



ADDIS ABABA UNIVERSITY
**College of Business
and Economics**

SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY!



DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT
(GRATUATE PROGRAM)

**The impact of customs clearance process on logistics efficiency:
The case of Modjo customs branch office**

A thesis proposal submitted to Addis Ababa University, School of Commerce, Graduate Studies, in partial fulfillment of the requirements for the Degree of Masters of Arts in Logistics and Supply Chain Management

By: Endashaw Temesgen

Advisor: Busha Temesgen (phD)

June, 2020

Addis Ababa, Ethiopia

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE, GRADUATE STUDIES
MASTERS OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT
PROGRAM**

**The impact of customs clearance process on logistics efficiency:
The case of Modjo customs branch office**

By

Endashaw Temesgen

APPROVED BY THE COMMITTEE OF EXAMINERS:

1. _____

Department Head

_____ **Signature**

2. _____

Advisor

_____ **Signature**

3. _____

Internal Examiner

_____ **Signature**

4. _____

External Examiner

_____ **Signature**

Statement of Declaration

I the undersigned, declare that on the thesis entitled “The impact of customs clearance process on logistics efficiency: The case of Modjo customs branch office” is my original work and has not been presented by anybody for any level degree in any University and all material used for the project work have been acknowledge.

Declared by:

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

CERTIFICATE

This is to certify that Endashaw Temesgen Beyene has carried out his thesis work on the topic entitled “**The impact of customs clearance process on logistics efficiency: The case of Modjo customs branch office**” under my supervision. This work is original in nature and it is sufficient for submission to the partial fulfillment for the award of masters of Arts degree in logistics and supply chain management.

Advisor: Busha Temesgen, PhD

Date:

Acknowledgments

Overall thanks to the almighty God!!

Next, I would like to express the deepest appreciation to my advisor Busha Temesgen (PhD), who has the attitude and the substance of a genius; he continually and convincingly guided me. Without his guidance and persistent help this thesis would not have been possible.

I would especially like to thank my family. My wife, Zayid Mengistu has been extremely supportive of me throughout this entire process and has made countless sacrifices to help me get this point. My little son and daughter love you so much.

Finally I would like to thank those who have taken the time to read and give comments on my work.

Table of contents	page
Declaration -----	ii
Certificate -----	iii
Acknowledgment-----	iv
Table of contents-----	v
List of table-----	ix
List of figures-----	x
List of acronyms-----	xi
Abstract -----	1
Chapter One -----	2
Introduction -----	2
1.1. Background of the study-----	2
1.2. Statement of the research-----	4
1.3. Research question-----	6
1.4. Research objective-----	6
1.4.1 General objective-----	6
1.4.2 Specific objectives-----	6
1.5. Significance of the study-----	7
1.6. Scope of the study-----	8
1.7. Limitation of the study-----	9
1.8. Organization of the study-----	9
Chapter Two	
2.1. Theoretical literature-----	10
2.1.1 Customs -----	11
2.1.2 Customs and international trade-----	10

2.1.3 Customs clearance procedure principle-----	11
2.1.4 Customs clearance-----	11
2.1.5 Goods release time-----	12
2.1.6 Simplified customs clearance-----	13
2.1.7 Ethiopian customs procedure-----	13
2.1.8 Ethiopian customs clearance procedure-----	13
Face vet-----	13
Physical goods inspection-----	14
Scrutiny of document-----	14
Import license-----	15
Customs declaration-----	15
Insurance certificate-----	15
Bill of loading-----	16
Commercial invoice-----	16
Packing list-----	16
Customs valuation detail declaration-----	17
2.1.9 Customs valuation-----	17
2.1.10 Ethiopian customs valuation system-----	18
2.1.11 customs automation-----	18
2.1.12 customs role and priority in 21 st century-----	19
2.2. Overview of logistics-----	20
2.2.1 The impact of logistics in international trade-----	21
2.3. Customs clearance process and logistics efficiency-----	21
2.3.1 Ethiopian logistics performance index-----	23

2.4. Empirical literature -----	24
2.4.1 Ethiopian customs constraints-----	24
2.4.2 Customs time release-----	25
2.4.3 Hindrance of customs -----	26
2.4.4 Ethiopian customs clearance efficiency-----	26
2.5. Literature gap on customs clearance efficiency-----	27
2.6. Conceptual framework-----	27

Chapter Three

3.1. research approach-----	29
3.2. research design-----	29
3.3. population and sample-----	30
3.4. data source and type-----	30
3.5. data collection procedure and type-----	33
3.6. data analysis-----	33
3.7. ethical consideration-----	34
3.8. reliability-----	34
3.9. validity-----	34

Chapter Four

4.1. introduction-----	36
4.2. result of the study-----	36
4.2.1 Questionnaires response rate-----	37
4.2.2 Demography characteristics of the respondents-----	37
4.2.1.1 Sex and age of the respondent-----	38
4.2.1.2 Educational background and work experience-----	38
4.2.1.4 Job position of the respondent-----	42

4.3. Descriptive Analysis for efficiency of customs clearance process-----	43
4.3.1 Customs modernization program-----	46
4.3.2 Different schemes to fasten clearance process-----	47
4.3.3 Temporary goods release-----	48
4.3.4 Redundancy of physical goods inspection-----	48
4.3.5 Advance ruling-----	49
4.3.6 Location for goods inspection-----	50
4.3.7 Clearance time schedule-----	50
4.3.8 Simplification of document-----	51
4.3.9 Additional cost incurred due to clearance delay-----	52
4.3.10 Standard time for customs clearance-----	52
4.3.11 acceptance of transactional value-----	53
4.4. Descriptive Analysis for Customs clearance time-----	55
4.4.1 Sampling check of clearance time-----	58
4.4.2 Clearance delay cost-----	59
4.5. other agencies involved between clearance times-----	59
4.6. Source of major delays of clearance process-----	61
4.7. Risk management and automation at Modjo customs branch office-----	63
Chapter Five	
Introduction -----	68
5.1. summary of the finding-----	68
5.2. Conclusion-----	71
5.3. Recommendations-----	73
References -----	I
Appendix -----	II

List of Table	page
Table 2.3.1 logistics performance index-----	23
Table 4.2.1 Questionnaire response rate-----	38
Table 4.2.2 Sex of the respondent-----	38
Table 4.2.3 Age of the respondent-----	39
Table 4.2.4 Educational background of customs employee-----	41
Table 4.2.5 Educational background of clearing agent-----	41
Table 4.2.6 Job position-----	42
Table 4.3.1 Percentage distribution of respondent on customs clearance efficiency-----	43
Table 4.3.2 Constraints of customs clearance-----	55
Table 4.4.1 Average time taken for customs clearance-----	56
Table 4.4.2 Cost charging by Modjo dry port-----	60
Table 4.6.1 Source of major delays-----	62
Table 4.7.1 Risk management and automation-----	64
Table 4.7.2 Sample of risk level data-----	65
Table 4.8.3 Descriptive statistics-----	70
Table 4.8.4 correlation between dependent and independent variable-----	71

List of Figures	page
Figure 2.1 Import cargo clearance process-----	15
Figure 2.2 Logistics network-----	20
Figure 2.6.1 Conceptual frame work-----	28
Figure 4.2.1 Response rate -----	37
Figure 4.2.2 Age group of the respondent-----	39
Figure 4.2.3 Educational background-----	42
Figure 4.3 Efficiency of customs clearance process-----	45
Figure 4.4 Customs clearance delay affect logistics-----	54
Figure 4.4.1 Average time for customs clearance-----	57
Figure 4.4.2 Impact of customs clearance delay on logistics-----	59
Figure 4.5.1 Regulatory agencies -----	60
Figure 4.5.2 other regulatory agencies involve between clearance process-----	61
Figure 4.6.1 Source of major customs clearance delay-----	62

List of Acronyms

AWB	Air way bill
ASYCUDA++	Automated system for customs data
CGT	Council for trade in goods
ECC	Ethiopian customs commission
ECVS	Ethiopian customs valuation system
ECMS	Ethiopian customs management system
ERCA	Ethiopian revenue and customs authority
ECMS	Ethiopian customs management system
CSCMP	Council of supply chain management professionals
GAAT	General Agreement on tariff and trade
LPI	Logistics performance index
RKC	Revise Kyoto convection
OECD	Organization for Economic Cooperation and Development
TRS	Time release study
SAD	Single administrative document
USD	United state dollar
VDD	Valuation detail declaration
WB	World Bank
WCO	World customs organization
WTO	World trade organization

Abstract

The purpose of this study was to assess the impact of customs clearance process on logistics efficiency the case of Modjo customs branch office. Several studies provide evidence that logistics services very crucial to facilitate international trade and play an important role in the growth and development of the local economy. Based on World Bank logistics performance index (LPI) puts Ethiopia ranked 126th out of 160 countries and in terms of all scores indicators are also below the averages of the Sub-Saharan Africa region in 2016. The logistics system of the nation is deteriorating when compared with other countries. The ranking of Ethiopia shows a backward spiral between 2014 and 2016, going from 104 to 126 in the rank comparison across 160 countries. One of the main logistics performance indicators among the six components is efficiency of customs clearance process. Therefore, the aim of the study is to assess the impact of this customs clearance process on import goods logistics efficiency. To do so, different theoretical and empirical literature were used as reference. To address the objective of the study 97 questionnaires were distributed to customs employee and customs clearing agent and out of which 88 were returned. To analysis the finding of the study, Descriptive and explanatory analysis method were employed and also a quantitative and qualitative approach was used. From the survey conducted and filled by respondents confirmed that there is customs clearance delay due to redundancy of goods physical inspection and document checking for a particular consignment, giving advance information for importers and clearing agent regard with valuation, tariff classification etc prior to importing of goods to customs compound, lead time of goods at customs clearance is high. The reluctance of officers in decision making, the branch tendency of repetitively goods physical examination and other factors contribute to the delay. It is also confirmed by the study, because of this delay there are additional costs incurred for each additional clearance delay time. It have been seen on the study that, this all customs clearance process constraints are impact on import goods logistics efficiency. Finally the study provided recommendation that help to overcome the main findings of the problem. These are strengthen risk management to facilitate clearance process, improve information technology (customs system), integration service with other regulatory agencies and implement international customs practice.

Key word: Customs clearance process predictability, Customs clearance process simplicity, Customs clearance process speedy, risk management, automation

CHAPTER ONE

INTRODUCTION

This introduction chapter is aims to describe the background of the role of customs clearance in import goods logistics, specifically at Modjo customs branch office. The problems related with customs clearance has also explained, research questions were specified to solve the problem.

Background of the study

The Council of Supply Chain Management Professionals defines logistics as part of the supply chain process that plans, implements and controls the efficient, effective forward and reverses flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customer's requirements.

In 1991 the Council of Logistics Management, a trade organization based in the United States, defined logistics as the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements.

Several studies provide evidence that logistics services very crucial to facilitate international trade and play an important role in the growth and development of the local economy. The quality and efficiency of logistics services can matter for international trade as a weak logistics infrastructure and operational processes can be a major obstacle to global trade integration. (The Asian journal of shipping and logistics,2017).

Quite Often, Data constraints have made difficulty on logistics research formidable. However, since 2007 initiatives by the World Bank in terms of compiling the Logistics Performance Index (LPI) for several countries across the globe have made it possible to get a reasonable understanding of achievements in logistics. This institution analyzes countries logistics performance indicators in six components: these are: The efficiency of customs clearance process, The quality of trade- and transport-related infrastructure, the ease of arranging competitively priced international shipments, the competence and quality of logistics services,

the ability to track and trace consignments, the frequency with which shipments reach consignees within the scheduled or expected delivery time.

Based on this, the World Bank logistics performance index (LPI) puts Ethiopia ranked 126th out of 160 countries and in terms of all scores indicators are also below the averages of the Sub-Saharan Africa region in 2016. The logistics system of the nation is deteriorating when compared with other countries. The ranking of Ethiopia shows a back ward spiral between 2014 and 2016, going from 104 to 126 in the rank comparison across 160 countries. (World Bank group, 2016).

One of the concerns in logistics is the time and cost spent to clear export and import goods by complying with the customs regulations and procedures of the country and the concomitant transaction costs associated with such procedures. Reducing the time required for the clearance of goods at customs is very important.

The importance of customs efficiency is also recognized in World Bank Organization. This organization developed LPI (Logistics Performance Index). The main element of LPI is efficiency of customs (Arvis, 2016). In that manner there are different aspects of customs efficiency evaluation:

- ◆ Customs efficiency in International LPI is the efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities).
- ◆ Customs efficiency in Domestic LPI (quality and competence of service of customs agencies, clearance and delivery of imports and exports, transparency of customs clearance, provision of adequate and timely information on regulatory changes, number of agencies for imports and exports, number of forms for imports and exports, etc).

The effectiveness and efficiency of clearance processes (time, documents, costs, etc) by customs is also important element of LPI (World Bank).

Therefore, the main objective of this study is to assess the effects of customs clearance process on logistics efficiency the case of Modjo customs branch office.

According to World Bank report in 2016, customs clearance required up to 103 procedures and about 21 documents. And recent World Bank easy of doing business report (2019) also indicate that Ethiopian export clearance and inspections required by customs commission is 12 hours. And export Clearance and inspections by others agencies required more 35 hours and total

exporting process takes 47 hours associated cost with 175USD. On the other hand Import clearance and inspections required by customs commission is 72 hours and associated cost is 120USD. One of the main important performance indicators of easy of doing business is customs goods clearing process taking time.

The length of time for customs release plays a negative or positive roll on logistics performance. A short customs clearing time release avoids the serious bottlenecks that impede logistics performance. On the other hand, taking long time goods release indicates the customs administration is inefficient in facilitating import and export goods and affect logistics performance. This in turn, challenges the nation to compete in the international logistics competition.

1.2 Statement of the problem

The global turn over generated by logistics is exceeds USD 4.3 trillion. A country's logistics performance is key to a country's productivity and its attractiveness to outside investment. Inefficient logistics raise the cost of doing business and reduce the potential for international and domestic market integration, especially for developing countries. (World Bank group, 2018)

The study continues to explain that the gains from improving logistics performance are especially high in poorer countries. Increasing the logistics performance of a low-income country to the average performance of a middle-income country can increase trade by 15 percent or more. Better logistics allow more market access and can thus foster trade. Failing to move goods seamlessly hampers trade: a one-day delay at customs leads to an average 1 percent decrease in trade.

The World Bank Logistics Performance Index (LPI) puts the overall logistics performance of Ethiopia as the lower end of the surveyed countries, even below the Sub-Saharan average in most of the indicators. In reality the logistics system of the nation is deteriorating when compared with other countries. According to the LPI, the ranking of Ethiopia shows a back ward spiral between 2014 and 2016, going from 104 to 126 in the rank comparison across 160 countries. (World Bank group, 2016)

This World Bank report shows that the number one performance indicators of logistics is efficiency of customs clearance process in terms of time spent to clear export and import goods by complying with the customs regulations and procedures of the country are the major concerns in logistics.

Many African countries, including Ethiopia, have been faced with the challenge of logistics performance. The emerging consensus in this respect is that customs facilitation, if well managed, could play an important role in tackling of the challenge.

Reliability of customs operations is a major concern for traders and logistics providers alike and predictability of supply chains is becoming ever more important. Efficient customs is essential in eliminating avoidable delays and enhancing predictability in the clearance process. According to The World Bank's Logistics Performance Index (LPI), customs agencies tend to obtain higher LPI ratings than other related agencies.

