ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT (GRADUATE PROGRAM)

Assessment of the Challenges Customs Import Clearance:

The Case of Addis Ababa kality Customs Branch Office

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Assessment of the Challenges of import customs clearance: the case of the Addis Ababa kality Customs Branch Office

By

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DECLARATION

I declare that on the project entitled “Assessment of the Challenges of import customs clearance: the case of the Addis Ababa kality Customs Branch Office in Ethiopia” is my original work and has not been presented (Submitted) by anybody for any degree or diploma in any University and all material used for the project work have been acknowledge

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This Thesis has been submitting for examination with my approval as University supervisor.

Name of Advisor: T/giorgis Assefa (Asst.Prof) Signature ……….…….. Date …………

CERTIFICATE

I certify that this thesis work entitled on "Assessment of the Challenges of Customs import clearance: the case of the Addis Ababa kality Customs Branch Office in Ethiopia" has been undertaken independently by Mesfin Bireda under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship or associate ship.

Name and Designation of Advisor ---------------------------------------

Signature of Advisor ---

Date of Submission ---

Place: Addis Ababa University school of commerce-----------------------------------

ACKNOLEDGMENT

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Acronym

ASYCUDA	Automated System for Customs Data
ERCA	Ethiopian Revenue and Customs Authority
CPC	Customs Procedure code
AEO	Authorized Economic Operators
EC	European Commission
ECA	Economic Commission for Africa
ECuA	Ethiopian Customs Authority
FIRA	Federal Inland Revenue authority
HRD	Human Resources Development
ICT	Information Communication Technology
IMF	International Monetary Fund
RKC	Revised Kyoto Convention
SPSS	Statistical Package for Social Science
TRS	Time Release Study
TTF	Trade and Transportation Facilitation
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nation Economic Commission for Europe
WCO	World Customs Organization
WTO	World Trade Organization

ABSTRACT

This study tries to found out the challenges of customs import clearance procedure and identifying major factors behind them. Customs has been described for a century as one of a gate keeper, with customs authorities representing a barrier through which international trade must pass. But currently Customs plays a critical role in the implementation of a range of trade, economic and social policies and contributes to the achievement of national development objective focusing on trade facilitation and regulatory control. However, enormous amount of time and money wasted due to long delays at customs in most sub-Sahara African Countries like Ethiopia. The objective of this study was to assess the Challenges of Customs Import Clearance Procedure on Trade Facilitation and Control at Addis Ababa kality Customs Branch Office. To achieve the research objective, the study employed a descriptive method and used both qualitative and quantitative research approach. Primary data were collected from all Customs employees found in import clearance process teams and all customs clearing agents who have permanent office at the branch. The finding of this study showed that the challenges of import clearance procedure on trade facilitation and control mainly depend on human resource management and development, cooperation and coordination, automation, customs valuations as well as customs risk management techniques. Finally the study recommended that the middle and top level management of ERCA should examine the overall system of risk management, human resource management and development, cooperation and coordination among customs and other government agencies, and customs automation utilization. Different literature shows that the challenges of customs procedure vary from branch to branch and even from one customs procedure to another at kality depending on the nature of the branch as the study entirely delimited to study the issues of Addis Ababa kality Customs import clearance procedure it does not represent the scene in other Branch office and other customs procedures. Thus, further research needs to be conducted to address this customs procedure challenges in trade facilitation and control.

CHAPTER ONE

INTRODUCTION

This study examined the challenges of import Customs clearance, specifically the customs clearing in AAK branche offices. The study was focused on assessing to identify challenges and the reason behind those problems, which have negative contribution on the time length of clearing process. Customs clearing activity is one of the most important government service delivering activities that it needs facilitation. By balancing customs controlling and facilitation mechanism customs clearing activities become normal and this concept is the point that the researcher going to find out.

1.1. Background of the Study

Customs has tremendous effect on trade facilitation all over the world. Specially, when customs controlling systems is stronger than its facilitation, trade activities become in great challenge. This paper going to examines the challenges of customs on trade facilitation in Ethiopia. It focuses more on customs clearing time length in Addis Ababa kality customs branch offices AAK. As per (Widdowson, 2007), the customs has been described for a century as one of 'gate keeper, with customs authorities representing a barrier through which international trade must pass, in an effort to protect the interests of the country. The essence of this role is reflected in the traditional customs symbol, the portcullis, which is a symbolic representation of a nation's ports the gates through which international trade must pass. (McLinden, 2005) stated that:

"Customs is the oldest of governmental institution established to generate income for government in the form of taxation.'' Nevertheless, the role of customs becomes more important and more complicated due to:-Tax base become widened, the prevalence of illegal trade, and the need for balance between trade facilitation and control. All countries have in place some customs controls for revenue generation, domestic economic interests, and national security purposes. While there are similarities between countries (like the universal need for shipment documentation, including commercial invoices and Bills of Landing) there are local, specific requirements that have to be addressed. Broadly, customs clearance will be defined as the set of functions undertaken by a national customs authority, which include, but are not limited to processing of import, export, and transit declarations, assessment of origin, value, and classification of goods, collection and processing of duties and fees and Physical inspection, examination, and release of cargo." As per the revised Kyoto convention (1999), Customs is defined as the government service which is responsible for the administration of Customs law 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. 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). Therefore, trade facilitation is one of the focal point that customs authority concentrated on among the others. The concept of trade facilitation is receiving unprecedented attention and is at the heart of numerous initiatives within the customs world. Trade facilitation has become a substantive item within WTO trade round negotiations, it is frequently referred to in supply chain security initiatives, and is a feature within many customs modernization programs. Trade facilitation is also a significant item within wider aid-for trade and capacity building initiatives. The term 'trade facilitation' is largely used by institutions that seek to improve the regulatory interface between government bodies and traders at national borders (Grainger, 2008).

Trade facilitation is defined by the WTO (1998), and Buyonge and Kireeva, (2008), as "The simplification and harmonization of international trade procedures" where trade procedures are the 'activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade. Trade facilitation looks at how procedures and controls governing the movement of goods across national borders can be improved to reduce associated cost burdens and maximize efficiency while safeguarding legitimate regulatory objectives (Grainger, 2007). The United Nations Economic Commission for Europe(UN/ECE) also defined it as a comprehensive and integrated approach to reducing the complexity and costs of the trade transaction process, and ensuring that all these activities can take place in an efficient, transparent, and predictable manner, based on internationally accepted norms, standard and best practice. Trade facilitation is the gradual removal of the "invisible" barratries to trade. Specifically, it is the simplification and harmonization of international trade procedures, communicating and processing data required for the movement of goods in international trade (WTO/UNCTAD, 2001).

Generally, there are two definitions narrow and broad for trade facilitation. The narrow definition relates to customs formalities and procedures, simplification, harmonization and automation of trade procedures in particular the import export and transit procedures applied by the customs and other agencies to control the cross border movements of goods. The broad definition encompasses all the formalities and procedures related to international trade and the transportation of goods and services across boarder, including the contractual, transactional and payment issues. However, for the purpose of this study, the narrow definition will be used.

Common to all definitions of trade facilitation is the desire to improve the trade environment and reduce or eliminate any transaction cost between business and government. In its Recommendation No 4 UNECE (UN/CEFACT, 1974) is quite explicit on the reformatory trade facilitation objectives, stating that the trade facilitation program ought to be guided by the "… simplification, harmonization and standardization [of trade procedures] so that transactions become easier, quicker and more economical than before …". Simplification is "… the process of eliminating all unnecessary elements and duplications in formalities, process and procedures, harmonization is the alignment of national formalities, procedures, operations and documents with international conventions, standards and practices; standardization is the process of developing internationally agreed formats for practices and procedures, documents and information." Implied in this statement is also the modernization of cross-border operations through use of information and communication technologies that rely on standardized and harmonized data. As such, trade facilitation is at once a political, economic, business, administrative, technical and technological issue (Butterly, 2003).

Africa suffers from the highest average customs delays in the world,12 days on average Estonia and Lithuania require one day for customs clearance; Ethiopia averages 30 days as cited in the (Buyonge and Kireeva, 2008) Journal Article. However, the journal article did not show where these lengths of time release took from. For instance in the Ethiopian case, it did not indicated what are the factors that affect customs import clearance. So the reliability of the average time is questionable and of course needs further study.

The length of time release plays a negative or positive roll on Trade facilitation. A short customs clearing time release avoids the serious bottlenecks that impede 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. This in turn, challenges the nation to compete in the international trade.

1.2. Statement of the Problem

Many scholars agreed that a country could not exist without having customs; nevertheless, the organizational structure may be different. Although there are many studies conducted in relation with customs and trade facilities in different corners of the world, the researcher is unaware of similar studies in Addis Ababa kality branch office as far as the researcher's knowledge is concerned .Customs is a governmental agent that is responsible to, collect revenue in the form of tax, trade facilitation, and border protection in every country of the world. Many reforms have been taken by the Ethiopian government regarding to customs administration to facilitate trade especially import and export activities, increasing government revenue as well as boarder protection.

As insider and customer of the institution, the researcher has observed that importers and exporters claim on long time release of both import and export goods. Therefore, this indicates that still there are unsolved problems concerning to customs service, especially customs clearance process irrespective of the government's effort, which adversely affect business community, government and the public at large.

Trade facilitation and regulatory control are the challenging issues in most African countries and a cause of delays and high transaction cost (Buyonge and Kireeva, 2008). Since, their 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. Delays at the customs as long as 10-30 days and over are very common in the region. Waiting for up to 24 hours to pass through borders appears to be the norm rather than the exception in Southern Africa. Telecommunications services are inadequate, inefficient with frequent interruptions (ECA, 2004).

Similarly, trade facilitation and regulatory control are the two challenging customs responsibilities in the current globalized world. Those issues are very crucial for most Least Developed Countries especially for those Sub Sahara African countries like Ethiopia. They are facing difficulty to strike a balance between trade facilitation and control through simplification and harmonization customs procedures, effective utilization of automation, risk management, proper human resource development, and effective cooperation with business and stakeholders.

Regarding customs role in trade facilitation and control challenges, a number of surveys have been conducted globally. But in the cases of Ethiopia there are few researches related to the challenges of customs import clearance procedure on trade facilitation and control as far as the researcher's knowledge is concerned. Additionally from the researcher's practical experience in customs operation, there are different challenging factors to facilitate legitimate trade as the same time to implement appropriate regulatory control without compromising one another. To cope up the challenges, the government has taken various measures in order to minimize factors that affect trade facilitation and control. However, those challenges still sensitive and burning issues for both the government and trading communities.

This is supported by empirical evidence that Addis Ababa Chamber of Commerce (2011) concluded that the weighted average clearance time for import good in Ethiopia was 13.8 days. This indicates that there is a long delay at the border in order to clear import goods and very high delay considered against the best performers such as Australia (24 hours or one day), Japan (14.4 hours or 0.6 days), Korea (24 hours or one day), and Ghana (2.5 days); this time indicates that there is long delay in the clearance of import cargo in Ethiopia. This fact has been recognized by the Business Process Re-engineering (BPR) study of ERCA undertaken in 2007 set eight hours as standard for the clearance of import cargo.

The reasons for 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 import clearance is unrealistic. The survey that undertaken by Addis Ababa Chamber of Commerce also indicates that the average import clearance time in Addis Ababa kality Customs Branch Office was 11.8 days in (2011).

According to, (Debebe, 2014), Delay time brings effects on delay in the clearance of imported goods for many days, implying a) 0.8% ad-valorem tariff per day, because the goods cannot be inspected unless they are unloaded; b) Welfare loss to consumers of imported goods as they are forced to pay higher prices as a result of the delays; c) Loss of welfare and competitiveness to producers which use imported inputs for export production. d) a total loss to the importer, if a cargo is disposed of by Customs.'

Thus, the purpose of this study is to assess the challenges of customs import clearance procedure on trade facilitation and control at Addis Ababa kality Customs Branch Office with a framework of risk management, customs clearance time, customs automation, customs valuation and classification, human resource developments and management, as well as cooperation and coordination among customs and other government agencies.

1.3. Research questions

i. What are the challenges of customs import clearance procedures at Addis Ababa kality Customs Branch office?
ii. What are the reasons behind those challenges?
iii. How clear are customs laws and regulations to understand for trade facilitation and control?

1.4. O*bjectives of the Study*

1.4.1. General Objective

The main aim of this study was to assess the Customs process of clearing goods at AAK.

1.4.2. Specific Objectives

- To identify what the problems are and the reason behind them.
- To examine the application of the existed laws, regulations and procedure as stated on the paper.
- To recommend where improvements may be made in to reduce delaying and to reduce cost of delays.
- To identify where the risk of customs clearance delays occurs.

1.5. Significance of the Study

In the areas of customs administration there are different journals, articles, and studies conducted globally in relation to the customs role on trade facilitation and control. However, in the cases of Ethiopia, there is a lack of sufficient theoretical and empirical literature at national level to fulfill literature requirements for similar surveys in ERCA. Hence, the finding of this paper was contributed something to reduce the gap in the empirical literature on the issues of customs role in trade facilitation and control in ERCA. This study was useful input to the following groups:

To ERCA: this research will support ERCA's strategic management and experts to see the gap between international standards and best practice in import customs procedures towards trade facilitation and control and to design proper customs laws, regulations and procedures that can fit the current global trade environment. And it will also enable ERCA's officers to provide fast and proper service to legitimate traders.

Benefit to the researcher: The researcher will expect to acquire from this study further experience relating customs administration import clearing procedure on trade facilitation and control and knowhow about international standard and best practice for future career and to conduct similar survey in ERCA level.

Benefit to other researchers conducted similar study: This study can serve as a base for future and further research in the area of by other researchers and play significant role in reducing the existing empirical literature gap.

Benefit to the country: this research will support ERCA to minimize the procedural problems with trade facilitation and control using this study as a problem indicator in the areas like customs procedures, efficient utilization of automation, proper implementation of risk management, improved human resource management and efficient cooperation with business and other stakeholders which improve the country's trade performance in the global arena.

1.6. Limitation of the Study

Most of the time, researchers face different limitation when he/she undertake researches. Therefore, the researcher may have time and finance constraints. To carry out these types of research, obviously time is the most invaluable input and of course budget is the other fundamental issue. The other challenged case was getting data from the authority, officials and employees may not voluntary to provide the available data the reason is confidentiality, but unsatisfactory. If the limitation is clear and known, the researcher may tried to use annual leave for the research purpose to minimize the effect of time limitation in the research and the researcher was asked his family and friends to invest some money and saved in his account to overcome the limitation of budget. Since the researcher was a member of the organization under study for the last 7 year, so, he could convene manager and officials for the confidentially of research and they were willing to give data that are important for the study. And also there are shortages of international published journals on the research topic, as a result the researcher was found different books and international conducted research works for literature review.

1.7. Scope of the Study

The study was focus on Addis Ababa kality Customs branch office (AAk), due to scarce resources and time constraints. Since branch has large coverage both in export and import trade facilitations, the research going to focus on the custom clearing activities of this branch. It covers about 40% (ERCA, 2004) of the total import activities of the country and majority of cargos in uni modal transportation types are facilitated in this branch. Therefore, it is significant on the country import activities. Moreover, the study issues will stick to the customs clearance process particularly, from face vet to release of goods.

1.8. Organization of the thesis

The study was assessed problems and reasons those delays Customs clearing process in Ethiopia in case of AAK. In due process, the reports of the paper logically will be organized in the following manner. The research paper divided in to five chapters. Chapter one gives the background information and statement of the problem. It sets out general and specific objectives, scope of the study, significance of the study, limitations of the study and organization of the entire paper. Chapter two also discusses the key concepts that were used in the paper to place the problem in a broader perspective literature. Chapter three contains Methodology of the study. Chapter four provides data presentation and analysis. Finally, chapter five deals with conclusions and recommendations.

