the Respondents

The respondents were asked to indicate their academic rank and based on their respond 5 (4.21%) of respondents were twelve complete, 2(1.68%) of respondents certificate holders, 32(26.89%) of respondents were diploma holders, 78(65.54%) of respondents were degree holders, and only 2(1.68%) of respondents were masters holders.

Concerning their job position 58(48.74%) of them were transitors, 40(33.61%) were assessors and the remaining 21(17.65%) of them are operation managers. This finding show that almost 50% of the clearing agents are field workers/transitors meaning they are handling the documents starting from submission to Customs up to delivery of the shipment to the final destination.

Regarding work experiences 36(30.25%) of the respondents have less than 5 years while 66(55.46%) of them have between 5-10 years and only 17(14.29%) of the participants have more than10 years' work experiences. This shows that more than 50% of the respondents have more

than 5 years' work experiences. This implies that there is a considerable challenge and complex situations handling experience exist among the Custom clearing agent. Table 4.2 below provides further details.

Table 4.2 Educational Level, Job Position and Work Experiences of the Respondents

Category	Variables	Frequency	Percent
Education level	12complete	5	4.21
	Certificate	2	1.68
	Diploma	32	26.89
	Degree	78	65.54
	Masters	2	1.68
	Total	119	100
Job Position	Transitor	58	48.74
	Assesor	40	33.61
	Operation Manager	21	17.65
	Total	119	100
Service year	Below 5 years	36	30.25
	5-10 years	66	55.46
	Above 10 years	17	14.29
	Total	119	100

Source: Computed by the researcher from the primary data, (2019)

Table 4.2 shows that 65.54% of the respondents have degree which will contribute for the best ground for further training to equip them for the needed facilitation in Custom clearance. This helped to the researcher to have got a better and elaborated explanation as they have more understanding in the area.

In regard to Job position almost 50% respondents were Transiotrs .This means they are field worker and entitled to documents from submission to Customs officers up to final delivery take place. Since they have the whole knowledge of Custom clearance starting from submission up to

delivery this helped the researcher to have got a detail and full reply about custom clearance process.

70% of respondents have more than five year work experience, this also helped the researcher to have got better and reliable information.

4.3 Descriptive statistics

The mean is measure of central tendency which provides general picture of the data and the result of mean of respondents in each perspective of the measures suggest that how customs clearing agents have perceived all the challenge areas in their prospective view in conducting customs clearing process. In this case, the mean of each item together with their respective dimension overall was calculated in order to conclude the overall challenges implication on the customs clearing agents performance. The study sought to determine the Custom clearing Challenges in Addis Ababa and their implication on the performance of customs clearing agents. In these regard respondents were asked to indicate the degree their response using a five point likert scale where 5 represents Strongly agree, 4 represent agree, 3 represent Neutral, 2 represent disagreed and 1 represent Strongly disagreed. In addition to this in the analysis the mean value 1-1.5 regarded as strongly disagree, 1.6-2.5 regarded as disagree, 2.6-3.5 regarded as neutral, 3.6-4.5 regarded as agree and 4.6-5 regarded as strongly agree.

4.3.1 Frequency Report on Independent variables

4.3 .1.1Cusotm Automation System

In this research customs Automation System was taken as one of the basic component to undertake custom clearance process so the researcher has tried to see that how it determine the facilitation the clearance process & easier the performance of customs clearing agents. In the questionnaire this variable contains three basic automation questions related with basic automation systems. The response of respondents statistically described under.

Table 4.3 Descriptive Statistics of Custom Automation System

	N	Mean	Std. Deviation
There is an efficient usage of Customs Automation or information technology system at Customs Offices	119	2.17	.837
The new system eCMS better than ASCYDAA++	119	2.06	.773
The eCMS system could precisely label the level of risk at submission of documents	119	2.17	.837

Source: Computed by the researcher from the primary data, (2019)

Table 4.3 shows that customs clearing agents respond about efficient usage of Custom automation system at Custom offices, eCMS better than ASCYDAA++, and eCMS system precisely level risk were used to determine the overall customs Automation System with means of 2.17, 2.06 & 2.17 and standard deviations of 0.837, 0.773 & 0.837 respectively. As it can be seen from the table 4.3, the mean ranges from 2.06 to 2.17 which falling on disagree state to this attribute. This indicates that all the Custom Automation System practices had small extents of implementation.

From the interview & the open ended questions the researcher found that similar information, as most of the respondents said even if the new system has better features than ASCYDAA++, it isn't efficiently used & also has problem of labeling the correct risk band for items beside it faces a frequent system interruption so that clearing agents has to rework again & again on the system.

According to ECA (2004) most African countries currently using Automated Systems for clearance facilitation. However, it is not effectively utilized because of technical inability of the users to implement the system functionality successfully as intended. The technical inabilities of customs employees, agents, traders are the main obstacles to fully exploit services offered by such system. In addition to this for some goods the system couldn't precisely label their level of risk.

The new version eCMS, has extra better features to fill the data from the supporting documents and also it is been a latest practice all over the worldwide (Webb Fontaine’s group, 2017).

However, the result of table 4.3 clearly indicates that all the automation system practices were implemented in small extent. In general, the above findings proved that, the automation system practices didn’t get much attention in the ECC.