Different international institution study shows that Ethiopia's key logistics bottlenecks are related to complex customs clearance procedures and the reality in Ethiopia also shows that logistics performance is highly influenced by customs efficiency.

There are different aspects of customs efficiency evaluation: Many countries around the world measures their customs performance in terms of collecting revenues, enforcing laws effectively, facilitating trade, protecting society, managing risks and border security. One of the common customs performance efficiency evaluations in International LPI is the efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities in customs).

Keeping others factors constant, countries like Kenya, Uganda, Rwanda and Tanzania scored customs clearance performance (3.33, 3.04, 2.99 and 2.99) and ranked in global logistics competitiveness 42, 58, 61 and 62 respectively. Those countries improved in customs clearance process, contributes to best ranking in the World Bank LPI. Whereas Ethiopia because of lagging in customs clearance process (2.38), scored 126 in global logistics performance rank. This indicates that better customs clearance efficiency can lead to effective logistics.

The more difficult a customs clearance process is to complete, the more negative impact on logistics efficiency. In other words, burdensome customs procedures discourage international business and slow economic development.

Recent World bank easy of doing business report (2019) also indicate that Ethiopian Import clearance and inspections required by customs commission is 72 hours and associated cost is 120USD. On the other hand export clearance and inspections required by customs commission is 12 hours. And export Clearance and inspections by others agencies required more 35 hours and total exporting process takes 47 hours associated cost with 175USD.

The researcher has conducted a series of meetings and interviews with customs commission close customers (customs clearing agents) and customs official. They raised a series of issues related with long time release (uncertain delays of customs clearance process) of both import and export goods.

A number of surveys have been conducted globally on customs role in trade facilitation and control challenges. And also there are few surveyors and researchers have undertaken related to the challenges of logistics as well as customs import and export clearance procedure on trade facilitation and control. However, none of them considered customs efficiency impact on logistics especially at Modjo customs branch office which is national import logistics hub and facilitate the lion share of imported goods to Ethiopia as far as the researcher awared.

Thus, the researcher inspired this gap to conduct study and fill the gap by addressing the lagging of customs clearance process takes place at Modjo customs branch office impact on logistics efficiency.

1.3 Research questions

- I. To what extent customs face vet, goods physical inspection and document scrutiny (speedy, predictable and simplicity) affects logistics efficiency at Modjo dry port?
- II. To what extent customs automation and risk management affect logistics efficiency at Modjo dry port?

1.4 Research Objectives

1.4.1 General objective

The primary objective of the study was to assess whether customs clearance process affect logistics efficiency at Modjo dry port.

1.4.2 Specific objectives

The study attempted to achieve the following specific objectives

1. To assess whether efficient face vet affects logistics efficiency at modjo dry port.
2. To assess whether efficient customs goods physical inspection and automation affect logistics efficiency at Modjo dry port.
3. To assess whether efficient customs document scrutiny affect logistics efficiency at Modjo branch office.
4. To assess risk management and automation in facilitating customs clearance procedure.

1.5 Significance of the Study

There are a number of studies conducted in the areas of customs administration related with import and export procedure as well as logistics practice in different perspectives. However, to be honest, the researcher is unaware of any study or research specifically on the impact of customs clearance process on logistics efficiency in the case of Modjo customs branch office. Thus, the study has the following importance:

- ◆ The outcome of this research would hopefully Customs commission to be able to gain an insight into customs clearance process efficiency at Modjo customs branch office and alleviate the observed problem.
- ◆ Will have significant role to minimize the delay and to maximize the efficiency of the customs clearance process.
- ◆ The study will have some contribution to evaluate and improving the customs clearing performance part to logistics efficiency in Ethiopia.
- ◆ To identify the determinant variables affecting the performance of customs on logistics.

- ◆ It will be used as indicator that the institutions those around logistics to interface and integrate each other's in order to minimize the logistics problem in Ethiopia.
- ◆ The finding of this study will redound to the benefits of the customs commission considering that customs clearance procedure plays an important role in logistics sector.
- ◆ The study will be help by avoiding the unnecessary lengthy procedure and shorten the logistics time as well as minimize cost and it has big contribution to the society in commodities market value stability.
- ◆ It will be an input for researchers who want to make further study on the topic and decision makers to take action and develop policy.

1.6 Scope of the study

Council of Supply Chain Management Professionals defined logistics as the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements, which includes inbound, outbound, internal, and external movements and return of materials for environmental purposes. As we can see the above definition, logistics concept is very broad and unified. It also involves Management of order processing, inventory, transportation and combination of warehousing, materials handling, and packaging, all integrated throughout a network of facilities. And one of the key performance indicators of logistics is customs clearance procedure efficiency. Therefore, due to constraints of time, financial and material resource, the scope of the study will be focused on the impact of customs clearance performance, particularly customs good physical examination, document scrutiny, valuation, tariff classification performance on logistics efficiency. The researcher was focused on Modjo customs branch office which is the largest customs branch office from 14 customs commission branch office in the country, handles more than 70 percent of the nation's imports and has the capacity to hold 14,500 containers at a time and about more than 95,000 containers per year.

1.7 Limitations of the study

Since scarcity of resource basically no study is completely flawless or inclusive of all possible aspects without limitation. With this regard, lack of well organized secondary data in the area was a problem. Respondents were reluctant to give response and to fill questionnaires. The researcher was also intended and planed to collect intensive information through interview; however, unfortunately following the outbreak of the so called Covid 19 pandemic, the information get from interview was with some limitation. To overcome this limitation, the researcher tried to closely communicate the respondents as much as the required data were collected.

1.8 Organization of the study

This study paper has five chapters. Chapter one dealt with introduction or back ground of the study, a statement of the problem with research questions, objectives of the study, significance, scope and limitation of the study. The second chapter presented the review of theoretical and empirical literatures. Research design and methodology of the study has been presented in the third chapter. The fourth chapter explained data analysis and presentation. Finally, the fifth chapter of this paper contained the findings, conclusion and recommendations.

CHAPTER TWO

RELATED LITRATURE REVIEW

This study was supported by literatures and concepts related to the topic. The literatures were related with logistics services, international customs clearing practices, national Customs clearing practices, logistics service performance measurement, literatures on Import procedures, the impact of logistic service on global trade, the role of customs clearing on logistics were discussed. This chapter has two parts. These are theoretical literature and empirical or conceptual framework. The details are discussed as follows:

2.1 Theoretical literature

2.1.1 Customs

Customs is an authority or agency in a country responsible for collecting tariffs and for controlling the flow of goods, including animals, transports, personal, and hazardous items, into and out of a country. Traditionally customs has been considered as the fiscal subject that charges customs duties and other taxes on import or export. In recent decades, the views on the functions of customs have considerably expanded and now cover three basic issues: taxation, security and trade facilitation.(www.en.wikipedia.org)

2.1.2 Customs and international trade

The trade environment is complex and sets a wide field for trade facilitation. It is easy to count 60 or more distinct trade procedures targeting goods, the vehicles that move them (for example, ships, planes and trucks) or their operators (for example, drivers, seafarers, flight crew) (Grainger 2007a).

Control objects include: revenue collection; safety and security; environment and health; consumer protection; and trade policy. In the majority of countries a significant share of these controls will be performed by Customs or under customs supervision.

Once goods arrived in the port of destination, operations include off-loading, storage, release from the port and customs clearance, delivery to the buyer, unpacking, after-sales services (for example, assembly, warranties and guarantees) and more. Depending on the trading terms

between buyer and seller, contractual responsibilities for the operations can lie with one or the other party, or it can be split anywhere along the way depending on the Inco terms used (ICC 1999).

At each stage of the movement different types of data are generated and different types of information (often containing the same or similar data) are submitted to Customs and other government agencies.

Every time one of the parties within the supply chain is required to submit information to government agencies, trade transaction costs occur. These might be direct or indirect. Direct transaction costs include immediate compliance costs such as those associated with collecting, producing, transmitting, posting, faxing and processing information required to prepare and submit documents (paper or electronic). Direct transaction costs also include the charges and fees associated with setting up and financing customs bonds and guarantees, testing and use of laboratories, inspections, and stamping of documents.

Charges and fees are also levied by many of the intermediaries. For instance, the port stevedore is likely to charge for the delivery of a container to the customs shed. Agents, employed to make customs declarations, will charge for their services.(OECD 2003; Grainger 2007c).

2.1.3 Customs Clearance Procedure principle

Nowadays many countries are striving to simplify clearance procedures of their customs administration in a bid to ease the cost of doing business to importers and exporters, thereby benefit the national economies. These countries conduct their time release studies following the guideline developed by the WCO.

As Ethiopian customs guide, (2017) stated that The RKC establishes standards and recommends good customs practices for importation, exportation, temporary admission and special procedures. The RKC defines customs clearance as “the accomplishment of the Customs formalities necessary to allow goods to enter home use, to be exported or to be placed under another Customs procedure” and release as “the action by the Customs to permit goods undergoing clearance to be placed at the disposal of the persons concerned.

Trade facilitation is one of the key factors for economic development of nations and is closely tied into national agendas on social well-being, poverty reduction and economic development of countries and their citizens.

In international trade Customs plays a critical role not only in providing expedited clearing processes but also in implementing effective controls that secure revenue, ensure compliance with national laws, and ensure security and protection of society. The efficiency and effectiveness of Customs procedures has a significant influence on the economic competitiveness of nations and in the growth of international trade and the development of the global marketplace.

Trade facilitation, in the WCO context, means the avoidance of unnecessary trade restrictiveness. This can be achieved by applying modern techniques and technologies, while improving the quality of controls in an internationally harmonized manner. (WCO)

2.1.4 Customs clearance

Broadly, customs clearance will be defined as the set of functions undertaken by a national customs authority, which include, but are not limited to processing of import, export, and transit declarations, assessment of origin, value, and classification of goods, collection and processing of duties and fees, physical inspection, examination, and release of cargo, conduct of post-clearance audits, processing of urgent consignments, administration of waivers and exemption schemes and drawback (re-exportation) schemes (McLinden 2005, seated on mesay woubshet study,2017).

2.1.5 Goods release time

The time required by the customs to release goods is one of the most relevant performance indicators and has a tremendous impact on the cost of trade. The faster and more predictable the release process, the better the trader can plan, manage and optimize supply chains.(UN trade facilitation).

2.1.6 Simplified customs clearance

According to UCC simplicity service speed, Simplified Customs Declarations allows a trader to speed up the logistics as some of the particulars and/or supporting documents of the customs declaration may be omitted at the time of customs clearance. These particulars and supporting documents will be made available within a set time-limit. Simplified procedure for clearance of goods shall consist of a procedure that allows the clearance of goods at the clearing agent's business premises or another place authorized by the commission.

2.1.7 Ethiopian Customs Procedures

As Mengistu tefera compiled and stated on his study in 2016 that, the general customs procedures applied by ERCA (the same is true for the new emerging of customs commission) are categorized into eight distinct sections such as Permanent Export, Temporary Export, re-export, Entry for Home Use, Temporary Import, Re –Importation, Entry for Customs Warehousing and Customs Transit. In line with those general procedures, there are different Customs Procedure Codes which are revised and implemented in ASYCUDA++ (Customs proc. no. 859, 2014).

2.1.8 Ethiopian Customs Clearance Procedure

Lodgment of entry, the exporter/agents are required to complete the customs declarations. Beginning from the reorganization of the authority, it is the responsibility of exporter and/or agents to make sure that the declaration is fully and accurately completed and all supporting documents are produced and submitted to the customs office (Customs proclamation no. 859, 2014 as revised by 1160/2019).

Face vet

Checking of declaration, the face vet officer receive and check the goods of declaration against the document produced whether it is as per the law stated in the proclamation or not, then accept or reject. Identifying risk level, the risk level of the documents is being identified using the ECMS system to make risk based treatment or control (Customs proclamation no. 859, 2014 as revised by 1160/2019).

Physical inspection of goods

This is conducted by the examiner to assure that the goods and conditions of the declaration are the same with the nature, origin, quantity and value of the goods (Customs proclamation no. 859/2014 and as revised 1160/2019).

Scrutiny of document

This is often done to control transaction legality, valuation and tariff classification of goods based on the following document.

The main documents for customs clearance procedure

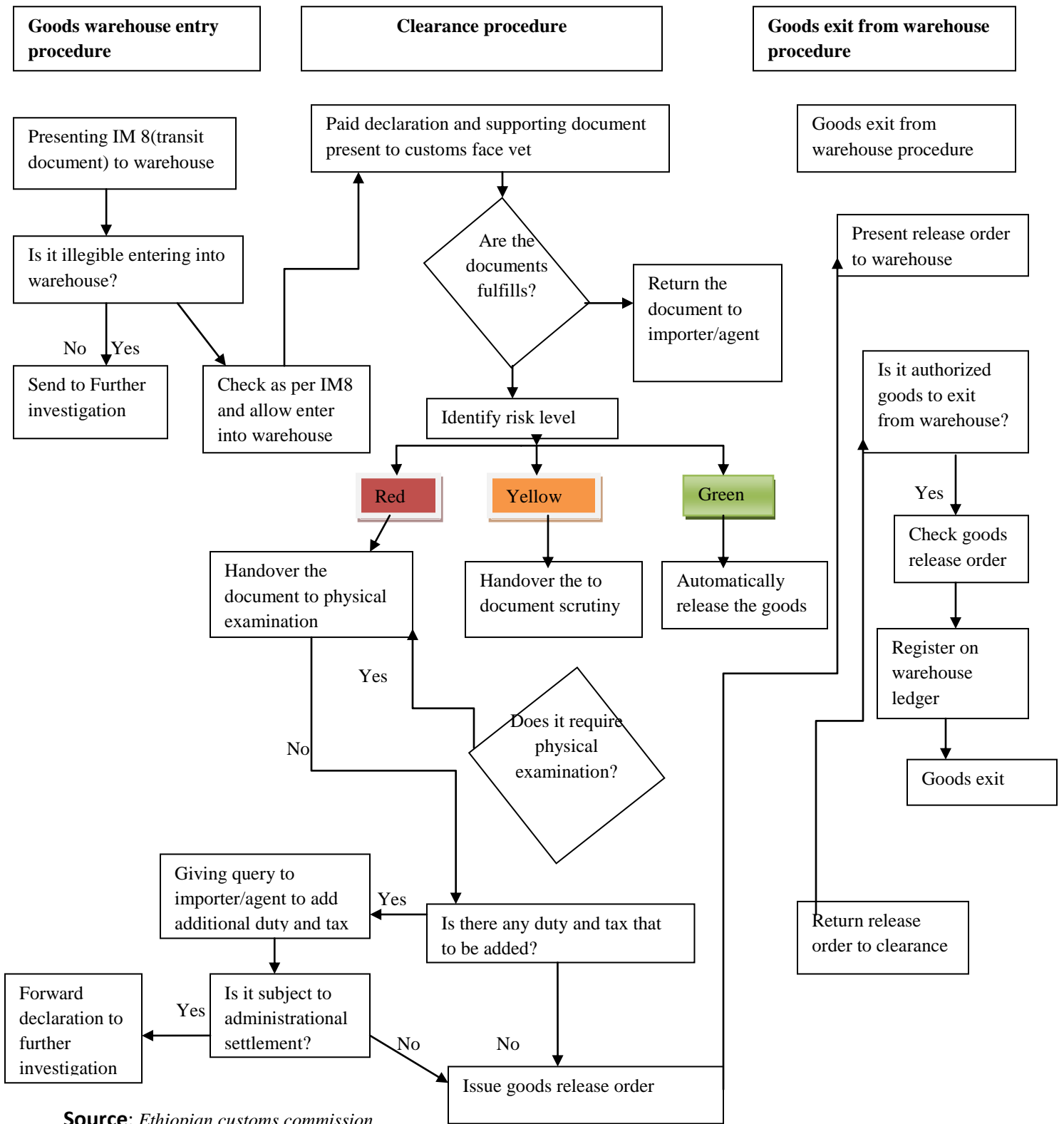
Import license

Import license required as one of the documents for import customs clearance procedures and formalities under specific products. This license may be mandatory for importing specific goods as per guide lines provided by government. Import of such specific products may have been being regulated by government time to time. So, government insists an import license as one of the documents required for import customs clearance to bring those materials from foreign countries.