CHAPTER TWO

LITRATURE REVIEW

The WCO revised Kyoto convention, defines customs clearance as “the accomplishment of the customs formalities necessary to allow goods to enter 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.

Traditionally, customs authority do not release goods until all issues related to the transactions are resolved and duties are paid; thus as problems with goods classifications and valuation, missing documents, or appeal process against decision. Such delays have a negative impact on trader’s supply chain as the goods are uphold in a customs controlled facility are not at the disposal for the trader (UNCTAD ,2006). As per the (UNCTAD, 2008), in many countries it is still normal not to release goods unless all issues are resolved and duties and taxes are paid. These delays in actually receiving the goods which are caused by Customs clearance procedures are a great concern for companies especially SMEs faced with increasing demand pressures in today’s markets.

Delays can have various reasons such as e.g. valuation problems but also others which currently are not regulated by WTO rules including classification problems, tariff heading determination, missing documents, lack of certificates of origin or health certificates. A lot of countries have resolved this problem by allowing the release of goods prior to the actual payment and are collecting duties and taxes in separate procedures, independent of the final clearance. Proposals on the release of goods in the event of appeal intend to avoid delays in situations where an appeal is pending. They propose that traders be allowed to leave with Customs financial guarantees for the payment of Customs duties until a disputed issue under appeal is resolved. These guarantees could be in the form of a surety or a financial deposit. They would allow Customs to satisfy any claims in case the trader does not meet his obligations. Thus, Customs would no longer need to hold back the goods themselves, and delays in their release and delivery would be avoided.

2.1. Theoretical Literature

Customs organizations throughout the world hold a unique position within the country's government and the international community. From a national point of view, border protection, revenue collection and the operation of a customs administration are uniquely sovereign responsibilities. Customs administrations also have a special alignment with the international community to provide service. Customs are often the first contact with foreign business and travelers have with the government. A satisfactory encounter with customs at the border has a potential to encourage continued commercial activities (Michel H., 1998, p.4).

According to Revised Kyoto Convention (1999), "Customs" means the Government Service which is responsible for the administration of Customs law and the collection of duties and taxes and which also has the responsibility for the application of other laws and regulations relating to the importation, exportation, movement or storage of goods.

2.1.1. Customs Procedures

The term Customs procedures refers to the treatment of goods by Customs administrations which is enshrined in national legislation. Customs procedures cover the whole spectrum of the Customs system of control and facilitation of imported and exported goods, the movement of passengers, and goods in transit. From a trade facilitation perspective, the world Customs Organization's (WCO) international convention on the simplification and Harmonization of Customs procedures, that was extensively revised and adopted in June, 1999. And commonly known as the revised Kyoto convention, is acknowledged as the main international instrument covering trade facilitation as it pertains to the role played by Customs administrations in the global trading system (www.gfptt.org ,Global facilitation partnership for Transportation and Trade).

According to the WCO guide of time measurement (2002), in the modern business environment of just in time production and delivery it has become ever more important that traders are guaranteed fast and predictable release of goods. Since Customs is the foremost agency at the border and pays a prominent role in the release of goods, Customs should strive to reduce the complexity of clearance procedures and to limit their information that is really necessary. Moreover , modern business administration have recognized that streamlining and simplifying clearance procedures is of benefit to their importers, exporters and their national economies. To achieve the goal of offering efficient and effective clearance procedures, while continuing to maintain their traditional duties of revenue collection and enforcement activities, Customs administrations are increasingly introducing simplified procedures. In order to ensure that these are applied in an effective manner, the procedures have to be reviewed and updated at regular intervals. In addition, to determine the level of effectiveness of normal Customs operations as well as that of simplified procedures, many Customs administrations conduct regular reviews and audits to assist them in streamlining their operations.

2.1.2. Customs valuation

Customs valuation is the procedure used by customs officials to determine the value of the imported goods for the purposes of calculating the right import duty. The customs value is essentially the transaction value that an importer pays for the goods, but can include other additional costs such as commission, packaging and royalties. Where an ad valorem tariff applies to goods, customs officials need to know the value of the goods in order to work out the amount of duty the goods are subject to. The question of value arises only in cases of ad valorem tariffs, as opposed to specific tariffs. This is because specific tariffs are levied on specific amounts of goods and the tariff amount does not depend on the value of the good concerned. In the case of ad valorem tariffs, the tariffs are levied as proportions of the value of the good. Hence, determination of customs value is important.

Customs valuation is distinguished from commercial valuation. It is concerned not only with the transaction between the buyer and the seller but with all issues related to transactions between them. An important issue in customs valuation is thus the need for a valuation standard, which constitutes the customs definition of value. As stated by (Goorman and Wulf, 2005), the World Trade Organization (WTO) agreement on customs valuation, Article VII of the General Agreement on Tariffs and Trade (GAAT), is presently the last instrument in a series of efforts to come up with an internationally acceptable customs valuation system. Customs valuation of goods is an important aspect of trade facilitation. (Walsh, 2003) noted that it is also important element for other functions including statistics, quota and licensing arrangement, and the application of preference systems. As mentioned previously, custom duties are levied mostly on an ad valorem basis and custom valuation is usually the basis on which tariff and tax liability is calculated. Hence it is important to establish generally acceptable rules and system for the valuation of imported goods. This chapter is dedicated to review related literatures in the area of customs valuation. Accordingly, the theoretical and empirical facts pertinent to the study are discussed looking at studies conducted by different individuals, books and other materials. In the subsequent sections, the significance of customs valuation, international valuation standards, methods of customs valuation, impacts of customs valuation on international trade and choice of transportation, and the customs valuation in Ethiopia are discussed, in that order.

Most import tariffs are based on ad valorem duties, that is, a rate expressed as a percentage of the value of the imported goods. Customs valuation is the determination of the amount upon which the rate of duty is applied. While these rates are unambiguously fixed by statute in a tariff schedule, the declared value of imported goods may differ from transaction to transaction. This has three important implications for tariff policy, as pointed by (Goorman and Wulf, 2005). First, an importer may engage in under invoicing and not declare the full value of the shipment to reduce his duty liability. Unless the under invoicing is detected, government revenue is lost and the importer receives unfair advantage compared to its competitors. Second, government can take advantage of the valuation system to increase or decrease duty liabilities for revenue or protective purposes, thereby offsetting tariff concessions made under multilateral or bilateral trade agreements. Third, undervaluation and overvaluation are used for capital flight. The increased importance of customs valuation is a feature of the development of modern customs tariff system. In the past, the usual purpose of imposing import duties was to raise revenue (Bashar, 1999). In more recent time, the purpose of imposing import duties has begun to turn towards protection and encouragement of home industry and as the "ad valorem" system has been found to be more suitable for this purpose (for various reasons including fluctuating prices and the need to take into account gradations of quality) and its use has become widespread. According to (Bashar, 1999), this development has greatly extended the field of customs valuation and has included in it many classes of merchandise entailing special valuation problems. More adequate and precise valuation procedures have thus become necessary. Empirical studies also revealed that there has been a remarkable increase in extra revenue realized by governments because of enhancement of declared transaction value.

Customs valuation systems have been the subject of a number of international harmonization and standardization efforts. International efforts toward harmonization began in the early 20th century, but significant results did not come until the 1947 General Agreement on Tariffs and Trade (GATT). As pointed out by (Goorman and Wulf, 2005), the first significant international agreement on customs valuation was reached at the 1947 GATT negotiations that established principles to be adhered to by trading partners. These principles, embodied in GATT's Article VII, emphasize that customs value should not be arbitrary, fictitious, or based on value of indigenous goods. These principles have remained the basis for customs valuation since then. In the context of the above introduction on the international valuation standards, the following discussions briefly present the different international standards formulated in different years.

2.1.3. Customs Clearance

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 incidence 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.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 (UNCTAD, 2008).

Likewise, the WCO revised Kyoto convention also 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).

2.1.4. Risk Management in Customs Context

Risk management in customs can be defined as; a technique for the systematic identification and implementation of all the measures necessary to limit the likely hood of the risk occurring. International and national strategies can be effectively implemented by collecting data and information, analyzing and assessing risk, prescribing action and monitoring outcomes. The risk is generally characterized by the following: it is partially unknown, it changes with time-as trade laws, importers, and industries change, it is possible to anticipate, and it is manageable. To minimize the occurrence of risks, customs can use risk management as a technique to more effectively set priority and more effectively allocate resources necessary for maintaining a proper balance between controls and facilitate legitimate trade. (USAID, 2004)

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 (EC, 2007).

2.1.5. The roles of customs

The responsibilities of Customs administrations vary from country to country, and are often the subject of regular review and modification to ensure their ongoing relevance in a constantly changing world. Traditionally, however, Customs has been responsible for implementing a wide range of government policies, spanning areas as diverse as revenue collection, trade compliance and facilitation, interdiction of prohibited substances, protection of cultural heritage and enforcement of intellectual property laws. This breadth of responsibility, reflects the fact that Customs authorities have long been entrusted with administering matters for which other government ministries and agencies have policy responsibility, such as health, agriculture, environment, trade statistics and in some cases, immigration. This is generally achieved through the implementation of a diverse range of service level agreements, with Customs having regulatory responsibilities stem from the more traditional Customs role of collecting duties on internationally traded commodities, a common extension of which is the collection other forms of tax, such as value added tax (VAT) and excise duties. In many developing and least developed countries, import duties and related taxes represent a significant proportion of the national revenue. Because of this, the focus for their Customs authority is, understandably, revenue collection. In developed countries in the other hand, with relatively little reliance on imports as a source of government revenue, there is an increasing focus on border protection, with particular emphasis on the enforcement of import and export prohibition and restrictions, including those arising from free trade agreements. Nevertheless, the current trade towards global free trade and the recent heightening of international terrorism concerns have seen border security emerge as a priority across all economies (Widdowson, 2007).

2.1.6. Customs Modernization

Customs modernization refers to comprehensive streamlining of processes, formalities, procedures and documents handled by an improved legal and regulatory framework, the optional application of IT solution, and the implementation of human resource management policy. Customs modernization relates to the full range of Custom operations. Its main objective is to ensure that Customs administrations constantly keep pace with developments in international trade, whether of a technological, legal or economic nature. This modernization programs for Customs service's seeks to develop a competent and efficient administration, determine the optimum management of staff and available technical resources, and instill a culture of good governance and integrity to facilitate the crucial role played by Customs in the global trading system. The Customs modernization program is accelerated by the parallel introduction of a customized capacity building plan to enable a Customs administration to implement the necessary changes to its management and operational environment, (World Bank, 2008).

2.1.7. Automation in Customs

Economic Commission for Latin American and the Caribbean (ECLAC, 2006) stated that, automated system in Customs provides one of the most useful tools for facilitation of international trade procedures. As a complement to Customs reform, automation becomes 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. Automation system in Customs, results in increasing transparency in the assessment of duties and taxes. Moreover, substantial reduction in Customs clearance times, predictability, leading of direct and indirect saves for both government and traders. The higher the level of automation of Customs procedure in a country is the greater the possibility of detailed inspections of detections fraud and firm action including prosecution in court (Buyonge and Kireeva, 2008). The most ICT system used in Africa and Asia is that of ASYCUDA++, which classifies imports depending on their risk under Green, Yellow and Red (Kafeero, 2009).

2.1.8. Human Resource Development and Management

According to EC (2007); effective development of a human resource management system which supports the achievement of the customs administration’s objectives is an integral duty of top and middle level management and the system should explicitly recognize that people are the organization’s most valuable resource. (USAID, 2004) stated that human resource management is the single most important issues affecting the ability of customs to achieve its assigned objectives effectively and efficiently. As per (Wulf and Sokel, 2005), Human Resource Management (HRM) can be broken down into several phases:

i. Staff Profile

A modern customs administration needs to define the profile of its desired staff. The general educational background of all staff should be sufficiently high to ensure that they can acquire and maintain the skills required by a customs service.

ii. Recruitment

Most customs organizations traditionally rely on the recruitment of young candidates who are the schooled in the best practices of the customs service through a combination of academic and on-the job training. However, modern customs practices require staff to possess expertise that cannot easily be attained through training within the customs service. Recruitment procedures and compensation scales need to be sufficiently and transparent to attract staff with specialized skills in IT, accounting and law.

iii. Training

In-service training should be a major responsibility of the HR team at customs. The demands of globalization and the rapid adoption of IT in the various aspects of customs operations make ongoing training is highly significant to improve the capacity and competency of customs officers. Experienced customs officers should be teamed up with professional trainers to offer such training. In modern Customs, many promotions depend on successful completion of well-defined training programs and all staff must undergo annual training, agreed on with the HR department and with direct supervisors. Supervisors are evaluated with respect to the implementation of the agreed on training of their staff.

iv. Staff Compensation

Staff compensation is a crucial factor in HR management. It should be sufficiently high to attract and retain staff with the necessary qualifications to start work at customs. However, overall staff salaries are often inadequate and not modified in a regular base. While compensation is not the only motivating factor for doing a good job, it certainly ranks high to retain skilled and experienced employee. Lack of attractive additional payments, lack of adequate incentives and bonus, lack of job security, and reward mechanisms, encourage most valuable staff members to leave the Customs service in order to use their acquired knowledge to work as brokers and clearing agents.

v. Merit based Promotion

An important component in establishing a professional customs administration is to provide a clearly defined career path and promotion policy that is clearly based on merit. Each employee must feel that there is an opportunity to advance based on hard work. This means that promotion, rewards and recognition are related to independent and unbiased performance evaluation mechanisms.

vi. Integrity and Sanctions

The ten elements outlined in the WCO (Revised) Arusha Declaration provide the most practical basis for the development and implementation of a range of integrity or anti-corruption strategies relevant to the Customs operating environment. Those elements are Leadership and Commitment, Regulatory Framework, Transparency, Automation, Reform and Modernization, Audit and Investigation, Code of Conduct, Human Resource Management, Morale and Organizational Culture, Relationship with the Private Sector. The aim of this section is not to discuss about the elements of WCO Revised Arusha Declaration rather to see the relationship of customs integrity with human resource management and development. Accordingly, the implementation of sound human resource management policies and procedures plays a major role in the fight against corruption in the Customs. Corruption is most likely to occur in organizations where morale or 'esprit de corps' is low and where Customs personnel do not have pride in the reputation of their administration. Customs employees are more likely to act with integrity when morale is high, where human resource management practices are fair and where there are reasonable opportunities for career development and progression (WCO, 2005, pp.72-80).

2.1.9. Ten Building Blocks for 21th Century Customs

In parallel to the new strategic direction of 21st Century Customs, Customs 21st c also offers comments and recommendations on how the WCO can address the challenges facing Customs and expand upon its current roles and responsibilities to better meet the needs of the future.

