ADDIS ABABA UNIVERSITY

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

Customs Risk Management System in Addis Ababa, Kality Customs Branch Office

By

Meseret Girma

A Thesis Submitted to the Addis Ababa University, School of Commerce for the Requirements for the Award of the Degree of Masters of Arts in Logistics and Supply Chain Management

Advisor: Busha Temesegn

Jun, 2018

Addis Ababa, Ethiopia

TABLE OF CONTENT

PAGE

Chapter Three

3. **METHODOLOGY OF THE STUDY**

Chapter Four

4. RESULTS, DISCUSSION, AND INTERPRETATION

Chapter Five

5. RESULT SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

]

List of Figures

Titles **Page**

List of Tables

DECLARATION

I declare that a thesis entitled " customs risk management system: 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

Declared by:

Name: ---------- Signature: ---------- Date: ----------

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

Name of Advisor: ……... Signature …… Date ……

CERTIFICATE

I certify that this thesis work entitled on " customs risk management system Addis Ababa kality Customs Branch Office in Ethiopia" has been undertaken independently by Meseret Girma 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----------

APPROVAL OF BOARD OF EXAMINER

The thesis entitled “customs risk management system “in Addis Ababa Kality Customs Branch Office in Ethiopia” is approved for the degree of Master of Arts in Customs Administration.

As members of the Board of Examiners Board of the Final MA Thesis open Defense Examination, we certify that we have read and evaluated the Thesis prepared by: Meseret Girma and examined the candidate . We recommended that the Thesis be accepted as fulfilling the Thesis requirement for the degree of Master of Arts in logistics and supply chain management.

Name of Advisor..... Signature.....

Date.....

Name of Internal Examiner..... Signature.....

Date.....

Name of External Examiner ..... Signature.....

Date.....

Name of Head of department..... Signature.....

Date.....

Acknowledgment

In the beginning, I thank my Lord Jesus Christ and mother of Jesus Christ the Holy Virgin St. Mary for giving me the strength to accomplish this.

Next I would like to thank my advisor Busha Temesegen , at the Addis Ababa University School of Commerce for his helpfulness, professional advice and intellectual guidance during the process of writing this thesis.

I am also very thankful to the Risk Management staffs head office and Addis Ababa Kality customs branch office staff for their valuable support during preparation of this thesis.

Furthermore, I would like to thank those who have taken their time to read and give comments on my work. Finally I owe enormous gratitude to my husband Daniel Banksira(M.D) for his endless support and encouragement throughout my life.

Finally I would like to forward my heartfull gratitude to Miss Selamawit Kerga and Ato Sisay Habte for their positive cooperation on distributing and collecting questionnaires and other necessary secondary data.

The Researcher

ACRONYMS AND ABBREVATION

ASYCUDA	Automated System for Customs Data
A.A.K	Addis Ababa Kality
E.R.C.A	Ethiopian Revenue and Customs Authority
ECuA	Ethiopian Customs Authority
FIRA	Federal Inland Revenue authority
I T	Information Technology
SPSS	Statistical Package for Social Science
TRDP	Trader Risk Data profile
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nation Economic Commission for Europe
USAID	United States Agency for International Development
WCO	World Customs Organization
WTO	World Trade Organization

ABSTRACT

Customs risk management plays an important role an achieving countrywide objective by enabling customs to allocate their scare resources efficiently, undertake balanced control and legitimate trade. Similarly to achieve its objectives; Ethiopian revenue and customs authority has built its capacity and made business process reengineering program so as to collect enough revenue, facilitate trade, contribute for promoting investment, regulate and control illegal trade by changing the customs clearance procedure from physical inspection toward risk management . Ethiopian revenue and customs authority has undertaken an initiative to restructure the way the risk management is managed and the way targeting services are delivered. The establishment of a functional risk management team to direct the targeting program will ensure that it receives the guidance and support to become more effective and efficient. Despite of this move to modernization, most goods are subjected to high customs intervention and international trade of the country that hurt facilitation of trade. This study is launched to assess the customs risk management system in Ethiopian revenue and customs authority Addis Ababa kality customs branch in relation to risk management process, the infrastructure in risk management, compliance measurement, and risk based compliance management, collection of data and information and facilitation and control of customs risk management. This objective has been supported by review of various literatures in area of customs risk management. The study used descriptive research methodology and both qualitative and quantitative research approaches. To conduct the study both primary and secondary data were gathered from 50 Employees of the customs, and 39 clearing agents of the branch based on probability and non-probability sampling techniques. Interviews were also conducted from central and branch risk management team leaders. Secondary data were collected from Automated System for Customs Data System, proclamation, and so on. The collected data were analyzed using descriptive statistics. According to the findings, it is difficult to say there is effective implementation of custom risk management process; there is also a gap on supporting infrastructure; the requirement for compliance measurement is implemented in a good condition; Finally the study recommends that the risk management at the branch as well as the authority should implement all the customs risk management processes effectively and efficiently the compliance measurement system should depend on harmonized data system, the intelligence team access information beyond domestic sources, fulfill IT infrastructure, and develop the capacity of risk management officers through training.

Key Words: Risk Management, Facilitation, Control.

CHAPTER ONE

Introduction

This topic begins with a brief background to the study, which leads to an introduction organization, Ethiopian revenue and customs authority (ERCA), statement of the problem of the study, question and objective of the study will then be presented.

1.1 Background of the Study

Organizational risk is a situation that creates an impediment to an organization from achieving its objectives. Customs authorities have two primary objectives: provide the international trading community with an appropriate level of facilitation, and ensure compliance with regulatory requirements. Risks facing customs include the potential for noncompliance with customs law such as valuation provisions, rules of origin, goods classification, duty exemption regimes, and security regulations, as well as the potential failure to facilitate international trade (Widdowoson, 2005 and Braga ET, al, 2001).

Customs risk management is an approach to separate high risk traders from low risk traders and targeting the high risk traders effectively by directing available resources to that merchandise based on their level of risk. It provides for different treatments based on specific risk indicators, allowing low-risk shipments to be released without any intervention, but ensuring that high-risk shipments are handled in a manner that is most likely to achieve results (USAID, 2004).

Physical border controls over the movement of goods and people consisting of documentary checks and physical inspections aimed at detecting illicit trade are the more traditional ways of customs risk management. But such controls are not necessarily an effective or efficient one. Thus customs should gather relevant information using intelligence data base in order to identify illegal activity in an effort to reduce it risks (Grainger, 2007).

In Ethiopia, the practice of organized customs risk management is not more than a decade's rather the framework is designed after the merger of three already existing bodies: the ministry of revenue, Ethiopian customs Authority (ECUA) and the federal Inland Revenue authority (FIRA) by proclamation number 587/2008. The merger resulted in the creation of the Ethiopian Revenue

and Customs Authority (ERCA).After that the legal foundation of risk management system in customs context was included in customs proclamation and implementation has been started after BPR implementation with the aim of facilitating legitimate trade and controlling the illegal one. In addition to this, new customs proclamation No.859/2014, article 5 and 6 incorporates risk management in the customs facilitation and control practice... ERCA has introduced risk management policy and strategy as per the proclamation and it has been implemented by different branches of ERCA including Addis Ababa kality Customs branch office (ERCA, 2010)

1.2 Statement of the problem

The dynamic growth of international trade creates difficult job to maintain a proper balance between control and trade facilitation in customs procedure .To treat this speedy and huge volume of international trade, developing countries customs administration must be apply both effective and efficient control by executing risk management in order to simultaneously fulfill the responsibility to collect revenue, implement trade policy and protect public welfare while at the same time offering trade facilitation to legitimate traders and carriers(USAID 2005).

An effective risk management does not happen overnight. It begins with an organizational commitment from senior management.it requires careful program of training for mid-level managers and employees. It calls for establishing or strengthening partnerships with other government agencies and with other government agencies and with the trading community. Moving from a traditional environment to an automated environment involves far more than the purchase of equipment and technology.it requires leadership, effective communications, and the willingness to change at all levels within the organization (OECD, 2004).

Most of developing countries like Ethiopia still inspect the flow of goods physically during their customs clearance process. Risk based inspection prior to the release of merchandise would minimize the burden of the process. These countries are characterized by inefficient and ineffective inspection of goods that affects customs objective of trade facilitation (Geourjon and Laborite, 2004).

Even if ERCA is exerting its unreserved effort in establishing effective custom administration that support trade facilitation and control; but still an unable to provide efficient service that satisfy its customers in providing efficient and effective service especially in clearance process (ERCA's report, 2014).

1.3. Research Questions

The study scope is going to answer the following research questions:

- How the risk management process and compliance measurement is being applied?
- How is the collection of data and information for effective risk management?
- How supporting infrastructure for the proper application of risk management is being practiced?
- What is the level of facilitation and control in Addis Ababa kality customs branch office of ERCA?

1.4 Objective of the Study

1.4.1 General Objective

The main objective of this study was assessing custom risk management system of Addis Ababa kality customs branch

1.4.2 Specific Objectives

The specific objectives the study include the following;

- To assess risk management process and compliance measurement.
- To review collection of data and information
- To examine the infrastructure that support the risk management process;
- To determine the level of facilitation and control

1.5 Significance of the Study

Undertaking studies in depth in the area of customs risk management contribute a lot for facilitation of international trade and academic purposes. It is better to argue that studies concerning our country's customs risk management system are rare. Therefore, the study used as a source document for further study by the authority and by other interested scholars. Hence the

findings of the study contribute a lot towards bridging the existing literature gap on customs risk management system of ERCA in general and Addis Ababa kality customs branch office in particular.

1.6. Scope of the Study

The scope of the research is Addis Ababa kality customs branch. This study is limited only customs risk management of ERCA specifically on import excluding export at Addis Ababa Kality customs branch. Since the central risk management team is at ERCA's head office level, it is part of the study, which is responsible for organizing the whole risk management process, including the risk assessment and monitoring activities, provide training for the branch offices and other relevant information. Besides, all other government agencies are not considered for the study rather highlights the relationship between ERCA, other regulatory bodies and the business community.

1.7. Limitation of the Study

Besides time and financial constraints, there was shortage of adequate data, reference material related to the present which limits the scope of the study.

1.8 Organization of the Study

The research study is organized in to five chapters. The first chapter includes background of the study, problem statement, objectives of the study, scope, and limitations as well as significance of the study are included. The second chapter deals about the review of literatures comprising of theoretical, country experience, conceptual framework and some empirical aspects. Third chapter contains the methodology part: The fourth chapter contains discussion and presentation of facts. Finally, the last chapter deals with summary, conclusion and recommendations.

CHAPTER TWO

RELATED LITERATURE REVIEW

Under this part the theoretical, empirical literatures, conceptual framework and countries experience in application of customs risk management that are related with the study area have been reviewed from different sources**.** And also Ethiopian risk management policy has been reviewed.

2.1. Theoretical Framework

Theoretical framework includes issues like Risk Management process, supporting infrastructures, compliance measurement, risk based compliance management, collection of data and information, facilitation and control.