Customs Declaration

All goods imported into Ethiopia must be declared by using the Single Administrative Document (SAD), which is the common import declaration form for most countries, laid down and adopted in Ethiopian customs proclamation no.1160, 2019. Customs declaration may be made in written form, orally, by bodily action or electronically. Customs declaration to be presented in written form shall be filled in the prescribed form, signed and contain all the particular necessary for completing custom formalities (Customs Proclamation no. 859, 2014 and as revised by 1160/2019).

Figure: 2.1 Import cargo clearance procedure process



Source: Ethiopian customs commission

Insurance certificate

Insurance certificate is one of the documents required for import customs clearance procedures. Insurance certificate is a supporting document against importer's declaration on terms of delivery. Insurance certificate under import shipment helps customs authorities to verify, whether selling price includes insurance or not. This is required to find assessable value which determines import duty amount. (Customs commission directive no. 158, 2019)

Bill of Lading / Airway bill

Depending on the means of transport used BL/AWB is one of the documents required for import customs clearance. Bill of lading under sea shipment or Airway bill under air shipment is carrier's document required to be submitted with customs for import customs clearance purpose. Bill of lading or Airway bill issued by carrier provides the details of cargo with terms of delivery. (Proc. No. 1160, 2019)

Commercial Invoice

Invoice is the prime document in any business transactions. It contains the basic information on the transaction and it is always required for customs clearance (European commission trade help,2019).Invoice is one of the documents required for import customs clearance for value appraisal by concerned customs official. Assessable value is calculated on the basis of terms of delivery of goods mentioned in commercial invoice produced by importer at customs location. The concerned appraising officer verifies the value mentioned in commercial invoice matches with the actual market value of same goods. This method of inspection by appraising officer of customs prevents fraudulent activities of importer or exporter by over invoicing or under invoicing. So Invoice plays a pivotal role in value assessment in import customs clearance procedures.(Proc. No. 1160, 2019)

Packing list

The packing list (P/L) is a commercial document accompanying the commercial invoice and the transport documents. It provides information on the imported items and the packaging details of each shipment (weight, dimensions, handling issues, etc.). No specific form is required. The

packing list is to be prepared by the exporter according to standard business practice and the original along with at least one copy must be submitted.(Proc. No. 1160, 2019)

Customs valuation detail declaration (VDD)

The Customs Valuation detail Declaration is a document, which must be presented to Ethiopian customs commission with customs declaration. The main purpose of this requirement is to detail the value of the transaction and the description of the goods imported in order to fix the customs value (taxable value) to apply the tariff duties.(Customs commission directive no. 158, 2019)

The Valuation Detail Declaration (VDD; also see Annex 4) is an electronic form to be filled by the declarant for all goods, except for personal effects and some items that are excluded by their customs procedure code. It contains a declaration of facts regarding the declarant and goods, and information required for valuation, including information about the relationship between the importer and the foreign seller, conditions or restrictions attached to the sale, and discounts.(Ethiopian customs guide, 2017)

2.1.9 Customs valuation

Customs valuation is a customs procedure applied to determine the customs value of imported goods. If the rate of duty is ad valorem, the customs value is essential to determine the duty to be paid on an imported good. (WTO)

The WTO Valuation Agreement is formally known as the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade (GATT) 1994. It replaced the GATT Valuation Code as a result of the Uruguay Round multilateral trade negotiations which created the WTO in 1994.

The Agreement provides a Customs valuation system that primarily bases the Customs value on the transaction value of the imported goods, which is the price actually paid or payable for the goods when sold for export to the country of importation, with certain adjustments.

Where the Customs value cannot be determined on the basis of the transaction value, it will be determined using one of the following methods:

- ◆ The transaction value of identical goods
- ◆ The transaction value of similar goods
- ◆ The deductive value method
- ◆ The computed value method
- ◆ The fall-back method. These valuation methods must be used in hierarchical order. (WCO)

However, for importers, the process of estimating the value of a product at customs presents problems that can be just as serious as the actual duty rate charged. The WTO agreement on customs valuation aims for a fair, uniform and neutral system for the valuation of goods for customs purposes a system that conforms to commercial realities, and which outlaws the use of arbitrary or fictitious customs values. The Committee on Customs Valuation of the Council for Trade in Goods (CGT) carries out work in the WTO on customs valuation.(WTO)

Ethiopian customs valuation system

Although Ethiopia is not yet a WTO member, the Ethiopian customs valuation methods, which are laid out in Articles 89- 100 of the Customs Proclamation no. 859/2016 and in the Customs Duty Paying Value Determination Directive No. 158/2018, have been designed in line with the WTO Agreement.

Customs automation

Several country experiences indicate that customs automation benefits both traders and governments. How much of the benefits are related to the introduction of automation is less clear. Effective implementation of modern customs procedures (e.g. risk management, pre-arrival processing, and post clearance audit), uniform application of national laws and regulations as well as the generation and analysis of customs data enhance the efficiency of customs procedures, for example through the reductions in direct costs and delays. It also provides an effective anti-corruption mechanism thanks to the reduced face-to-face interaction between customs officials and traders. Several countries also have reported that customs automation has helped to both increase customs productivity. (OECD,2005)

2.1.12 Customs role and Priorities in the 21st Century

It is difficult to predict the future role of any institution, and there is no one correct or universally applicable response to anticipated trends in customs, as each country will respond in ways that are best suited to its needs, operating environment, national priorities, and cultural heritage. However, some general issues or themes are emerging that suggest the future role and priorities of customs. First, in spite of declining tariff rates brought about by successive rounds of trade liberalization, the revenue mobilization and control functions of customs are likely to remain substantial, for several reasons: (a) the fiscal dependency on customs revenues is likely to linger for some time, in light of the difficulty many developing countries encounter in broadening their tax bases; (b) imports will probably constitute a major tax base for levying VAT, and customs is well positioned to control the goods at the time of importation; (c) customs will remain the responsible agency to ensure that goods that were imported for other than home consumption are not diverted to such consumption. Second, in all countries, customs will continue to collect trade data for statistical and regulatory purposes. Third, customs will continue to be responsible for effective and efficient border management to facilitate trade, a major contributor to the international competitiveness of nations.

This will occur regardless of whether trade facilitation is formally incorporated into multilateral trade negotiations. As such, harmonizing, simplifying, and effectively coordinating all national border management requirements and commitments will remain priority responsibilities of customs. Fourth, based on a heightened awareness of the threat posed by international terrorism and transnational organized crime, governments will require that customs administrations take on a larger role in ensuring national security and law enforcement.(World Bank, 2005)

2.2 Overview of Logistics

The Council of Supply Chain Management Professionals defines logistics as part of the supply chain process that plans, implements and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customer's requirements.

In 1991 the Council of Logistics Management, a trade organization based in the United States, defined logistics as the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements. (CSCMP, 1991)

In spite of Ethiopia is a landlocked country and as a result transport related issues are very critical for logistics facilities, as abovementioned customs efficiency is one of the determinant parameter and indicator of logistics sector performance.

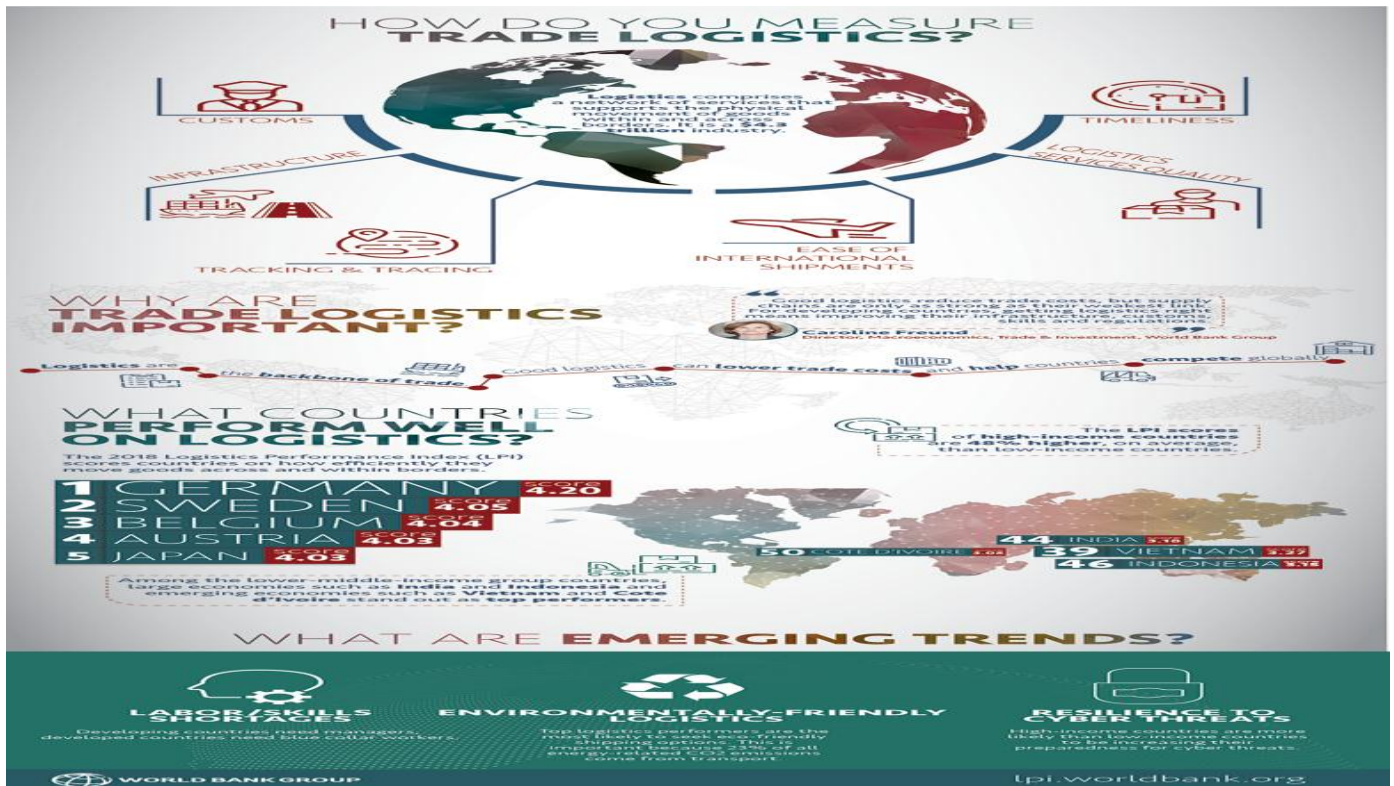


Figure: 2.2 Logistics network (2018) , World Bank

Logistics comprises a network of services that supports the physical movement of goods within and across borders. It is a \$4.3 trillion industry. The 2018 Logistics Performance Index (LPI) scores countries on how efficiently they move goods across and within borders.(World Bank,2018)

2.2.1 The impact of logistics in international trade

Recently, logistics stands out as a dynamic sector that develops rapidly on a global scale. The volume of international trade has risen due to lifting barriers to international trade, increasing foreign investors and technological developments. Barriers such as customs taxes, quotas and capital controls that separate national economies have gone down; services, workforce and capital become faster and easier to move between countries.

In parallel with the increase in international trade volume, the loss of the borders between countries and the development of the concept of globalization, the logistics sector has recently gained importance.

Now, logistics has become one of the most important, largest and most dynamic sectors in the world. Goods and services are designed in any geographical area of the world, produced in a different land and demanded elsewhere. Thus, in order to stand out and have advantages, quick and timely delivery has become important for service and commodity producing companies.(Miller, 2019)

2.3 Customs clearance process and logistics efficiency

Within the existing global logistics and supply chain structure, customs has remarkable role. In the past, the international trade agenda was predominantly concerned with customs tariffs and non-tariff barriers. At present, with declining customs duties, increasing volumes of trade and sophistication of supply chain management as manifested by the advent of global production structures, the cost of complying with trade procedures (as opposed to paying customs duties) becomes increasingly exposed. In international operations, supply chain management doctrines would argue a degree of resistance to duplication of efforts (e.g. import and export declarations or multiple reporting of identical information), inefficiencies (e.g. conflict of trade procedures

with commercial practices or backlogs at inspection facilities) and limited predictability (e.g. uncertainty whether goods will be physically inspected or delayed) in successfully moving goods across a border within competitive time frames.(Andrew Grainger, 2008).

A multi-dimensional assessment of logistics performance, the LPI of the World Bank, is an international benchmarking tool focusing specifically on measuring the trade and transport facilitation friendliness of a particular country, and in doing so, helping them to identify key barriers to and opportunities for, improvement. The LPI summarizes the performance of countries through six dimensions that capture the most important aspects of the logistics environment:

- ◆ Customs: efficiency of the customs clearance process, infrastructure: quality of trade and transport-related infrastructure, international shipments: ease of arranging competitively priced shipments, logistics quality: competence and quality of logistics services, tracking and tracing: ability to track and trace consignments, timeliness: frequency with which shipments reach the consignee within the scheduled or expected time (Arviset al.2014).

The LPI provides not only a comprehensive assessment of logistics performance worldwide, but also an analysis of performance trends which makes it possible to understand trends over time. Performance is evaluated using a 5-point scale and the overall LPI is aggregated as a weighted average of the six areas of logistics performance.

This LPI study also includes a set of domestic performance indicators which is not included in the overall country score. It is also complemented with quantitative information on particular aspects of international supply chains in respondents' countries of work, including import/export, lead time, supply chain costs, customs clearance, and the percentage of shipments subjected to physical inspection (Arvis et al. 2012).(World Bank, 2016)

Businesses that do not meet compliance requirements run the risk of having their goods delayed in transit, slowing production and making it harder to meet customer delivery expectations. Customs clearance, documentation, handling, and inland shipping can add up to 40 days to total shipping time for imports from Asia to the United State, and the US Chamber of Commerce reports that inefficient border procedures can add as much as 15 percent to a product's cost. (Blake Shumate, American Global Logistics, 2017).

This author continued to explain how facilitated customs process important is in supply chain. Improve timeliness and accuracy. By implementing a purpose-built technology platform customized to your business requirements, you can create a single source of truth for all customs documentation, automate workflows, and gain visibility into shipment status. For the furniture retailer mentioned above, funneling all required documents into entry riders helped to eliminate confusion over missing documents, boosting efficiency significantly. Robust auditing processes also improve efficiency by reducing post-amendment entries and the risk of costly fines.