In June 2008, the WCO Consulate drafted Customs in the 21st Century support Growth and Development by Trade Facilitation and Border Security. The report was the result of an understanding with the leaders of the World's Customs Administrations that an innovative strategic standpoint was needed in the 21st century. This new strategic way, as sketched by the WCO, has ten strategic building blocks (WCO, 2008).

i. **Globally networked Customs**, it is a need for closer real-time partnership between Customs administrations and between Customs and business in facilitating legitimate trade and undertaking Customs controls. The dream of this network implies the creation of a global e-Customs network that will make certain flawless, real-time and web based flows of information and connectivity.

ii. **Better coordinated border management**; this entails coordination and cooperation among all the related authorities and agencies involved in border protection and regulatory requirements that apply to tourist, goods and cargo that are moved across boundaries.

iii. **Intelligence-driven risk management**; the increasing responsibilities and opportunities facing Customs administrations need a more sophisticated understanding of the risk band. It is well understood that scarce resources need to be targeted to the higher end of the risk band. The challenges facing Customs administrations are twofold: how best to apply the rapidly expanding body of knowledge of risk management to identify and mitigate risk at the operational level, and how to apply this knowledge of risk management beyond the operational level and in the management of Customs administrations

iv. **Customs-trade partnership**; Customs in the 21st Century should enter into strategic pacts with faith economic operators. Customs needs to understand and be concerned of trade, while business needs to be familiar with the requirements of Customs. Most importantly, there is a need to translate this relationship into a partnership that results in commonly beneficial results

v. **Implementation of modern operative technique**, Demands regarding the quick movement of goods, joint with complex authoritarian necessities, need modern approaches. These consist of audit-based controls assumed away from the border, moving from. Transaction-based controls alone to using systems-based controls where the level of risk allows, as well as moving away from paper-based systems.

vi. **Enabling technology and tools**; Customs must take advantage of new and rising technologies to improve, amongst others, control, risk management, intelligence and non-intrusive, detection.

vii. **Enabling powers**; In order to address these challenges, Customs administrations require suitable legislative requirements that build up enforcement powers, the provision of progress information and the distribution of information domestically and internationally

viii. **A professional**, knowledge-based service culture; the future orientation of Customs requires moving towards a knowledge-based and customer-orientated model. Staff competencies need to support timely customer-focused processes and services that minimize the administrative load on legitimate trade. Training and organizational culture should support high levels of integrity, demonstrating consistency, transparency, honesty and fairness. Effective change management and leadership skills also need to be developed.

ix. **Capacity building**; Customs administrations needs to ensure that they have the capacity and skills across all dimensions of the operating model to perform all Customs functions more efficiently and effectively.

x. **Integrity**; the fight against corruption remains an important task that should be undertaken over the years to come

2.2. International Standards and Conventions

Currently customs administrations have placed emphasis on trade facilitation in response to the needs of the trading community while at the same time maintaining an appropriate level of regulatory control in accordance with government requirements. In this regard, most Customs departments have aimed to simplify and harmonize their customs systems and procedures for the efficient and expeditious clearance of consignments, in accordance with the international standards, guidelines and recommendations. In essence, the World Customs Organization (WCO) International Convention on the Simplification and Harmonization of Customs Procedures (as amended), known as the revised Kyoto Convention, is the international framework for modern, efficient and effective customs procedures. In addition to this, Customs administrations subscribe to a number of other conventions and standards, the main ones being: (1) the Harmonized Commodity Description and Coding System (HS code); (2) the WTO Agreement on Customs Value (ACV); (3) the revised Arusha Declaration on Customs Integrity;(4) Immediate Release Guidelines and (5) more recently the WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE) program. Those standards and conventions can provide a base for efficient and effective customs procedures specifically for trade facilitation and control when properly implemented (IMF, 2010).

2.3. Customs in the Ethiopian Context

Customs in Ethiopia is among the oldest government agencies and it has a long history and until now it has passed through different structural changes and reform process under different government agencies structure. According to ERCA (2010), from 1889-1923 it was under the Ministry of Finance & Treasury, from 1923- 1941 under the Ministry of Finance, from 1941-1996 under the Ministry of Trade. Meanwhile, in 1997 the Ethiopian Customs Authority was reestablished as a Federal Government organ with its own juridical personality. It was accountable to the Board, under the objectives of Collect duties and taxes on goods imported or exported; Implement Laws and International Conventions related to its objectives; Control the importation or exportation of prohibited or restricted goods (proclamation 60/1997).

As ERCA (2008) cited in Teweldeberhan (2011), to improve customs efficiency and effectiveness and to meet the current global challenges on trade facilitation as well as control, it re-organized since July 2008 merged with the Ministry of Revenue, & Federal Inland Revenue Authority. And become one institute and named Ethiopian Revenue & Customs Authority (ERCA), directly accountable to the Prime Minister Office (proclamation no. 587/2008). However, before merging the three institutes, a long process of study called "Business Process Reengineering" had taken place. The study was undertaken in a year and a half beginning of November 2007 by teams of officials selected from within the administration. The study has looked into the selected key business processes and has come across inefficient organizational structure and unnecessary complicated procedures that permitted insufficient service delivery. The study has also indicated that there was corruption within the administrations and that smuggling and tax evasion were serious problems. These problems have depressed the attempt of the foregoing administrations to be successful in achieving their objectives. Due to the depressing problems that worked against efficiency, the former administration has failed to deliver efficient, transparent and predictable service to its customers such as importers, exporters, taxpayers, the federal government, the society etc. For instance, foreign trade participants (importers, exporters) were unable to deliver their goods to domestic and international market on time and the situation increases their transaction costs as well as they may loss business opportunities.

After the establishment of new authority, the government replaces the proclamation no.60/1997 by proclamation no.622/2009 and also it was replaced by proclamation no.859/2014. The new customs proclamation takes into consideration that, the necessity of modern customs legal framework, which is compatible with the increasingly growing the national and international trade and encourages trade and investment. It also presumed the international, continental and regional trade agreement Signed by the country. Since its establishment, the authority has made the unreserved effort in improving service delivery, revenue collection, law enforcement and combating illicit trade and corruption. ERCA is expected to accomplish these objectives both effectively and efficiently without compromising trade facilitation. ERCA also scaled up customs reform program (a sub-component of tax and customs reform program which was started in 2008/2009) to further overhaul the customs administration system which resulted in strengthening customs modernization and automation system (ASYCUDA++), reduced clearance time, improved the human resource profile, managed to enhance the collection of revenue and enforcing the customs laws. Nevertheless, the rapid increase in volume and complexity of international trade has given rise to the need of further enhancing the capacity of the Authority to improve efficiency of customs clearance to be in line with international standards and best practices (ERCA, 2010).

In addition to the above, the Ethiopian government has been undertaking various reforms and structural adjustments including the issuance of the recent "Customs Proclamation No. 859/2014". This Proclamation has been enacted fundamentally to establish modern customs legal framework compatible to the contemporary international trade practice, and international, continental and regional trade agreements to which the country is a member. The Ethiopian Revenue and Customs Authority is the forerunner for the full flag implementation of the proclamation and issuing compatible regulations, policies and procedures which streamline the customs system for expedient import/ export clearance and international trade facilitation

i. The General Customs Procedures in ERCA

The general customs procedures applied by ERCA are categorized into eight distinct sections such as Permanent Export, Temporary Export, re-export, Entry for Home Use, Temporary Import, Re –Importation, Entry for Customs Warehousing and Customs Transit. In line with those general procedures, there are different Customs Procedure Codes which are revised and implemented in ASYCUDA++ (proclamation no 859/2014).

ii. Customs Clearance Procedure of Ethiopia

Lodgment of entry, the importer /agents are required to complete the customs declarations. Beginning from the reorganization of the authority, it is the responsibility of importers and/or agents to make sure that the declaration is fully and accurately completed and all supporting documents are produced and submitted to the customs office.

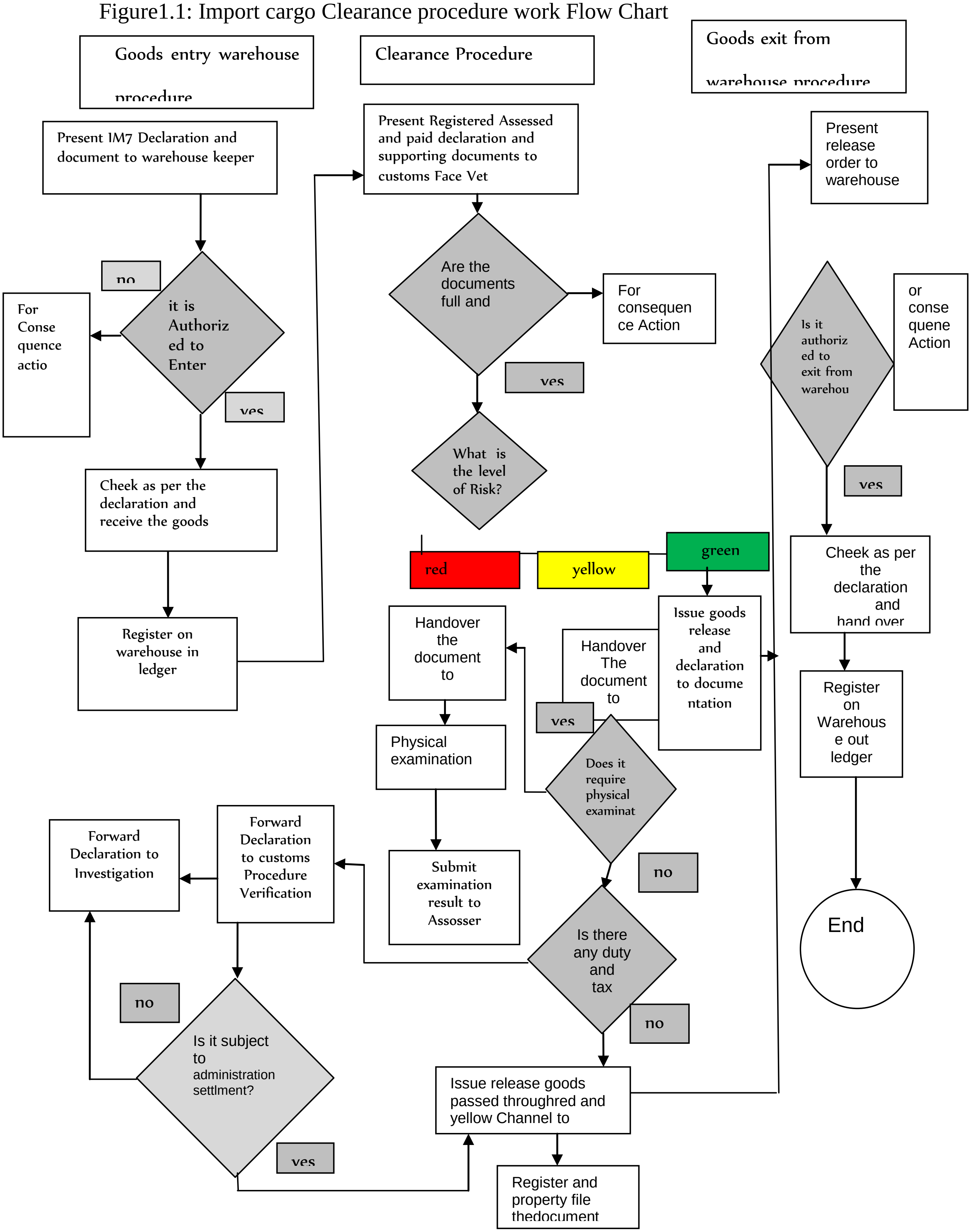
Checking of declaration, the face vet officer receive and check the goods of declaration against the document produced whether it is as per the instruction or not, then accept or reject.

Identifying risk level, the risk level of the documents identified using the ASYCUDA++ system to make risk based treatment or control.

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.

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).

Figure1.1: Import cargo Clearance procedure work Flow Chart



SOURCE: ERCA, Valuation & Tariff Classification Directorate (February, 2013)

iii. Customs Declaration

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 859/2014).

iv. Mandate of ERCA

The authority is charged to administer the activities broadly indicated in the proclamation number (587/2008) and customs proclamation (859/2014). The Authority involves mainly in the enforcement of prohibitions and restrictions, collection and accounting of revenue, trade facilitation, and compilation of use full statistics for economic planning.

v. Risk management in ERCA

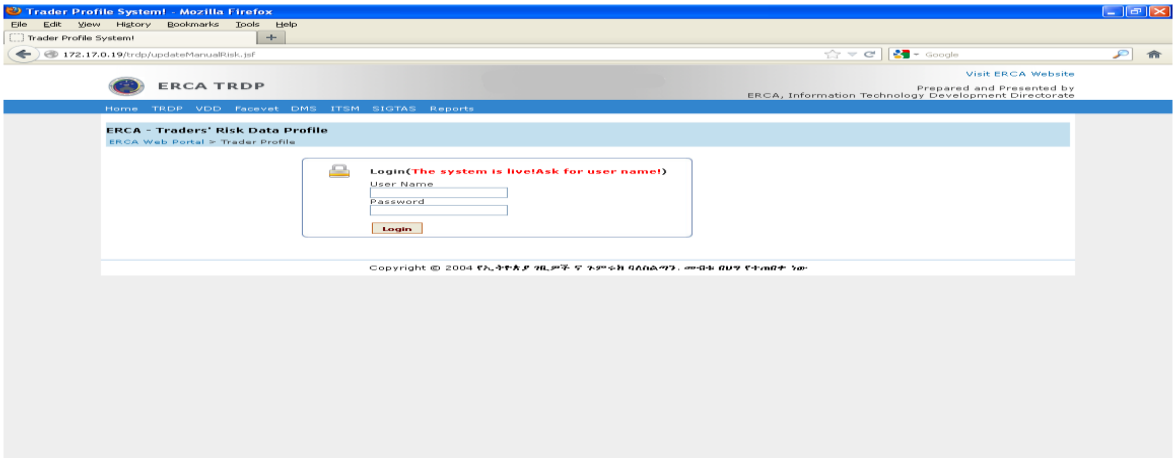
Enforcement data is crucial for the revenue sector. Risk management and other works are basically relies on data/information; without data/information it is difficult to practice risk management approaches. For risk analysis and profile development data should be collected from different parts of the organization. Currently When Importer/Exporter or Declarant commits customs fraud; branches register the offence on an excel format or on a manual ledger then they send to the center with a CD or letter. This approach has the following problems:-

- ✓ There is no standard format followed by each station while they do register,
- ✓ Once the information is register on a excel format or on a manual ledger it will not send to the center on time,
- ✓ Some branches did not send data,
- ✓ All branches data did not accessed easily since it is not centralized
- ✓ The data is not Secured

To solve the above problems and to use the data effectively, this “Risk Analysis & Enforcement Database “is designed and developed this is called TRADER RISK DADA PROFILE(TRDP). Because of the centralized data base; searching and extracting report becomes so easy. The system gives detailed information about fraud made by Importer, Exporter, Declarant, Traveler, Transporter, Cargo, Conveyances. To start the application run any internet Browser like Mozilla

Firefox, internet explorer or any browser and write the following on the address bar HTTP://172.17.0.19/trdp then the system will display the following user interface

Table2. 1. Traders Risk Data Profile (TRDP)



Source: www.erca.gov.et

2.4. Empirical Literature

Trade Facilitation and Customs Regulatory Control: A Study of Express Consignment Operations in Thailand by Puengpradit (2011), recognizes that conditions and circumstances vary considerably across countries, particularly in relation to levels of customs development and fundamental issues such as customs infrastructures, human resources development, risk management, efficient utilization of customs automation, customs cooperation with governmental agencies and stakeholders play important roles in trade facilitation and customs regulatory control. Hence, trade facilitation is receiving unprecedented attention and has become a feature in WTO negotiations, supply chain security, capacity building and customs modernization programs. It seeks to find improvements within the trade and customs environment and reduce transaction costs between business and government. Both business and government stakeholders stand to gain from trade facilitation's simplification, harmonization, standardization and modernization objectives. However, the international trading environment is complex in its nature. Trade operations can involve a range of different types of business stakeholders. Similarly, Customs is not the only governmental body with an interest in trade related controls. Many other government agencies have a stake in the control of national borders and the movement of goods, too. The research also reveals a clear link between human resource development and five other key elements outlined in the framework for trade facilitation and custom regulatory control: risk management, legislation, customs procedures, information technology and cooperation. Even though these elements are considered integral parts of the framework for facilitation and control, the elements alone are insufficient to bring about an effective approach to the accommodation of trade facilitation and customs regulatory control. Support in the form of effective management of human resources is required to make facilitation and control achievable (Puengpradit, 2011:p164).

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 (OECD, 2005).