4.3.1.2 Human Resource

In the research questionnaire Human Resource was included as one of the challenging area determinants of the performance of customs clearing agents. Target group respondents were asked how they evaluated the human resource at Custom offices & is it used to facilitate the clearance process or not. The overall Human Resource was determined based on the three questions in the questionnaire. The result is described under.

Table 4.4 Descriptive Statistics of Human Resources

	N	Mean	Std. Deviation
Custom Employees have Essential/adequate resources to execute their duties	119	1.77	.828
The employees are given adequate training Periodically so that they speed up the clearance	119	2.18	.830
Custom officers have adequate knowledge to facilitate the clearance process	119	2.06	.773

Source: Computed by the researcher from the primary data, (2019)

Table 4.4 shows that customs clearing agents respond about Custom employees have adequate resources to execute their work, employees given adequate training to speed up clearance and custom employees have adequate knowledge to facilitate the clearance were used to determine the overall Human resource with means of 1.77, 2.18 & 2.06 and standard deviations of 0.828, 0.830 & 0.773 respectively. As it can be seen from the above table, the mean of human resource ranges from 1.77 to 2.18 which almost near to disagree state to the questions. This indicates that all the human resource management practices had small extents of adoption.

From the interview and the open ended question, the researcher has got since the officers rotate from one station to other work station frequently they can't have adequate knowledge .Due to this knowledge gap and lack of confidence they can't make any decision by themselves beside most of the time they don't have the adequate amount of resource to execute their work.

According to Mclinden (2005) as international trade increases and becomes a more important factor in the economy, the importance of customs increases and it becomes imperative for customs to administer these complex agreements uniformly, professionally, fairly, and transparently. In performing these functions, customs has to employ a well-trained and well-capable professionals possessing inter-national experience who are experts in the areas of clearance, logistics, trade, transport, and law. Moreover Customs should provide ample resources to execute the work in most favorable & efficient way.

However, the result clearly indicates that ECC human resources (employees have adequate resources to execute their work, adequate training & knowledge to facilitate the clearance) practices were adapted in small extent. In this aspect, the above findings proved that, human resource practices didn't get much consideration and yield fewer outcomes in the ECC.

4.3.1.3 Risk Management

The third factor of the questioner was risk management and the researcher has tried to review the respondents reply how they overview the applied risk management & whether it speed up the clearance process which under taken by the clearing agents or not. This variable contains three questioners and the result is described on the below table.

Table 4.5 Descriptive Statistics of Risk management

	N	Mean	Std. Deviation
Risk management system is properly implemented on all custom clearance goods	119	2.17	.837
There is efficient information flow for risk profiling	119	1.71	.940
Risk management system give fair risk assessment	119	2.22	.794

Source: Computed by the researcher from the primary data, (2019)

As shown in the above table 4.5 Risk Management system properly implemented on all custom clearance goods, there is efficient information flow for risk profiling and Risk Management system give fair risk assessment were determine the overall Risk management with means of 2.17, 1.71 & 2.22 and standard deviations of 0.837, 0.940 and 0.794 respectively. From the above table, the mean of risk management ranges from 1.71 to 2.22 which falling on disagree state to the questions.

On the interview and the open ended questions, respondents said that there is no adequate information for risk profiling due to this the risk assessment isn't fair enough In addition to this it can manipulate by the officer personal opinion.

To apply proper routing of goods based on risk level, there should be a sound profile development system that relies heavily on gathering, charting and analysis of information from different national and international organizations. In addition to sound development of risk profile, there should be effectively updated risk profile database for proper risk management technique that reduces transaction costs by releasing vast majority of shipments (80-90) immediately after the clearance document has been lodged (ECA, 2004).

As Biljan and Trajkov, (2012) stated that the implemented risk management system and selectivity approach, In general, has caused positive trends toward greater facilitation of legal trade, as well as stronger basis for Customs law compliance particularly in: rise in the number of processed customs declarations, the number of processed declarations by employee and the number of detected customs frauds, as well as reduction in time delays. By identifying, analyzing, evaluating and treating risks, Customs significantly improve its performance.

However, the above result showing that below average it implies that risk management practices are not practically or well implemented in ECC. Thus, the applied practices hindering Customs from gaining full benefits of risk management.

4.3.1.4 Valuation System

The other variable in the questioner was Valuation System. The research has tried to show how respondents evaluate the Custom Valuation System and used to determine the system create

delay on clearance process or not. The variable contained two questions in the questioner and the response of respondents statistically described under.

Table 4.6 Descriptive Statistics of valuation system

	N	Mean	Std. Deviation
The valuation system is fair to all custom goods	119	1.97	.838
The value which is given by custom officers is Perfectly fitted(fair) to the valve of the item	119	1.71	.738

Source: Computed by the researcher from the primary data, (2019)

As per the above table 4.6 the valuation system is fair to all custom goods and the value given by custom officers is perfectly fitted to the value of the item determine the overall valuation system with means of 1.97 & 1.71 and standard deviations of .838 and .738 respectively. As it can be seen from the above table, the mean of valuation system ranges from 1.71 to 1.97 which falling on disagree to the questions. This denotes that all the valuation system practices had minor degrees of adoption.