2.1.1. Definition of Risk and Risk Management in the Context of Customs Administration

Here risk is defined as potential for non-compliance and anything that impedes trade facilitation has been defined in deferent ways and also a technique of managing risk has been defined as follows

2.1.1.1 Definition of Risk

The Oxford English Dictionary definition of risk is as follows: 'a chance or possibility of danger, loss, injury or other adverse consequences' and the definition of at risk is 'exposed to danger'. In this context, risk is used to signify negative consequences. However, taking a risk can also result in a positive outcome. A third possibility is that risk is related to uncertainty of outcome.

"Risk" means the likelihood that something will prevent the application of Community or national measures concerning the customs treatment of goods. To minimize the occurrence of risks, customs can use risk management as a technique to more effectively set priorities and to more efficiently allocate resources necessary for maintaining appropriate balance between controls and facilitating legitimate trade (European Commission, 2007).

The Institute of Risk Management (IRM) defines risk as the combination of the probability of an event and its consequence. Consequences can range from positive to negative. This is a widely applicable and practical definition that can be easily applied.

2.1.1.2. Definition of Risk Management

Risk management is defined as the 'process of understanding and managing risks that the entity is inevitably subject to in attempting to achieve its corporate objectives' (CIMA Official Terminology, 2005). *It is* the process of identifying, analyzing, and communicating risk and accepting, avoiding, transferring, or controlling it to an acceptable level considering associated costs and benefits of any actions taken.

Risk management can also be defined as a technique for the systematic identification and implementation of all the measures are necessary to limit the likelihood of risks occurring. International and national strategies can be effectively implemented by collecting data & information, analyzing & assessing risk, prescribing action and monitoring outcomes (European Commission, 2007).

According to World Customs Organization (WCO, 2010), risk management is not just having about good processes; it is a way of thinking that moves an administration towards proactive rather than reactive. It is also an effective and efficient way to deal with large volumes of people, goods and craft with limited resources and constantly changing risk without impeding legitimate trade.

The current Ethiopian Customs proclamation 859/2006, under article 6 defines risk management as a system of management by which different risk bands are categorized on the basis of their risk levels in light of fair customs service provision and control with respect to goods brought to or taken out of customs territory.

2.1.2. Risk management in Customs procedures

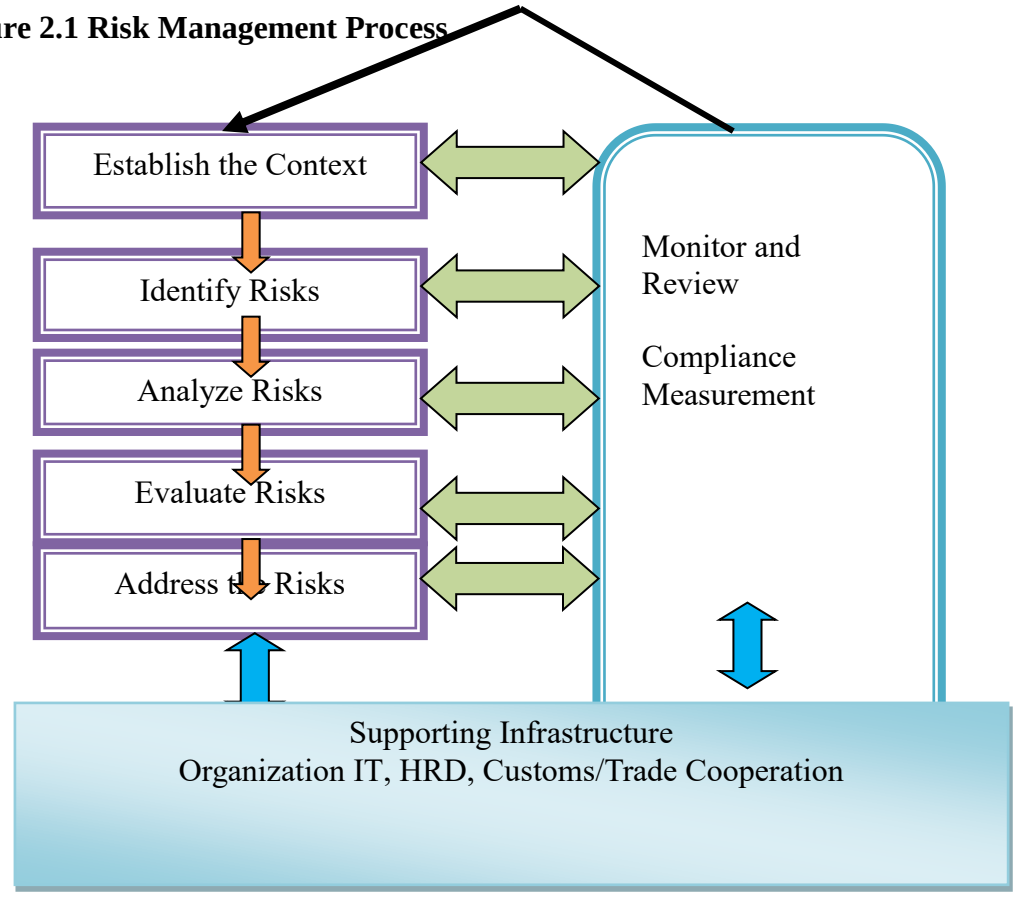
Customs controls should ensure that the movement of vessels, vehicles, aircraft, good and persons across international borders occurs within the framework of laws, regulations and procedures that comprise the Customs clearance process. Given the high number of export, import and transit transactions many Customs administrations use risk analysis to determine which persons, goods, and means of transport should be examined and to what extend (WCO Revised Kyoto Convention, Standard 6.4.). Risk analysis and risk assessment are analytical processes that are used to determine which risks are the most serious and should have priority for being treated or having corrective action taken. (WCO, 2003)

The development of profiles relies heavily on the gathering, charting and analysis of intelligence and the WCO has developed various tools to assist its member countries in the establishment of profiles and the management of intelligence collection. For example, the WCO Customs Enforcement Network (CEN) database can provide useful intelligence for the establishment of risk profiles. These profiles then drive inspection selectivity programmed through which data declared is analyzed on the basis of the identified risk parameters and consignments, and depending on the selected risk level, goods and persons are routed through different channels of Customs control (UNCTAD, 2008).

2.1.3. The Risk Management Process/ steps in Customs Procedure

The risk management process constitutes the basic processes such as the establishment of the risk management context, risk identification, risk analysis, risk assessment, addressing the risks and monitoring and reviewing the process through compliance measurement (WCO, 2003 and OECD, 2004).

Figure 2.1 Risk Management Process



Source: WCO, 2003

(i) Establish the context

This stage defines the strategic, organizational, and risk management context, because any effort to manage customs or other risk must first establish what needs to be managed, risk management within customs can be strategic, operational or tactical.

(ii) Identify risks

Risk identification focuses on the determination of the likely sources and the magnitude of the risks which threaten the objectives of the organization .It is vital that all identified risks are recorded however small they may appear, taking into consideration what risks could arise, how they could happen and why they could happen.

(iii) Analysis risks

This step helps to analyze how likely the risk event to happen (probability and frequency) is. It also used to analyze the impact, cost or consequences of that event occurring.

Customs should apply compliance measurement to support this function. If the estimated levels are low, then risks may fall into an acceptable category and action may not be needed.

(iv) Assess and priorities risks

Compare estimated levels of risk against the pre-established criteria. Rank the risks to identify management priorities. There are different types of ranking systems. The assessment into HIGH, MEDIUM, and LOW is widespread.

(v) Address risks

Accept and monitor low-priority risks. For other risks, develop and implement a specific management plan which includes consideration of resources (human, financial and technical).

(vi) Monitor and review- Compliance measurement

The monitoring and reviewing stage is vital and should include all aspects of the risk management process i.e. the effectiveness and efficiency of the risk management cycle and any changes that may have occurred to the originally identified risks.

Monitoring is continuous while reviewing is periodic. Monitoring and reviewing ensures that the risk treatment plan is adhered to and that the treatment is achieving the desired results.it is also for purposes of updating plans, dropping off some ineffective treatments and adding newly emerging risks and their treatment.

(vii) Documentation/Recording

There should be a risk register which gives the rationale behind selecting the risks, and records the assumptions on which assessments have been made, to establish an audit trail that ensures important information is not lost.

2.1.4. Supporting Infrastructure

Customs Administrations need all necessary supporting infrastructures so as to carry out effective implementation of risk management system.

2.1.4.1. Information Technology for Effective Execution of Risk Management

The use of information technology is an effective tool for risk management. It enables a more rapid analysis of selectivity criteria than would be possible through manual processing of customs documents. Automation allows Customs administrations to establish a national database of information on all transactions and movements which can be updated and used for rapid information sharing and identification of changing risk areas (WCO, 2003 and WCO Safe Framework of Standards, 2007).

According to Widdowson (2005) customs main functions are to control the cross border flow of goods, ensure compliance with government rules and regulation, to collect duties and taxes due as per country's proclamation, and to protect the country against the import goods and materials intended for illegal purposes, and against terrorist activities.

These complex activities can be facilitated through the use of automated systems (ASYCUDA) consisting of comprehensive and integrated software packages with a number of functionalities or modules such as:-Cargo control, to monitor all movements of import, transit and export, and ensure that all goods are either duly cleared before release or a mechanism is in place that allows

for the release prior to clearance, Declaration processing, to capture and process data for duty and tax collection, Payment and accounting, to register and account for payments by importers and exporters, Intelligence operations, to store and exchange data for risk profiling and enforcement, and risk management to select consignments bearing a higher risk of concealing duties and taxes, or those prone to smuggling and trafficking illegal substances and materials, Statistics and reporting, to extract data for foreign trade statistics and to generate management reports for customs UNCTAD (2008).

2.1.4.2. Human Resource Development

According to WCO (2003), customs controls should be carried out by professionally trained Customs personnel. With the increased use of electronic record-keeping and the sophistication of global trade, the need for higher standards of recruitment and training becomes increasingly important. Customs administrations should be committed to providing control officers with the levels of training necessary to equip them to perform their duties.

The WCO has prepared a number of training modules which will be of value to Customs administrations in organizing the training of its staff. The training modules are developed to enhance skill of customs officers and to improve their effectiveness and efficiency in the area of accounting techniques and principles, including GAAP, auditing standards and procedures, international trade/business including banking procedures, Customs laws, regulations and procedures (valuation codes, origin, etc.), and electronic record-keeping and computer systems (I.T., EDI, etc.) (WCO, 2003).

2.1.5. Compliance Measurement

For customs risk management process to be successful and effective it will have to be consistently monitored and evaluated. One of the means for this is the use of compliance measurement. The ultimate goal of many Customs administrations is to achieve compliance. The measure of success is for their traders and for the imported goods to be in full compliance with trade laws. Many Customs have also instituted a program of “informed compliance” where in their officers assist traders and industries to understand and apply the trade rules and to comply with import requirements. (WCO, 2003)

Compliance measurement as a diagnostic tool for Customs administrations should be used in conjunction with risk assessment, profiling and other targeting procedures. Used strategically, compliance measurement and targeting can provide the necessary balance to focus resources effectively in areas of concern to Customs. In addition, results of initial compliance measurements can provide important information to enhance the risk assessment methodologies (WCO, 2003).