2.3.1 Ethiopia Logistics performance index (2016)

As shown on bellow table the Logistics performance index of Ethiopia was 2.38 in 2016, and ranks 126 out of 160 countries in the world. Specifically, the Efficiency of customs clearance process was 2.60 and ranks 79. These figures implied that improvement on the customs performance of Ethiopia is very important for the enhancement of the country logistics.

Table: 2.3.1 logistics performance index

No.	Logistics performance indicators	Ethiopian Rank Out of 160 countries	Value (1=low to 5=high)
1	Logistics performance index: Overall	127	2.38
2	Efficiency of customs clearance process	79	2.60
3	Quality of trade and transport-related infrastructure	134	2.12
4	Ease of arranging competitively priced shipments	105	2.56
5	Competence and quality of logistics services	117	2.37
6	Frequency with which shipments reach consignee within scheduled or expected time	152	2.37
7	Ability to track and trace consignments	134	2.18

Source: World Bank LPI report 2016

Empirical studies provide evidence that logistics services very crucial to facilitate international trade and play an important role in the growth and development of the local economy. The quality and efficiency of logistics services can matter for international trade as a weak logistics infrastructure and operational processes can be a major obstacle to global trade integration. (The Asian journal of shipping and logistics,2017).

Logistics is one of the tools that play an important role in the change and improvement of economic indicators. Logistics industry provides significant macro contributions to national economy by creating national income and foreign investment influx. Thus, the industry became the sector with the highest share in services in several countries. On the micro scale, logistics industry is a key industry in increasing the competitive power of corporations. (Sezer and Abasiz, 2017).

3.8 Empirical literature

According to the World Customs Organization (WCO), one of the focal issues in international trading is the performance of customs and their efficiency in clearing goods. In the modern business environment of just-in-time production and delivery, it has become ever more important that traders are guaranteed fast and predictable release of goods. Being the foremost agency at the border and a prominent player in the release of goods, Customs should therefore strive to reduce the complex clearance procedures and limit information requirements to the bare essentials.

2.4.1Ethiopian customs Constraints

Addis Ababa chambers of commerce as conducted in 2011, The problems recognized by the BPR study with regard to customs clearance procedures in Ethiopia included the following: a) As most of the customs procedures were designed for control purposes they were cumbersome and did not lend themselves for prompt clearance procedures; b) Similar activities were carried out by two or more customs personnel; c) Lengthy to-and-fro movements of documents between customs personnel; d) Lack of clear delegation of authority for decision-making; e) Lengthy decision-making processes involving higher echelons of authority; and f) Lack of transparency in

accountability. The BPR document also indicated that import goods liable for the payment of duties and taxes had to undergo between 24 and 78 work processes, involved between 10 and 55 customs personnel, required the decisions of between eight and 14 hierarchies, required between 8 and 13 preconditions and required between 7 and 15 to and fro movements of documents. These processes were estimated to take between one hour and 27 minutes and three hours and 47 minutes. This activity alone might, however, require up to 12 hours if the cargo was liable for detailed physical examination.(Addis Ababa chambers of commerce,2011).

Customs time release

A Time Release Study (TRS) is a systematic and standardized way to measure the average time taken between the arrival and release of goods, and can also be used at each step. It is a diagnostic tool providing concrete baseline data for identifying any bottlenecks in the clearance process and logistics. It helps to evaluate the impact of reform or modernization initiatives taken by the public and private sectors. Intended for measurement of Trade and Transportation Facilitation (TTF), TRS serves as a multipurpose tool for customs, other government agencies (OGAs) as well as the private sector involved in the trade supply chain.(Addis Ababa chambers of commerce,2011)

Time delays in international transactions impose trade costs as stated by Geronimo et al. (2014) described Imports from foreign countries that arrive at their destination port must be unloaded, moved to customs, inspected, cleared and finally picked up by the importer. These procedures take time and long delays impose a cost. Lengthy clearance times raise inventory and financing costs, impact a firm's ability to respond to market fluctuations and make it more difficult to plan. The total trade costs that imposed by clearance time delay consists of two parts, observable transportation costs and unobservable costs related to observable delays at the port of entry.

Hindrance in customs

Excessive documentation, physical inspection, and sometimes multiple inspections in the presence of more than one agency cause lengthy delays and cost escalation in customs clearance. One estimate shows that cost may increase 7 to 10 per cent of the value of world trade (Staples 1998).

Countries like Bangladesh customs procedures suffer from manual operations, arbitrary decisions, corruption and delays in clearance. Despite simplification of customs procedures in recent times, customs formalities in Bangladesh are still lengthy and less than efficient, leading to delays in the release of goods from Customs. With regard to delays and arbitrary decisions by Customs, the majority of respondents from the trading community stated that discretion in the Customs Act along with the shortage of manpower and logistics often created problems in the prompt delivery of goods. According to the study in Bangladesh, clearance of a consignment usually takes 2-5 days in Customs. If a dispute arises with regard to classification, valuation or importability, it may take even up to months. (Md Almas Uzzaman and Mohammad Abu Yusuf, 2017(world customs journal).

Customs delays in the Sub-Saharan African was highest in the world, 12 days on average in 2016, but lowest in other countries like Estonia and Lithuania; require only one day for customs clearance; in Ethiopia it averages more than 30 days (Debebe Dessalegn Sirika & Teklu Kassu Gizaw(2016) quoted Buyonge & Kireeva, 2008). The literature also suggests that the complexity or ease of customs and administrative procedures has an impact on trade costs.

Ethiopian customs clearance efficiency

Challenges of customs clearance procedure (Towfik, 2013, Tweldeberhan, 2011 & World Bank, 2014) have also given a clue about national average delay time in clearance and areas where delay takes place in Ethiopia. However, they didn't addressed empirically, how long does it take for a specific import-export to clear customs at specific customs station and what additional cost incurred due to time delays in customs clearance.

According to Debebe Dessalegn Sirika & Teklu Kassu Gizaw (2016), The significant predictors of the customs clearance costs and time delay in clearance process raises and it in turn directly transferred to end-users, including consumers and export oriented producers. Further, this study identified clearance delay time at Kality Customs Branch Office is 4 days and it may go even up to months if disagreement arise regarding to customs duty amount. Delay time in customs clearance increase by one hour, customs clearance cost increases by birr 42.165 at kality branch office.

The time standard for import custom clearance is 10 minute for Green , 2-3 hour for Yellow and 6- 8 hour for Red risk category (former ERCA customer charter doc, 2007). Tenkir Seifu(2009) stressed in his study on customs valuation system in Ethiopia, mainly indicate about related to procedural problem not hot to affect these problem on logistics efficiency.

3.8 Literature gap on customs efficiency

However, all those above mentioned studies did not consider Modjo customs branch office which is the giant (store around 15, 000 containers at a time) and has most impact on Ethiopian logistics sector.

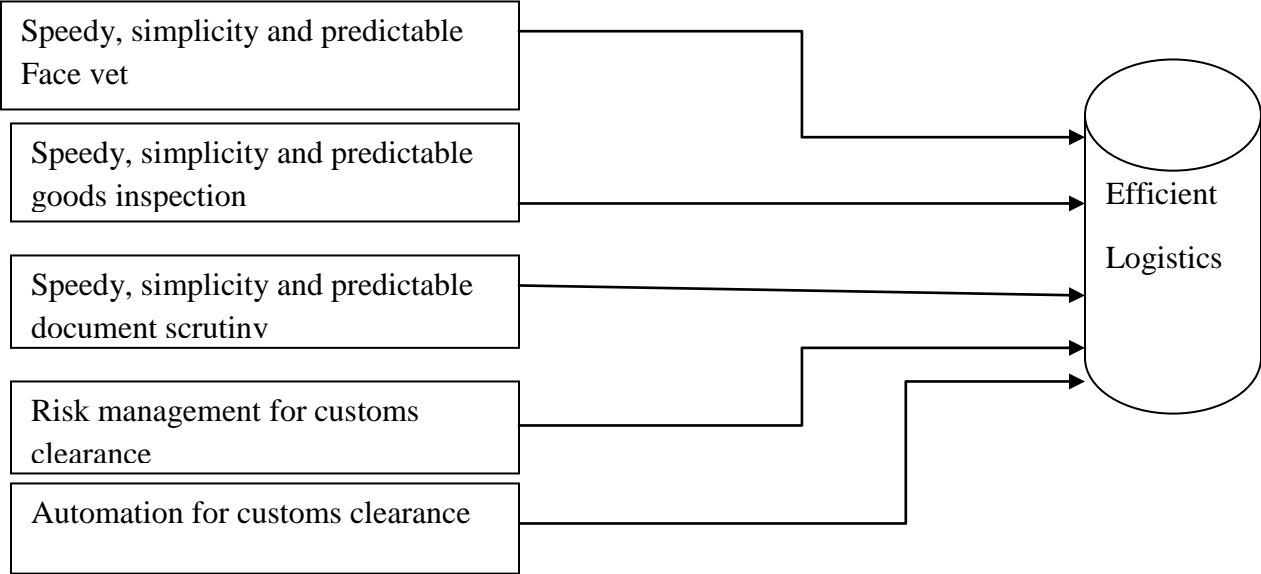
Therefore, the purpose of this study will be to examine the customs import clearance procedure impact on logistics efficiency at Modjo dry port with a framework of risk management, face vet, goods physical examination, document scrutiny, customs automation, customs valuation and classification.

3.8 Conceptual Framework

Miles and Huberman (1994) defined a conceptual framework as a visual or written product one that explains either graphically or in narrative form, the main things to be studied the key factors, concepts, or variables and the presumed relationships among them. There is an association between customs clearance and logistics efficiency. The more difficult a customs clearance process is to complete, the more negative impact on logistics efficiency. In other words, cumbersome customs goods inspection, document scrutiny, risk management, automation, and customs valuation and classification discourage international business and affect logistics

efficiency. Thus, the relationship between customs clearance process and logistics efficiency can be conceptualized as follows.

Figure: 2.6.1 conceptual framework of customs clearance and logistics efficiency



Source: self-sourced

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

Introduction

Research design and methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability. In this part the author outlines the research strategy, the research method, the research approach, and the methods of data collection, the selection of the sample, the research process, the type of data analysis and the ethical considerations. (Collis & Hussey,2003) This study focused on the impact of customs clearance process on logistics efficiency the case of Modjo customs branch office and presented the collected data with the principle of research design and methodology.

3.1 Research approach

Selection of a research approach is based on the nature of the research problem, researchers' experience and the audience of the study (Creswell, 2014). Commonly, there are three methods research approach implemented: quantitative, qualitative and mixed. Mixed approach is appropriate when either quantitative or qualitative approach by itself is inadequate to understand a research problem. Quantitative designs are intended to collect primarily quantitative data such as numeric scores and metrics, and qualitative designs are aimed at collecting qualitative data, such as interview or observational data.

The data collection also involves gathering both quantitative and qualitative. The basic premise of mixed research is that such integration permits a more complete and synergistic utilization of data than do separate quantitative and qualitative data collection and analysis.(Jennifer Wisdom, 2013). Thus, the researcher used mixed methods (quantitative and qualitative) of approach in to the study.

3.2 Research design

A research design is “a plan or blueprint of how you intend to undertake the research (Mouton, 1996). Research design is defined as the clearly structures within which the study is implemented (Burns & Grove, 2001). In this study, research design defined as a general plan about what the researcher want to do to answer the research question related to research strategies and data collection and analysis methods.

The main objective of this study was to assess the impact of customs clearance on logistics efficiency by evaluating the performance of customs clearance in different customs activities. Consequently, the study was used descriptive and explanatory research design.

The descriptive research design was considered suitable for the study since the objective of the research seeks to answers for specific questions from a large number of respondents and also to identify the relationship among variables. A number of researchers have suggest that this method is the most appropriate to demonstrate the characteristics of existing phenomenon and to describe the performance of customs clearance in different way. Explanatory research was used to understand phenomena by discovering and measuring casual relations among the independent and dependent variable. Therefore, this research followed the descriptive and explanatory research design to describe the relationship between the independent and the dependent variable.

3.3 Population and sample

Polit and Hungler (1999:37) refer to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. The aim of this study was focused on customs clearance impact on logistics efficiency the case of Modjo customs branch office. The participant actors in this study were importers, customs clearing agents, the port administration, customs employee and others governmental regulatory agencies. However, due to limitation of time and others resource availability and also should focused on the main actors(who have great impact) of the area, the researcher intended to narrow down the target population to customs employees and customs clearing agent who have been working at Modjo customs branch office.

According to Modjo customs branch office and port administration recorded data, there are 598 customs clearing agent who are registered and get legal gate pass in to the port to render service. (Source: Modjo branch law compliance division, 2012 E.C).

Since the researcher could not access the entire population to collect actionable insights as well as it is impossible to be able to conduct a research study that involves every one due to many reasons, the researcher need to select a sample out of targeted population.

According to the past one year (2010 E.C) Ethiopian customs commission ECMS data base record, only 150 customs clearing agents have facilitated 350 and above customs declaration per year. There was also 650 customs employee in the branch at all and of which 232 employees who had direct involvement in customs operation and their duty were carried out by shifts in order to create safe working environment due to outbreak of pandemic throughout the world at the moments of the researcher undertaking the study (Source: Modjo branch human resource department).

Therefore, we had have 116 of customs employee were targeted to represent the total population. The reason behind the researcher to targeted only customs clearing agents which have more than 350 customs declaration per year and customs employee who were working in customs operation as well as law compliant (intelligence and spot audit) was because the branch's official confirmed that they have been determined the number of customs clearing agent employees who enter in to Modjo port compound based on the declaration which handled by them.

Consequently, the agent who has more than 350 customs declaration would be allowed 2 employees to get in Modjo customs compound. This means the more the declaration facilitated by clearing agent, they have more impact on customs performance. These customs clearing agents are total number of 150. And they were the first hand for the operating customs activities and they were directly linked to the performance of customs and they can affect the whole customs operation in positive or negative manner and has impact on logistics efficiency at Modjo port. However, for the same reason with customs employee due to outbreak of pandemic, the first target sample became shrieked by half or only half of customs clearing agent were facilitated customs procedure.

Therefore, we had 75 of customs employee targeted. Thus, the sample frame from which sample drawn was 266 customs employees and customs clearing agents.

(Fowler, 1984) Even if, there is no a single right way for the determination of sample size, the limitation of availability of time and other resources the sample size will be determined.

The target population of the study was 191, of which 116 customs employee and 75 customs clearing agents. Since the target population are from different strata, both stratified and simple random sample selection method will be used to determine sample size. Its purpose was to ensure that every stratum is adequately represented. (Ackoff, 1953).

There are numerous approaches, incorporating a number of different formulas, for calculating the sample size for categorical data. For this study purpose, the researcher was used the following formula,

$$n= p (100-p)z^2 /E^2$$

Where, n is the required sample size, P is the percentage occurrence of a state or condition, E is the percentage maximum error required (5%), Z is the value corresponding to level of confidence required(95%), confidence interval is 7.(www.elvedit.com). There are two key factors to this formula (Bartlett et al., 2001). The first, there are considerations relating to the estimation of the levels of precision and risk that the researcher is willing to accept: The second key component of a sample size formula concerns the estimation of the variance or heterogeneity of the population (P). Therefore, the sample size for the study was 97 customs employee and customs clearing agent. Out of which, 59 and 38 questionnaires were expected to properly fill and return from customs employee and customs clearing agent respectively.