The researcher has got similar respond from the interview & also from open ended questions, respondents said that the valuation system applied is not given a fair value, the ECVS (electronic custom valuation system) does not give uniform price even for the same items beside the officers give different price for same items to different traders & the system isn't open for custom agents even for review.

According to Mersha (2016) The Ethiopia Customs valuation system does not provide reasonable and unbiased valuation and does not safeguard traders from threat of subjective valuation by the customs officers. In addition importers are troubling in case of slight description difference, customs officials charge them higher price to be on the safe side.

Correspondingly, the result clearly indicates that ECC Valuation System (gives fair value to all items and value given by custom officers is perfectly fitted to the valve of the item) practices were adapted in in minor degree.

4.3.1.5 Harmonized System

As one of the determinant factor harmonized system also included in the questioner. The researcher has tried to see how respondent value it accordingly to their personal overview in respond to their performance. The variable contained three questions and the response of respondents statistically described under.

Table 4.7 Descriptive Statistics of Harmonized system

	N	Mean	Std. Deviation
The Harmonized System precisely label the items	119	1.95	.937
There is no subjective issue on HS coding for the items	119	1.98	.676
The custom officers & custom clearing agents have agreements on the HS codes.	119	2.01	.961

Source: Computed by the researcher from the primary data, (2019)

Table 4.7 shows that customs clearing agents respond about Harmonized system precisely label the items, no subjectivity issue on HS coding for items and custom officers & custom clearing agents have agreements on the HS coding were used to determine the overall Harmonized system with means of 1.95, 1.98 & 2.01 and standard deviations of 0.937, 0.676 & 0.961 respectively. As it can be seen from the above table, the mean of harmonized system ranges from 1.95 to 2.01 with almost all of them respond on disagree to the questions relating to this. This indicates that all the harmonized system practices had small extents of approval.

From the interview & open ended questions the researcher also found that Custom clearing agents face same problem here too, they think even if the system by itself is not bad but due to the subjectivity issue of the coding they have facing disagreement with the officers.

Also Mclinden (2005) stated that the complexity of the HS may give rise to disputes between importers, Agents and customs, due to the fact that the payment of duties depends on the classification in the HS-based custom tariff. Each good receives a specific classification number and they are divided into major groups and sub-groups to allow correct and easy identification for the purposes of charging customs duty.

Similarly the result indicated that below average and also there is subjectivity on HS coding which leads to disagreement beside the system don't precisely label the items. These all practices imply that the harmonized system is not well implemented in ECC.

4.3.1.6 Cooperation among Customs & other agencies

The last but not the least independent factor was cooperation among Customs & other agencies. Using the questioner respondents were asked to assess the cooperation among customs & other agencies related to clearance process .In order to do that the variable contains three questioners and the result is described on the below table.

Table 4.8 Descriptive Statistics of cooperation among customs & other agencies

	N	Mean	Std. Deviation
There is cooperation and coordination among Customs and other government agencies (DACA,INSA,Tele ..)	119	1.96	.933
The agencies provide their service without delay	119	2.24	.820
Custom officers are fully aware of what goods need permission or inspection from agencies	119	2.20	.819

Source: Computed by the researcher from the primary data, (2019)

The above table 4.8 shows that customs clearing agents respond about there is cooperation & coordination among customs & other agencies, the agencies provide there service without delay and customs officers are fully aware of what goods need permission or inspection from agencies were used to determine the overall cooperation among Customs & other agencies with means of 1.96, 2.24 & 2.20 and standard deviations of 0.933, 0.820 & 0.819 respectively. From the above table, the mean ranges from 1.96 to 2.24 which falling on disagree to the questions relating. This indicates that all the cooperation among customs & other agencies practices had minor levels of adoption.

From the interview & open ended questions the researcher has found most of the respondents replay there is no cooperation among customs & agencies, the custom officers request permission even for items which doesn't require permission at all beside the agency request

doesn't match with what the trader can provide and also most of the time agency can't give permission on time .

The lack of coordination leads to inefficiencies for the public authorities and also duplication of process and efforts. The agencies must maintain different systems for collecting data. This is inefficient, since the sharing of intelligence and information on consignments across borders would allow a better targeting of risks. Government attempts to identify and implement solutions to improve cooperation amongst Customs and other related agencies. It also provides opportunities for financial savings for governments by sharing equipment and facilities, and easing the pressure on staff, such as inspection officers (UNECE, 2012).

According to UNECE (2012) In other cases, customs usually have limited control over the activities of other government agencies responsible for checking goods standards, phyto-sanitary and health inspection and these agencies sometimes delay on their services Unless reform and modernization of Customs is done in tandem with modernization in these agencies, the gains from Customs may not benefit businesses to the optimum.

The result clearly indicates that ECC and other agencies don't cooperate, agencies delayed their services and Custom officers' donor officers are fully aware of what goods need permission or inspection from agencies. In general cooperation among Customs and other agencies have minor level of adaption.