Another survey conducted by APFC in (2000) of 461 companies in the Asia-Pacific region found those specific issues concerning customs procedures, complexity of customs regulations; lack of information on customs laws, regulations, administrative guidelines and rulings; and problems with the mechanism of appealing customs decisions make customs as major obstacle for trade. While the time to clear imports is 1-2 weeks in most Sub-Saharan Africa countries the time to clear exports at the sending country border reduces the competitiveness of its own export industry.

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

The time release studies in Kenya and Tanzania was carried out at seaports, land border posts, an inland container depot and international airports (2004) and (2005) respectively with funding from the World Bank and technical assistance from the WCO. The findings of the studies were identified that there were delays at all stages of clearance processes administered by Customs, cargo handlers, intervening operations and clearing and forwarding agents in both countries. This refers to the lack of cooperation and coordination among agencies at the national border negatively affects customs clearance procedures.

In the Ethiopian context, Teweldeberhan conducted a survey of challenges of customs on trade facilitation in (2011) revealed that there is a delay in Customs clearing and most of the customers are dissatisfied with the service provided. Furthermore, the authority did focus on controlling and revenue generation, this implies that there is a lack of effort to balance control with trade facilitation, which is the direct opposite of the objectives of the authority itself and the WCO's interest.

In the same year (2011), another research conducted by the Addis Ababa Chamber of Commerce on The Impact of Border Clearance Procedures on the Cost of Doing Business in Ethiopia shows that ERCA undertook a Business Process Reengineering (BPR) study which set a target of eight hours for import clearance in Ethiopia. The import clearance time set by the BPR is the time to clear the goods after the arrival of the goods at the customs clearing stations assuming every documentary requirement fulfilled by the importer. In line with the BPR customs personnel are being provided with training in order to achieve the target. The Ethiopian Government is also taking measures to reduce delays in clearance time by establishing dry ports at Semera and Modjo, and easing the process of implementing multi-modal transport services. As indicated on the analysis part, the weighted national average clearance time for import goods is 13.8 days. Considered against the best performers (Australia, Japan, Korea and Ghana), this time indicates that there is a delay in the clearance of import 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 import 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 import 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 (Addis Ababa Chamber of Commerce, 2011:p52).

Another research conducted on Effects of Procrastination on Customs Clearance Cost: The Case of Kality Customs Branch in Ethiopia by **(**Debebe, 2016) generalized that, custom clearance time delays, which driven by different factors, differs across customs clearance channels like Green, Yellow and Red at Kality Branch Office. It is also greater than ERCA's targets of maximum 8 hours of clearance of imports. Thus, targeted trade facilitation on import clearance process of Red channel has a direct cost reducing benefit. Study also examined impacts of some predictors on customs clearance cost and result imply that, clearance time delay have significant impact on costs. Therefore, to mitigate this impact there should be the separation of release of goods from clearance of goods since this practice could reduce customs warehouse costs.

2.5. Literature Gaps

Africa suffers from the highest average customs delays in the world,12 days on average Estonia and Lithuania require one day for customs clearance; Ethiopia averages 30 days as cited in the (Buyonge and Kireeva, 2008) Journal Article. However, the journal article did not show where these lengths of time release took from. For instance in the Ethiopian case, it did not indicated what are the factors that affect customs import clearance. So the reliability of the average time is questionable and of course needs further study.

The length of time release plays a negative or positive roll on Trade facilitation. A short customs clearing time release avoids the serious bottlenecks that impede 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. This in turn, challenges the nation to compete in the international trade.

Thus, the purpose of this study was assessed the challenges of customs import clearance procedure on trade facilitation and control at Addis Ababa kality Customs Branch Office with a framework of risk management, customs clearance time, customs automation, customs valuation and classification, human resource developments and management, as well as cooperation and coordination among customs and other government agencies.

CHAPTER THREE

METHODOLOGY OF THE STUDY

Under mixed method approach, the researcher bases the inquiry on the assumption that collecting diverse types of data best provides on understanding of a research problem (Creswell, 2003). This mixed approach is appropriate when either quantitative or qualitative approach by itself is inadequate to understand a research problem. Quantitative designs are intended to collect primarily quantitative data such as numeric scores and metrics, while qualitative designs are aimed at collecting qualitative data, such as interview or observational data.To address the general objective and to fill the knowledge gap, adequate data from both quantitative (survey questionnaire) and qualitative (in-depth interview) sources will be used, and converge data was collected from both sources at the same time to get a comprehensive analysis of the research problem and interpret the overall result. Therefore, the study was used quantitative survey research questionnaire and in-depth interview data gathering instruments together with documentary analysis. Thus, concurrent mixed approach was used during the study.

3.1. Research methods

Research methods are specific techniques/methods of data collection and analysis used to achieve the broad research objective through addressing the specific objectives of the study. Consequently, this research was used quantitative research methods particularly survey method and qualitative methods particularly in-depth interview and documentary analysis.

To address the research problem using a survey method the study was used semi structured and self-administered questionnaire. The questionnaires was developed by the researcher based on research questions and objectives by observing the accepted questionnaires of different international and national conducted researches. The reason to implement self-administered closed ended questionnaire is because of its low cost requirement and not consume much time to be answered by the respondents and quicker to administer by the researcher but, if questions are wording unclear and if respondents are not literate, its response rate is low.

This Survey instrument was prepared in English. The questionnaire has three parts, the first part is comprised of profile of respondent’s demography and the second part is comprised of the main idea of the study issue. The other specific method is in-depth interview. In-depth interview is a qualitative technique designed to draw out a glowing picture of the participant’s perspective on the research topic. In depth interview is an effective qualitative method for getting people to talk about their personal feelings, opinions, and experiences. Moreover, with regard to qualitative aspect of the method documentary analysis was made.

3.2. Study Design

The function of research design is to provide or the collection of relevant information with minimal expenditure, effort and money.

The study population that the researcher intended to draw a sample is indicated in sample frame. Sample should be representative because based on the sample generalization is given for the entire population. Therefore under this study the sampling frame were customs official and employees, and third parties that are customs clearing agents.

3.3. Population and Sample Size

The other element of sample design is determination of sample size, given the limitation of availability of time and other resources the sample size will be determined as follows even if, there is no a single right way for the determination of sample size (Fowler, 1984).

The target population that the researcher under take are 461 people from these, 261 employees from customs clearing units of AAK, 200 legally registered customs clearing agent who have permanent offices at AAK. Since the target population are from different strata, both stratified and simple random sample selection method will be used to determine sample size.

(Source planning team of AAK)

Accordingly, the researcher had taken 83 samples that are 18% for the total employees of aak, 18% for the total clearing agents. (π=n*α/N*100). Where, π = confidence level, α = error of the sample, n= sample size and N= target population. Random selection was applied in taking these samples. Out of these 46 and 25 questionnaires are expected to properly fill and return from the employees, and clearing agents respectively (confidence interval will be 95% it has true effect). Random selection was applied in taking these samples.

On the other hand, the researcher was drawed structured and semi-structured questions of 8 interviewees from 10 officials to get detailed and clarified information as they are decision makers in their respective organizations.

3.4. Data Gathering Instrument

The researcher was used semi-structured, self administered questionnaire for both quantitative and qualitative aspect of the research method. Further, for the qualitative aspects of the study methods data was collected from in-depth interview and document analysis from AAK.

3.5. Data Analysis Methods

In this specific study both statistical **descriptive and inferential** methods are going to apply in the study to analyze data from survey methods and in-depth interview together with documentary analysis. Therefore in this study, Quantitative data from the questionnaires was analyzed using descriptive and inferential statistics, where as description analysis method was used for data collection through interview and observation. The rational to use this descriptive and inferential statistics is to describe the basic features of the data in a study and to provide summaries about the sample and statistical package for social science (SPSS) tool and EXCEL was used

3.6. Reliability and Validity of the Research

3.6.1. Reliability

According to Lewis, Ritchie and Yin (2003) cited in Wunwimon (2010, p59), reliability is concerned with the consistency of research findings and the extent to which the same results are repeated when the same or similar methods are applied to the same group under the same conditions. The reliability of the study is considered as a means to minimize the errors and biases in a study. The reliability of the data collection can be achieved by using the appropriate data triangulation for conducting the research. This includes the process of cross-checking information collected from various respondents and applying multiple sources of information such as books, annual reports, proclamations, internat ional journals from internet in addition to information gathered from respondents.

To ensure the reliability of the research results, this study was conducted using different data sources like primary and secondary data sources from different respondents. In addition to this, the researcher was conduct interviews and observation across various sections in the Branch Office using in-depth semi-structured interviews and non participatory observation with the same predetermined set of topics and issues.

3.6.2. Validity

According to (Wunwimon , 2010), validity of finding or data is "traditionally understood to refer to the 'correctness' or 'precision' of a research. Validity is ensured through multiple sources of evidence, including documentation, interview and direct observation and also it can be increased through the uses of multiple sources and methods. In this study validity threat was avoided by summiting the same questionnaires to all the subjects and interviewing them consistently under the same conditions. Additionally, in the process of questionnaires formulation, proper attention will be given to answer the research questions in line to the research objectives. Therefore, the researcher was worked properly in the process of data collection by providing clarification about the questions for the respondents to collect valid data throughout the data collection time.

3.7. Ethical Consideration

To undertake the research, necessary approval and permit was obtained from the Addis Ababa University, school of commerce and a covering letter was attached to the questionnaire ensuring participant's anonymity and confidentiality that information obtained from them will not disclose to the third party. Hence, the respondent's rights to privacy, to be fully informed consent, confidentiality, and anonymity was addressed individually. Respondent's name and other identifying information was not used in the study. Finally the research was used numerous works of others and appropriate acknowledgement had made.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This chapter deals with analyzing and presenting the fact collected by questionnaire, interview and observation concerning existing import clearance procedure. In addition to the primary data, secondary data also analyzed and presented. The analysis of the study was structured and conducted to answer the research questions by addressing the objective of the research. In the chapter the response rate, the demographic information of respondents, findings of the survey with its detail interpretation and discussion was presented. Therefore, this section of the study contains facts and information about the challenges of the customs import clearance procedure on trade facilitation and control.

4.1. Result of the Survey

As indicated in chapter three, the respondents are categorized into two groups such as employees of Adis Ababa kality Customs import clearance process teams and customs clearance agents those who have a permanent office at the Branch office. Data related to their profile was collected and analyzed to know the respondent's level of education, sex and work experience.

i. Profile of Customs Import Clearance Process Team Employees

To collect required data and facts about customs import clearance procedure challenges 50 questionnaires were distributed and 48 (96%) were collected. From the collected questionnaires 2 (4%) were discarded because the fact on the questionnaire were irrelevant for the study. Hence, the analysis and interpretation of employee opinion were carried out based on 46 (92%) of the collected questionnaires.

Table 4.1: Profile of Import Customs Clearance Process Teams Employees

Age Ranges	20-30	31-40	41-50	Above 50
Frequency	25	21	_	_
%	54.3	45.7	_	_
sex	Male	Female		
Frequency	31	15		
%	67.4	32.6		
Level of Education	diploma	BA/BSC	MA/MSC	PhD
Frequency	_	45	1	
%	_	97.8	2.2	_
Work Experience	< 3 Years	3-5 Years	6-10 Years	More than 10 years
Frequency	_		34	12
%	_	_	73.9	26.1

Source: Field Survey, 2017

From (Table 4.1), the Branch Office import clearance process teams contains young and energetic employees 25 (54.3%) from total with age range 20-30 and majority 45 (97.8%) of them are first degree holders. The remaining ı (2.8%) have masters holder. This indicates the branch office has an advantage of using the potential of young and well educated human power in order to achieve its objectives related to customs responsibilities. Regarding respondents work experience, 34 (73.9%) have 6-10 years customs work experience; 12 (26.1%) of them have more than 10 years work experience. This implies that 46 (100%) have a work experience in customs more than six years so that there is a good opportunity to handle large and complex transactions at the branch by balancing trade facilitation and customs regulatory control.

ii. Profile of Customs Clearing Agents

In order to collect facts about import clearance challenge at Addis Ababa kality Customs Branch Office 36 questionnaires were distributed for customs clearing agents, 33 (92%) collected the remaining 3 (8%) were not collected. As a result the analysis and interpretation carried out based on 33 questionnaires. The fact and opinion collected from customs clearing agents has a prominent role to make a cross check about import clearance procedure challenges by comparing facts collected from clearance process team employees

Table 4.2: Profile of Customs Clearing Agents

Age Ranges in years	18-25	26-35	Above 35	
Frequency	2	16	18	
%	5.6	44.4	50	
Sex	male	female		
Frequency	24	12		
%	66.7	33.3		
Level of Education	Certficate	Diploma	BA/BSC	MA/MSC
Frequency	8	6	20	2
%	22.2	16.7	55.6	5.6
Work exprience	Less than 3 years	3-6 years	7-10 years	More than 10 years
Frequency	2	4	16	14
%	5.6	11.1	44.4	38.9

Source: Field Survey, 2017

According to the (Table 4.2) above; customs clearing agents respondents aged 2 (5.6%) 18-25; 16 (44.4%) of the respondents age range 26-35; 18 (50%) were above 35. When we were seen the sex of the respondent 24 (66.7%) are male and 12 (33.3%) are Female. Regarding the respondents' level of education, 8 (22.2%) have certficate, 6 (16.7%) have Depiloma, 20 (55.6%) have a first degree and the remaining 2 (5.6%) second degree holder. As described in table 4.2

the respondents' work experience; 2 (5.6%) have less than three years work experience; 4 (11.1%) of them have 3-6 years work experience, 16 (44.4) have 7-10 years work exprience and the remaining 14 (38.9%) of the respondents have more than 10 years work experience. From this the fact and opinion of clearing agents is relevant for the study.

4.2. Challenges of Customs Import Clearance Procedure

To ensure appropriate balance between trade facilitation and regulatory control in customs procedures specifically in import clearance, there are enabler tools such as effective utilization of customs automation, proper implementation of risk management; human resource development, and customs cooperation and coordination with other government agencies involved in international transaction. Human resource management and development is the single most important issues affecting the ability of customs to achieve its assigned objectives effectively and efficiently (EC, 2007 and USAID, 2012).

In order to collect information on import clearance procedure challenges, questionnaires were prepared for Customs employees and clearing agents that focuses on particular areas like customs automation, risk management, human resource development, and cooperation and coordination among customs other government agencies at the Branch Office.

4.2.1. Utilization of Automation at Addis Ababa kality Customs Branch Office

Currently most African countries are using automated customs systems such as the Automated System for Customs Data (ASYCUDA) for trade facilitation. However, it is not effectively utilized because of technical inability to implement the system functionality successfully as intended. The technical inability of customs employees, agents, traders and other professional within the trade community are the main obstacles to fully exploit service offered by such system and to modify or upgrade the system for national needs (ECA, 2004, p.42)

Table, 4.3: Utilization of Customs Automation at the Branch Office

Level of Agreement	Respondents	
	Customs Employees	Customs Clearing Agents
Strongly Disagree	6.5%	-
Disagree	63%	51.5%
Neutral	6.5%	27.3%
Agree	23.9%	21.2%
Strongly Agree	-	-

Source: Field Survey, 2017

According to (table 4.3) above, 69.5% of customs employees and 51.5% of clearing agents disagreed, 6.5% of customs employees and 27.3% of customs clearing agents neutral and the remaing 23.9% customs employees and 21.2% of customs clearing agents agreed on effective utilization of existing customs automation.

Here, the result of the survey shows that the existing customs automation system is not significantly utilized by the Branch Office. This is supported by the interview made with team leaders in import clearance and IT section that the current automation system is not effectively utilized. Because, there is lack of ICT infrastructure, experienced IT experts, and also lack of training in customs automation. This also supported by Kidist (2010) that automation is not adequately utilized in ERCA. Thus, the Brach Office faces challenge to balance trade facilitation and control. As observed by the researcher, frequent network failure is common in the branch office due to Ethio-Telecom network problem. This in turn challenges import clearance procedure to facilitate international trade without compromising regulatory control.