By using the customs risk management program, customs should identify the priority areas (compliance measurement areas) to focus their resources. The areas may include tariff classification, valuation, country of origin, warehousing, timely and accurate duties and taxes payment, accurate reporting of quantity of goods, accurate description of the goods, compliance with customs rules and regulation, and so on (European Communities, 1998 and WCO, 2003).

2.1.6. Compliance Management Approach in Customs Context

According to OECD (2004) and a risk-based compliance management approach can be broadly grouped in to four major categories: a country's legislative framework, the administrative framework of a country's customs organization, the type of risk management framework and available technological frameworks adopted by Customs administrations. Collectively these four categories represent the key determinants of the manner in which cross-border flows may be expedited and the way Customs control may be exercised over such flows.

A robust legislative framework is an essential element of any regulatory regime, since the primary role of customs is to ensure compliance with the law. It clearly acknowledges the respective responsibilities of government and business community, includes regulations for electronic communication, provides sanctions for non-compliance and provisions to break the nexus between physical movements and processing, reporting and revenue liability, and, finally, allows for flexible and tailored business solutions. Widdowson, (2005).

This approach also requires administrative framework which includes certain initiatives such as the introduction of a client service approach, education and awareness raising, technical assistance and advice, consultation and cooperation, the publishing of formal rulings, and formal appeal mechanisms. Wulf and Sokol (2005).

Adoption of customs risk management framework enables customs administration to create a balance between facilitation and control. It is used to make risk based decision making, and it includes certain activities such as early and accurate lodgment of information for risk assessment, intervention for high-risk transactions, self-assessment, and post- entry verification for lower risk, and investigative capability where non-compliance or fraud is detected Widdowson, (2005).

The available technology represents an enabler that serves to significantly enhance an administration's ability to adopt such an approach. Automation enables vast amounts of information to be processed in practically no time; it allows the effective and efficient screening of information against predetermined risk criteria, and assists with the making of decisions on both high and low risks. In the same way, modern non-intrusive inspection technologies, when used on the basis of risk assessment, can lead to more effective inspection activity and reduced delays.

2.1.7 Collection of data and information for effective risk management

The collection of data and information related to the trade compliance process is the first step in the customs risk management process. Through the collection of data, customs can begin to identify which importers are most likely to be non-compliant and the probable nature of their non-compliance (Baraga.*et.al*, 2001).

According to USAID (2004) and WB (2006), in order for customs to effectively accomplish its mission, communications and information sharing among customs departments and managers must be proactive, timely, and without unnecessary reservation. Customs mangers and officers in all departments must recognize that the work of their department is interdependent with the work of all other departments and that in order for the customs administration to be effective, its various departments must communicate effectively.

2.1.8. Achieving the Balance between Facilitation and Control in Customs Procedures

According to (WTO,2005), and to provide an appropriate balance between the two major objectives of customs such as trade facilitation and regulatory intervention customs must

simultaneously manage two risks- the potential failure to facilitate international trade and the potential for non-compliance with customs laws as expected by their government.

It is a commonly held belief that facilitation and control sit at opposite ends of a continuum, and it is often assumed that, as the level of facilitation increases, so the level of control decreases. Similarly, where regulatory controls are tightened, it is commonly assumed that facilitation must suffer as a result. This is an extremely simplistic view as it assumes that the only way in which a process may be facilitated is by loosening the reigns of control. Such a contention is fundamentally flawed, as the concepts of facilitation and control represent two distinct variables, and consequently it is possible to achieve high levels of both through effective application of the principles of risk management (WB, 2006).

Customs administrations in many developing countries face enormous pressures to maximize revenue collections in an operating environment that is characterized by poor levels of voluntary compliance. Customs must often rely on burdensome document checks and physical inspections to verify declared values, tariff classification, and origin of goods. This approach often results in significant delays in Customs clearance at border crossings and creates an environment that is highly vulnerable to collusion and corruption. At the same time, Customs administrations are facing increasing pressure from the private sector and trade related government agencies to expedite the processing and clearance of goods. This objective can only be achieved by reducing the level of resource-intensive documentary and physical examination (Widdowson ,2006).

2.2. Ethiopian Revenues and Customs Authority's Risk management Policy

The risk management policy of ERCA considers the internal and the external situations. It has been designed in accordance with the internationally accepted standards such as the WCO and Kyoto Convention.

2.2.1. Legal Mandate

The introduction of Customs Risk Management in ERCA is mandated by the proclamation no. 587/2008, sub article 6(3) as customs procedures shall be applied to effect customs control in a manner assuring transparency and accountability based on appropriate information and the principles of risk management and thereby creates conducive condition for trade facilitation.

2.2.2. General Objective

The general objective of the risk management policy is to balance regulatory control and facilitation effectively and efficiently.

2.2.3. Specific Objectives of ERCA's Risk Management Policy

To balancing regulatory control and facilitation effectively and efficiently**,** To facilitate legitimate trade by reducing the need for physical inspections and expediting clearance (green channel), To attract foreign direct investment, To increase revenue collection through focusing efforts on high risk traders, To fully integrate the principles and practice of risk management into ERCA operational and administrative areas, procedures, business practices and training courses, To reduce the likelihood and consequences of risk throughout the Authority (ERCA risk management policy,2010)

2.2.4. ERCA Risk Based Compliance Management Policy Model

The policy has set out the basic theoretical framework and has focused on the practical and effective implementation of the risk based compliance management in ERCA. Accordingly, the policy model set out the key risk management process steps i.e. establishing the context, identifying the risk, analyzing risk, address and treat the risk and monitoring & evaluating the system, in the use of risk management by ERCA. The risk analysis step incorporates the elements of analyzing, assessing and weighing (rating) the risk. (ERCA risk management policy,2010)

2.3. Empirical Literature on Application of Customs Risk Management System

Few studies have been conducted on the area of custom risk management system. According to Widdowson (2003), states that as customs around the world are highly regulated authorities to fulfill their responsibilities while ensuring compliance with laws and regulation, they must prepare for potential risks of non-compliance by developing various risk treatment strategies. He also states that risks to the achievement of customs organizational objectives include both the potential for non-compliance with customs laws and failure to facilitate trade. According to him, the objectives of control and facilitation, often seen as being mutually exclusive, could be answered with proper risk management.

According to Puengpradit (2010), risk management is considered a key element in facilitating international trade while at the same time ensuring customs regulatory control. The difficulties of implementation risk management also relate to customs control systems and human resource issues. While the, Customs uses risk management to facilitate trade, some implementation problems arise from the lack of competency of custom officers and customs control systems. It appears that customs officers have differing levels of knowledge and understanding of risk management principles as suggested by the range of explanations given by customs officers on the principles and practices of risk management. When the concept of risk management is interpreted in different ways, it can lead to a distortion of the principles when applied to practice. About the skills and knowledge of customs officers and whether these are adequate for the implementation of risk management for facilitation and control.

As one customs operator note; the current use of risk management is considered to be a risk to national revenue since customs officers subjected both documents and shipments to less scrutiny in order to affect the immediate release of goods without necessarily assessing the risk. As a result, customs can only facilitate trade, but customs is quite unable to ensure regulatory control. When customs officers view risk management as a risk to national revenue, it may be because the Customs Department provides insufficient knowledge relating to risk management principles and implementation. It is observed that the knowledge of risk management principles, including

profiling systems, is confined to a particular group of officers such as the customs officers appointed to the Risk Management Committee.

On the other hand, a number of frontline officers only understand the general principles of the risk management introduced as part of the Customs Department's policies. Even though customs officers receive training in risk management, there is a mismatch between the training needs and the training provision. It appears that 'training provision' generally explains the policy but does not train officials how to implement risk management or deal with new tasks. Training provision needs to include scenario setting and case studies to enhance the skills and knowledge of customs officers to deal with a range of different situations. Also, official guidelines and practical manuals on the principles and implementation of risk management should be available and easily accessible by customs officers. The current implementation of risk management also raises concerns about the efficiency and effectiveness of the customs control systems in that customs officers attempt to facilitate trade in response to the policy on risk management.

However, customs control is not appropriately and effectively applied and therefore does not ensure regulatory compliance. This issue relates to the skills and knowledge of customs officers to manage customs control as well as to the supporting infrastructure such as facilities and equipment (Puengpradit, 2010).

Stomski M. (2007) have explained the fulfillment of the determinant factors such as: political will, historical records; benchmarks; adequate IT systems; cooperation with trade; goals and training and awareness for effective execution of risk based approach in compliance management.

Fraser and Simkins (2007) have proposed that risk management comprises a set of basic activities, such as initial identification and assessment of risks followed by prioritization and coordinated allocation of resources. According to them, the objective is to minimize the probability and/or impact of undesired events and seize auspicious opportunities.

According to Mesfin B (2017), 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.

2.4. Countries Experience in Application of Customs Risk Management

In Macedonian lowering export and import time by applying risk management risk system. The time for exporting and importing, recorded in calendar days, starts from the moment the procedure is initiated and runs until it is completed. In the analyzed period, the time to export was lowered from 7 in 2006 to 6 days in 2010, and what is more important, the time on import was lowered from 15 in 2006 to 11 days in 2010 (World Bank group, 2011).

Taiwan customs administration on the implementation of a risk management program.(for the purpose of preventing illegal trafficking, the customs continues to push ahead with the collection and analysis of all kinds of information and intelligence and to implement customs risk management programs in order to upgrade efficiency in the computerized cargo selectivity system (GOV, 2008.)

Indonesian customs administration talks about enhancing customs risk management techniques for trade facilitation, purpose to reduce the impact of customs control to trade facilitation, effective risk management techniques should be applied therefore only high risk cargo would be controlled by customs officers, exchange information with other customs administration, and utilization of modern device for customs control (APEC 2004).