4.3.2 Frequency Report on dependent variables

The performance of customs clearing agents is the dependent variable of the study. Respondents were asked to rate the points mentioned under the six questions of performance objectives which is facilitation of the clearance process in order to minimize clearance time so as on time & fast delivery will take place. Each of the dependent variable questions related with each independent factors. The response of the respondents results are as seen in Table 4.9 and the mean for each dimension is provided, with eCMS is efficiently utilized to provide fast custom clearance process at 1.76, Custom has adequate number of employees to facilitate clearance process at 1.78, Risk management system helps to speed up the clearance process at 2.20, the applied valuation system use to facilitate the clearance process at 1.92, the harmonized system use to facilitate the clearance at 1.8 and there is a cooperation between Customs & agencies so as to fasten the

clearance process at 2.06 and standard deviations of 0.851,0.804,0.850,0.761,0.798 & 0.773 respectively. This implies that the all above listed practices negatively influences the performance of custom clearing agents in a great level.

From the interview & open ended questions, the researcher has found most respondents' reply that the eCMS will be facilitated the clearance process & speed up the time if the system works without interruption & has good connection. But due to the mentioned reasons for the time it is not give the facilitation as it can provide instead it leads them for duplication of work. Customs also doesn't have adequate employees to facilitate the clearance work, the work load & the number of officers around customs doesn't match beside the officers' lack of knowledge & training lead to delay of clearance. Respondent consider the risk management system is facing lack of information for risk profiling which leads to unfair risk assessment & manipulation of the system by customs officers because of the stated reasons the system can't speed up clearance process. Beside the above they replied that the valuation system is not fair & uniform & most of the time because of disagreement the clearance time delayed & an additional unfair tax is paid. More over respondents replied that the harmonized system also has subjectivity issue so that to reach an agreement between officers & agents enormous amount of time will be lost .Additionally they consider there is a need of coordination between customs & agencies so that clearance time will be facilitate & duplication of manpower, resources & also time will be saved.

In order to be cost-effective and efficient for the Customs and for the trade, customs shall apply information technology to support Customs operations. Since automated systems reduce delays at customs procedures, simplify & speed up customs procedures; several African countries are using automated customs systems. However, it is not effectively utilized and facilitated the clearance process this is because of technical inability of the users to implement the system functionality successfully as intended. Beside, in Customs there are no proportionate increase in automation resources to keep pace with the increased workload and more complex environment (ECA, 2004).

In performing Customs clearance process in efficient and effective way, customs has to employee well-trained, well-capable and adequate enough professionals who have possessing inter-national experience. This represents a major administrative challenge .However; there is no

commensurate capability & increase in customs staffing to keep pace with the increased workload and more complex environment (Mclinden, 2005).

Since the purpose of risk analysis is to allow customs to concentrate checks on high-risk areas while ensuring a fair degree of freedom for most trade flow hence it expedites clearance, because some consignments can be immediately released. Risk management can lead to functional integration between agencies, thus further simplifying clearance procedures. When it is implemented properly, risk management techniques can ensure benefits such as better human resource allocation following implementation of risk-based customs clearance; improved compliance with laws and regulations because it is a general experience that the improved efficiency in Customs together with the traders' incentive to achieve faster release through the green channel; reduced release time and lowered transaction cost focusing on only 10-20 percent of the goods are examined under efficient risk-based clearance (WCO, 2003).

According to Mersha(2016), The Ethiopia Customs Valuation System does not provide reasonable and unbiased valuation and does not safeguard traders from threat of subjective valuation by the customs officers. Since higher price is considered as right price by customs officials, these made anxious the importers when they buy from international market at lower price. Beside there is rejection of actual price presented by importers and customs authority set its own higher price base value during customs valuation process. In addition importers are troubling in case of slight description difference, customs officials charge them higher price to be on the safe side.

The complexity of the HS may give rise to disputes between importers, Agents and customs, due to the fact that the payment of duties depends on the classification in the HS-based custom tariff. Hence most of the times these disputes lead them to delay the clearance process as reaching on the consent state take enormous amount of time (Mclinden, 2005).

Coordination and cooperation can encompass different components that include coordinated or delegated conduct of inspections; the exchange of data to allow traders and agents unique data entry through single window platform; operation of integrated procedures; and joint management of the border post and related facilities as well the sharing of infrastructure, facilities and equipment may be viewed as an indicator of the level of cooperation between Customs and other

governmental agencies, particularly at national level (UNCTAD, 2008). But as a study of Teweldeberhan (2011) lack of such coordination among Customs and other related agencies often leads to a duplication of effort, processes, inefficiencies to public authorities and delay of clearance .

According to OECD (2005), many countries have inefficient clearance procedures that make traders suffer from delayed and unreliable delivery, costly customs clearance and missed business opportunities. Successfully implemented clearance programs may reduce transaction costs, increase customs productivity and improve the collection of trade taxes. Based on the finding the paper concluded that inefficient customs procedures resulted from the inefficient utilization of risk management process, ICT, and poor customs cooperation with business has a negative impact on trade facilitation and control.

However the study revealed that all the performance variables have a mean value below average and have a negative effect on the performance of the Clearing Agents and also delayed the clearance process.