From the result of interview, questionnaires and observation, ineffective utilization of customs automation is the challenge for import clearance procedure on trade facilitation and control.

4.2.2. Implementation of Risk Management Techniques

Risk management technique is a process that is used to route goods through blue, green, yellow and red channels based on the risk level of the goods. 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 trade transaction costs by releasing vast majority of shipments (80-90) immediately after the clearance document has been lodged (EC, 2007)

In order to assess proper implementation of risk management techniques in import clearance procedure at Addis Ababa kality Customs Branch office; Customs employees and clearing agents were asked to express their opinion and the result is given (Table4.4) bellow

Table 4.4: Implementation of Risk Management Techniques

Level of Agreement	Respondents	
	Customs Employees	Customs Clearing Agents
Strongly Disagree	4.3%	12.1%
Disagree	45.7%	42.4%
Neutral	17.4%	24.2%
Agree	30.4%	18.2%
Strongly Agree	3.3%	3.1%

Source: questionnaire survey 2017

As per the above (Table 4.4), 50% of employees and 54.5% clearing agents disagreed, 17.4% customs employees and 24.4% of clearing agents were neutral and the remaining 30.4% of customs employees and 18.2% clearing agents were agreed and only 3.3% employees and 3.1% agents were strongly agreed on on proper implementation of risk management techniques in import clearance procedure at the Branch Office. This indicate that the branch should give great attention for risk management techniques. In addition to this the researcher has made an interview with different customs officials. According to their view on risk management techniques, the Branch Office is not properly implementing risk management on import clearance procedure. The interviewees further emphasize that lack of trained staff, lack of adequate communication infrastructure, weak cooperation with a different section at the Branch Officer as well as with central risk management are the main problems to implement risk management techniques properly. In addition to this, it is observed by the researcher that sometimes risk management officer has changed the risk level of consignments from red risk level to yellow risk level manually. The reason is the system assigns a high risk level to low risk goods and low risk level to high risk goods.This indicates that the system still has problem on properly assigning of risk level

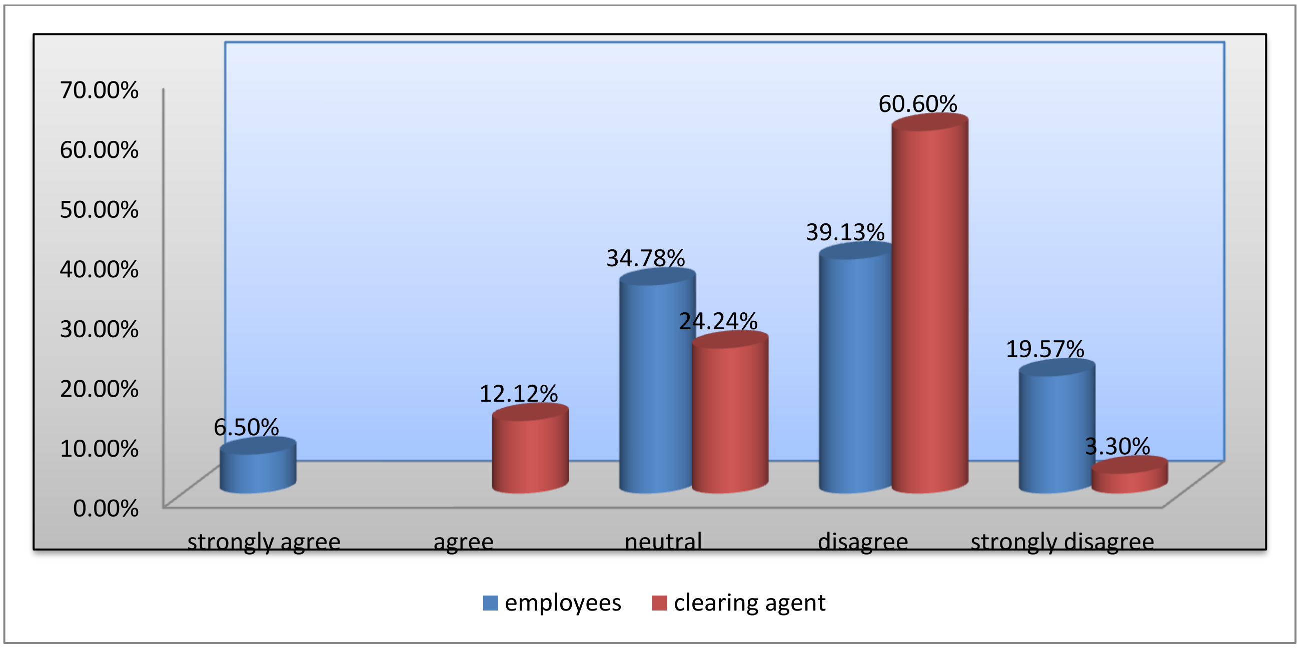
As a trade facilitation tool, risk management techniques are used to facilitate international trade focusing on selected high risk consignments and released low risk consignments immediately when a clearance document lodged. In ERCA, proclamation no. 859/2014 article 6(1) clearly articulates the importance of risk management technique for trade facilitation and regulatory control through a risk selectivity system that gives focuses on high risk level goods. However, the current risk system categorize majority of customs declaration under red channel. The figure obtained from ASYCUDA++ shows that the average deceleration treated through the red channel from 2014-2016 are 48.69% in 2014, 39.86% in 2015, 37.96% in 2016, Based on this on average 42.17% of declarations were subjected for physical examination and documentary checks in A.A. kality Customs Branch office level. At the national level, on average 62.25% of the declarations were treated through the red channel from 2014-2016. This indicates that there is high intervention by customs and trade facilitation is compromised. Thus, risk management techniques are not properly implementing at national level as well as A.A. kality Customs Branch Office level. This is the challenge of import clearance procedure to balance trade facilitation with customs control.

4.2.3. Human Resource Management and Development in Customs

USAID (2012) stated that human resource management is the single most important issues affecting the ability of customs to achieve its assigned objectives effectively and efficiently. So that human resources should be considered as the most important elements of the organization. According to EC (2007); effective development of a human resource management system which supports the achievement of customs administration objectives is an integral duty of top and middle level management and the system should explicitly recognize that people are the organization's most valuable resource..

To assess the level of recognition given to human resource in A.A. kality customs, the Branch Office employees and clearing agents were asked to suggest their opinion on the availability of proper human resource development and management system.

Figure 4.1: Human Resource Management and Development System



Source: Field Survey, 2017

As shown in (Figure 4.1) above, majority 58.7% of employees and 63.90% of clearing agents disagreed on the consideration given to human resource development and management at the Branch Office. This implies that human resource development and management has been given low attention by the Branch office.

According to the interview has made with the branch office team leaders, process owners and the branch manager, the current human resource management and development system is better than the system before customs reform and modernization i.e. BPR. After BPR implementation some improvements have been seen in a few areas like capacity building and salary improvement. Currently customs as institute has been made great improvement on employees basic salary. It is satisfactory and motivate employees. The interviewees extend their opinion on the current turnover rate is an alarming problem for customs because experienced and skilled employees leave the organization to get a better salary, additional incentive, performance based promotion and recognition. The causes of staff turnover in customs are discussed by De Wulf and Sokole, *(*2005 p.35) as follows:

> *Staff compensation is a crucial factor in HR management. It should be sufficiently high to attract and retain staff with the necessary qualifications to start work at customs. However, overall staff salaries are often inadequate and not modified in a regular base. While compensation is not the only motivating factor for doing a good job, it certainly ranks high to retain skilled and experienced employee. Lack of attractive additional payments, lack of adequate incentives and bonus, lack of job security, and reward mechanisms, encourage most valuable staff members to leave the Customs service in order to use their acquired knowledge to work as brokers and clearing agents.*

Thus, lack of due attention for human resource management and development is an obstacle to customs to ensure trade facilitation and control in this ever changing trade environment.

4.2.4. **Cooperation and Coordination among Customs and Other Agencies**

The term Integrated Border Management (IBM) is often used in the national context to describe different forms and levels of border agencies coordination and cooperation aimed at facilitating legitimate trade and increasing operational efficiency. 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).

In order to examine the level cooperation and coordination among customs and other agencies at the branch office, Customs employees and clearing agents were asked to express their opinion on the effectiveness of cooperation and coordination at the branch.

Table 4.5: Respondents Perception on Cooperation and Coordination

Level of Agreement	Respondents	
	Customs Employees	Customs Clearing Agents
Strongly Disagree	13%	
Disagree	41.3%	42.4%
Neutral	19.6%	36%
Agree	26.1%	21.2%
Strongly Agree	-	-

Source: questionnaire survey 2017

As can be seen from (Table 4.5) above, 13% of employees strongly disagreed, 41.3% of employees and 42.4% of clearing agents disagreed, 19.6% of Employees and 36% of clearing agent neutral and only 26.1% of employees and 21.1% clearing agent agreed on the effective cooperation and coordination of Customs and other agencies at the branch to facilitate legitimate trade. Considering these views and answers from respondents, it is evident that cooperation and coordination of the branch office are considerably weak or ineffective to facilitate international trade as well as to ensure regulatory control.

In addition to the questionnaire, the researcher has been made an interview with Customs officials including the branch manager. Their view shows that the level of cooperation and coordination among customs and other agencies is inefficient and they considered ineffective cooperation and coordination is the cause of majority delays that the branch office encountered.

This also supported by the survey of Addis Ababa Chamber of Commerce (2011) that concluded the average import clearance time was 13.8 days at national level and 11.8 days as A.A. kality Customs branch office level. The survey also specifies that cooperation and coordination problem in customs are the root causes for cumbersome customs clearance at border posts and ultimately make the cost of doing business in Ethiopia is very high.

Table 4.6: Average Clearance Time across All Ports

Clearance Interval	Time for Clearance at Airport	Time for Clearance at Land ports
Arrival to removal	12 days and 6 hours	5days
Arrival to lodgment	10 days and 1 hours	5 hours
Lodgment to release	2 days	2 days
Exit/Release to removal	1 day	4 hours

Source: ERCA Research and Development Directorate, 2012

4.2.5. Face vet documentary Analysis

The time taken for a document based on their risk level is also expressed in detail for each breakdown of clearing activities**.** The procedures are clearly stated including the time needed for that specific activity, but it looks a bit long as far as trade facilitation is concerned. The researcher also tried to review/see/ time release reports at clearance and the length of time taken for a document and to check the progress on the length of time release for a declaration. For this purpose, the researcher selected and used the following sample reports in the form of table for the march 2017 as shown below. The report is based on the level of risk which is identified by the Risk management using the ASYCUDA++ and manipulated by the risk management officer in the clearance unit. The sample report for just a moth is selected randomly.

After modernization is taken place in Ghana, clearing time have dropped from three days to four hour (18% goods clear in fewer than two hours and 75% clears the same day).

Customs document review, which in the past averaged 24 hours, now average 10 minutes (Wolf 2004). Regarding to length of clearing time in Ethiopian context is as follows:

Table 4.7: Summarized sample report from 2017-03-01 to 2017-04-01 Kality branch documents.

day	Risk leve	No. of declaration	percent
1 day	red	28	21%
2 days	red	16	12%
3 days	red	10	8%
4 days	red	12	9%
5 days	red	10	8%
More than 5 days	red	57	43%
Total declaration		133	

Source ERCA (Kality branch), 2017.

As can be seen from table 4.9, the time taken for clearing is categorized with the more than 5 days, 43% declaration, means it can be from 5 to 30 days and sometimes may be more than those days. Moreover, when documents are hand over to verification team, the waiting days can be increasing for some additional period of time, because legal litigation may raised by respective parties. Meanwhile, 41% of documents handover today to the Customs office get processed and released within 1- 3 days, and 17% of declaration released between 4 and 5 days and more than 43% released after 5 days

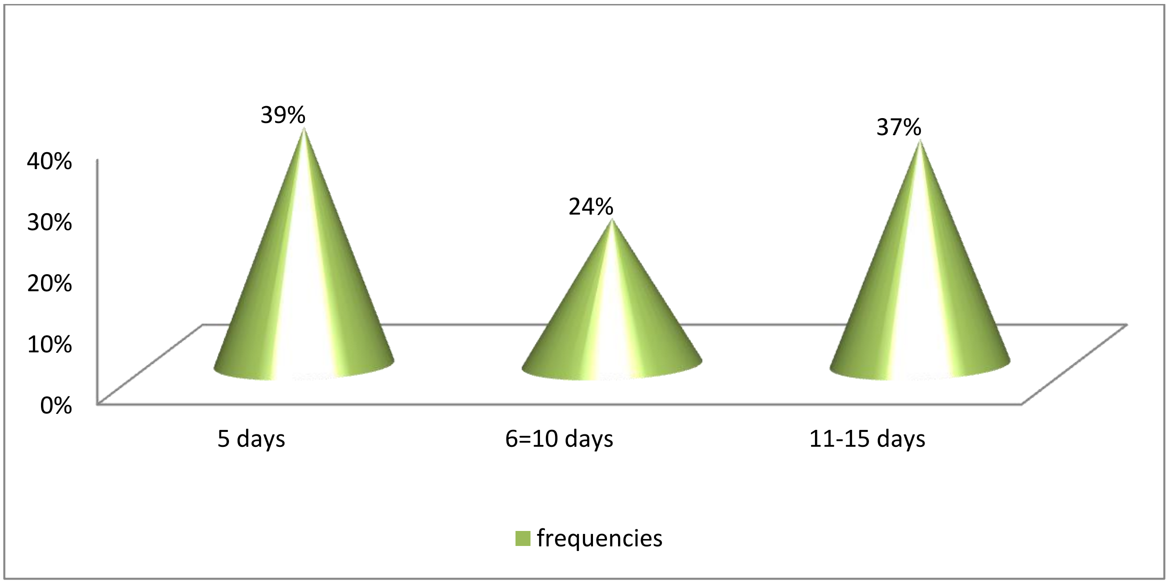
Table 4.8 Summery of branchs risk level from from 2014-2016

2014	**Channel**	**Red**	**Yellow**	**Green**	**Blue**
	No Of Dec	64132	55920	11303	363
	Percentage	48.69%	42.45%	8.58%	0.28%
2015	**Channel**	**Red**	**Yellow**	**Green**	**Blue**
	No Of Dec	57731	71638	15425	27
	Percentage	39.86%	49.47%	10.65%	0.02%
2016	**Channel**	**Red**	**Yellow**	**Green**	**Blue**
	No Of Dec	53189	81349	19048	118
	Percentage	34.60%	52.29%	12.39%	.01%

Source: ASYCUDA++),AAK

From the above table 4.10, the risk level improve from time to time. It shows that 48.69% (2014), 39.86% (2015) and 34.60% (2016) of the processed declaration categorized under the high risk level red. However, it observed that the improvement seen from time to time is promising; at the same time the declarations that facilitated under yellow level shows an increasing from time to time i.e. from 42.45% to 52.29% 2014-2016. So still the declaration facilitated under high risk level is high and this amount of document needs physical inspection which is really time consuming

Figure 4.2 Perception on average clearance time



Source: questionnaire survey, 2017

Figure 4.2 above, customs clearing agents were asked their opinion on the average time taken to clear customs procedure. Majority of the respondents (61%) perceived that on average the import customs clearance takes more than 6 days and 37% of them replied that waiting more than 10 days are mandatory to take goods from the branch. Therefore, the branch should improve risk management system and unnecessary document inspections.

4.3. The Reasons behind Customs Import Clearance Procedure

The challenges of the customs import clearance procedure for trade facilitation and control are identified in this paper by considering existing literature and respondents' perceptions. As outlined earlier, challenges related to risk management, Customs automation, human resource development, cooperation and coordination of customs among other government agencies are the main challenges among others.