3.4 Data Sources and Types

According to Bigram (2008), primary data is the information that the researcher finds out by him/herself regarding a specific topic. The main advantage with this type of data is that it is collected with the research's purpose in mind. It implies that the information resulting from it is more consistent with the research questions and objectives.

Hence, the researcher used primary and secondary source of data. Primary data source were the quantitative and qualitative data gathered through questionnaire from Modjo customs branch office employee and customs clearing agent which were working there. The researcher was also prepared structured and semi-structured interview questions for 5 interviewees from branch's officials to get detailed and clarified information since they are decision makers in their respective hierarchy in the branch. Secondary data source were from customs commission ECMS records, articles, journals, customs commission annual report and literatures written on the topic and from the scholars study on this sector.

3.5 Data Collection Procedures

In this research, data collected through a questionnaire and interview designed for customs employees and customs clearing agents, through which the relationship between customs performance and logistics efficiency. The procedure of collecting data by questionnaire started from identifying questions to be answered by respondents. Then select data collection technique appropriate for the study. The researcher used the probability sampling method, where a total number of 266 customs employee and customs clearing agent selected 97 respondents by random sampling technique.

3.6 Data Analysis

In order to analyze the data collected through both quantitative and qualitative way, the researcher used both descriptive and inferential statistics to analyze the collected data. Therefore, combined analysis method was suitable for the study. Mixed analysis involves the use of both quantitative and qualitative analytical techniques within the same framework, which is guided either a priori, a posteriori, or iteratively (representing analytical decisions that occur both prior to the study and during the study (Wuegbuzie and Combs, 2010).

Descriptive analysis was used to describe the basic features of the data and provide simple summaries about the sample and the measures. Descriptive analyzing also in order to summarize numeric data such as mean, cost, frequency or physical characteristics and Textual analysis words, either spoken or written, including questionnaire responses, interviews. Inferential statistics such as Pearson's correlation and simple linear regressions were used to analyze the relationship between the independent variables (predictability, simplicity, speedy of customs clearance process and risk management and automation) and dependent variable (logistics efficiency) by employed statistical package for social science (SPSS) tool and excel.

3.7 Ethical Consideration

The study of ethics leads to the creation of social norms which focus on the behavior that a person is expected to uphold in a particular situation. These norms of behavior which guide moral choices can allow for a wide range of ethical positions (Saunders, Lewis. & Thorn hill, 2011). This study was get permission and approved by the Addis Ababa University, school of commerce. The study participants were informed about the study purpose and answered the questionnaire and interview anonymously; they were free to skip any item they did not wish to answer. The response that the participants gave was analyzed without any change by the researcher. In addition to the above the reference works of other researchers and authors cited appropriately.

3.8 Reliability

Reliability reflects consistency and replicability over time. Furthermore, reliability is seen as the degree to which a test is free from measurement errors, since the more measurement errors occur the less reliable the test (Fraenkel & Wallen, 2003). Reliability refers to whether or not you get the same answer by using an instrument to measure something more than once. In simple terms, research reliability is the degree to which research method produces stable and consistent results. A specific measure is considered to be reliable if its application on the same object of measurement number of times produces the same results. (John Dudovskiy, 2018). To ensure the reliability of the research results, the study conducted using different data sources as much as the researcher can like primary and secondary data sources from different respondents.

In addition to this, the researcher was conduct interviews and observation across various sections with its limitation in the Branch and head quarter of the commission.

3.9 Validity

Validity is foremost on the mind of those developing measures and that genuine scientific measurement is foremost in the minds of those who seek valid outcomes from assessment. From this above quote, validity can be seen as the core of any form of assessment that is trustworthy and accurate (Bond, 2003, p. 179). Research validity can be divided into two groups: internal and external. It can be specified that internal validity refers to how the research findings match reality, while external validity refers to the extent to which the research findings can be replicated to other environments (Pelissier, 2008, p.12). In this study the same questionnaires to all the subjects and interviewing them used consistently under the same conditions. Additionally, in the process of questionnaires formulation, proper attention was given to answer the research questions in line to the research objectives. Therefore, the researcher worked properly in the process of data collection by providing clarification about the questions for the respondents to collect valid data throughout the data collection time.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter deals with analyzing and presenting the fact that collected through questionnaires concerning the impact of customs clearance on logistics efficiency. The information get from interview was included. Data obtained from the primary source using structured questionnaires were presented. 97 questionnaires were distributed and, of which 59 were for customs employee and 38 were for customs clearing agent. From the total number of 97 questionnaires 88 were returned. From total 88 returned questionnaires 59 were from customs employee. That means all the sample size of customs employee questionnaire returned. Whereas, out of 38 total questionnaires distributed for customs clearing agents 29 were returned. This indicated that the cumulative response rate is 90.72%. Therefore, the response rate was very good for further analysis of the data. And the researcher approached to made interview with customs employee and official as well as customs clearing agents and got information.

The questionnaire developed for this study had two parts. The first part was about the general profile of the respondents and five topic related questions. And the second was about the efficiency of customs process related with import goods logistics. In addition to the primary data, secondary data was also analyzed and presented.

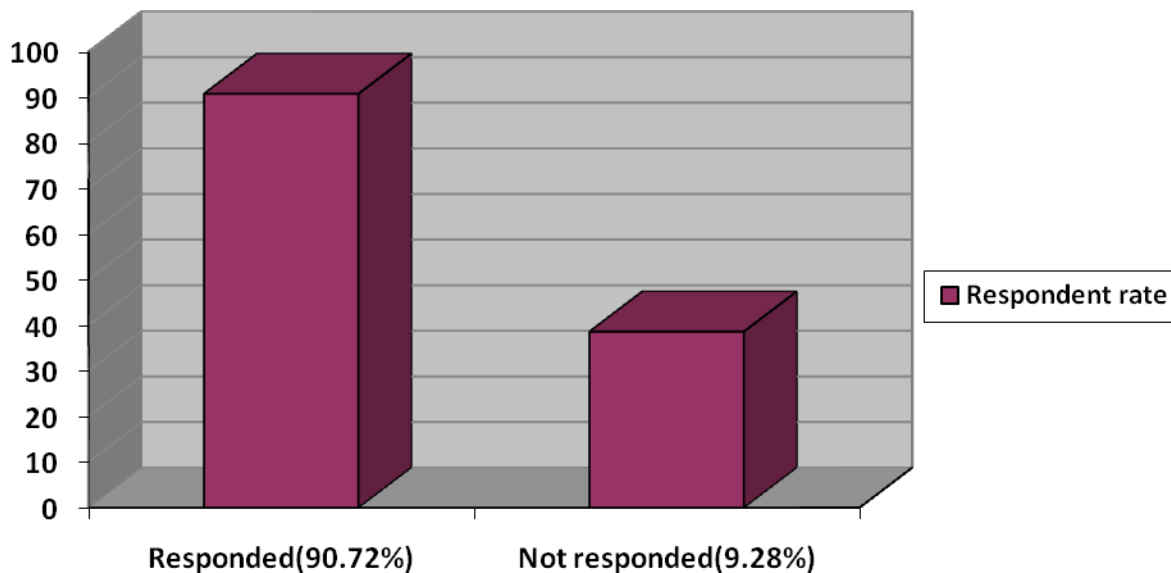
4.2 Result of the study

As indicated in the earlier chapter three, the respondents were categorized into two groups such as employees of Modjo customs branch office employees and customs clearance agents those who are permanently customer of the branch. Data related to their profile was collected and analyzed to know the respondent's sex, level of education, age, work experience and current job position.

4.2.1 Questionnaires response rate

A total of 97 questionnaires were distributed and, of which 59 were for customs employee and 38 were for customs clearing agent. This indicates that, all questionnaires which were intended to collect from customs employee have been collected. However, it has been returned only 29 questionnaires, out of 38 distributed for customs clearing agent. That means the response rate is 90.72 %. Several scholars and researcher recommended different figures of acceptance response rate. The US national library of medicine national institute of health journal editor Jack E. Finch am argue that, the survey result report that are intended to be generalized to all population the response rate should be at least 80%. With regards to this, 90.72% of response rate does not affect the reliability of the research result and almost eligible for further study.

Figure: 4.1 Response rate in percentage



Source: survey result, 2020

Table: 4.2.1 Questionnaires response rate in particular group

Respondent in group	Customs employee		Customs clearing agent	
	count	Percentage	Count	percentage
Questionnaires responded	59	100	29	76.32
Questionnaires not responded	0	0	9	23.68
Total	59	100	38	100

4.2.2 Demographic Characteristics of the Respondents

The respondents were both the customs employees who are direct and indirectly related to customs clearance process Modjo customs branch office and customs clearing agents who are permanently customer and have facilitated more than 350 customs declaration per year in the branch.

4.2.1.1 Sex and age of the respondents

In order to collect complete data and information about the impact of customs clearance on logistics efficiency, it was necessary to incorporate the respondent demography statistics in the questionnaires. Accordingly, among the 59 respondent of customs employees 54 (91.52%) were male and the rest 5 (8.48%) were female. And among the 29 respondents of customs clearing agents 22(75.86%) were male and the remaining 7(24.14%) were females.

Table: 4.2.2 Sex of the respondents

Respondent	Customs employee			Clearing agents		
	Male	Female	Total	Male	Female	Total
Frequency	54	5	59	22	7	29
Percentage	91.52%	8.48%	100%	75.86%	24.14%	100%

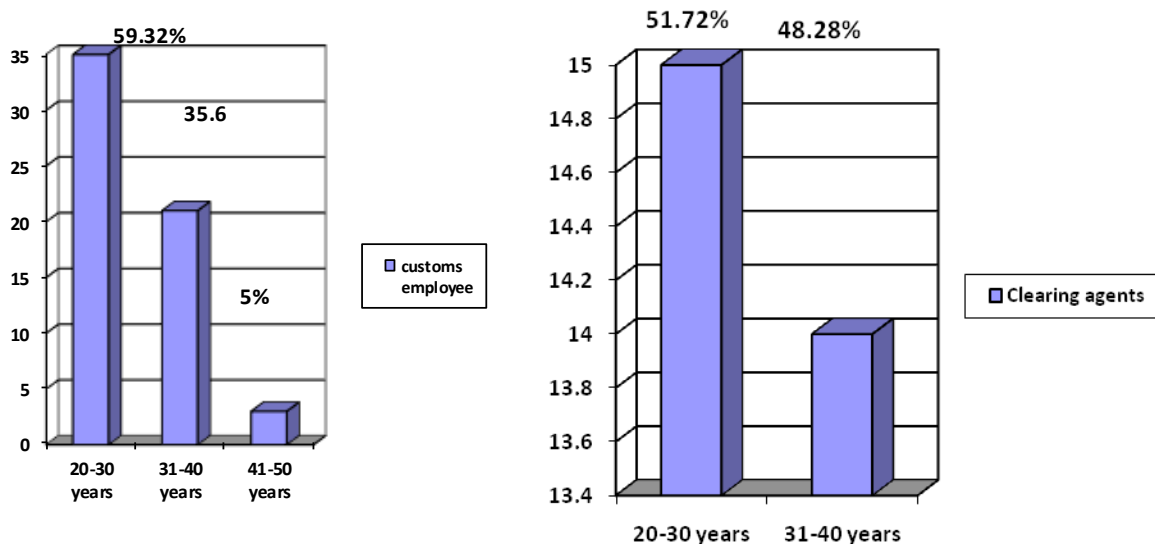
Source: survey result

Respondents were also categorized into different age groups. As shown on the bellow table 4.2.2 the ages of most customs employees respondents were between 20-30 years which constitute 35 (59.32%) of the respondents out of 88 in total while 21 (35.60%) of the respondents were between 31-40 years. And those who were between 41-50 years count only about 3 (5%) of the respondents. And there were no greater than 50 years respondent. In the same age group category for customs clearing agents, almost half 15(51.72%) of the respondent were the age of between 20-30 years. And the rest 14(48.28%) were between 31- 40 years. There were no respondent above the age of 40 years.

Table: 4.2.3 Age of the respondents

Respondents in particular group	Status	20-30 years	31-40 years	41-50 years	>50 years	Total	
Customs employees	Frequency	35	21	3	-	59	88 (100%)
	Percentage	59.32%	35.60%	5%	-	100%	
Clearing agents	Frequency	15	14	-	-	29	
	Percentage	51.72%	48.28%	-	-	100%	

Figure: 4.2 age groups of customs employee and customs clearing agent respondents



As shown on the above figure, the age of the respondent implies that the main productive age groups were participated in the study and this is helpful in giving divergent views for the study requirements. And it can be understood that most of the customs employees and customs clearing agents are young and energetic that to help fasten customs clearance process and assure efficient logistics.

4.2.1.2 Educational background, Work Experiences customs employee of the Respondents

Below Table 4.2 shows that, the majority 53(89.83%) of customs employee respondents who completed the questionnaires have first Degree, the remaining 6(10.17%) of the respondents were masters degree holder respectively. This implies that level of academic status enables more customs facilitation and the more the higher educational level the more capability of implementing simplicity and modernization customs clearance process. And there is a considerable complex and challenge in handling large and complex transactions at Modjo customs branch office.

On the other side, 22(75.86%) customs clearing agents have first degree while 4 (13.80%) have diploma and the remaining 3 (10.34%) were masters degree holder.

Concerning their work experience, on customs employee respondents side, 5(8.47%) of the respondent have less than 2 years experience and 30 (50.85%) of the respondent have 2-5 years work experience while 19(32.20%) of the respondent have 6-10 years experience and only 5(8.47%) of the respondent have more than 10 years of work experience related to customs. It is known that customs related discipline or subject matter has not been widely given in higher education institution. Therefore, shortages of customs clearance work experience might be unable to understand the complexity of the business, and it may lead to cumbersome customs clearance facilitation and affect import goods logistics.

Table: 4.2.4 Educational Level and Work Experiences of customs employee Respondents

Educational background	Diploma	BA/MSC	MA/MSC	PhD	Total
Frequency	-	53	6	0	59
Percentage	-	89.83%	10.17%	0	100%
Work experience	<2years	2-5years	6-10years	>10years	Total
Frequency	5	30	19	5	59
Percentage	8.47%	50.85%	32.20%	7.95%	100%

4.2.1.3 Educational Level and Work Experiences of clearing agents

The same is true with regards of customs clearing agents 5 (17.25%) of the respondent have less than 2 years of work experience and 15 (51.72%) were with 2- 5 years of work experience and also 7 (24.14%) of the respondent have 6-7 years work experience, only 2(6.90%) of the respondent have more than 10 years customs work experience. This implies that around 51.72 % of the respondents had less than 6 years work experience.