2.5 CONCEPTUAL FRAMEWORK OF THE STUDY

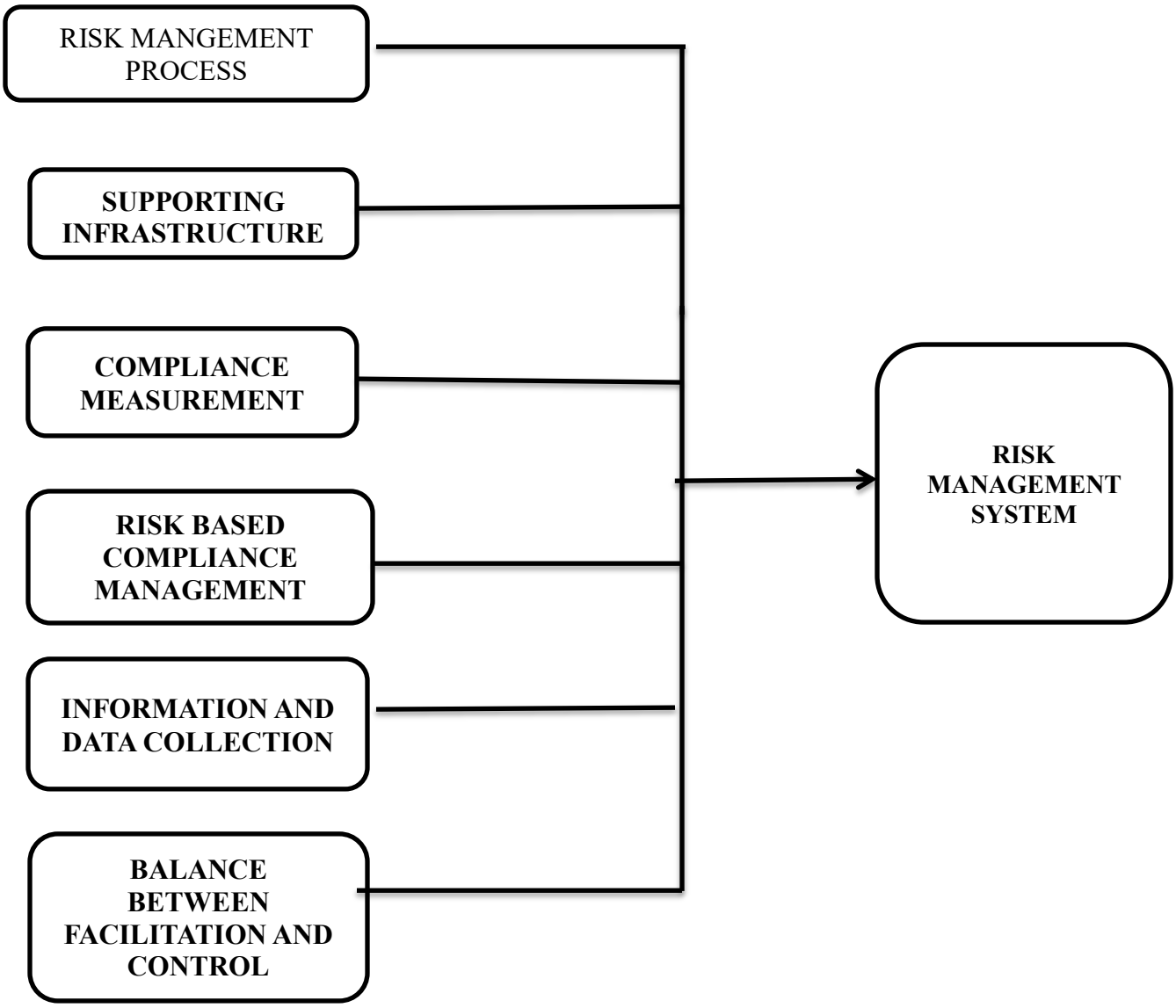


Figure 2.2. Conceptual framework of the research paper. (Constructed from Concepts of the Literature Review from WCO guideline of risk management)

CHAPTER THREE

METHODOLOGY OF THE STUDY

The research methodology is used to determine the quality of data. It is away to systematically solve the research problem; and it also incorporates the research methods and the logic behind the methods used in the context of a given research study (Kothari, 2004). Under this section, the researcher uses relevant research design and approach to pass through research procedures for data collection and analysis. In this regard, this section provides an explanation of research approach, research design sampling technique, sources of data, methods of data analysis and data presentation.

3.1. Description of the study

The study is conducted at Addis Ababa Kality customs branch of Ethiopian Revenues and Customs Authority. It is located in Addis Ababa City Administration of Kality Sub City in the South Eastern Direction. The name is given after the merger of two branches; Addis Ababa Lagher and Addis Ababa commercial goods branch which facilitates export and import operations. Among other branches of ERCA, it is the one that a huge customs transaction is being operated. After BPR implementation, the branch is the leading to start risk management practice. Now the branch is conducting customs operation with a total of 683 employees in different departments.

3.2. Research Approach

The qualitative and quantitative researches are widely applied approaches in most studies. This study employs the combination of both qualitative and quantitative research approaches. These approaches are selected mainly because of the fact that this research contains both primary and secondary sources of data which incorporate quantitative data as well as qualitatively described events or phenomenon.

3.3 Research Design

Research design is a formidable problem that follows the task of defining the research problem is the preparation of the design research project. Decision regarding to what, where, when, how much, by what means concerning an inquiry or a research study constitute a research design. It constitutes the blueprint for the collection measurement and analysis of data Kothari (2004). The research design which implemented for this paper is descriptive survey method. For this descriptive type of the study, the researcher uses a research technique of sample survey and document analysis techniques. The sample survey is used to obtain the opinions and views of the risk management staffs at the head office and Addis Ababa kality customs branch, and the branch customers/customs clearing agents towards the risk management system implementation on the ground. The means of obtaining the opinion of the respondents is achieved through close ended and open ended questionnaires, structured and semi-structured interviews in qualitative form. The second technique .i.e. document analysis also enables to capture quantitative data from unpublished risk management policy of ERCA, annual reports, and ASYCUDA++sources about the number of declarations passed through the ASYCUDA risk selectivity channels.

3.4. Population and sample

the target population or universe of the study constitutes two target sets of units from which the sample unit is selected. The first set of sampling unit is extend from clearing agents who are actively functioning in Addis Ababa Kality customs branch office which accounts 95 and the second set of sampling unit extend from employees who are purposively selected in the branch' clearance unit about 88 in number (source planning team of A.A.K).

3.4.1. Sampling Frame

The sample frame that is used for the research is the clearing agents of the branch and (employees of the branch& head office risk staff). In this regard, the researcher collected data from both the clearing agents and employees. This is because the researcher is supposed to assess the risk management system in the branch. This help to make the data collected more reliable and accurate.

3.4.2 Sampling Unit

- Addis Ababa kality customs branch import clearance unit
- Risk management staff branch and head office
- The branch customs clearing agents
- Post clearance audit
- Intelligence unit

3.4.3 Sampling Technique

For the purpose of this study the researcher used stratified sampling by dividing the population into strata based on the different teams. In order to select items for the sample from each stratum, the researcher uses simple random sampling.

In the case of risk management staff at the head office and kality branch, a complete census of the whole population was used because they are few in numbers. For customs clearing agents the researcher uses non probability sampling/convenient sampling technique. The rational for using this technique is that: it is difficult to imagine the number of regular customers of the branch because they are free to declare at any customs branch of ERCA, Accordingly, the researcher choose the branch customers purposively based on the following criteria's

- ✓ Regular customers
- ✓ Those who have permanent offices at the branch
- ✓ Stayed long period of time on the job and have good experience in customs clearing procedure.(greater than 5 years)
- ✓ Declared large numbers of import declarations at the branch

3.4.4 Sample Size

The other element of sample design is determination of sample size, given the limitation of availability of time and other resources sample size is determined. Therefore, the sample size is based on calculation formula in the case of finite population (Kothari, 2004) as shown below.

$$n = \frac{Z^2.p.q.N}{e^2(N-1) + Z^2.p.q}$$

N= population n = sample size e= sampling error (5%) z= confidence level (95%)

P= the proportion of defective q=1-p

To calculate the sample size by using the above formula:

The population under purposively selected teams is 88

The sample size is calculated from the 88 staff.

$$n = \frac{(1.96)^2(0.05)(1-0.05)(88)}{(0.05)^2(88-1)+(1.96)^2(0.05)(1-0.05)}$$

Sample size = **40**

Based on the above sample size the researcher use the method of proportional allocation under which the sizes of samples from the different strata are kept proportional as shown below.

Import clearance unit = 40(/70/88) = 31

Intelligence team = 40(5/88) = 2

Post clearance audit team = 40(15/88) = 7

Since the number of staff at central risk management unit and at branch (10 and 3 respectively) is manageable and very convenient for the study purpose, the researcher uses a complete census of the whole population. And also six relevant officials those who have expertise knowledge with issue in the authority are interviewed.

To calculate the samples size of the branch's clearing agents:

Based on the branch's customer service business process the total number of actively functioning of the branch's agents is 95.

Therefore, from this population the sample size calculated by using sample formula of finite population as shown above.

$$n = \frac{Z^2.p.q.N}{e^2(N-1)+Z^2.p.q}$$

$$n = \frac{(1.96)^2(0.05)(1-0.05)(95)}{(0.05)^2(95-1)+(1.96)^2(0.05)(1-0.05)}$$

Sample size = **42**

Hence 42 questionnaires were distributed to the selected agents using convenience sampling technique.

3.5 DATA SOURCES AND TYPES

3.5.1 Primary Data Source

Being the main base for the study, primary data is collected via questioners in order to get information about risk management system in the branch office. The structured questionnaire consists of self-developed open-ended and close- ended questions to collect quantitative and qualitative data from the respondents.

3.5.2 Secondary Sources of Data

The researcher collected data and/or information from secondary sources such as reports and studies of Ethiopian Revenues and Customs Authority (ERCA), books, research papers and different websites. The most important website to the study in consideration are the WCO and related research papers. Meanwhile, it is worthwhile to note that the researcher gathers considerable amount of statistics related to duties and tax evasion from the Automated System for Customs Data (ASYCUDA++) as well as from other offices of ERCA. The ASYCUDA++ system is the principal source of database system in ERCA specially designed for the management of customs related operations. Accordingly, it has different modules frequently used for various purposes.

3.6 Ethical Considerations

When questionnaires are distributed the researcher informed respondents on the introduction part of the paper about the title and objective of the study. Besides to develop respondents confidence they were informed that their responses is kept confidentially and the information uses only for academic purpose.

To avoid misunderstanding and problems related with questionnaires and interview in acquiring information from the staff and customers, the researcher design the questionnaires and interview in clearly and understandable manner.

3.7 Data analysis

The information that is collected from different sources was compiled in easy way to manage. After the completion of the data collection, the quantitative data is coded and entered into Statistical Package for Social Science (SPSS 20) tool for analysis. The result of analysis is

interpreted and discussed using descriptive statistics. Qualitative data that obtained using interviews, questionnaires is analyzed in narrative way. Graphs, tables and a simple bar chart was used to present the results of the study.

3.8 Validity and reliability of the instruments

Statistical validity also used to measure the validity of the research though use of correct statistical procedure and instruments Neuman, (2007). The researcher first tried to review related and extensive literature to have complete data on the research topics. This comprehensive approach helps to ensure face and content validity of the survey instrument. Researcher reviewed an extensive literature to develop questions for the survey. Researcher was conducted pilot test on survey instrument (questionnaire) to check the questionnaire is complete, free from any biased and confusion word to selected few respondents. The instrument and research method also revised and commented by two professional advisor and expertise before going to data collection.

Reliability refers to the extent to which your data collection techniques or analysis procedures is yield consistent findings Saunders *et al.* (2007). This research used the most popular test of inter-item consistency reliability that is the Cronbach's coefficient alpha, to identify the validity of items used in survey. Calculating Cronbach's alpha (α) has become a common practice when a multiple-item measurement of a concept or construct is employed because it is easier to use in comparison to other estimate Wilson, (2003). Cronbach's alpha measure is fall between range of 0 and 1, Sekaran, (2000) the Cronbach's alpha value is less than 0.6 are considered to be poor, if it is above 0.7 are acceptable, and those over 0.8 are good.