Table 4.9 Descriptive Statistics of performance of Customs clearing agents

	N	Mean	Std. Deviation
eCMS is efficiently utilized to provide fast custom clearance process	119	1.76	.851
Custom has adequate number of employees to facilitate the clearance process	119	1.78	.804
Risk management system helps to speed up the clearance process	119	2.20	.850
The applied valuation system use to facilitate the clearance process	119	1.92	.761
The harmonized system use to facilitate the clearance	119	1.80	.798
There is a cooperation between Customs & agencies so as to fasten the clearance process	119	2.06	.773

Source: Computed by the researcher from the primary data, (2019)

4.4 Summary of Rank of respondents

According to the rank given by the respondents from the most challenging (1) to the least challenging area (6) to deliver prompt custom clearance service is shows as the first rank goes to Custom valuation with the mean value of 2.28, the second most challenging goes to human resource with mean of 2.86, & the third & forth goes to risk management & cooperation among customs & other agencies with mean of 3.99 & 4.19 respectively. The least challenging area in this rank is five which goes to both for HS classification and custom automation with mean value of 4.20.

4.5. Correlation Analysis

Table 4.10 Correlations

V		CuAS	HR	RM	VS	HS	CoA	CCAP
CuAS	Pearson Correlation	1						
	Sig. (2-tailed)							
	N	119						
HR	Pearson Correlation	.641**	1					
	Sig. (2-tailed)	.000						
	N	119	119					
RM	Pearson Correlation	.621**	.540**	1				
	Sig. (2-tailed)	.000	.000					
	N	119	119	119				
VS	Pearson Correlation	.171	.163	.283**	1			
	Sig. (2-tailed)	.063	.076	.002				
	N	119	119	119	119			
HS	Pearson Correlation	.374**	.326**	.479**	.246**	1		
	Sig. (2-tailed)	.000	.000	.000	.007			
	N	119	119	119	119	119		
CoA	Pearson Correlation	.385**	.305**	.341**	.367**	.396**	1	
	Sig. (2-tailed)	.000	.001	.000	.000	.000		
	N	119	119	119	119	119	119	
CCAP	Pearson Correlation	.621**	.580**	.609**	.315**	.511**	.459**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	119	119	119	119	119	119	119

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Computed by the researcher from the primary data, (2019)

Key: CuAS is custom automation system, HR is human resource, RM is risk management, VS is valuation system, is harmonized system, CoA is cooperation among custom & agencies and CCAP is custom clearing agency performance.

Correlation is the degree of relationship between dependent & independent variables & it has a value ranging from -1 to 1. Therefore on this research, Pearson Correlation analysis is conducted to determine the relationship between the Independent variable, Custom automation, Human resource, Risk management, Valuation system, Harmonized system & cooperation among customs & agencies, and the Dependent variable, performance of custom clearing agents.

As it can be seen at the above table, it was clear that among all the variables there were positive correlation. The correlation value for performance of Custom clearing agents with Custom automation was 0.621, the correlation value for performance of Custom clearing agents with Risk management was 0.609, and both have a strong correlation. Correlation between performance of Custom clearing agents and Human Resource with a correlation figure of 0.580, the correlation value with harmonized system was 0.511 and correlation between performance of Custom clearing agents with cooperation among customs and other agencies was 0.459 and all the three have a moderate correlation. The correlation for performance of Custom clearing agents with Valuation system was .315, which was weak correlation.

4.6. Regression Analysis

Regression is a technique that can be used to investigate the effect of one or more determinant (independent) variables on dependent variable.

The table of coefficients below also measures the individual contribution of each independent variable to changes in the dependent variable. This is represented by the coefficient Betas for each of the predictor.

Table 4.11 Significance and Distribution of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.345	.141		2.447	.016
	Custom automation system	.160	.064	.229	2.509	.014
	Human Resource	.187	.073	.215	2.576	.011
	Risk Management	.133	.062	.188	2.150	.034
	Valuation System	.048	.035	.093	1.356	.178
	Harmonized System	.136	.053	.190	2.568	.012
	Cooperation among custom & agencies	.106	.060	.131	1.783	.077

Source: Computed by the researcher from the primary data, (2019)

The regression model found is;

$$Y = .345 + 0.160CuAS + 0.187HR + 0.133RM + 0.048VS + 0.136HS + 0.106CoA$$

From the above table 4.11, Custom automation system has a positive relationship with custom clearing agent performance and the relationship is statistically significant at the 5% significance level ($\beta = .160$; $p = .014 < .05$). Human resource has a positive relationship with custom clearing agent performance and the relationship is statistically significant at the 5% significance level ($\beta = 0.187$; $p = .011 < .05$). Risk management has a positive relationship with o custom clearing agent performance which is statistically significant at the 5% significance level ($\beta = .133$; $p = .034 < .05$). Harmonized system also has a positive relationship with custom clearing agent performance which is statistically significant at the 5% significant level ($\beta = .136$; $p = .012 < .05$). However Valuation system and Cooperation among customs & other agencies have a positive correlation but the relationship is not statistically significant at the 5% significance level ($\beta = 0.048$; $p = 0.178 > .05$) and ($\beta = .106$; $p = .077 > .05$) respectively.

It is observed from the above finding, that all the coefficients are positive meaning that a change in any one of independent factors affects the custom clearing agent performance in the same direction. Overall, the consistency of regression coefficients on the selected custom clearance challenge area suggests that these variables are important factors influencing performance efficiency at different degrees t and majority of the independent variables were significant predictors of Custom clearing agency performance.