Table: 4.2.5 Educational Level and Work Experiences of clearing agent Respondents

Educational background	Diploma	BA/MSC	MA/MSC	PhD	Total
Frequency	4	22	3	0	29
Percentage	13.80%	75.86%	10.34%	0	100%
Work experience	<2years	2-5years	6-10years	>10years	Total
Frequency	5	15	7	2	29
Percentage	17.25%	51.72%	24.14%	6.90%	100%

Source: survey result

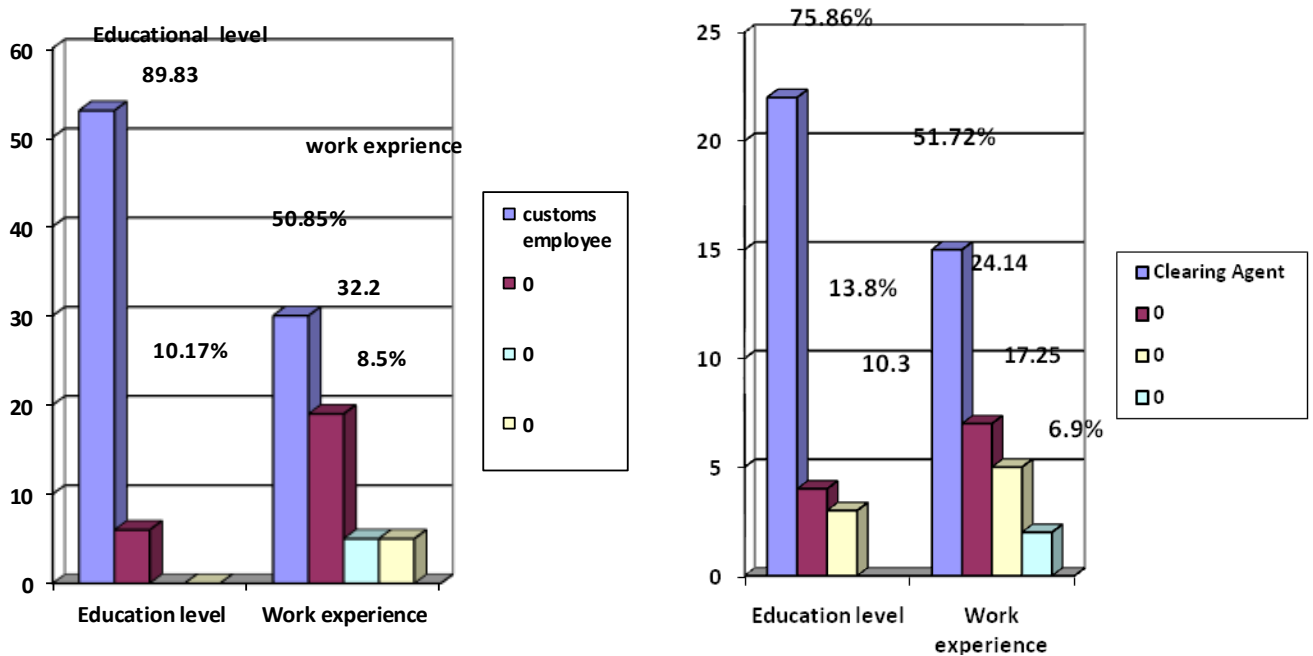
4.2.1.4 Job position of the respondents

Regarding to job position, 59(67%) of the respondent were customs employee in different job position. That means clearance team leader, goods physical examiner, document scrutiny officer and senior officer, face vet officer and the other group of 29(33%) respondents were customs clearing agent and assistant clearing agent. It is understood that job position closely related to study area is very crucial and helpful to get valuable response.

Table: 4.2.6 job position of the respondent

Job position in target group	Customs employee in charges of different job position	Customs clearing agent (main agent/assistant agent)	Total
Frequency	59	29	88
Percentage	67%	33%	100%

Figure: 4.3 Educational level and Work experience of respondent



Source: survey result

4.3 Descriptive statistics data analysis

Descriptive analysis for Customs clearance process efficiency

Customs clearance means the accomplishment of the Customs formalities necessary to allow goods to enter in the country (Revised Kyoto convention). This customs clearance process is the main indicator of logistics performance. And also this customs process mainly measure in terms of speed, simplicity and predictability. According to World Bank report in 2016, Efficiency of customs clearance process (1=low to 5=high) in Ethiopia was reported at 2.38 in 2016.

Consequently, in order to collect information on import clearance process efficiency, questionnaires were prepared for Customs employees and clearing agents that focuses on customs clearance simplification, modernization, risk management, source of delays and time take to cleared import goods from customs. To achieve this objective, five point liker scales was used to collect data from respondents in order to measure the independent variable.

Where:

1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree.

Mean value was also used to summarize the data into a single value/average value. The mean is the average of the numbers. It is easy to calculate: add up all the numbers, then divide by how many numbers there are. In other words it is the sum divided by the count. Accordingly,

$$\bar{X} = (\Sigma X)/n$$

Where: \bar{X} is the symbol for the mean and is referred to as bar X (ex)

Σ is the Greek symbol sigma and simply means sum or add up

X refers to each of the individual values that make up the dataset

n is the number of values that make up the dataset

Source: www.matth24.com

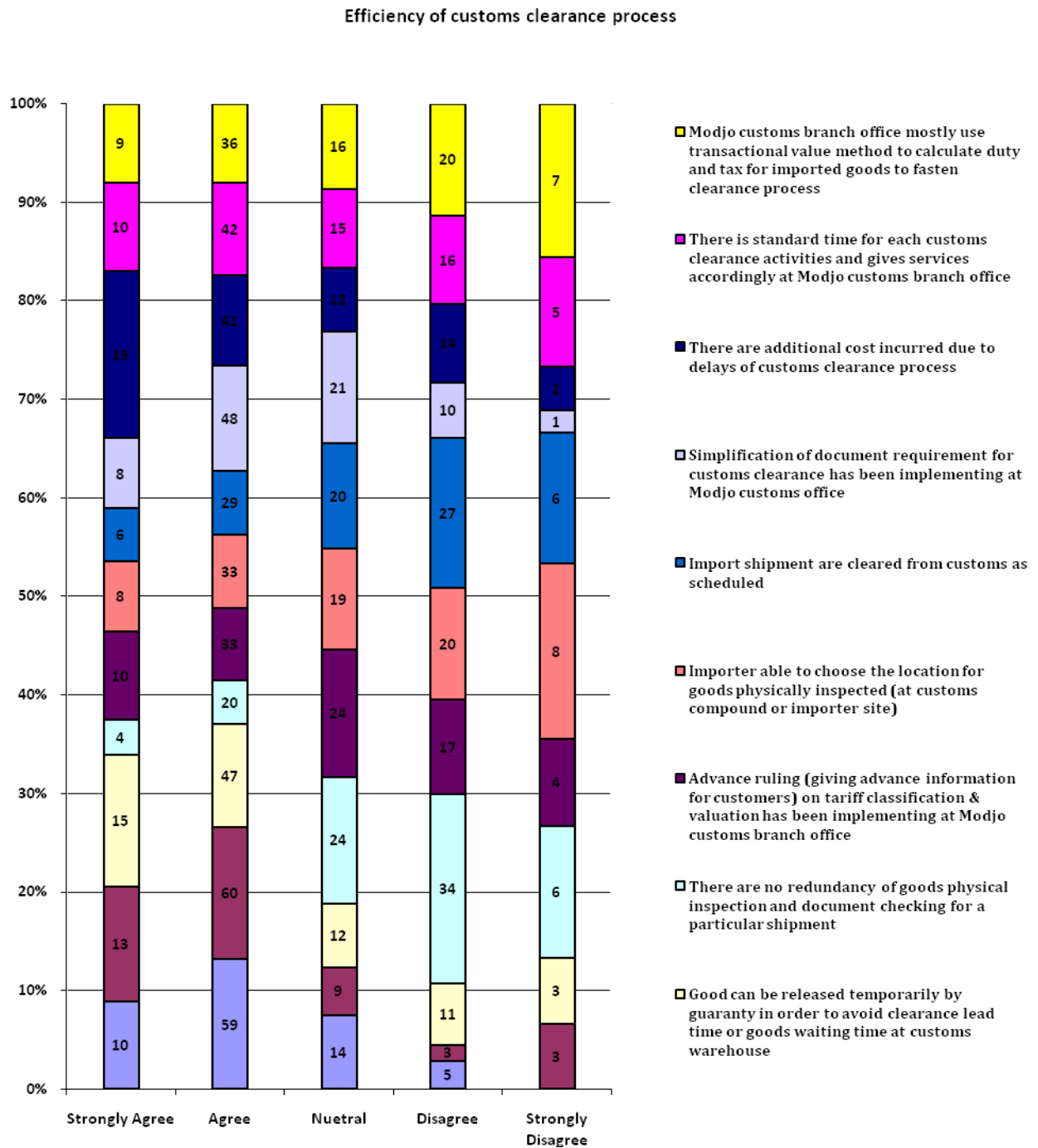
Mean implies average and it is the sum of a set of data divided by the number of data. Mean can prove to be an effective tool when comparing different sets of data; however this method might be disadvantaged by the impact of extreme values. (The Ultimate Guide to Writing a Dissertation in Business Studies: a step by step assistance)

Table: 4.3.1 descriptive analysis for efficiency of customs clearance process

Statement	1	2	3	4	5	Mean
Customs modernization program being implemented to simplify customs clearance process	-	5 5.68%	14 15.9%	59 67.05%	10 11.36%	3.84
There are different kinds of schemes that Modjo customs branch office is implementing in order to make customs clearance fasten (e.g pre-arrival, deferred payment etc...)	3 3.41%	3 3.41%	9 10.22%	60 68.18%	13 14.77%	3.87
Good can be released temporarily by guaranty in order to avoid clearance lead time or goods waiting time at customs warehouse.	3 3.41%	11 12.5%	12 13.64%	47 53.41%	15 17.05%	3.68
There are no redundancy of goods physical inspection and document checking for a particular shipment.	6 6.82%	34 38.64%	24 27.27%	20 22.72%	4 4.55%	2.80
Advance ruling (giving advance information for customers) on tariff classification & valuation has been implementing at Modjo customs branch office.	4 4.55%	17 19.32%	24 27.27%	33 37.5%	10 11.36%	3.32
Importer able to choose the location for goods physically inspected (at customs compound or importer site)	8 9%	20 22.72%	19 21.59%	33 37.5%	8 9%	3.15
Import shipment are cleared from customs as scheduled	6 6.8%	27 30.68%	20 22.72%	29 32.95%	6 6.8%	3.00
Simplification of document requirement for customs clearance has been implementing at Modjo customs office	1 1.14%	10 11.36%	21 23.86%	48 54.54%	8 9%	3.59
There are additional cost incurred due to delays of customs clearance process	2 2.27%	14 15.90%	12 13.63%	41 46.59%	19 21.59%	3.69
There is standard time for each customs clearance activities and gives services accordingly at Modjo customs branch office.	5 5.68%	16 18.19%	15 17%	42 47.72%	10 11.36%	3.40
Modjo customs branch office mostly use transactional value method to calculate duty and tax for imported goods to fasten clearance process	7 7.95%	20 22.72%	16 18.19%	36 40.90%	9 10.23%	3.23
Cumulative mean						3.42

Source: survey result

Figure: 4.3 Efficiency of customs clearance process



Source: survey result

4.3.1 Customs modernization program being implemented to simplify customs clearance process

From the overall trade logistics perspective, it is important to take into account the whole process. Indeed, from an importer's point of view, it is the overall time that the goods are detained before release that affects the transaction costs. The measurement should consider the time duration from arrival of the goods into the border post until they are physically released. This would measure the effectiveness of all operators involved in this transaction, including port authorities, warehouse management, control agencies, brokers, customs, the banking sector, and so forth.

Improving customs processes is part of the trade facilitation agenda. Trade facilitation measures need to complement trade liberalization if countries are to increase their external competitiveness and become better integrated into the world economy. The primary focus of customs' attention will shift from physical control over consignments at the time of importation to post-release verification using audit-based controls. (Customs modernization hand book, 2005).

In order to collect information about Customs modernization program implementing to simplify customs clearance process at Modjo customs branch office questionnaires were distributed both for customs employee and customs clearing agents.

Consequently, 67.05 percent of the respondent agreed and 11.36 percent strongly agreed on Customs modernization program being implemented to simplify customs clearance process to ensure fast clearance process to assist import logistics efficiency whereas the rest 15.9 percent and 5.68 percent of respondents were neutral and disagree with the idea. These counts 78.41 percent of the respondent believed that and confirmed by mean score of 3.84 customs modernization program has been implementing in customs to simplified and reinforce the clearance process.

This survey result also supported by interview made with the higher official in customs commission by rising the questions regarding what types of modernization and why modernization.

Customs modernization – One of the most important complementary policies is to put in place a well functioning customs administration that provides traders with transparent, predictable, and speedy clearance of goods. Indeed, a

poorly functioning customs administration can effectively negate the improvements that have been made in other trade-related areas.(customs modernization book,2005)

He gave his idea to the researcher that modernizations have been implementing in customs commission as a whole and Modjo customs branch office in particular to facilitate customs clearance process. According to the officials, there are lots of legal frame work and procedures reviewing which were bottleneck of the clearance facilitation, reducing of document which required to process clearance procedure in to single digit and implementation of single window also has its great impact on fasten clearance process by presenting the regulatory body certifications online

4.3.2 There are different kinds of schemes that Modjo customs branch office is implementing in order to make customs clearance fasten (e.g pre-arrival, deferred payment etc...)

The respondent also asked to express their degree of consent on different kinds of schemes that has been implementing at Modjo customs branch office in order to make customs clearance fasten (e.g pre-arrival, deferred payment etc...). Consequently, 68.18 percent of the respondent expressed their agreement and 14.77 percent strongly agreed on positively stated ideas. This indicate that almost 82.95 percent of the respondent strongly agreed and agreed on there are different kinds of procedure schemes that helps to make the clearance process fast and cost effective has been implementing. This is also confirmed that it is the greater than the cumulative mean of 3.42 by mean score of 3.87. This indicate that no problem with regards to implementing different schemes in order to facilitate customs clearance.

Pre- arrival is the recommended practice; it is the accomplishment of the Customs formalities necessary to allow goods to enter home use, to be exported or to be placed under another Customs procedure before the goods arrive and as soon as the goods arrived at customs territory Customs decide to examined them or decided not to examine and then release them or it may not be necessary to touch customs territory.(Revised Kyoto convection).

This survey result also supplemented by interview with customs commission officials; they said that Ethiopian customs commission has giving the import goods shipment pre- arrival schemes for the importers who admit the service by fulfillment of the required criteria.

And the branch office also has implementing deferred payment/installment schemes for the importers who have shortage of finance for the time of customs processing in order to make short the time those goods at customs warehouse. The remaining 10.22 percent of the respondent were neutral, 3.41 percent and equally 3.14 percent were disagreed and strongly disagreed respectively.

4.3.3 Goods can be released temporarily by guaranty in order to avoid clearance lead time or goods waiting time at customs warehouse.

The other idea that raised by the researcher on the questionnaire in order to collect the data was about whether goods can be released temporarily by guaranty in order to avoid clearance lead time or goods waiting time at customs warehouse. Regards with this positive statement, the majority 53.41 percent of the respondent were agreed and 17.05 percent strongly agreed. From this result, it can be understood that 70.46 percent of the respondent agreed and strongly agreed of temporary goods release with different reason until finalizing of declaration process has been implementing. The rest 13.64 percent neutral 12.5 percent and 3.41 percent disagreed and strongly disagreed respectively. This is also confirmed by mean score of 3.68.

This result also indicate that releasing of goods temporarily and after that continuing required document checking is not as such problem for the branch.

Proclamation number 859/2006 article 116 recognized and stated that there is a room that customs commission may release the goods with security guaranty while different dispute scenarios a raised between the importer and customs until resolved. The information that has gotten from interview and researcher observation also confirmed the same issues. Sometimes there are dispute raises between Modjo customs branch office and importer due to different reasons such as goods tariff classification, goods description and valuation arguments.