Table 3.1 indicate the Cronbach's alpha value is greater than 0.7, which means both items are reliable and data has internal consistency and able to accepted for further analysis.

Table 3.1Cronbach's Alpha Summary

Variables	Cronbach's Alpha	No of Items
Customs Employees	**0.911**	**26**
Clearing agent	**0.878**	**21**

CHAPTER FOUR
RESULT, DISCUSSION AND INTERPRETATION

This chapter deals with analyzing and presenting the fact collected by questionnaire, interview and observation concerning existing risk management system. 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 this 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 risk management system.

4.1 Survey Result and Analysis on Respondents Profile

The basic objective of this study was to assess the customs risk management practice and application in ERCA Addis Ababa Kality Customs branch. To achieve the objective of the study, data were collected from both primary and secondary sources.

4.1.1. Respondents' demographic profile

The custom employ and the branch's clearing agents have answered the questions that have given to them in the form of questionnaires, and the researcher presents as follows. The responses requested for the questions of their profile are about gender, age, profession, qualification and year of experience presented as follows in the form of table here below.

4.1.1.1. Profile of Customs Employees

To collect required data and facts about customs employee 53 questionnaires were distributed a 3 (6%) 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 50 (94%) of the collected questionnaires.

Table-4.1: Respondents Profile of customs employee

Age Ranges	21-30	31-40	41-50	51-60 years		
Frequency	37	12	1			
%	74.0	24.0	2.0			
Gender	Male	Female				
Frequency	26	24				
%	52.0	48.0				
Profession	Accounting	Economics	Management	Public finance	others	
Frequency	8	7	20	5	10	
%	16.0	14.0	40.0	10.0	20.0	
Qualification	Below Diploma	Diploma	1st degree	Master's degree	Above master's degree	
Frequency	-	-	43	7		
%			86.0	14.0		
Year of Experience	Below 1 year	1-2 years	3-5 years	6-10 years	11-15 years	Above 15 years
Frequency	2	14	17	10	3	4
%	4.0	28.0	34.0	20.0	6.0	8.0

Source: Field Survey, 2018

As indicated in the above table 4.1, from the respondents of custom employees, 52% of them are male and 48% of the respondents are females. Regarding their age, 74%of them are young enough that is lies within the range of 21-30 years of age; 24% of respondents are within 31-40 years; and 2% of them are within the range of 41-50 years. With regard to their profession, 16% of the respondents are graduates of accounting; 14%of them are

graduates of economics; 40% of them are graduates of management; 10% of them are graduates of public finance; and the remaining 20% of the respondents are graduates of other related fields. Moreover, regarding their qualification, 86% of them are BA holders and 14% of them are master's degree holder. Whilst, about 4% of the customs employee have below one; 28% of them have 1-2 years 34% of them have 3-5 years 20% of them have 6-10 years of experience; 6% of them have 11-15 years and 8% of the respondents have more 15 years of experience. Therefore, the Customs employee staff related with this subject matter are organized and have good educational background as well as young generation and with moderate experienced workers.

4.1.1.2. Profile of Customs Clearing Agents

In order to collect facts about risk management system at Addis Ababa kality Customs Branch Office 42 questionnaires were distributed for customs clearing agents, 39 (93%) collected the remaining 3 (7%) were not collected. As a result the analysis and interpretation carried out based on 39 questionnaires.

Table-4.2: Respondents Profile of Branch's Clearing Agents

Age Ranges	21-30	31-40	41-50	51-60 years		
Frequency	22	14	2	1		
%	56.4	35.9	5.1	2.6		
Gender	Male	Female				
Frequency	25	14				
%	64.1	35.9				
Profession	Accounting	Economics	Management	Public finance	Others	
Frequency	9	1	11	1	17	
%	23.1	2.6	28.2	2.6	43.6	
Qualification	Below Diploma	Diploma	1st degree	Master's degree	Above master's degree	
Frequency	4	19	14	2	0	
%	10.3	48.7	35.9	5.1		

Year of expert.	Below 1	1-2 years	3-5 years	6-10 years	11-15	Above 15
Frequency	0	2	21	11	3	2
%	0.0	5.1	53.8	28.2	7.7	5.1

Source: Field Survey, 2018

As indicated in the above table 4.2, from the respondents of the branch's clearing agents 64.1% of them are male and 35.9% of the respondents are females. Regarding their age, 56.4% of them are young enough that is lies within the range of 21-30; 35.9% of respondents are within 31-40; 5.1% of them are within the range of 41-50 years and 2.6% of the respondents are within 51-60years of age. With regard to their profession, 23.1% of the respondents are graduates of accounting; 2.6% of them are graduates of economics; 28.2% of them are graduates of management; 2.6% of them are graduates of public finance; and the remaining 43.6% of the respondents are graduates of other related fields. Moreover, regarding their qualification, 10.3% of them are below diploma; 48.7% of them are diploma holder; 35.9% of them are degree holder; and the remaining 5.1% have a master's degree. Whilst, about 5.1% of them have 1-2; 53.8% of them have 3-5; 28.2% of them have 6-10 years of experience; 7.7% of them have 11-15; and 5.1% of the respondents have more 15 years of experience.

This implies that most of the branch customers have good educational qualification and experience with customs operation. This condition has positive impact on the reliability respondents' opinion.

4.2. Application of Customs Risk Management Process

The modern customs risk management system requires effective implementation of customs risk management process as per WCO customs risk management guideline and international practice of customs risk management. According to WCO (2003) and OECD (2004) the basic risk management process constitutes the establishment of the context, risk identification, risk analysis, evaluation and prioritization of the risks, addressing the risks and monitoring and reviewing of the process in customs procedures. In order to assess the customs risk management process in ERCA Kality branch, the customs employee and the branch's clearing agent were asked about the process in the import procedure, the team leaders of central and branch risk management were asked in the form of interviews.

Table-4.3: Responses on Risk management Process

No	Statements	respondents	(5)Strongly agree	(4) Agree	(3)Neutral	(2)Disagree	(1)Strongly disagree
2.1	The establishment of the context considers internal and external factors	Custom employ	30.0%	32.0%	18.0%	18.0%	2.0%
2.2	Risk identification is done in relation to where, when, how is the risk likely to be incurred	Custom employ	40.0%	38.0%	16.0%	4.0%	2.0%
2.3	Analysis of risk is done in terms of impact, cost or consequences	Custom employ	24.0%	50.0%	18.0%	6.0%	2.0%
2.4	Ranking and prioritizing risks is done to identify management priorities	Custom employ	20.0	46.0%	18.0%	8.0%	8.0%
2.5	A specific management plan is developed to address high risks	Custom employ	22.0%	380%	22.0%	14.0%	0%
2.6	Monitoring and reviewing of all the performance, effectiveness and efficiency of the risk management process is done regularly	Custom employ	8.0%	10.0%	14.0%	32.0%	36%
2.7	There is a risk register which gives the rationale behind selecting the risks, and records the assumptions on which assessments have been made	Custom employ	42.0%	30.0%	20.0%	8.0%	0.0%
		Clearing agent	30.8%	28.2%	23.1%	17.9%	0.0%
2.8	The branch or the authority has properly addresses high risk.	Clearing agent	17.9%	10.3%	2.6%	41.0%	28.2%
2.9	The customs risk management process has been carried out continuously and consistently.	Clearing agent	20.5%	35.9%	17.9%	12.9%	12.8%

Source: Field Survey, 2018

As per the collected data in the above table 4.3, (30%, 32%) of the custom employ respondents strongly agreed and agreed on the establishment of the context , risk identification (40% ,38%), risk analysis (24% ,50%), risk assessment (20%,46%), (22.0%,38.0%) on management plan to

addressing the high risk respectively; and also (32%, 36%) custom employ disagree and strongly disagree on monitoring and reviewing (32%,36%) . In documentation of risk (42%,30%) custom employ and (30%,28%) from customs clearing agent agree and strongly agree. On the other hand (41%, 28%) custom clearing agent disagree and strongly disagree on addressing high risk, (20.5%, 35.9%) clearing agent agree and strongly agree on consistence and continuously of risk management process respectively.

This implies that ERCA as well as the branch is good at the risk management process of establishing the context that considers internal and external situation, risk identification, analysis, ranking, existence of the plan to address high risks; and continuous documentation of the risks whereas there is gap in properly addresses high risk and continuous and consistent monitoring of the risk management process which in turn affect effective implementation of customs risk management.

According to the interview made with central and branch risk management team leaders, ERCA risk management system designed based on the WCO risk management guideline, as per OECD and Revised Kyoto Convention. The policy and strategy is mainly concerned with risk management process. In customs context, the authority as well as the branch has been practicing all the steps. But it is difficult to say effective implementation of the all the processes.

4.3. Supporting Infrastructures

According to WCO (2003), customs administrations need all necessary supporting infrastructures (IT and other resources) so as to carry out effective implementation of risk management system. This study assesses the use of Information Technology & Human Resource Development in ERCA A.A.K customs branch

4.3.1 The Use of Information Technology for Effective Risk Management

According to UNCTAD (2008), World Customs Organization Guideline (2003), and WCO Safe framework of standards (2007) the use of IT is crucial for effective application of customs risk management. Automation allows Customs administrations to establish a national database of information on all transactions and movements which can be updated and used for rapid information sharing and identification of changing risk areas. Since the branch uses the automation system (ASCUDA++) for the application of customs risk management purpose, the

study assessed the use of IT for customs risk management purpose through providing questions to the employ and branch clearing agent in the form of questionnaire.

Table-4.4: Responses on the Use of IT for Effective Risk Management

No	Statements	respondents	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
3.1	There is effective use of IT system for appropriate application of Customs Risk Management System	employee	6%	18%	18.0%	26.0%	32%
		Clearing agent	5.1%	12.8%	20.5%	35.9%	25.6%
3.2	The authority/the branch have been utilizing automation system to establish national database of information on all transaction and movements.	employee	32%	34%	14.0%	16%	4.0%
		Clearing agent	25.6%	30.8%	23.1%	17.9%	2.6%
3.3	Effective utilization of automation for selectivity, risk profiling, targeting high risk consignments and monitoring and review of risk profiles.	employee	2.0%	12%	18%	26%	42%
		Clearing agent	5.1%	2.6%	20.5%	41%	30.8%

Source: Field Survey, 2018

As can be seen from the above table 4.4, (26%, 32%) employees and (35.9%, 25.6%) of clearing agents are disagreed & strongly disagreed on the effective use of the IT system for effective application of the risk management system. However, regarding the authority's utilization of the automation system to establish national data base of information on all transaction and movements, (32%, 34%) employees and (25.6%, 30.8%) of clearing agents were agreed & strongly agreed on this issue. With regard to effective utilization of automation system for selectivity and risk profiling, (26%, 42%) employees and (41%, 30.8) of clearing agents were

disagreed strongly disagree respectively this implies that the authority as well as the branch is not effective on the implementation of IT for risk management system.