Table4.12 Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	Custom automation system	.462	2.162
	Human resource	.555	1.803
	Risk management	.505	1.982
	Valuation system	.829	1.207
	Harmonized system	.705	1.419
	Cooperation among custom & agencies	.711	1.407

a. Dependent Variable: Custom clearing agent performance

Source: Computed by the researcher from the primary data, (2019)

Table 4.12 above display that the collinearity coefficient of the independent variables. The coefficients of VIF less than 10 and the tolerance coefficients more than 0.2. Therefore all the variables are in acceptable range. Based on this it is possible to conclude that there is no multicollinearity effect since all the variables met the criteria of Tolerance should be >0.2 or VIF (variance inflation factor) <10.

Table 4.13 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754 ^a	.568	.545	.29091

a. Predictors: (Constant), custom automation system, Human resource, valuation system, harmonized system, risk management, cooperation among customs & other agencies

Source: Computed by the researcher from the primary data, (2019)

The value, adjusted R Square showed on the above table 4.13 as explained the significance as well as how much percent of variation in the performance custom clearing agents by independent variable. In this model, the value was 0.545, which indicates that 54.5% of the variance in the dependent variable is explained by the independent variables in the model. The model also indicated that 45.5% of the variance can be explained by other factors.

Table 4.14 ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	754.983	6	125.830	12.539	.000 ^b
Residual	1123.891	112	10.035		
Total	1878.874	118			

Source: Computed by the researcher from the primary data, (2019)

Table 4.14 shows the ANOVA results of the multiple regression analysis. The p value denoted as “Sig.” in the ANOVA table tests whether the independent variables are statistically significant to predict the dependent variable. If p value is > 0.05 the model is statistically insignificant, but if p value is < 0.05 the model is statistically significant. Hence the above ANOVA table shows the regression model is a good fit of the data. ($p=0.000$, which is < 0.05).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

In this chapter, the researcher presented summary of the major findings, conclusions and recommendations based on the research findings.

5.1 Summary of findings

The main purpose of this study was to identify the Custom clearance challenges in Addis Ababa & their implication on performance of custom clearing agents. Then based on research specific objectives research questions were developed with the purpose of leading and constructing this study. For the purpose of answering those research questions a questionnaire & interviewee was employed. Respondents who are custom clearing agents with the position of Operation Managers, Assessors and Transiters participated in the study. Data analysis was conducted by using descriptive and multiple regression methods, with employment of frequencies and percentages and tables presentation analysis.

The study used the six measures to assess the challenges of Custom clearance in Addis Ababa & to see their implication on the performance of clearing agents mostly from time base. These criteria were customs automation system, human resources, risk management, valuation system, harmonized system and cooperation among customs and other agencies. Based on the discussion of data, the following summaries of findings were drawn:

- ✓ The result indicate that, customs automation system is one of challenges of custom clearance practice with a cumulative mean value of 2.13 which is far from moderate level. In addition to this, the majority result of interview & open ended questions indicate that there is ineffective utilization of customs automation system due to frequent system interruption.
- ✓ The result of the study also showed that there is inappropriate human resource management which is shown by cumulative mean score value of 2.00 which is far from moderate level and there is a great challenge to practice the custom clearance process due to customs officers' lack of knowledge to facilitate the clearance process.
- ✓ In addition to this the result presented that the applied risk management of custom can easily manipulated as it is exposed to officers personal judgment due to ineffective

information flows which used to develop well organized risk profile database and it is shown by cumulative mean score value of 2.03 which is also far from moderate level & indicated there is improper risk management implemented which delay the clearance process.

- ✓ The result also revealed that there is unfair valuation system effected in customs which is shown by cumulative mean score value of 1.84 and also the result showed the value which is given by custom officers is not fitted to the value of the item and mostly leads to unfair & high tax payment and hinder a facilitate clearance process.
- ✓ Beside this the result indicated that there is wrong implementation of harmonized system which is shown by cumulative mean score value of 1.98 this is due to the subjectivity issue of the coding clearing agents have facing disagreement with the customs officers which delays the clearance process.
- ✓ Moreover the study presented that cooperation among customs and other agencies also another challenge of custom clearance practice. This is due to lack of access to share information among themselves and custom officers do not have adequate knowledge which item needs which permission so that delay of clearance happen this demonstrated by cumulative mean score value of 2.13 .

These findings indicated that all the independent variables have a mean values which is far from moderate level and there is a great challenge to practice the custom clearance process.

Beside this the dependent variable which is Custom clearing agent performance had a cumulative mean of 1.92 which is also far from moderate level. This finding indicated ineffective clearance process is implemented and there was no facilitation rather delay happened this was affect the performance of the clearing agents in negative way. In addition to this, the majority result of interview & open ended questions indicate that ineffective utilization of customs automation, inappropriate human resource management, improper risk management, unfair valuation system, wrong implementation of harmonized system & ineffective coordination among Customs and other agencies.

The correlation analysis had shown that, the six independent variables (customs automation system, human resources, risk management, valuation system, harmonized system and cooperation among customs and other agencies) have a positive correlation with the dependent

variable (Custom clearing agent performance) at 0.01 p-value 2-tailed, by scoring a Pearson Correlation Coefficient value of 0.621**, 0.580**, 0.609**, 0.315**, 0.511** and 0.459** respectively.