Here, after the identification of those challenging, identifying the root causes or reasons behind challenges are valuable to minimize the adverse effects the problems. The reasons behind customs procedure challenges differ from country to country depending on social, political and economic situation. In the Ethiopian context reasons were discussed based on the available data gathered using various data collecting instruments such as questionnaire, interview, observation and documentary review in the following sections.

4.3.1. Reasons behind Improper Implementation of Risk Management Techniques

Risk analysis examines and evaluates all available information gathered from various sources, such as arrest and seizure records, locally and internationally, other law enforcement agencies, traders and other governmental authorities apply proper routing of goods through green, yellow, and red channels. To implement those risk management techniques in import clearance procedure, proper information flow for risk profiling and updated risk data base are the central issues among others (USAID, 2004, and EC, 2007). In order to collect data about the reasons behind the improper implementation of risk management techniques in import clearance procedure at Addis Abba kality Customs Branch Office, Customs employees and clearing agents were asked questions concerning information flow and availability of efficient and updated risk profile database.

Table 4.9: Efficient Information Flow and Availability of Updated Profile Data Base

Positive Statement	Respondents	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
There is efficient information flow for risk profiling	Employees	4.3%	41.3%	41.1%	13%	–
	Agents	3%	51.5%	36.4%	9.1%	–
There is efficient and updated risk profile database	Employees	10.9%	37%	28.3%	23.9%	–
	Agents	21.2%	51.5%	18.2%	9.1%	–

Source: Field Survey, 2017

According to (Table 4.7) above, the branch office employees and clearing agents were asked about efficient information flow for risk profiling. Majority 45.6% of employees and 54.5% of clearing agents disagreed on effective information flow for risk profiling at the branch office.

And 41.1% of employees and 36.4% clearing agents were difficult to decided and only 13% of employees and 9.1% adreed 0n effective information flow for risk profiling at the branch office. In the case of the availability of efficient and updated risk profile database, majority 47.9% and 72.7% of employees and clearing agents disagreed respectively.

This implies that there is a lack of efficient information flow and efficient and updated profile database in order to implement risk management principles in import clearance procedures at the Branch Office.

When there is a lack of efficient information flow and updated profile database, proper implementation of risk management techniques in customs procedure will be difficult. The profile information is used as the basis for selectivity criteria. Simply, profiles are developed as a means of putting risk management into practice at the operational level (UNCTAD, 2006, pp. 39-40). And the profile needs timely and regular monitoring and review of the impact and the results of the profile with a view to determining the best implementation.

The interview has been made with a risk management and intelligence unit team leaders revealed that the problems related to risk management practices in customs procedures depend on human resource competency, training given about risk management techniques and cooperation with different departments, national security and other international institutions to ensure proper information flow and effective risk profile development.

In addition to the interview, the researcher was carried out an observation in import clearance procedure to see the process of risk management techniques. Accordingly, there is high intervention to change documents from red risk level to yellow, from yellow to green and from yellow to red and risk officers write manually risk level on the document when network failure happened.

4.3.2. Reasons behind Ineffective Utilization of Customs Automation

In developing and least developed countries there are different challenging situation that customs administration faces to facilitate trade and ensure customs control through effective utilization of

ICT. In relation to this, August 8, 2009 IMF East Africa workshop on Customs administration automation systems cited in IMF (2011) indicates Some Customs administrations in Anglophone Africa have noted challenges with the existing applications. The participants pointed out a number of unavailable system functionalities such as Warehouse guarantee management, Manifest control, guarantee accounts temporary imports, Valuation, Selectivity automatic updating of importer profiles is not available, and some systems do not provide for report access levels and rights, and report generation is not flexible enough to meet the requirements of the user, including generating the routine performance indicators.

Despite progress in automation, full utilization of the automated systems' functionality is still weak and lack of alternative option to interface the customs system with other stakeholders systems lack of trainings and IT professionals. Consequently, that has an impact on trade facilitation and control through electronic data exchange with proper cooperation and coordination (IMF, 2011, pp.26-27).

Table 4.10: Trainings on ASYCUDA++ and Electronic Data Exchange

Positive Statement	Respondent	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Customs mostly arrange training that makes employees familiar to ASYCUDA++	Employees	8.7%	32.9%	23.9%	34.8%	–
	Agents	6.1%	42.4%	27.3%	24.2%	–
Customs automation ensures Electronic Data Exchange	Employees	10.9%	47.8%	30.4%	10.9%	–
	Agents	12.1%	45.5%	33.3%	9.1%	–

Source: Field Survey, 2017

As shown in (Table. 4.8) above, 41.3% employees and 48.5% of clearing agents disagreed on the availability of well organized trainings that make employees familiar to Customs automation (ASYCUDA++) with 23.9% and 27.3% of them neutral respectively. In the case of electronic data exchange capacity of existing Customs automation, 58.7% of employees and 57.6% of clearing agents disagreed while 30.4% and 33.3% neutral choice respectively. Only 10.9% of employees and 9.1% of clearing agents are agreed. Here the respondents' perception indicates that well organized trainings to make employees familiar to ASCYDA++ not properly arranged at national as well as at the branch office level and which is bottlenecked for effective utilization existing automation by modifying or developing supporting software to meet national requirements. Consequently, lack of well trained IT experts and employees and some functionality system to ensure effective electronic data exchange may be the reasons behind for ineffective utilization Customs automation for trade facilitation and control.

Based on the interview, the problems of customs automation are not only related to training and lack of system functionality, but also related to lack of adequate IT infrastructure, lack of experienced system supper visors, weak performance of Telecommunication network connection are the common obstacle in order to utilize Customs automation effectively. The interviewees also explained that there are no optional functions that carry out assessment, payment, and other customs operational function like a risk selectivity system at the time of network failure.

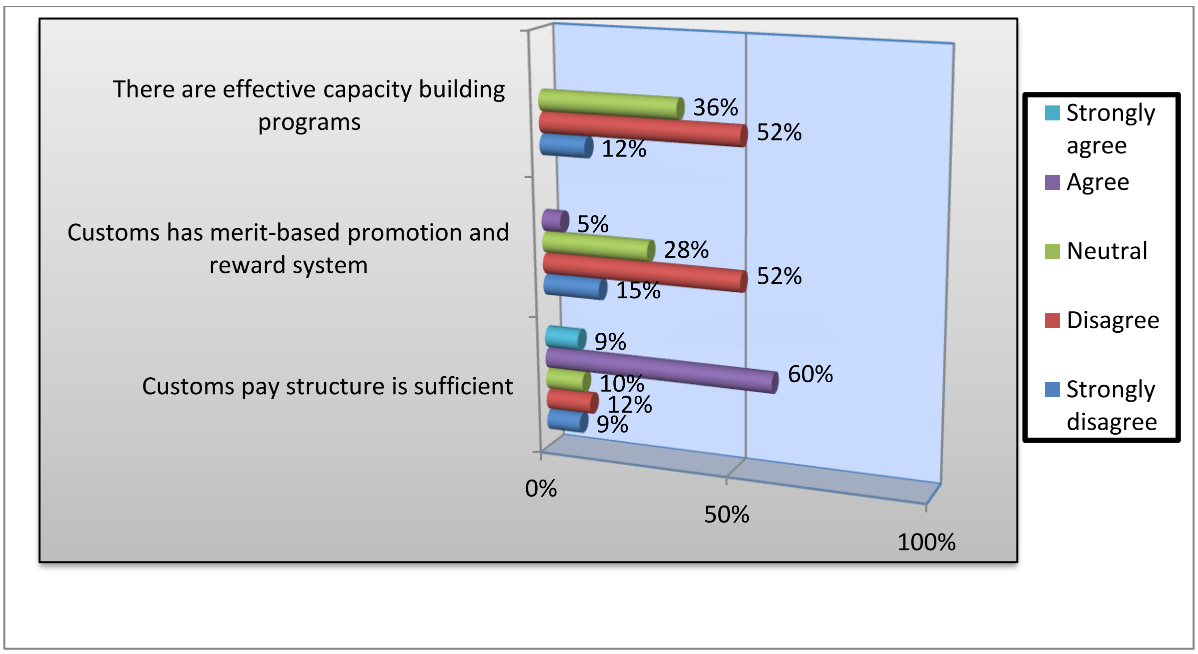
Furthermore, the interviews that have made with the branch manager and IT section team leader shows that system functionality of ASYCUDA++ lacks guarantee accounts for temporary imports and warehouse guarantee management, lack of suitable system for internal cooperation among departments, lack of software to interface custom systems with other national and international institutions for effective electronic information exchange. Aware of this limitation the ERCA tries to get the next generation of ASYCUDA++ i.e. ASYCUDA World that is free from Telecom network and designed to support e-customs and e-commerce.

4.3.3. Reasons behind Proper Human Resource Management and Development Problems

According to EC (2007); develop an effective human resource management system which supports the achievement of the customs administration's objectives, is founded on and bound by national personnel legislation and international standards, and explicitly recognizes that people are the organization's most valuable resource. USAID (2012) stated that human resource management is the single most important issues affecting the ability of customs to achieve its assigned objectives effectively and efficiently. As per De Wulf and Sokel (2005), Human

Resource Management (HRM) can be broken down into several phases such as staff profile, recruitment, training, compensation, merit-based promotion and integrity as a central issues that are demanding due attention for sound human resource development and management in Customs administration. In order to assess the availability of well organized training programs, adequacy of pay structure, and availability of merit based promotion; the branch office employees requested on these issues the results summarized as follows.

Figure 4.3: Reasons behind HRD and Management Problem

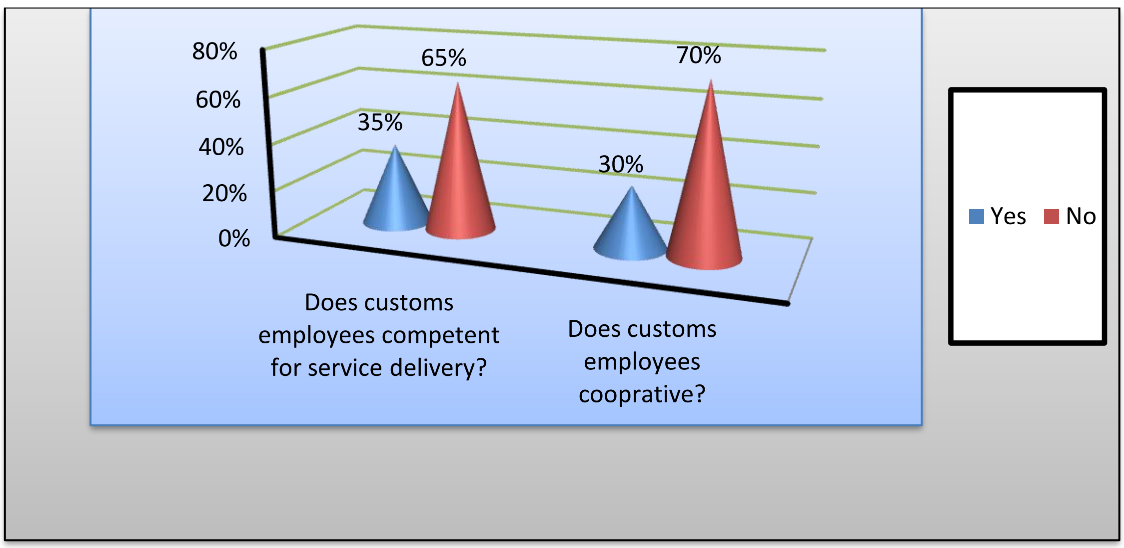


Source: Field Survey, 2017

Questionnaires were distributed to employees to collect their opinions, according to (Figure 4.3) above, 64% of respondents disagreed on the availability of effective capacity building programs and the rest 36% are undecided. While in the case of merit based promotion and reward system majority 67% of the respondents disagreed; while 28% of the respondents neutral; the rest 5% of the respondents agreed on the availability of merit based promotion and reward system. To evaluate the sufficiency of current pay structure, 69% of respondents agreed, 10% neutral and 21% disagreed.

This implies that majority of employees in import clearance process team satisfied with the current pay structure. But most of the respondents are not satisfied with capacity building programs as well as merit based promotion and reward system those are the pillar for effective human resource management and development. To make the information reliable, customs clearing agents were asked to give their opinion about Customs employees' competency and cooperativeness. The results are summarized as follows.

Figure 4.4: Customs Employees Competency and Cooperativeness



Source: Field Survey, 2017

According to (Figure 4.3) above, the majority 65% of the respondents disagreed about the competency of Customs employees for service delivery. Regarding to the employees cooperativeness, 70% of the respondents disagreed on the issue. Hence, Customs employees have problems of capacity limitation to provide effective service and they were less willing to cooperate with external customers at the time of service delivery. This indicates that the staffs at the branch are not well trained according to their work position and capacity limitation they have and also the staff' motivation to deliver effective service in a cooperative manner is low. Both competency and cooperativeness problem related to effective human resource development and management programs.

From the view of employees in import clearance process team, lack of position wise training, lack of merit based promotion and reward system are the reasons behind human resource management and development problems. Similarly their view in the open ended questions indicates that the current pay structure is better as compared with other civil service institutions and the country's economic potential. However, the main problem lay on the stationery or static behavior of pay structure and lack of additional incentives to motivate employees at different levels of the organization and there is a lack of proper handling of staff, less attention is given to experienced and skilled professional turnover. In addition to the employees, clearing agent's opinion indicated that majorities of the employees are degree holders but they have low work experience in valuation, tariff classification and other customs laws as well as regulations.

Hence, the situation makes them to be reluctant and to push documents towards another section without any value adding efforts.

The interview with the branch manager and human resource team leader shows that various types of trainings are arranged and given to the staffs at the branch office level and as ERCA level in the areas like tariff classification, customs valuation, risk management, and intelligence. As per their view, the problems are not mainly lack of training rather weak follow up and lack of training need assessments.

The common and sensitive problem in human resource management at the branch office is there is a high turnover rate which removes trained and experienced professionals. About the reward and promotion system, the manager's explanation indicates that there is no reward and incentive system to motivate employees based on their performance and efficiency result for the time being but as the Ethiopian Revenue and Customs Authority (ERCA) level there are surveys and policy preparation that aimed to revise the existing human resource management and development system that could ensure reasonable reward and remuneration in the future.

From documentary reviews, most literatures suggest human resource policies should not only be aimed at recruiting the right people, but also improve staff skills, and provide a quality work environment, remuneration that can sustain a reasonable standard of living, safety and health guarantee, additional incentives, and merit based promotion retain experienced and skilled professional (WCO, 2005, pp. 31-32).

In ERCA human resource management and development policy was developed after BPR implementation in 2000 E.C. The document includes the right and the responsibility of ERCA staffs with clear bonus and incentive mechanisms for best performance but it is no practically implemented. From the document sanction and punishments are properly applied as per Article

37 and 41. In connection with this the branch office and ERCA have faced high levels of staff turn over every year.