According to the interview made with risk management team leaders, there is lack of interface with national banks, commercial banks and other banks, and other governmental agencies; except national bank, Ethiopian Shipping and logistic service enterprise and ministry of transport and also the reporting system or the feedback system from the branch to central risk management which is used as an input for risk assessment is not supported by automation system. Furthermore, the team leader explained that the system has not been functioning for trader data profile. Due to this reason a customer penalized for his non-compliant may not be known in other branches. From this one can infer that the branch is not in a position of effectively utilizing automation system for effective implementation of customs risk management.

4.3.2. Human resource development for effective risk management system

According to WCO (2003) and USAID (2004), effective implementation of customs risk management requires adequate, competent and ethical officers, continuous and consistent training, background experience with customs operations, and the officers in customs control management should be supported by all necessary resources. To assess the current human resource aspect of customs risk management the respondents were asked questions as follows.

Table -4.5: Responses on human resource development for risk management system

No	Statements	respondent's	(5)Strongly Agree	(4) Agree	(3)Neutral	(2)Disagree	(1)Strongly disagree
4.Human Resource Development							
4.1	The central risk management team and customs risk management team of the branch have adequate number of employees	Custom employee	10.0%	14.0%	18.0%	40.0%	18.0%
		Clearing agent	7.7%	5.1%	23.1%	43.6%	20.5%
4.2	The staff of customs risk management has adequate experience to carry out effective risk management system.	Custom employee	4.0%	10.0%	26.0%	38.0%	22.0%
		Clearing agent	5.2%	7.7%	25.6%	35.9%	25.6%
4.3	The customs risk management staffs are getting consistent& continues training& supported by all necessary resources.	Custom employee	4.0%	11.0%	13.0%	48.0%	24.0%
		Clearing agent	5.1%	13.1%	10.5%	46.2%	25.1%

Source: Field Survey, 2018

As shown on table4.5 above, majority employees and clearing agents disagreed on the consideration given to human resource development in risk management system. This implies that human resource development has been given low attention by the Branch office.

Moreover, according to interview made with team leaders of the central and branch strong the serve result, they conclude that the authority as we as the branch risk management teams have gap in human resource development .there is few number of staff, lack of continues and consistent training and lack of experience.

4.4. Compliance Measurement in A.A.K

According to WCO (2003), compliance measurement is one of the tools that enable successful and effective implementation of the risk management process through continuous monitoring

and evaluation. This in turn increases high compliance. Since voluntary compliance creation is among the objectives of ERCA A.A kality Customs branch, this study assesses compliance measurement of the branch.

Table-4.6: Percentage Distribution of Respondents on the Compliance Measurement

No	Statements	respondent	(5)Strongly agree	(4) Agree	(3)Neutral	(2)Disagree	(1)Strongly disagree
5.1	The compliance measurement system of the authority as well as the branch supports effective implementation of risk management process.	employee	34.0%	32.0%	22.0%	4.0%	8.0%
5.2	It serves as a diagnostic tool to identifies areas of non-compliance	employee	46.0%	26.0%	16.0%	8.0%	4.0%
		Clearing agent	41.0%	28.2%	17.9%	7.7%	5.2%
5.3	It is used to determine the degree to which customers/ agents, imported goods conform to customs rules and procedures	employee	22.0%	48.0%	18.0%	10.0%	2.0%
		Clearing agent	33.3%	33.4%	25.6%	5.1%	2.6%
5.4	It provides important information to enhance the risk assessment methodologies	employee	30.0%	38.0%	18.0%	10.0%	4.0%
		Clearing agent	25.6%	38.5%	23.1%	10.2%	2.6%

Source: Field Survey, 2018

The table 4.6 above reveals, (34%, 32%) of employees were strongly agreed and agreed on supportive role of the branch's compliance measurement for effective implementation of risk management process. Similarly, (46%,26%) of employees and 41%,28%) of clearing agents were strongly agreed and agreed on branch's compliance measurement as diagnostic tool which serves to identify areas of noncompliance. Furthermore, (22%, 48%) of employees and (33.3%, 33.4%) of clearing agents were strongly agreed and agreed on its use of determining the degree to which customers and imported goods conform to customs rules and procedures; and (30.0%, 38%) of employees and (25.6%, 38.5%) of clearing agents strongly agreed and agreed on its provision of important information to enhance the risk assessment methodologies. Therefore, this

shows the branch's compliance measurement is in a position of supporting effort of compliance creation as a system.

4.5. Risk Based Compliance Management

According to Widdowson (2005) and Wulf and Sokol (2005), effective risk based compliance management requires robust legislative framework, administrative framework of customs administration, the type of risk management framework, and available technological frameworks adopted by customs administrations. The modern risk management requires voluntary compliance to be created by customs administration through developing various compliance strategies and customers. To assess risk based compliance management in A.A. kality Customs branch, the customs employee and the clearing agent were asked about compliance based management in the branch.

Table-4.7 Respondents on the Risk Based Compliance Management

No	Statements	respondents	(5)Strongly agree	(4) Agree	(3)Neutral	(2)Disagree	(1)Strongly disagree
6.1	The legislative framework provide the necessary basis in law for the achievement of the risk management strategies	employee	20.0%	50.0 %	10.0 %	12.0 %	8.0%
6.2	It is builds on client service approach, education and awareness raising, consultation and cooperation and formal appeal and etc.	employee	28.0%	36.0 %	22.0 %	8.0%	6.0%
6.3	It is based on risk management framework and IT that introduces risk based decision making	employee	26.0%	38.0 %	26.0 %	6.0%	4.0%
6.4	There is an informed compliance where customs officers assist traders and industries to understand and apply the trade rules and to improve their internal company procedures to comply with import requirement	Clearing agent	5.1%	13.1 %	12.6 %	48.7 %	20.5%
6.5	Strategies for recognized compliers are made such as increased levels of self-assessment, reduced regulatory scrutiny, increased level of facilitation etc.	Clearing agent	5.1%	15.1 %	23.1 %	40.8 %	23.1%
6.6	Before determining the need for a sanction, identification is made between innocent and intentional fraud	Clearing agent	5.1%	10.3 %	20.5 %	35.6 %	28.5%

Source: Field Survey, 2018

As revealed in table 4.7 above, (20%, and 50%) of the respondents of the customs employee strongly agreed and agreed on the support of legislative frame work to risk management strategy.

Regarding its base on client service approach, education and awareness rising, consultation and cooperation and formal appeal (28%, 36%) of the employee agreed and strongly agreed. Moreover, it is based on risk management framework and IT that introduces risk based decision making (26%, 38%) of the employee agreed and strongly agreed.

This implies that risk based compliance management approach of A A. kality customs branch is based on major categories of legislative framework, administrative, risk management and IT frameworks and it is at good condition as a system.

According to the data collected from the clearing agents (48.7%, 20.5%) of the respondents disagreed and strongly disagreed on the presence of informed compliance, (40.8%, 23.1%) of the respondents disagreed and strongly disagreed on the presence of strategies for recognized compliers such as increase level of facilitation, and (35.6%, 28.5) respectively of the respondents disagreed and strongly disagreed on the separation of innocent and intentional fraud respectively.

Hence, there is an inefficient implementation of risk based compliance management at the branch, when there is informed compliance to support traders, there will be an increase in the noncompliance level of traders. When there is no strategies for recognized compliers; the compliant traders will be affected more and encourage to participate in illegal activities. When there is no separation of innocent and intentional fraud before determining a sanction; both the innocent and intentional mistake will be treated equally. These problems together will affect the effective and efficient implementation of risk management in branch office.

However, according to the interview made with branch's risk management team leaders, the risk based compliance management approach has got problems in implementation, such as lack of continuous and consistent awareness creation, lack of effective application of customs risk management, ineffective use of IT system and so on.

4.6. Collection of Data and Information for Managing Risks

According to WCO (2003), USAID (2004) and WB (2006), effective customs risk management system requires collection of data and information to identify risks associated with international trade. For customs risk management to accomplish its objectives effectively, communication and information sharing among customs departments, other agencies and trading community must be proactive, timely and without unnecessary reservation.

Table-4.8: Responses on Information and Data collection for managing risks

No	Statements	Respondent	(5)Strongly agree	(4) Agree	(3)Neutral	(2)Disagree	(1)Strongly disagree
7.1	The intelligence team accesses pre-arrival information& provides all necessary information for Risk Management team &other teams at appropriate time and place	Custom employ	4.0%	18.0%	24.0%	32.0%	32.0%
7.2	The risk management team utilizes Effective information flow within the branch, other branches and the head office	Custom employ	10.0%	16.0%	14.0%	34.0%	26.0%
7.3	Effective use of computerized risk assessment systems to increase the accuracy and speed of pre-arrival targeting.	employee	14.0%	12.0%	18.0%	20.0%	36.0%
		Clearing agent	7.7%	18.5%	17.9%	33.3%	22.6%
7.4	The Risk management team operate based on the best available information	Clearing agent	12.8%	13.1%	15.6%	30.8%	27.7%
7.5	Clearing agents Provide relevant information as an input to the risk management team	Clearing agent	10.3%	15.6%	13.1%	33.3%	27.7%

Source: Field Survey, 2018

As can be observed on the above table 4.8,(32%,32%) of the respondents of the customs employee disagree and strongly disagree on the intelligence team accesses pre-arrival information& provides all necessary information for risk management team &other teams at appropriate time and place. Regarding the branch's customs risk management teams, (34%, 26%) of the respondents of customs employee disagree and strongly disagree on effective utilization of information flow within the branch, other branches, and the head office. Furthermore, with regard to effective use of computerized risk assessment to increase the accuracy and speed of pre-arrival targeting, (20%, 36%) of the customs employee risk management, and (33.3%, 22.6%) of the clearing agent disagreed on this matter. Moreover, (30.8%, 27.7%) of the respondents of the clearing agent disagree and strongly disagree on the risk management team information based operation, and (33.3%, 27.7%) of clearing agent

disagree and strongly disagree on providing relevant information as an input to the risk management team.

According to interview made with the risk management team leaders, ERCA is applying TRDP (trader risk data profile) system. It is a web based system and interfaced with ASYCUDA++. All the information is documented centrally at the head office level through gathering from different subordinates (branch offices) and possible to retrieve profile information when needed. In order to get organized data the customs authority used inputs like Goods examination result, Intelligence product, investigation result, audit result, customer service, and lawyers. This data base is an instrument to record any commercial fraud, illegal trade, difference in tariff classification, examination result difference and smuggling activities committed in any customs branch with in the country which enables to prepare the risk profile of traders. However, the system is dependent on different units and the quality of the data is not reliable unless continuous follow up activity is conducted. Moreover, lack of professional workers, power (electricity) problem, network interruption and lack of effective training are threats for timely recording as well as the accuracy of the data.