From regression analysis of six independent variables with the Custom clearing agent performance, the four independent variables except valuation system & cooperation among customs & other agencies contribute to statistically significant at p-value < 0.05. The score of the R square was 0.568 which means 56.8%. This also means that the remaining 43.2% is explained by other variables which are not in the model.

5.2 Conclusion

The aim of the study was to identify the Custom clearance challenges in Addis Ababa & their implication on performance of custom clearings. And based on the study, it can be concluded that out of the six independent variables customs automation system, human resources, risk management and harmonized system plays a significant role in custom clearing agent performance. Hence the remaining two independent variables valuation system and cooperation among customs & other agencies have the low effect.

According to the R square value, the factors considered in this study contribute to the Custom clearing agent performance representatives 56.8% which is by explained by the six independent variables. The researcher believes rest 43.2% may be explained by other factors variable.

Thus, based on the findings of this study, the research question of this study was answered, and the conclusion is that there are so many challenges in customs clearing practice which led to prolonged transit time & hinder the facilitated delivery of shipments & decrease the performance of clearing agents.

In general, it can be concluded that the combinations of the six independent variables have an impact and affected the custom clearing agent's performance. Thus, improving the implementation on these areas will facilitate the clearance process and speed up the transit time along with increasing the performance of the clearing agent.

5.3 Recommendation

Based on the study findings the following recommendations are forwarded to help and improve the Custom clearing practice of Customs Commission so that a facilitate service will be given for Custom clearing agents and their performance will be positively affected.

- ✓ To overcome the problems of ineffective use of customs automation system, Customs Commission should able effectively use the system by improving its capacity to process without frequent interruption with collaborating other related agencies like Ethiopian Tele communication ,Information Communication Technology so that the system latest features will be applicable & fast clearance service will be provided
- ✓ In order to improve the human resource problems, Customs Commission has to hire adequate number employees who will be enough to cover the load of the work & frequent rotation of officers from one station to other which leads officers to lack of knowledge will be minimized so that officer will be specialized on the area they work and facilitate the clearance .In addition to this Customs has to provide adequate equipment & give training to employees on their specific field.
- ✓ To improve the risk management system Customs should design a modern technology to ensure effective information flow for risk profiling and often updated the risk profile database. Then the system will provide a better service which facilitate the clearance process & risk assessment will also fairly implement without involvement of officers personal judgment
- ✓ To enhance the valuation system Customs should overlook the applied ECVS(electronic custom valuation system),using ECVS created more complication to clearing agents they can't even to review the system due to this reason high tax is paid, different price given for same items moreover which leads the officers to corruption .so Customs should look other methods which can be practiced by different countries and improve the system so that fair ,neutral and uniform valuation method will be applied and traders also protect from arbitrary valuation by custom officers.
- ✓ In order to overcome the problem on the harmonized system, Customs should make or modify the system to label the items in a more precise way hence subjectivity issue will

be eradicated and there will be a consent on the HS coding between officers & clearing agents hence facilitated clearance process will happen.

- ✓ In order to improve the problem occurred due to lack of cooperation between Customs and other agencies, Customs should find a way to work in collaboration with them and also provide a system which is used to share information among them, unless they coordinate & exchange information there is always duplication of work, resource and more over unnecessary additional time will be waste. Beside this Custom should train the officers to have a general knowhow which item need which permission and so on and agencies also provide their service without any delay hence the clearance process will be facilitated.

5.4 Limitation of the study

The study had its own limitations. This study is limited to the Addis Ababa Custom clearance challenges and as such the findings will not be generalized to all other regional clearance procedures. Other researchers could also take other additional variables which can be determinants of the Custom clearing agent performance. In this research valuation system & coordination among Customs & other agencies have a less significant effect in influencing the performance of the custom clearing agents so that it could be possible for substituting of another variable instead.

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APPENDIX

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE, GRADUATE STUDIES

LOGISTICS AND SUPPLY CHAIN MANAGEMENT MASTER'S PROGRAM

QUESTIONNAIRE FOR CUSTOM CLEARING AGENTS

Dear Respondents

The objective of this questionnaire is to secure the necessary and relevant first-hand information that will be useful to conduct a Thesis entitled “Customs clearing challenges in Addis Ababa & their implication on performance of custom clearing agents” which required for my MSc degree in Logistics and Supply Chain Management department. Therefore, your response in this regard helps a lot to undertake the study. The result of this survey will be treated with at most confidentiality and will be strictly used for academic purpose only. The researcher thus appreciates in advance your cooperation and sparing your valuable time in filling this questionnaire.

For any additional information, explanation and comment, you can leave your message through this phone number: +251 911 119286, email:essetegirma@gmail.com.

Thank you in advance!

Essete Girma

Please be aware the below table numbers represent as follows. (1)Strongly Disagree , (2) Disagree , (3) Neutral, (4) Agree , (5) Strongly Agree and put a tick mark in the boxes which perfectly fit to your answer and try to explain in detail your opinion for the remaining questions.

1. Gender? Male [] Female []

2. Age?

Under 25 years [] Between 26-35 years [] Between 36-45 years []
Between 46-55 years [] Above 55 years []

3. What is the current level of your education? Twelve complete [] Certificate []
Diploma [] Degree [] Masters [] Other Specify _____

4. Job Position _____

5. Service year on the above job postion _____

6. What are the challenges/problems you face in conducting Customs clearance?

7. In what ways/How do you think the above stated challenges affect your Custom Clearing process especially in relation to clearance time?