Table 4.11: Employees Turnover Rate of A. A. kality Customs Branch Office from (2006-2009 E.C)

Year	Total Staffs			Total Turnover			Turnover in %		
	men	female	total	men	female	total	men	female	total
2006	319	293	612	151	86	237	25%	14%	39%
2007	378	336	714	94	64	158	13%	9%	22%
2008	348	349	697	91	42	133	13%	6%	19%
2009	327	354	681	53	25	78	7.78%	3.67%	11.45%

Source: From Annual Report of human resource team from 2006-2009E.C

Like the Staffs turnover trends observed in ERCA level, the rate is increasing from year to year at Addis Ababa kality branch office. As indicated in (Table 4.9) above, the turnover rate was 39%, 22%, 11.45% and 19% of the total staffs of the branch in 2006, 2006, 2008 and 2008E.C respectively. The figure (11.45%) represents the rate up to the ninth month of the fiscal 2009 E.C. The implication of the turnover rate and the causes of these turnovers indicate that the problem of human resource management and handling are the burning issues for the organization and the top management is not taking fast remedial action to resolve turnover problems that are the causes for experienced and skilled staff to leave the organization in order to get better remuneration and conducive working environment. Hence, lack of additional incentives, lack of good career development systems and a lack of conducive working environment are the reasons behind human resource development and management problems at A. A. kality Customs

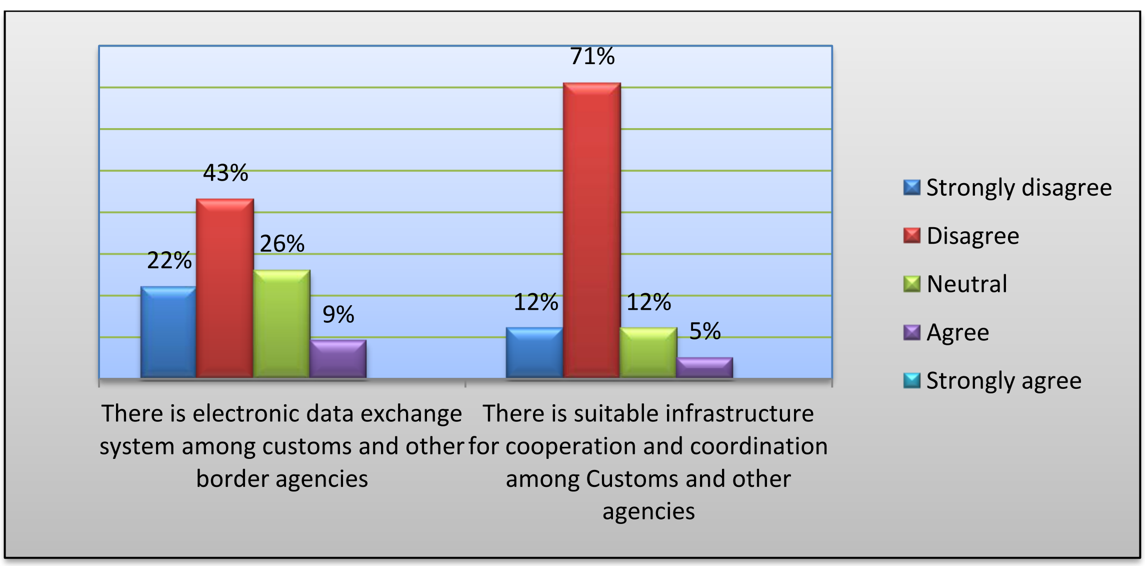
Branch Office. Therefore, without sound human resource management and development; it is difficult to assure the balance between international trade facilitation and regulatory control.

4.3.4. Ineffective Coordination and Cooperation at Borders

Border crossing clearance procedures often involve lengthy formalities due to limited physical infrastructure, lack of trained manpower, lack of electronic data interchange and political will. 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. This often leads to a duplication of effort and processes, such as the presentation of documents and the conduct of inspections. It is common that agencies have different operating hours and are located at different places (UNECE, 2012).

To examine, the availability of suitable infrastructure and electronic data exchange system for effective coordination and cooperation among customs and other agencies at A. A. Kality Customs Branch Office, staff members were asked to give their opinion on these issues.

Figure 4.5: Staff Response on Electronic Data Exchange and Suitable Infrastructure



Source: Field Survey, 2017

According to (Figure 4.4) above, the majority of the respondents 65% disagreed on the availability of electronic data exchange system for effective cooperation and coordination among customs and other agencies that are involved in international trade transactions. Regarding to suitable infrastructure, 71% of respondents disagreed on the availability of a suitable infrastructure for better cooperation and coordination. This indicates that there is a lack of proper electronic data exchange system and suitable infrastructure for effective cooperation and coordination among customs branch office and other agencies. Consequently, traders may face challenges to clear their consignments trimly with minimum transaction cost.

In addition to the questionnaires, the researcher has been made an interview with team leaders in import clearance process team and the Branch manager. During the interview majority of the team leaders including the manager argue that there are some improvements in service delivery in import clearance procedure. However, there are challenges related to other agencies like the Ministry of Agriculture, Food, Medicine and Health Care Administration and Control Authority (FMHCA), Tobacco Enterprise, Quality and Standards, Road and Transport Authority etc.

To collect data about clearance delay and warehouse facilities at A. A. Kality Customs Branch Office, clearing agents were requested to raise their view and the results are summarized as follows.

Table: 4.12 Clearing Agent Response on Clearance Delay and Warehouse Facility

Questions	Responses	
	Yes	No
Do you face delays for clearance of goods because of other agencies?	77%	23%
Is the warehouse at A.A.K convenient for trade facilitation?	15%	85%

Source: Field Survey, 2017

As shown in the above (Table 4.10); majority of the respondents 77% agreed that they have been facing delays because of other agencies. Regarding to warehouse facility, 85% of the respondents disagreed that the warehouse at AAK Customs Branch Office is not convenient for trade facilitation and control. This shows that clearing agents face delays because of other agencies at the Branch and similarly the warehouse facility is not convenient for trade facilitation and control.

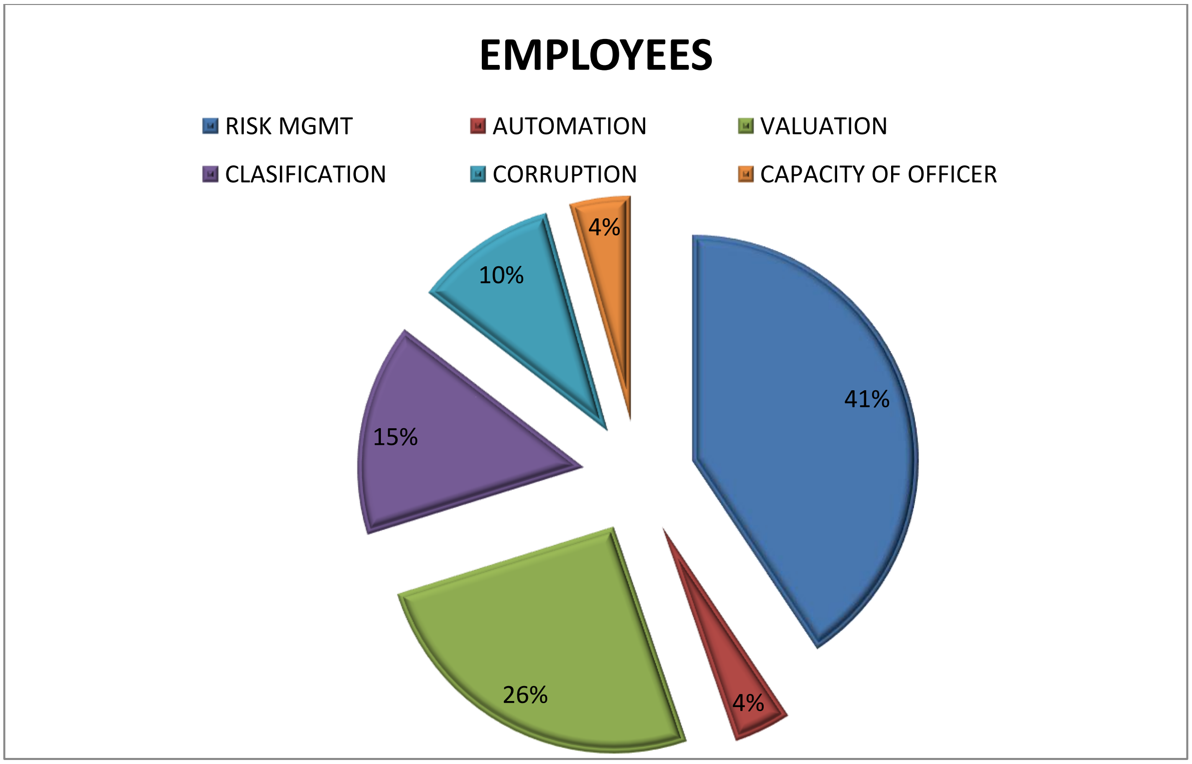
In the open-ended question, clearing agents commenced their opinion about clearance delay and warehouse facility problems such as a lack of cooperative service culture among customs administration and other agencies, lack of suitable communication and physical infrastructure, excessive document requirements. Furthermore, the clearing agent also argued that the warehouse at the Branch Office is not suitable for clearance because of limited space for a physical examination and outdated system to locate the consignments at the warehouse that is a slow process and it takes long time.

Here, the researcher also observed that there is a clearance delay due to intervention by the Ethiopian shipping and logistics warehouse services. Traders forced to stay until ESL makes the good ready from warehouse shelves in the inspection area. This indicates that the warehouse facility at the branch office is not suitable for trade facilitation and control. To sum up, limited infrastructure like ICT, lack of electronic data exchange system, outdated warehouse service, and lack of access other agencies in a common place are the reasons behind ineffective cooperation and coordination at the Branch Office

4.3.5. Prioritizing the Most Challenging Areas in Customs Procedures

Prioritizing or ranking the challenges of customs import clearance procedures based on their seriousness plays a significant role to solve problems in an orderly manner and it also supports the researcher to suggest suitable recommendation based on the assigned priority. Hence, employees in import clearance section at the Branch Office request to rank those challenges.

Figure: 4.6 Prioritizing the Challenging Areas by Employees



Source Field Survey, 2017

According to (Figure 4.6), above; employees requested to the challenges of import clearance procedure on trade facilitation and control, 41% the respondents rank risk management as the most serious challenge for import clearance procedure while 26% of them rank custom valuation as the second serious challenge for customs where as 15% of the respondents rank tarrif classification as the third challenge from the alternatives, 10% of the respondent rank corruption as the fourth challenge and the remaining 4% and 4% of them rank automation and officer capacity as the fourth challenge for customs respectively. On the other hand, 85% of respondents perception indicated that the most import customs clearance challenge was related with human resource development.

Based on the priority given by the respondents it is possible to prioritize risk management as the most problematic area, customs valuation the second, tarriff classifications as the third and corruption is the fourth and remaing as the fifth problematic area for Customs import clearance procedures at the Branch Office. Here, even if the priority has been assigned to each challenge, all of them significantly affect customs procedures. So that the priority was assigned for the sleek prioritize those challenges at the time of financial and other resource limitation occurred. Unless and otherwise all the challenges need due attention by concerned body.

4.4. Clarity of Customs Laws and Regulations for Trade Facilitation and Control

Tax and Customs laws, regulations, administrative guidelines and procedures should be harmonized and simplified to the greatest extent possible. From a customs administrator's view point, clear, simple, transparent and predictable legislation creates the framework for the development of systems and procedures that are easily understood by both the trading community and the officials. Based on clear and easily understood legal framework, customs systems and procedures should be in accordance with the internationally agreed Conventions and standards to ensure trade facilitation and control without undue burden. In other words, complex regulations, procedures or administrative guidelines can encourage trading community to engage in a corrupt practice rather than voluntarily complying and also create bottlenecks for trade facilitation and control (WCO, 2007, PP.53-54). In order to survey the clarity, consistency and predictability of customs laws and regulation both addis ababa kality customs import clearance process units employees and clearing agents were asked about the clarity, predictability and consistency of customs laws and regulation. The following table shows that customs employees and customs clearing agents perception on the clarity, predictability and consistencies of customs laws and regulations.

Table 4.13: Percentage Distribution Respondents on Clarity, Predictability and Consistencies of Customs Laws and Regulations

Positive Statement	Respondent	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Customs laws and regulations are simple to interpret	Employees	17%	41%	23%	10%	9%
	Agents	15%	53%	23%	9%	_
Customs laws and regulations are harmonized and standardized	Employees	16%	53%	19%	9%	3%
	Agents	12%	50%	19%	19%	_
Customs law and regulations are consistent and predictable	Employees	12%	45%	34%	9%	_
	Agents	_	57%	27%	16%	_

Source: Field Survey, 2017

According to the information collected in the (Table 4.10) above; 58% and 68% of employees and clearing agents disagreed on the simplicity of laws and regulations to interpret respectively with 23% neutral. Regarding to customs laws and regulations standardization and harmonization, 69% and 62% of employees and clearing agents disagreed on the issue respectively. Concerning consistencies and predictabilities; 67% of employees and 57% of clearing agents disagreed. While, 34% of employees and 27% of clearing agents are neutral. Here a considerable number of respondents select neutral option this implied that customs laws and regulations are technical to judge.

Interview has been made with the branch official regarding to customs laws clarity, transparency and predictability. Their view shows that customs laws and regulations are not clear to interpret at operational areas. This due to the technical nature of laws and the employees are not easily familiar to it. Mostly customs laws are changed for purpose reform and modernization. Hence the ongoing reform and modernization process demands continuous review and update of laws and regulations within a short period of times. Consequently, this frequent modification of the laws and regulations can affect employees and trading community to acquire deep knowledge. Because of this, it is difficult to say customs laws and regulations consistent and predictable.

4.5. Implementation of International Standards and Conventions as Trade Facilitation Instrument

WCO Revised Kyoto Convention is the international framework for modern, efficient and effective customs procedures. In addition to this, Customs administrations subscribe to a number of other conventions and standards, the main ones being: (1) the Harmonized Commodity Description and Coding System (HS code); (2) the WTO Agreement on Customs Value (ACV); (3) the revised Arusha Declaration on Customs Integrity; (4) Immediate Release Guidelines and (5) the WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE) program. Those standards and conventions can provide a base for efficient and effective customs procedures specifically for trade facilitation and control when properly implemented (IMF, 2011).

In order to examine proper implementation of international standards and conventions in import clearance procedure, import clearance procedure process team employees and customs clearing agents were requested about the practice of those standards and conventions at the branch office.

Tables 4.14: Respondents' Perception on Implementation International Standards and Conventions at kality customs

Positive Statement	Respondents	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Harmonized and simplified import clearance procedure	Employees	14%	40%	31%	14%	2%
	Agents	_	58%	27%	11%	4%
Transparent and predictable Customs clearance procedure	Employees	15%	52%	19%	14%	_
	Agents	15%	42%	39%	4%	_
Customs mostly uses the transaction value method	Employees	22%	47%	17%	14%	_
	Agents	23%	50%	15%	12%	_
Customs to Business partnership to ensure integrity in customs	Employees	12%	57%	26%	5%	_
	Agents	8%	57%	23%	12%	_

Source: Field Survey, 2017

Based on the (Table 4.11) above; 54% of employees and 58% of clearing agents disagreed on the harmonization and simplification of the import procedure at the branch office. Regarding to the transparency and predictability of import procedure, 67% of employees and clearing agents disagreed on the transparency and predictability of the current import clearance procedure at the branch office. In the case of transaction value method acceptance to calculate import duties and taxes, 69% of employees and 73% of clearing agents disagreed on the utilization of the transaction value method at the branch office. Moreover, 69% of employees and 65% of clearing agents disagreed on the availability of customs to business partnership which has considerable impact on trade facilitation and control specially to ensure integrity in customs administration. Thus, there is a lack of proper implementation of international standards and conventions in import clearance procedure in the Branch office. As indicated in table 4.11 above, significant numbers of respondents were concentrating on neutral option that has an implication of respondents' familiarity on international standards and conventions is less because those standards conventions are advanced and technical to understand easily.

Additionally, the researcher has been made an interview with team leaders in import clearance process team in relation to international standards and convention implementation at the branch office import clearance procedure as trade facilitation tools. The interview result shows that those international standards and conventions are very important for the modern customs administration and enabling instruments for trade facilitation and customs regulations.