4.7. Balance between Facilitation and Control

According to World Bank (2006) and Widdowson (2006), customs controls should be kept to the minimum necessary to ensure compliance with Customs laws and controls should be carried out selectively, using risk-management techniques. Customs must continually strive to facilitate the processing and clearance of legitimate trade, while ensuring that there is proper enforcement of Customs laws and regulations. The primary method of maintaining this balance is by applying risk-management techniques to help identify and focus its limited resources on those potentially high-risk activities, conveyances, etc., to limit the level of Customs intervention at time of clearance of goods. As effective and efficient balancing of facilitation and regulatory control is among the objectives of ERCA as well as the branch, this study assesses level of facilitation and control through providing questions in the form of questionnaire.

Table-4.9: Responses on the Level of Facilitation and Control in the branch

No	Statements	respondents	(5)Strongly agree	(4) Agree	(3)Neutral	(2)Disagree	(1)Strongly disagree
8. Achieving the Balance between Facilitation and Control.							
8.1	Currently the authority as well as the branch achieves the balance between facilitation and control.	Custom employ	6.0%	16.0 %	26.0%	30.0 %	22.0%
		Clearing agent	10.3%	12.9 %	15.5%	38.5 %	22.8%
8.2	The authority as well as the branch are effective in trade facilitation and control to a generate appropriate revenue for socio-economic development	Custom employ	6.0%	12.0 %	20.0%	34.0 %	28.0%
8.3	The authority as well as the branch are effective in facilitating the goods without compromising control aspect	Custom employ	4.0%	18.0 %	18.0%	38.0 %	22.0%
8.1	There is Continuous and uninterrupted risk based (ASYCUDA supported) service from the branch.	Clearing agent	2.6%	18.2 %	17.9%	35.9 %	25.4%
8.3	The branch is effective in facilitating the goods without compromising control aspect	Clearing agent	7.7%	15.6 %	7.9%	41.0 %	27.8%

Source: Field Survey, 2018

As it is displayed on table-4.9, customs employee and clearing agents were asked about the balance between facilitation and control. Most of respondents of customs employee, and of the branch's clearing agents were disagreed on the effectiveness of the branch in achieving the balance between facilitation and control.

According to the interview made with the central and branch risk management team leaders from recent time onwards the system has been designed to facilitate legitimate trade and control high risk consignments. But the problem is the implementation issue. According to them, certain problems that impedes the optimum achievement of trade facilitation and control are inflexibility of rules and regulation, lack of commitment, inconsistent functioning of IT system, lack of

appropriate and timely decision making, inability of providing the required documents and information from a few clearing agents, lack of experience, skill gap with regard to tariff classification, lack of adequate resources, lack of harmonized data system to identify compliant and non-compliant traders, lack of pre-arrival information, little/ no coordination(internally and externally),ineffective customs risk management system, non-compliant nature of some customers, and etc.

According to the observation made at the branch, most goods wholly without taking a sample, there is bureaucracy by which one document goes through different officers, there is bureaucracy by which document goes through different officers, there is electric power interruption, her are only few forklifts and there is also absence of scanning machine at the branch.

The above all implies this implies that the system to facilitate legitimate trade and control illegal activity has been designed, but it has got implementation gap which in turn against customs proclamation no859/2014 and the objective of ERCA.

Table 4.10 Summery of branchs risk level from 2014-2017

2015	**Channel**	**Red**	**Yellow**	**Green**	**Blue**
	No of declaration	16678	25356	3132	1
	Percentage	36.9%	56.19%	6.9%	0.0022%
2016	**Channel**	**Red**	**Yellow**	**Green**	**Blue**
	No of declaration	14268	27789	3560	2
	Percentage	31.3%	60.9%	7.8%	0.004%
2017	**Channel**	**Red**	**Yellow**	**Green**	**Blue**
	No of declaration	13661	28146	3764	0
	Percentage	30%	61.7%	8.3%	.0

Source: ASYCUDA++),AAK

From the above table 4.10, the risk level gets improved from time to time. It shows that 36.9% (2015), 31.3% (2016) and 30% (2017) 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 56.1% to 61.7% 2015-2017. So still the declaration facilitated under high risk level is high and this amount of document needs physical inspection which is really.

CHAPTER FIVE

RESULT SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Result Summary

Based on the discussion of the previous chapter, the following summaries of findings is drawn:the result of this study shows the authority as well as the branch has been practicing all the steps of custom risk management process But it is difficult to say effective implementation of all. The processes have limitation monitoring and the appropriate address of high risk. The branch also have gap in supporting infrastructures like the risk management system, is not fully supported by IT, there is also few number of staff, lack of continues and consistent training and lack of experience.

In addition to this, the result of interview, questionnaires and observation indicate that the requirement for compliance measurement & the risk based compliance management approach of the customs branch is implemented in a good condition.

In case of information technology the risk management teams develop recently TRDP (trader risk data profile) web based system and interfaced with ASYCUDA++. All the information is documented centrally at the head office level through gathering from different subordinates (branch offices) and possible to retrieve profile information when needed. The system is also not effective because of employee awareness is less about how is the system works. From recent times onwards the system has been designed to facilitate legitimate trade and control high risk consignments.

5.2 CONCLUSIONS

ERCA has undertaken application and practice of customs risk management as one of the reform programs through designing Risk management policy and strategy as per WCO customs risk

management guideline and international practice of customs risk management. Addis Ababa Kality branch is one of the branches of ERCA has been implementing customs risk management. Therefore, this study assessed customs risk management in the branch. Accordingly, the major findings presented in the data analysis part of the study, the study concluded the findings as follows in the next paragraphs:

The risk management process is done effectively in the authority as well as the branch. It is at good condition in establishing the context and documentation of the risk whereas there is gap in the effectiveness of risk assessment in targeting high risks; and continuous and consistent monitoring of the risk management process.

There is a good beginning regarding the implementation of the supporting infrastructure to support the custom risk management in the branch. The branch utilizes automation system to establish national data base of information on all transaction and movement. However there are problems regarding the effective use of IT system for appropriate application of custom risk management, and effective utilization of automation for selectivity, risk profile and targeting high risk consignment and monitoring and review of risk profile. With regard to human resources as supporting infrastructure there has been lack of adequate number of employees, lack of experience, and lack of continues and consistent training.

The requirement for compliance measurement is implemented in a good condition. The system of the branch supports appropriate implementation of customs risk management process and as a tool to identify areas of non-compliance.

The risk based compliance management approach of the customs branch is based on major categories of legislative framework, administrative, risk management and IT frameworks and it is at good condition as a system. However, there are problems regarding informed compliance to assist traders, strategies for recognized compliers, and separation between innocent and intentional fraud.

There is lack of pre-arrival information, lack of providing all necessary information for the risk management team, lack of information flow with in the branch and other branches, and lack of using the computerized risk assessment system. There is also a gap on operating from the best

available information, and also there is limitation on providing relevant information from clearing agents as an input to the risk management.

There is high level of control and low facilitation in the authority as well as the branch because most of the declaration passed through the red channel but the branch has shown some progress in decreasing red channel declaration and increasing yellow channel declaration in the previous years.

5.3 RECOMMENDATIONS

Based on the above mentioned conclusions, the study recommends the following solutions for the identified gaps in assessment of customs risk management.
The authority as well as the branch should implement all the customs risk management processes effectively and efficiently based on harmonized data and information. Moreover, there should be effective risk assessment that helps to target high risks, and all the processes needs continuous and consistent monitoring and evaluation.

To achieve the objective of the risk management, the branch should implement the supporting infrastructure effectively. This include balancing the structure of the risk management, providing priority to the risk management team ,utilizing information technology efficiently, staffing the risk management team with high qualified personnel, updating the risk management team, improving the human, technical, and financial resource and providing special training to control officer to detect customs fraud effectively.

The compliance measurement system of the branch should depend on harmonized data system from different sources, tools (statistical analysis) and the methodology (systematic analysis of high risk area) as there is arbitrary and traditional compliance measurement system The findings of compliance measurement should be used to update the current selectivity criteria and to measure the branch's effectiveness of risk management practice. Moreover, the branch should determine the level of compliance which is acceptable in customs operations.

Regarding risk based compliance management approach in the branch; it should be properly implemented in carrying out effective risk management system, effective use of information

technology and holistic administrative approach that believe in the introduction of a client service approach, education and awareness raising, technical assistance and advice, consultation and cooperation. In addition, the branch should have to implement an informed compliance to assist traders, strategy for recognized complier and separate the innocent and intentional fraud before determining the need for sanction to achieve the goals of the risk based compliance management.

Concerning data collection and information gathering for the risk management system; Traders Risk Data Profile (TRDP) is an important tool, the risk management team must do continuous follow up about data entrance to the system from respective units and take serious measures for those who failed to do that in order to ensure accuracy and accessibility of the data. With regard to information gathering from other government agencies, customs should activate the ongoing single window system project. The intelligence team should extract information from different sources, and provide to the risk management decision makers at all level including pre-arrival information of consignments. If goods information transferred electronically to customs before arrival of the consignment, they can assess the risk level and more precise targeting of customs control for high risk.

In order to achieve the goal of custom risk management i.e. balanced approach of facilitation and control, the branch should improve, the effectiveness of risk management process, take effective measure on non-compliant traders, give guaranty to officer to inspect goods by taking sample, decrease its bureaucracy by shorting the flow of documents, purchase additional power generator, forklift & scanning machine.

5.4 FUTURE RESEARCH FORWARD

Since the study doesn't incorporate export side of the customs operation due to time and budget limitations, the future researcher can give due attention to it.

References

APEC (2004). “Needs and priorities in trade facilitation”, presented by Indonesia at APEC seminar on WCO trade facilitation.

Baker, S.W. (2002). *Customs Risk Management Program Responds to Security Needs.*

Braga, S. et.al. (2011). *U.S. customs trade compliance and risk management process: a model for Brazilian customs modernization. Washington, DC.*

De Wulf, L. and Sokol, J.B. (2005). *Customs Modernization Handbook:* Managing Risk in Customs Context the World Bank, Washington D.C.

Deloitte and Touche, (2003). *Risk Management*: Moving the Framework to Implementation.

Ethiopian Customs Proclamation. (859/2014).Addis Ababa.

Ethiopian Revenues and Customs Authority. (2010). *Risk Management Strategic Policy:* Addis Ababa.

Ethiopian Revenues and Customs Authority. (2014).Time Release Study, Addis Ababa (unpublished)

Fraser, J. R. S., Simkins B. J. (2007). *Ten Common Misconceptions about Enterprise Risk Management*, Journal of Applied Corporate Finance.

Geouurjon, A. and Laporte, B. (2004). *Risk Management for Targeting Customs Control in Developing Countries:* A Risk Venture for Revenue.

GOV (2008). “Government finance annual report for 2008”, Chapter 3, *Customs administration.*

Guidelines for Risk Management in Customs, (2005). C*ustoms and Cross-Border Facilitation Team.* WCO.

Harrison, M. (2007). *Challenges for Customs.* Annual Conference on APEC Centre, Melbourne, Australia.