4.3.4 There are no redundancy of goods physical inspection and document checking for a particular shipment

It would eliminate complex or redundant customs formalities that delay clearance and create opportunities for unnecessary discretionary interventions. (Customs modernization book,2005)

The researcher also disseminated the questionnaires regarding to whether there are no redundancy of goods physical inspection and document checking for a particular shipment. According to Revised Kyoto convention, examination of goods means the physical inspection of goods by the Customs to satisfy themselves that the nature, origin, condition, quantity and value of the goods are in accordance with the particulars furnished in the Goods declaration. The convention also further recommended that if customs decided to examine the goods it is best to check once at clearance level and once at spot audit with sufficient information.

Consequently, 38.64 percent of the respondent disagrees and 22.72 percent neutral or indifference, 6.82 were disagreed. This result shows that, 45.46 percent of the respondent believes that there are physical goods inspection and document check for particular shipment done again and again. It is also confirmed by mean score 2.80.

It is under the cumulative mean score of 3.42. Therefore, it can be affect goods release time and increase the complexity of customs clearance process. The end results of the effect can matter on goods import logistics efficiency. The remaining 22.72 percent and 4.55 percent of the respondent expressed their idea with agreement and strongly agreement.

The researcher also observed that once the goods inspected and released at clearance procedure, then, it has high probability to examine again at spot check team.

4.3.5 Advance ruling (giving advance information for customers) on tariff classification & valuation has been implementing at Modjo customs branch office.

The fifth question of the questionnaires that the researcher disseminated to the respondent was about advance ruling (giving advance information for customers) on tariff classification & valuation implementing at Modjo customs branch office.

According to customs modernization hand book, one of the indicators of transparency and predictability of customs clearance procedure is advance rulings or dissemination of information

of tariff classification or customs duty and tax. Because of predetermined and knowing of the payment that to be paid for import goods advance ruling or information procedure is helpful for the importer to clear out the goods from customs compound with in short period of time and avoid dispute a raises between customs and the importer.

It is also supported by customs proclamation number 859/2014 article 112 “duties and taxes may be assessed on the basis of advance information submitted to the commission by the declarant before the goods enter in to the customs port”. Nevertheless, among the questionnaires disseminated to respondent about the above idea, 37.5 percent were expressed their degree of consent by agreed and 11.36 percent strongly agreed. Aggregated 48.86 percent of the respondent agreed that advance information is giving to customers at the branch prior to import goods arrived at customs. This is confirmed by mean score of 3.32.

Indeed, almost half of the respondent expresses their idea with agreement. This is very important to fasten customs clearance process rather than checking the information by holding the goods at customs compound. However, the result gotten from the opposite side could not undermine.

The remaining 22.27 percent neutral, 19.32 percent and 4.55 percent respondent were disagreed and strongly disagreed respectively. This is why; the researcher observed from the interviewee that due to lack of most employee competency especially with the issues of tariff classification, advance ruling on tariff has not implementing as much as expected.

4.3.6 Importer able to choose the location for goods physically inspected (at customs compound or importer site)

The sixth question of the questionnaire was concerning whether importer able to choose the location for goods physically inspected (at customs compound or importer site). Customs proclamation number 859/2014 and directive number 119/2018 have a provisions recognized that importer may request to stored and be examined the imported goods at private premises instead of directly enter in to customs warehouse. This is particularly important for saving warehouse cost and time spent at customs compound and plays its role for import goods logistics efficiency as a general.

Imports from foreign countries that arrive at their destination port must be unloaded, moved to customs, inspected, cleared and finally picked up by the importer. These procedures take time

and long delays impose a cost. Lengthy clearance times raise inventory and financing costs, impact a firm's ability to respond to market fluctuations and make it more difficult to plan. (Debebe Dessalegn Sirika & Teklu Kassu Gizaw, 2016)

According to the result collected from distributed questionnaires, 37.5 percent of the respondent agreed and 9 percent strongly agreed on importer be able to choose the site where the imported goods to be examined. 21.59 percent of the respondents were not decided whether agreed or disagreed and there was also similar number of response with disagreement. This is also confirmed by 3.15 score of mean value. This means, under the cumulative mean value of 3.42 for customs clearance efficiency. It indicates that it is not properly implemented at the branch.

4.3.7 Import shipment are cleared from customs as scheduled

Customs proclamation number 859/2014 article 25 “ goods declared shall be released as soon as they are examined by the commission or the commission decided not to examine them” on the other word import shipment should cleared from customs as scheduled. Based on this the researcher was collected data related to customs clearance process whether it has been releasing goods as per scheduled or not.

The time standard for import custom clearance is 10 minute for Green , 2-3 hour for Yellow and 6- 8 hour for Red risk category (ECC, 2007). With regard to clearance time delays, 32.95 percent respondents from customs employee and clearing agents were agreed and 6.8 percent strongly agreed that the goods released as per standard. Whereas 30.68 percent and 6.8 percent almost 37.48 percent of the respondent disagree and strongly disagree of releasing goods based on the standard. This is confirmed by mean score of 3. This is also less than the cumulative average mean value of 3.42.

Beyond the respondent disagreements of release of goods as per standard time, it is also understood and observed that there are delays in customs clearance based on the information get from the interview; this is because of the reluctance of officers in decision making, problems created by clearing agent during filling declaration and delay to replay the corrected declaration and others things contributed to delay.

4.3.8 Simplification of document requirement for customs clearance has been implementing at Modjo customs office

Mandatory supporting documents of the declaration are stated on proclamation number 859/2014 article 10. These are bill of loading, commercial invoice, packing list, certificate of origin, bank permit and other documents necessary to ensure compliance with customs law. On the other side there is a room on the same proclamation that release of goods on the provision of the minimum information necessary to identify the goods and permit the subsequent completion of the final goods declaration.

Revised Kyoto convection general Annex stated that stipulates the core principles for all customs procedures and practices to ensure that these are uniformly applied by customs administrations. These principles include the following: (a) standardization and simplification of goods declaration and supporting documents, (b) minimum necessary control, (c) risk management and audit-based control, (d) fast track procedures for authorized persons and entities,(e) coordinated interventions with other agencies, (f) maximum use of IT, (g) transparency and predictability, and (h) availability of appeals processes. And both provisions highly stress that simplification is important to facilitate and save time while customs clearance process undertaking.

Response of the questionnaires regarding of simplification of documents presented for customs clearance process, 54.54 percent respondent were agreed and 9 percent strongly agreed. Aggregately 63.54 percent of the respondent believed that there is simplification of document in the branch. The researcher also confirmed the same result from interview; customs commission take measures by reduce 40 percent of the document which are required to present for customs clearance process to simplified the procedure. The rest 12.5 percent of the respondent were responded with disagreement and strongly disagreement of implementing document simplification procedure at Modjo customs branch office.

4.3.9 There are additional cost incurred due to delays of customs clearance process

According to Debebe Dessalegn Sirika & Teklu Kassu Gizaw (Ph.D study in 2016 at Kality customs branch office, Time delay in customs clearance has a significant impact on clearance cost. Therefore, time delay increases clearance cost by birr 42.165 in one additional hour; remain other factors constant.

Delays in the processing of imports and exports can cause significant losses, increase the cost of doing business, affect the competitiveness of a country's firms, and scare away foreign investment.(WCO,2003)

The researcher distributed the questionnaires to collect information by express the respondent degree of consent concerning cost of delays at clearance process. Consequently, 46.59 percent of the respondents agreed and 21.59 percent strongly agreed. This means almost 68.18 percent of the respondents were believe that goods delay at clearance procedure lead to incurred additional cost. The rest 18.17 percent of the respondents were did not agree.

The researcher also get information from interview specially customs clearing agent. They said that they are facing delays at clearance procedure at Modjo Customs Branch Office; due to this they forced to pay warehouse fees for additional day.

4.3.10 there is standard time for each customs clearance activities and gives services accordingly at Modjo customs branch office.

Client service charters are a way to increase accountability and demonstrate customs' commitment to provide quality service to clients. Service standards should be challenging but realistic and should be fully supported by the organization's systems and procedures.(customs modernization book, 2005)

The respondent also asked to give their idea towards whether each clearance activities have standard giving standard time. According to the result, 47.72 percent of the respondent agreed and 11.36 percent strongly agreed Modjo customs clearance activities have its standard time. Therefore, the survey result show that 59.06 percent of the respondent feels that there is clearance service giving standard time.

23.87 percent of the respondent disagree and strongly disagree and also 17 percent of the respondent count neutral. This show that almost 40.87 of the respondent either they do believe there is time standard or the do not know about standard time.

When there is a not clear and proper standard time for customs procedure, it will be difficult to fasten the clearance process.

The survey result also supplements with interview, the researcher was approached participators from customs clearing agent and customs commission employee. They reflected that of course

there is standard time for each customs clearance activities. However, almost all the interviewees stressed that even though there is standard time on customer charter document, not only it has not been properly applying but also it is not realistic to the reality.

4.1.11 Modjo customs branch office mostly use transactional value method to calculate duty and tax for imported goods to fasten clearance process

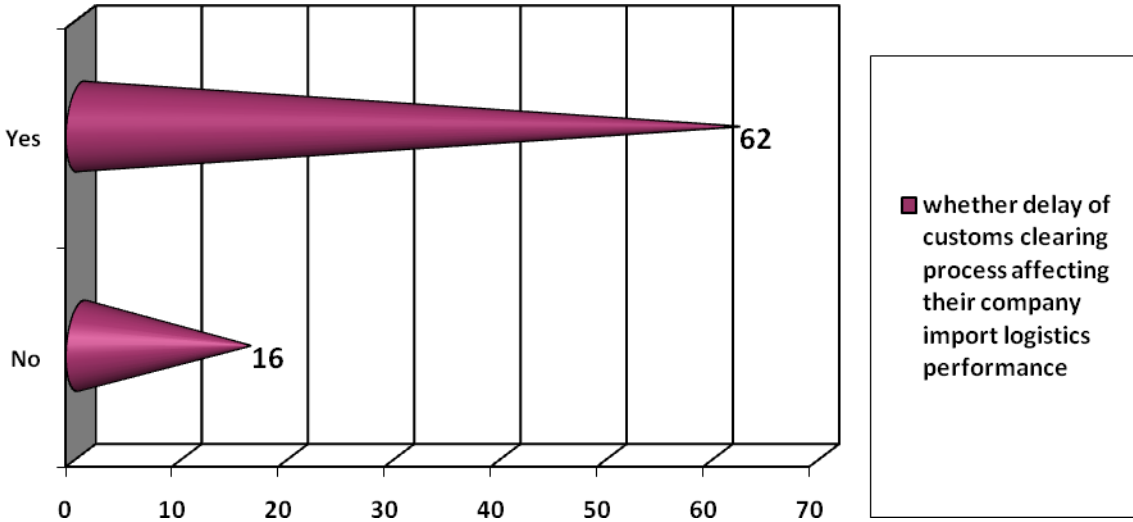
Due to many reasons valuation is one of central of the gravity and critical point for customs clearance delays. Proper and right time valuation is essential for the predictability and transparency of customs transactions. Regarding determination of duty paying value, Customs Proclamation No. 859/2014 stipulates six hierarchical methods, being total transaction value of goods the primary option as long as it satisfies related stipulations, which is consistent with the WTO customs valuation framework. And also according to Debebe Dessalegn Sirika & Teklu Kassu Gizaw (Ph.D study in 2016, They found out on their survey was that it takes more than 5 days when the risk level of good is red because during this time a dispute arises with regard to valuation. Based on this the researcher raised this question for respondent to express their degree of consent.

Therefore, the survey result exhibits that 40.90 percent and 10.23 percent of respondent were agreed and strongly agreed respectively that transactional value has been accepted and applicable while goods import through Modjo customs branch office. 22.72 percent and 7.95 of the respondent were disagree and strongly disagreed that it is not applicable transaction value at modjo customs branch office. This was confirmed by mean score 3.23 and below the cumulative average mean 3.42.

Based on the result, customs duties and other taxes are not calculating and paid based on transactional value of goods. As a result, The branch prefer to make the value of the goods based on identical and similar goods valuation methods from customs data base is called ECVS. To do so, it takes time. Therefore, valuation problem has an impact customs clearing process and import logistics efficiency.

Respondents were also asked about whether delay of customs clearing process affecting their company import logistics performance. 62(70.45 percent) of the respondent confirmed (Yes) that delay of customs clearing process affecting their importing logistics performance. 11(12.50 percent) of the respondent were expressed (No) their idea as delays of customs clearance process do not affect their import logistics. And 16(18.18 percent) of the respondent have no idea towards the question.

Figure: 4.4 whether delay of customs clearing process affecting their company import logistics performance.



Source: *survey result*

The respondents who believe customs clearance process delays affect their import logistics efficiency also raised their perception of key constraints for the above question.

Table: 4.3.2 constraints of customs clearance process

No.	Statement	Key constraints
1	The key constraints for customs clearance process delays.	<ul style="list-style-type: none">➤ System failure, specially ECVS, ECMS,➤ Unmanageable number of the containers in the compound➤ Sometimes unavailability of forklift(machines)➤ Complex bureaucracy➤ Containers placement problem➤ transistors remote system do not work properly➤ Inefficiency of transistors and officers skill➤ Delay of document from bank➤ miss communication b/n customs officers and dry port officers➤ Corruption(rent seeking)➤ Large number of customers at the branch and able to handle these customers➤ Required documents do not fulfilled by the agents on time➤ Corruption is the main cause for the delay➤ Due to some goods required permission from other government agencies➤ Under valuation and misclassification, and examination of goods➤ Gaps of customs proclamation➤ Due to ESLSE and other government organizations inefficiency➤ Customers/agents do not fulfill necessary information for valuation detail declaration.

Source: survey result

4.4 Descriptive analysis for customs clearance time

Customs clearance time has been reduced in all case study countries inspection is a major factor explaining the shortening of customs clearance time. Obviously, cargo that is channeled through the green line will clear faster than other cargo.

Japan Customs introduced a series of modernization initiatives, procedures and techniques such as computer-based risk management, an automatic clearance system such as Single Window and pre-arrival declaration, and more recently the Authorized Economic Operator (AEO) program in 2008. Japan Customs also works closely with OGAs and the private sector to facilitate procedures and update facilities. As a result, substantial improvement has been made: from 1991

to 2006, the average release time for sea cargo has been reduced from 7 days to 2.7, and for air cargo, from 2.2 days to 0.6 day. In total, there has been a reduction in nearly two-thirds of the clearance time, and statistics from the Japan Ministry of Finance show that 40 billion Japanese yen could be saved in one year. (Addis Ababa chamber of commerce,2011). This is a great impact on logistics as general.