	Custom Automation System	1	2	3	4	5
1	There is an efficient usage of Customs Automation or information technology system at Customs Offices.					
2	The new system eCMS better than ASCYDAA++					
3	eCMS is efficiently utilized to provide fast custom clearance process					
4	The eCMS system could precisely label the level of risk at submission of documents					

8. What are the common challenges in relation to custom automation system? Does it facilities & speed up the clearance time?

9. Do you think ERCA gives sufficient training to practice the eCMS? Yes [] No [] How do you evaluate the new system?

	Human Resources	1	2	3	4	5
1	Custom Employees have Essential/adequate resources to execute their duties					
2	Custom has adequate number of employees to facilitate the clearance process					
3	The employees are given adequate training Periodically so that they speed up the clearance					
4	Custom officers have adequate knowledge to facilitate the clearance process.					

10. Do you think custom officers have adequate knowledge to do their job? Yes [] No []
 If your answer is 'No' please clarifying what problems you face because of that specially in regard to clearance time?

11. Are customs employees cooperative? Yes [] No [] If your answer is 'No', how does this affect your clearance process? Does it create delay?

	Risk Management	1	2	3	4	5
1	Risk management system is properly implemented on all custom clearance goods					
2	There is efficient information flow for risk profiling					
3	Risk management system give fair risk assessment					
4	Risk management system helps to speed up the clearance process					

12. How do you evaluate the current Risk Management practice applied at Customs in general? Does it facilitate the clearance process & shorten the inspection time or not?

	Valuation System	1	2	3	4	5
1	The valuation system is fair to all custom goods					
2	The value which is given by custom officers is Perfectly fitted(fair) to the valve of the item					
3	The applied valuation system facilitate the clearance process					

13. Do you think the Custom Valuation system is fair enough? Yes [] No []

If your answer is 'No' please specify the reason?

14. Do you face any arguments with Custom officers due to valuation (over valuation)? Yes [] No [] If your answer is 'Yes', please explain how it was finalized? & how much time it adds up on the clearance process?

	Harmonized system	1	2	3	4	5
1	The Harmonized System precisely label the items					
2	There is no subjective issue on HS coding for the items					
3	The custom officers & custom clearing agents have agreements on the HS codes.					
4	The harmonized system used to facilitate the clearance process					

15. Because of complexity of the HS (misclassification) do you face any arguments with the Custom officers, Yes [] No [] if your answer is 'Yes', please clarify the reason? & how much time you spent to solve the issue

	Custom and other agencies	1	2	3	4	5
1	There is cooperation and coordination among Customs and other government agencies (DACA,INSA,Tele ..)					
2	The agencies provide their service without delay					
3	Custom officers are fully aware of what goods need permission or inspection from agencies					
4	There is a cooperation between Customs & other agencies so as to fasten the clearance process					

16. Do you face delay for clearance of goods because of other agencies? Yes [] No []

If your answer is ‘Yes’, please, state the reasons of the delay & how much time you spent?

17. Do you think there is cooperation and coordination among Customs and other government agencies (DACA,INSA,Tele ..) in relation to their job like inspection, information exchange..?

Yes [] No [] if your answer is ‘No’, please describe how this affect your clearance process & create delayed? If they will cooperate how will you benefit?

Would you please rank the following most challenging areas to deliver prompt custom clearance service (eg most challenging 1...least challenging 6)

Challenge	Rank
Custom Automation	
Human Resources	
Risk Management	
HS classification	
Custom Valuation	
Cooperation and coordination Custom with the Agencies	

19. Any additional point you want to say about Customs clearance process especially in respect to clearance time?

Thank you.

Interview Guide Line

1. What are the challenges of customs Clearance process? Please specify?
2. What are the common challenges in relation to custom automation system & are with regard the eCMS?
3. Is the eCMS better than ASCYDAA++? How?
4. Is eCMS system precisely labeling the level of risk at submission of documents? How?
5. Is eCMS is efficiently utilized to provide fast custom clearance process (time)? How?
6. Do you think Custom Employees have suitable office and Essential/adequate resources to perform their duties? Explain?
7. Do you think the employees are given adequate training periodically so that they speed up the clearance? How?
8. Does Custom have adequate number of employees to facilitate the clearance process? Please clarify?
9. Do you think custom officers have competent enough to do their job? If no what problems you face due to this reason especially in regard to clearance time?
10. Are the officers willing to help & solve any problems arising with custom clearance?
11. How do evaluate the Risk Management system? Is it applied in all clearance documents?
12. Does is help to facilitate the clearance process & make timely delivery?
13. Do you face any arguments with Custom officers due to valuation (under valuation/over valuation)? How did the issue finalized? How much time it add up to the clearance process?
14. Do you face any arguments with the Custom officers due to misclassification? Please explain? How much time it delay on the clearance?
15. How do you see the cooperation between custom & other related agencies? Please explain?
16. Do face any delay on custom clearance because of the Agencies? (DACA, INSA...)
17. How is that the above listed or any challenges affect your performance from time prospective/please explain in detail?
18. Anything you want to add about custom clearance?