Hintsa, J. et al. (2011). *Customs Risk Management*: A Survey of 24 WCO Member Administrations. Cross-border Association and WCO, Switzerland.

Iordache, E., n.d. *Aspects of Risk Management in Customs Area. Available at:* Error! Hyperlink reference not valid. [Accessed: 5 December 2014]. UNCTAD, 2008. *Automated System for Customs Data ASYCUDA*: *Trust Fund for Trade Facilitation Negotiations, Technical Note No.21*. Available at: Error! Hyperlink reference not valid. [Accessed: 28 December 2014].

Kothari, C.R. (2004). *Research Methodology: Methods and Techniques*. 2nd. Ed. New Age International, India.

Mesfine Bireda (2017), Assessment of the challenge custom import clearance (Unpublished)

Puengpradit, W. (2010). *Trade Facilitation and Customs Regulatory Control: A Study of Express Consignment Operations in Thailand*. University of Canberra.

UNCTAD, 2008. *Trust Fund for Trade Facilitation Negotiations*

UNCTAD, 2011. *Use of Customs automation systems*: *Trust Fund for Trade Facilitation Negotiations, Technical Note No. 3.*

USAID, (2004). *Risk Management Diagnostic Report: the Bureau of Customs. Philippines*. Technical Report.

WCO, 2010. *Risk Management Forum*. Available at: http://www.wcoomd.org/en/ events/ event/history/2010/~/media/2BA0488B399D4651F8F0B6009C8040E.ashx [Accessed: 6 December 2014].

Widdowson, D. C. (2003). *Intervention by Exception:* A Study of the use of Risk Management by Customs Authorities in the International Trading Environment, doctoral thesis, University of Canberra.

Widdowson, D. (2005). Managing risk in the customs context. *Customs modernization handbook*, 91-99.

World Customs Organization, (2003). *Risk Management Guideline*. WCO.

World Customs Organization, (2003). *Safe Framework of Standards.*WCO.

World Customs Organization, 2007. *Safe Framework of Standards to Secure and Facilitate Global Trade*, Available at <http://www.wcoomd.org.> extracted as of Jan 2018.

Annex I

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

DEPARTMENT OF LOGISTICS &SUPPLY CHAIN MANGEMENT

Dear respondents,

This questionnaire is designed by Meseret Girma a master graduate student from Addis Ababa University to conduct a study for partial fulfillment of MA in logistic and supply chain management on the title named as Assessment of Customs Risk Management in ERCA: The case study of Addis Ababa kality Customs branch office. I promise you that the information you provide will be kept confidential and used for academic purpose only. Therefore, I request you to respond to each of the questions genuinely and honestly as your feedback has a significant contribution for achievement of the study objective. I thank you very much in advance for your cooperation and for sacrificing your invaluable time and effort.

Note: There is no need to write your name

If you need further information, please contact the researcher Meseret Girma by the following E-mail address Mesida@yahoo.com

1 Respondent profile

1.1 Gender

(a) Male ☐ (b) Female ☐

1.2 Age

(A) 21-30 years ☐ (c) 41-50years ☐

(b) 31-40years ☐ (d) 51-60years ☐

(e) Above 60years ☐

1.3 Profession

(a) Accounting ☐ (c) Management ☐

(b)Economics ☐ (d) Public finance ☐

(e) If others, please specify_____

1.4. Qualification

(a) Below Diploma ☐ (c) 1st Degree ☐

(b) Diploma ☐ (d) Master's Degree ☐

(e) Above Master's Degree ☐

1.5. Year of experience

(a) Less than 1 year ☐ (d) 6-10 Years ☐

(B) 1-2 Years ☐ (e) 11 -15 Years ☐

(C) 3-5 Years ☐ (f) Above 15 Years ☐

Questionnaire to be filled by central risk management team, the branch's risk management team and branch's officers

Please choose from the level of agreement /disagreement by using the Tick mark (√)

No	Statements	(5)Strongly agree	(4) Agree	(3)Neutral	(2)Disagree	(1)Strongly disagree
2.	**Risk management Process**					
2.1	The establishment of the context considers internal and external factors					
2.2	Risk identification is done in relation to where, when, how is the risk likely to be incurred					
2.3	Analysis of risk is done in terms of impact, cost or consequences					
2.4	Ranking and prioritizing risks is done to identify management priorities					
2.5	A specific management plan is developed to address high risks					
2.6	Monitoring and reviewing of all the performance, effectiveness and efficiency of the risk management process is done regularly					
2.7	There is a risk register which gives the rationale behind selecting the risks, and records the assumptions on which assessments have been made					

3.	**Use of Information Technology**					
3.1	There is effective use of IT system for appropriate application of Customs Risk Management System					
3.2	The authority/the branch have been utilizing automation system to establish national database of information on all transaction and movements.					
3.3	Effective utilization of automation for selectivity, risk profiling, targeting high risk consignments and monitoring and review of risk profiles.					
4.	**Human Resource Development**					
4.1	The central risk management team and customs risk management team of the branch have adequate number of employees					
4.2	The staff of customs risk management has adequate experience to carry out effective risk management system.					
4.3	The customs risk management staffs are getting consistent& continues training& supported by all necessary resources.					
5.	**Compliance Measurement**					
5.1	The compliance measurement system of the authority as well as the branch supports effective implementation of risk management process.					
5.2	It serves as a diagnostic tool to identifies areas of non-compliance					
5.3	It is used to determine the degree to which customers/ agents, imported goods conform to customs rules and procedures					
5.4	It provides important information to enhance the risk assessment methodologies					
6.	**Risk Based Compliance Management**					
6.1	The legislative framework provide the necessary basis in law for the achievement of the risk management strategies					
6.2	It is builds on client service approach, education and awareness raising, consultation and cooperation and formal appeal and etc.					

6.3	It is based on risk management framework and IT that introduces risk based decision making					
7.	**Information and Data Collection**					
7.1	The intelligence team accesses pre-arrival information& provides all necessary information for Risk Management team &other teams at appropriate time and place					
7.2	The risk management team utilizes Effective information flow within the branch, other branches and the head office					
7.3	Effective use of computerized risk assessment systems to increase the accuracy and speed of pre-arrival targeting.					
8.	**Achieving the Balance between Facilitation and Control.**					
8.1	Currently the authority as well as the branch achieves the balance between facilitation and control.					
8.2	The authority as well as the branch are effective in trade facilitation and control to a generate appropriate revenue for socio-economic development					
8.3	The authority as well as the branch are effective in facilitating the goods without compromising control aspect					

Annex II

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

DEPARTMENT OF LOGISTICS &SUPPLY CHAIN MANGEMENT

Dear respondents,

This questionnaire is designed by Meseret Girma a master graduate student from Addis Ababa University to conduct a study for partial fulfillment of MA in logistic and supply chain management on the title named as Assessment of Customs Risk Management in ERCA: The case study of Addis Ababa kality Customs branch office. I promise you that the information you provide will be kept confidential and used for academic purpose only. Therefore, I request you to respond to each of the questions genuinely and honestly as your feedback has a significant contribution for achievement of the study objective. I thank you very much in advance for your cooperation and for sacrificing your invaluable time and effort.

Note: There is no need to write your name

If you need further information, please contact the researcher Meseret Girma by the following E-mail address Mesida@yahoo.com

2 Respondent profile

2.1 Gender

(c) Male ☐ (b) Female ☐

2.2 Age

(A) 21-30 years ☐ (c) 41-50years ☐

(b) 31-40years ☐ (d) 51-60years ☐

(e) Above 60years ☐

2.3 Profession

(a) Accounting ☐ (c) Management ☐

(b)Economics ☐ (d) Public finance ☐

(e) If others, please specify_____

1.4. Qualification

(a) Below Diploma ☐ (c) 1st Degree ☐

(d) Diploma ☐ (d) Master's Degree ☐

(e) Above Master's Degree ☐

1.5. Year of experience

(a) Less than 1 year ☐ (d) 6-10 Years ☐

(B) 1-2 Years ☐ (e) 11 -15 Years ☐

(C) 3-5 Years ☐ (f) Above 15 Years ☐

Questionnaire to be filled by "custom employ"

Please choose from the level of agreement /disagreement by using the Tick mark (√)

No	Statements	(5)Strongly agree	(4) Agree	(3)Neutral	(2)Disagree	(1)Strongly disagree
2.	**Risk management Process**					
2.1	The branch or the authority has properly addresses high risk.					
2.2	The customs risk management process has been carried out continuously and consistently.					
2.3	There is continuous documentation of the risk (risk register) for the analysis of potential risks.					
3.	**Use of Information Technology**					
3.1	There is effective use of IT system for appropriate application of Customs Risk Management System.					
3.2	The branch has been utilizing automation system to establish national database of information on all transaction and movements.					

3.3	Effective utilization of automation for selectivity, risk profiling, targeting high risk consignments and monitoring and review of risk profiles.					
4.	**Human Resource Development**					
4.1	The risk management team of the branch has adequate number of employees.					
4.2	The staff of customs risk management has adequate experience to carry out effective risk management system.					
4.3	The customs risk management staffs are getting consistent& continues training& supported by all necessary resources.					
5.	**Compliance Measurement**					
5.1	It serves as a diagnostic tool to identifies areas of non-compliance					
5.2	It is used to determine the degree to which customers/ agents, imported goods conform to customs rules and procedures					
5.3	It provides important information to enhance the risk assessment methodologies					
6.	**Risk Based Compliance Management**					
6.1	There is an informed compliance where customs officers assist traders and industries to understand and apply the trade rules and to improve their internal company procedures to comply with import requirement					
6.2	Strategies for recognized compliers are made such as increased levels of self-assessment, reduced regulatory scrutiny, increased level of facilitation etc.					
6.3	Before determining the need for a sanction, identification is made between innocent and intentional fraud					
7.	**Information and Data Collection**					
7.1	The Risk management team operate based on the best available information					

7.2	Clearing agents Provide relevant information as an input to the risk management team					
7.3	Effective use of computerized risk assessment systems to increase the accuracy and speed of pre-arrival targeting.					
8.	**Achieving the Balance between Facilitation and Control.**					
8.1	There is Continuous and uninterrupted risk based (ASYCUDA supported) service from the branch.					
8.2	Currently The branch achieves the balance between facilitation and control.					
8.3	The branch is effective in facilitating the goods without compromising control aspect					

Annex III

Interview Questions with Central Risk Management and Branch's Risk Management Team leader

1. How do the risk management steps carried out? Does all steps performed effectively?
2. How does the reporting system between the branch's risk management team and central risk management teams carried out?
3. How the effective use of ASYCUDA for selectivity and risk profiling system has been taking place?
4. How do monitoring and review of the risk profiles carried out?
5. What are the major problems in the risk management process to maintain a balance between facilitation and control?
6. How the application of customs risk management practices on the facilitation of legitimate trade has been taking place?
7. Does the supporting infrastructures for risk management is efficient? What are the problems?
8. How the coordination between the branch's risk management team, post clearance audit, intelligence team and customs clearance staff exchanging of information has been taking place?