About the implementation, they explained that most of international standards and conventions are part of the Ethiopian Revenue and Customs Authority regulation rules procedures and guidelines which includes international standards and best practice resulted from benchmarks. Even proclamation number 859/2014 is in line with international standards and best practice. But, according to the interviewees view the problems can be attributed to the lack of infrastructure particularly proper ICT, lack of follow up mechanisms and lack skilled employees and clearing agents in relation to customs valuation, tariff classification, physical examination and fast service delivery culture. This intern hinders trade facilitation effort of customs administration without compromising regulatory control.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of the Findings

Based on the discussion of the previous chapter, the following summaries of findings were drawn:

The result of this study shows that the current risk management techniques of Addis Ababa kality Customs Branch Office are implemented manually because the ASYCUDA++ system did not effectively manage risk and this exposed to personal judgment rather than scientific risk management techniques due to inadequate technological and infrastructural support that have potential to ensure effective information flows and used to develop well organized risk profile database.

In addition to this, the result of interview, questionnaires and observation indicate that, ineffective utilization of customs automation is the challenge for customs import clearance procedure on trade facilitation and control. The reasons behind this challenge related to staff competency and availability of system functionality of ASYCUDA++.

The result of this study also revealed that, even if there is some improvement in managing risk by developing Trader Risk Data Profile (TRDP) software, risk management is still the most challenges of customs import clearance procedure on trade facilitation and control due to lack of skilled and well trained staff in the branch. The working environment and the promotion as well as incentive mechanisms of customs are inconvenient to staff in order to stay at customs.

Beside to this, the cooperation and coordination among customs and other agencies hamper the function of Customs at the Branch office. The reason for this problem is related to weak ICT infrastructure that unable to ensure appropriate information flows. Here, lack of clarity of customs laws and regulations as well as the implementation of international standards and conventions has significant impact on customs import clearance procedure as observed in both the qualitative and quantitative findings of the study.

5.2. Summary

As reviewed from a number of theoretical and imperial literatures, many least develop Sub Sahara Africa countries have inefficient border procedures that make traders suffer from delayed and unreliable delivery, costly customs clearance and missed business opportunities. This paper has examined the challenges of import clearance procedures for trade facilitation and customs regulatory control at Addis Ababa kality Customs Branch Office. Ethiopian Revenue and Customs Authority currently undertake several reform and modernization efforts in order to ensure effective and efficient Customs administration. However, respondents' perception indicates that there are challenges in several areas.

Risk managemnt in import clearance procedure considered as a major challenge for import clearance procedures in the branch office. Even the principles of risk management in customs procedures properly stated on the Proclamation No. 859/2014 article 6/1 indicates that the customs procedures prescribed in the Proclamation shall be applied to effect customs control in a manner assuring transparency and accountability based on appropriate information and the principles of risk management to conducive condition for trade facilitation, but practically risk management process in the Branch Office highly depend on manual process rather than automation based and highly focused on regulatory control. The reasons behind ineffective implementation of risk management in import procedure or lack of organizing and up-to-date risk database, lack of proper information flow for risk profiling purposes, lack of cooperation with other departments in the Branch Office as well as a national intelligence unit in order share reliable information for risk profiling.

Customs Automation often considered as enabling instrument for customs procedures to facilitate and control international trade. ASYCUDA++ is commonly used Customs Automation by most African countries like Ethiopia which is the challenge of import clearance procedures because of un available system functionalities, lack of experienced and trained customs employees, lack of skills in order to utilize ASYCUDA++ for trade facilitation lack of ICT infrastructure and ineffective telecommunication network connections are the reason behind ineffective utilization of customs automation. Thus, insufficient use of automated processes and information technology is a major source of delays, costs and inefficiencies of Customs procedures ERCA.

As identified in the previous chapter the base salary of ERCA is satisfactory and attracts competent human power as compared other civil service institution. However, the absence of merit based promotion, lack of effective capacity building program, lack of job security and safety, lack of additional incentives and absence of recognition for skilled and experienced employees, are the main problems of human resource management and development. Due to such reasons currently A.A. kality Customs Branch office in specific and ERCA at large facing high staff turnover which is alarming and negatively affect the effectiveness of customs import clearance procedures on trade facilitation and control. Human resource development and management problem is the most serious challenge that touches all other areas of customs administration directly or indirectly.

Customs cooperation and coordination among other government agencies at kality Customs Branch Office is the second most serious challenge as identified earlier and a source of long delay at the border up to 10 days. This problem accelerate international trade transaction cost and it also makes cost of doing business in Ethiopia very high and this affect the country's investment opportunity. The main reasons of this ineffective cooperation and coordination among customs and other government agencies are lack of ICT infrastructure, lack of skilled manpower, and lack of computerized system for information exchange among agencies. Thus cooperation and coordination is the challenge of customs import clearance procedure on trade facilitation and control at A.A. kality customs branch office.

Unclear Customs laws, regulations and administrative guidelines are the main problem for import clearance procedures at the Branch Office; because those laws and regulations are difficult to interpret by customs employees, traders and customs clearing agents. Lack of uniformity, predictability and consistency in customs laws and regulations imposes burdens on the trading community in order to deliver their responsibility.

International standards, guidelines and conventions are less implemented in Addis Ababa kality Customs Branch Office. Customs laws and regulations specifically after the BPR implementation were developed in line with international standards and best practices resulted from benchmarking. However, in practice international standards and conventions such as WCO Revised Kyoto conventions; the WTO Agreement on Customs Value (ACV); the revised Arusha Declaration on Customs Integrity; Immediate Release Guidelines are not properly implemented on import clearance procedure. As an economic sector Customs administration is highly vulnerable to corruption. This is fueled by lack of proper implementation of international standards and conventions particularly the twelve principles of the Arusha Declaration on customs administration to minimize integrity problems.

5.3. Recommendations

The findings discussed above outlined some challenges of import clearance procedure at Addis Ababa kality Customs Branch Office for trade facilitation and control. Thus, the study forwarded the following recommendations.

1. To overcome the problems of improper implementation of risk management techniques, Customs administration should effective cooperation and coordination mechanisms through the aid of modern technology to ensure effective and efficient information flow for risk profiling and for the development of organized and updated risk profile database. This also should be supported by proper learning and training, performance evaluation programs that improve staff competency in risk management.

2. In order to utilize existing customs automation effectively for trade facilitation, the branch office as well as ERCA should arrange suitable trainings and learning programs related to ASYCUDA++ to utilize it effectively and efficiently as well as to modify ASUCUDA++ as per the national requirements that can fill the gap created on the absence of some system functionality of ASYCUDA++ like temporary import guarantee account, warehousing guarantee management, reporting, manifest etc.

3. As indicated in the above findings, human resource development is the challenge for import clearance procedures at the Branch Office. Thus, customs should properly arrange position wise capacity program and should create proper follow up system after the training has been given. Merit based promotions and additional incentive provision should be made practical as stated on the paper and due attention should be given to experienced and skilled employees to reduce staff turnover.

4. In order to ensure effective cooperation and coordination among Customs and other governmental agencies at the Branch Office, Customs should launch suitable ICT infrastructure

that support electronic data exchange for trade facilitation and control. And customs should establish a good communication, coordination and consultation system for all stakeholders.

5. Customs should establish a continuous training program on customs laws and regulation to make them easy and simple to interpret for both employees and traders. As much as possible customs should inform the trading community and other stakeholders about any changes and modifications of laws and regulations immediately to ensure consistency and predictability.

6. In order to make strike a balance between trade facilitation and regulatory control, ERCA should incorporate international standards and conventions in its laws and regulations. And also should make them practical in the day to day operation of customs procedures. Here, customs administration should also implement WCO Revised Arusha Declaration in its procedure to ensure integrity in customs operation that is prevalent problem in customs administration.

5.4. Direction of Further Research

This study identifies the challenges of the customs import clearance procedure on trade facilitation and control based on the qualitative analysis of the data collected from primary and secondary sources at Addis Ababa kality Customs Branch Office focusing on specific issues and area. The identified issues are not the only factors that influence customs procedures on trade facilitation and control. The challenges of customs procedure vary from one branch office to another branch office and even from one customs procedure to another customs procedures depending on the nature of the branch office as the study entirely delimited to study the issues of Addis Ababa kality Customs import clearance procedure it does not represent the scene in other Branch office and other customs procedures.

Thus, future research might further evaluate other challenges related to internal and external factors which influence customs procedures on trade facilitation and control might be further evaluated and analyzed to identify any additional challenges of customs procedures. In addition to this, future studies might evaluate the challenges of import clearance procedures at other customs branch offices and other customs procedures like transit procedure, warehousing procedures, and export clearance procedure that were no addressed by this study.

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List of Appendices

Annex I

ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE

Department of LSCM

Questionnaires for Customs Employees

Dear Respondent:

First and foremost, I would like to thank you in advance for giving your opinion and suggestions regarding the survey questionnaires. The purpose of this questionnaire is to collect data that are paramount to assess "The assessment of challenges of customs import clearance Addis Ababa kality Customs Branch Office." The data collected will be applied for the study leading to master's thesis requirements in LSCM. The information you provide in this questionnaire will be kept confidential and utilize only for the purpose of doing this academic thesis. Your genuine response is highly valuable for the achievement of the objectives of this study. Thank you for your cooperation in filling this questionnaire.

You can use Amharic language to explain your idea

For further information and comments please contact by Mob. Phone: **0913160669,** Mesfin Bireda

Part I. General Information

1. Sex: Female ☐ Male ☐

2. Age: 20-30 Years ☐ 31-40 Years ☐

41-50 Years ☐ More than 50 years ☐

3. Educational background

Certificate ☐ BA/BSC ☐ PhD ☐

Diploma ☐ MA/MSC ☐

Other Specify________________________

4. Work experience as customs clearance agent

1. Less than 3 years ☐ 3. 6-10years ☐
2. 3-5 years ☐ 4. More than 10 years ☐

Part II

Introduction: Please select and circle the number that best represent how you feel about the Customs Import Clearance Procedure challenges and related issues in A.A kality Customs Branch Office. Or put (√) mark.

No.	**1. Import Clearance Procedure Challenges**	Strongly disagree	D	Neutral	Agree	Strongly
1.1	ASYCUDA++ is effectively utilized to ensure fast import clearance service					
1.2	Risk management technique is properly implemented in import clearance procedure in kality customs					
1.3	The branch office gives greater attention to human resource development					
1.4	There is cooperation and coordination between customs and other government agencies at kality					

1.5. Would you specify any challenges common in import clearance procedure at kality Customs?

____

No.	1. **Reasons Behind Import Clearance Challenges**	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.1	Customs mostly arrange training that make employees familiar to ASYCUDA++					
2.2	Customs automation ensure electronic information exchange with external users					
2.3	There is efficient information flow for risk profiling					
2.4	The branch office has efficient and updated risk profile data base					
2.5	There is appropriate payment system which is sufficient to allow a reasonable standard of living					
2.6	Customs has merit-based promotion and reward mechanism to motivate its staff					
2.7	There are effective capacity building programs					
2.8	There is electronic data exchange system among customs and other border agencies					
2.9	There is suitable infrastructure for cooperation and coordination among Customs and other agencies					

2.10. Would you please rank the following most challenging areas to deliver proper clearance service?

Challenge	Rank
Risk management	
Customs automation	
valuation	
Misclassification	
Wrong Origin	
Corruption	
Capacity of Officers	

No.	**3. Customs Law and regulations**	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.1	Customs laws and regulations are clear to interpreter and implement					
3.2	Customs laws and regulations are harmonized and standardized					
3.3	Customs law and regulations are consistent and predictable					

3.4 What are the problems related to customs law and regulations? Please specify them? ____ ____

No.	4. International Standards	Strongly	Disa	Neut	Agre	Strongly
4.1	Import clearance procedure in aak Customs is harmonized and simplified					
4.2	Customs import clearance procedure is transparent and predictable					
4.3	Customs mostly uses transaction value method to calculate import duties and taxes					
4.4	There is customs to business partnership to ensure integrity in customs service					

4.5. Anything you want to add about existing import clearance procedures at aak Customs Branch Office? ______________________________________ __________

Thank you

Annex II

ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
Department of LSCM

Questionnaires for Customs clearing agents

Dear Respondent:

First and foremost, I would like to thank you in advance for giving your opinion and suggestions regarding the survey questionnaires. The purpose of this questionnaire is to collect data that are paramount to assess "The assessment of challenges of customs import clearance Addis Ababa kality Customs Branch Office." The data collected will be applied for the study leading to master's thesis requirements in LSCM. The information you provide in this questionnaire will be kept confidential and utilize only for the purpose of doing this academic thesis. Your genuine response is highly valuable for the achievement of the objectives of this study. Thank you for your cooperation in filling this questionnaire.

You can use Amharic language to explain your idea

For further information and comments please contact by Mob. Phone: **0913160669,**

Mesfin Bireda

Part I. General Information

2. Sex: Female ☐ Male ☐

2. Age: 18 – 25Years ☐ 25 – 35Years ☐

More than years 35 ☐

3. Educational background

Certificate ☐ BA/BSC ☐ PhD ☐
Diploma ☐ MA/MSC ☐

4. Work experience as customs clearance agent

1. Less than 3 years ☐ 3. 6-10years ☐
2. 3-5 years ☐ 4. More than 10 years ☐

Part II.

Introduction: Please select and circle the number that best represent how you feel about the Customs Import Clearance Procedure Challenges and Related issues in A.A kality Customs Branch Office.

No.	**1. Import Clearance Procedure Challenges**	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.1	ASYCUDA++ is effectively utilized to ensure fast import clearance service					
1.2	Risk management technique properly implemented in import clearance procedure					
1.3	The branch office gives greater attention to human resource development					
1.4	There is cooperation and coordination between customs and other government agencies at AAK					

1.5. Would you specify any challenges to provide fast import clearance service to the customers?

____

____

No.	2. **Reasons Behind Import Clearance Challenges**	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.1	Customs mostly arrange training that make employees familiar to ASYCUDA++					
2.2	Customs automation ensure electronic information exchange with external users					
2.3	There is efficient information flow for risk profiling					
2.4	The branch office has efficient and updated risk profile data base					

2.5. Does customs employees competent for service delivery?

Yes ☐ No ☐

If your answer is no for the preceding question, please, state the reasons?

____

2.6. Does customs employees are cooperative? Yes ☐ No ☐

If your answer is No for the preceding question, pleas, state your reason?
____
____

2.7. Would you specify any problems in connection with corruption?_____________

____

2.8. Do you face delay for clearance of goods because of other agencies?

Yes ☐ No ☐

2.9. On average how many days do customs clearing take?

Up to 5 days ☐ 6-10 days ☐ 11-15 days ☐ more than 15 days ☐

2.9. Is the warehouse at kality convenient for trade facilitation?

Yes ☐ No ☐

2.10. If your answer is No for question No. 2.9, please specify your reason?______________

____

No.	3. Customs Law and regulations	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.1	Customs laws and regulations are clear to interpreter and implement					
3.2	Customs laws and regulations are harmonized and standardized					
3.3	Customs law and regulations are consistent and predictable					

3.5 What are the problems related to customs law and regulations? Please specify them?

____

____

No.	4. International Standards	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
4.1	Import clearance procedure in kality Customs is harmonized and simplified					
4.2	Customs import clearance procedure is transparent and predictable					
4.3	customs mostly uses transaction value method to calculate import duties and taxes					
4.4	There is customs to business partnership to ensure integrity in customs service					

5. Anything you want to add about existing import clearance procedures at kality Customs Branch Office? ____

Thank you!!

Annex III

Interview Guide Line

1. What are the challenges of customs import clearance procedure for trade facilitation and control? Please specify?

2. What are the main reasons behind the challenges identified in question number 1?

   Would you explain by relating with each challenge?

3. Are the current customs laws and regulation sufficient to support trade facilitation and control?

4. Are customs laws and regulations easy to understand and make practical on import

5. Is Addis Ababa Kality Customs Branch office applying international standards and conventions in import clearance procedure to ensure maximum trade facilitation and appropriate regulatory control?

Do you have anything that you want to add about customs import clearance procedure challenges? Please, specify