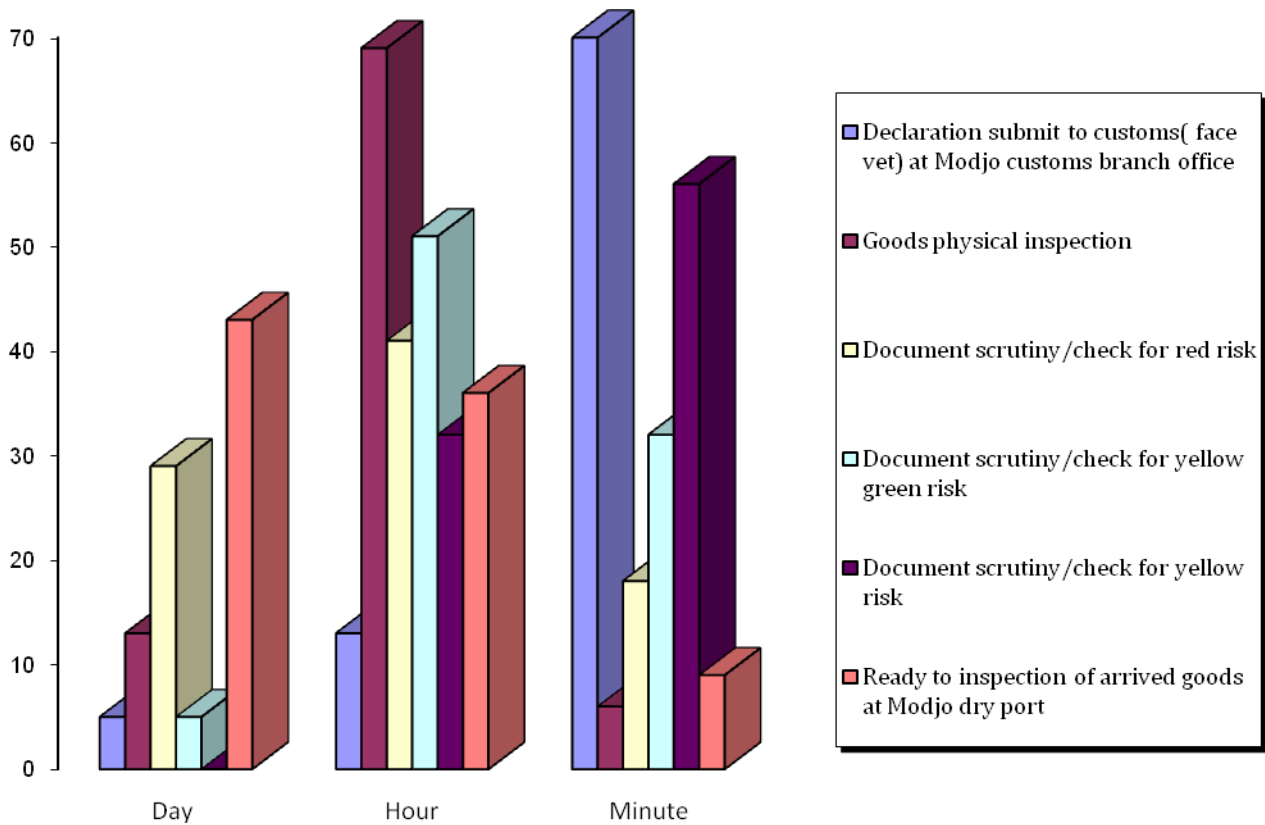
With regard to customs clearance time at Modjo customs branch office, the researcher distributed questionnaires to respondent to express the average time takes the clearance process. Accordingly, the result of the finding is present in following table.

Table: 4.4.1 Average time taken for customs clearance

Customs clearance activities	Customs employee and clearing agent response of average time for clearance process					
	Day		Hour		Minutes	
	count	percentage	count	percentage	Count	percentage
Declaration submit to customs(face vet) at Modjo customs branch office	5	5.68%	13	14.77%	70	79.54%
Goods physical inspection	13	14.77%	69	78.40%	6	6.81%
Document scrutiny/check for red risk	29	32.95%	41	46.59%	18	20.45%
Document scrutiny/check for yellow risk	5	5.68%	51	57.95%	32	36.36%
Document scrutiny/check for yellow & green risk	-		32	36.36%	56	63.63%
Ready to inspection of arrived goods at Modjo dry port	43	48.86%	36	40.90%	9	10.22%

Source: *survey result*

Figure: 4.4.1 Average time taken for customs clearance



Source: *survey result*

According to the survey result summarized on the above table 4.4.1 and figure 4.4.1, 32.95 percent respondent revealed that document scrutiny for red risk has been taking days and the same 48.86 percent of the respondent said that ready of goods for inspection at Modjo dry port take days. 78.4 percent of the respondent gave their idea good physical inspection take hours. 57.95 percent of the respondent revealed that even document scrutiny/check for yellow risk is also taking hours. The result of the survey show that may the only relief on customs clearing process in terms of time is 79.54 percent of the respondent said they can submit their document within minutes (face vet) at Modjo customs branch office.

4.4.1 Sampling check of clearance time from the branch

Furthermore, 96 import commercial and non-commercial goods, 341 goods ready for physical examination service and 95 warehouse allocation service from Modjo customs branch office has been selected and taken to check the waiting time by the researcher as a sample based on four risk channel levels in order to reconcile the creditability of the questionnaires survey result.

These are 70 declarations red, 203 yellow, 97 green and 6 blue. The data was collected through field survey and investigate a recorded customs declaration with a format developed for import goods based on customs sub-functionality area.

In this case, the average time for a document to be processed from the time it was registered up to completed the customs clearance procedure is 27 hours and 18 minutes. The average time it takes from the document registration on customs system to arrive at Face vet is 27 hours. Even if the customs server system start its duty after the arrival of the document at face vet, still it is considered once the document registered on the customs system it should be executed and cleared customs procedure. Although the customer presents his/her document to face vet, there is also queue or waiting time to accept or reject the document by face vet officer/server due to the preceding arrival document process. Based on this fact Modjo customs branch office takes average 29 minutes waiting time between the document present to face vet officer/server and accept or reject it.

The average time for physical goods examination is 54 minutes, however the queue/waiting time it takes in order get this service is 20 hours and 49 minutes. The average time for document scrutiny is 9 hours and 22 minutes; however the average queue time it takes in order to get this service is 10 hours and 22 minutes.

Study assumptions, to make the data comparable across economies, a few assumptions are made about the traded goods and the transactions: Time is measured in hours, and 1 day is 24 hours (for example, 2 days are recorded as $2 \times 24 = 48$ hours). If customs clearance takes 7.5 hours, the data are recorded as it is.

Alternatively, suppose documents are submitted to a customs agency at 8:00a.m, are processed overnight and can be picked up at 8:00a.m. The next day, the time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

The researcher also understands that, it was almost similar with the information gotten from questionnaires response by considering waiting time between clearance process activities.

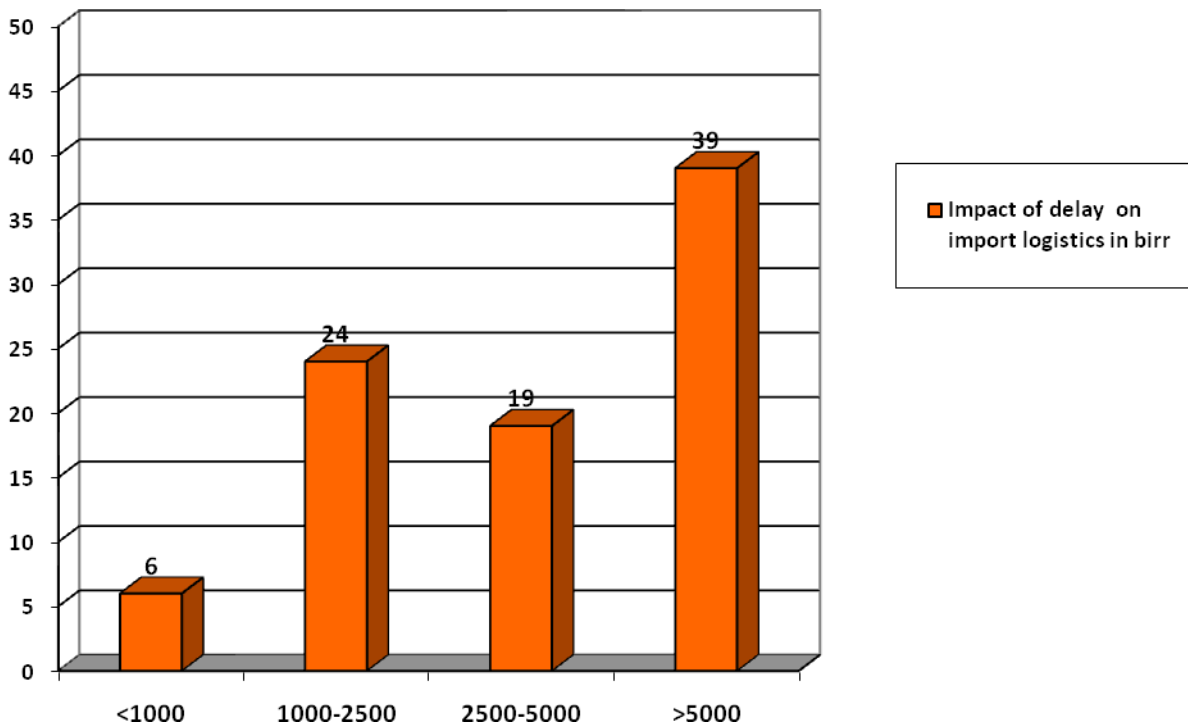
4.4.2 Clearance delay cost

The respondent also asked to what extent customs clearance delays has impact on logistics in terms of cost in average?

44.32 percents of the respondent replied that it may cause for incurring more than 5000 EBR, 27.28 percent indicate that it has impact 1000-2500 birr on over all import logistics cost. And the same 21.59 percent revealed that 2500-5000 birr incurred because of customs clearance delays. The rest 6.81 percent response they may incur less than 1000 birr.

Debebe Dessalegn Sirika & Teklu Kassu Gizaw (Ph.D) expliened on their study at Kality customs branch in 2016, time delay increases clearance cost by birr 42.165 in one additional hour; holding other factors constant.

Figure: 4.4.2 impact of customs clearance delay on import goods logistics



Source: *survey result*

Table: 4.4.2 Cost (Birr) charge by Modjo dry port administration for port handling and storage

Service description	20ft	20ft	20ft				40ft	40ft	40ft
Service description	standard	over	Dang.				Standard	Over	Dang.
Gate pass service	107.8						107.8		
Port dues & common charge	819.75		1024.7				1639.5	1803.5	249
Terminal storage1-8									
Terminal storage9-18	99	109	124				198	211	240
Terminal storage 19-28	132	145	165				264	290	330
Terminal storage 29-35	175	193	219				350	385	488
Terminal storage 36-45	232	245	290				464	510	580
Terminal storage 46-60	312	343	390				624	686	780
Terminal storage over 60	418	460	523				836	920	1045
Full movement	451						672.1		
Full container unloading	150.7						224.4		
Full container loading	372.9						556.6		
Grounding	372.9						556.6		
Empty container unloading	146.3						179.3		
Empty container loading	231						268.3		
Shift truck to truck	228.8						338.3		
Container terminal handling	1034						1339.45		
Staff/unstaff/loading/unloading	labor	fork	both	Qty	total	General cargo charge			
Less than 2000	132	9.9	53.9			day		Price	
2001-6000	264	19.8	107.8			1-8		0	
6001 -10000	528	40.7	216.7			9-18		6	
10001-14000	792	60.5	324.5			19-28		10	
14001-18000	1056	81.4	433.4			29-35		15	
18001-22000	1320	105.5	541.5			36-45		18	
22001-26000	1584	121.8	649.9			46-60		20	
26001-30000	1848	142	758			>60		25	

Key: the figures of the cost mentioned on the table are in Birr.

Source: Modjo dry port

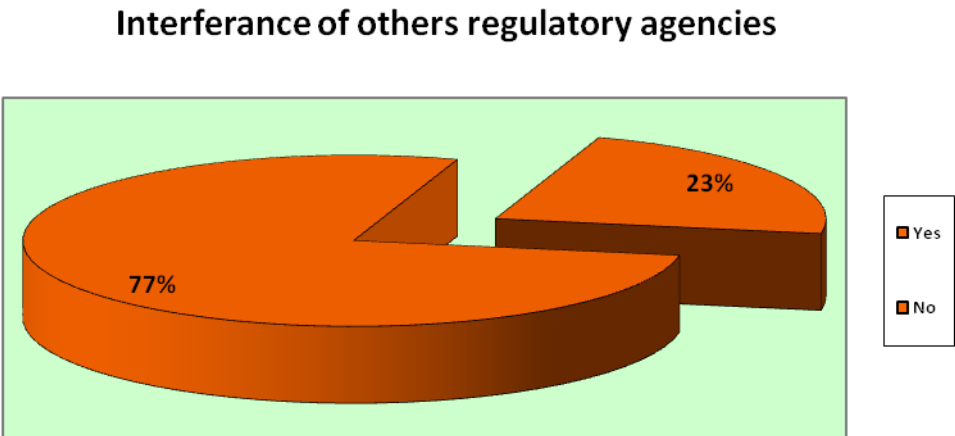
The above table 4.4.2 table secondary data was taken from Modjo dry port shows that if every customs clearance delays due to above mentioned causes could be forced to incur more additional cost on over all import goods logistics. For instance, if there is redundancy of examination at least it may lead to incurred additional storage cost, container loading/ unloading cost, shift truck to truck and fees for labor to make ready for further goods examination.

4.5 other agencies involved between clearance times

Typically, customs is seen as responsible for all delays and wrongdoing at the clearance, although other agencies are involved. It should be clarified the role of the other agencies in overall clearance delays. This may lead them to introduce speedier work procedures. Improving the coordination between customs and other agencies would be a critical cost effective approach to enhance the clearance process and to strengthen enforcement.(customs modernization book.2005)

Customs employee and customs clearing agents were also asked either regarding other governmental regulatory agencies involved in between clearance process or not. And if the respondent replied yes and the asked how many time they take to give the required permission for import goods to be cleared in average.

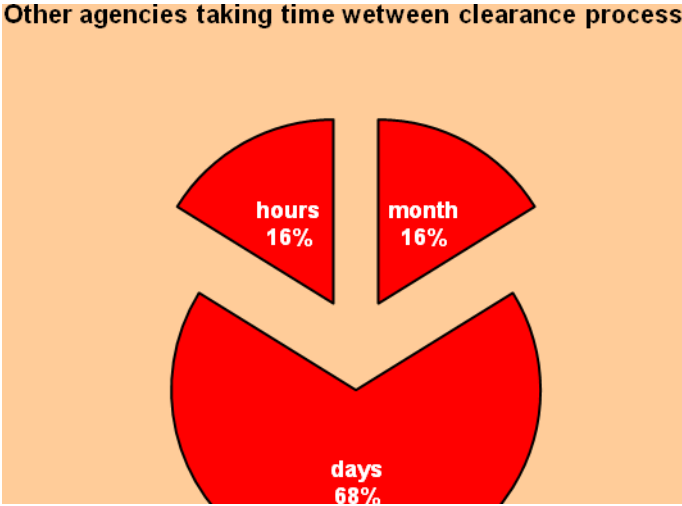
Figure: 4.5.1 Response of respondents on either other regulatory agencies involved between clearance processes



Source: *survey result*

77.30 percent of the respondent said yes. There are others regulatory agencies involving while they undertaking the clearance process. Out of which 67.65 percent of the respondent replied that these regulatory agencies take days in order to give the required permission, 16.17 percent revealed that it may take a month. The same 16.17 percent response they have been getting permission from these agencies within hours.

Figure: 4.5.2 other agencies involved between clearance time



Source: *survey result*

The result of the survey shows that other regulatory agencies have a great impact by taking time in customs clearing process.

4.6 Source of major delays of clearance process

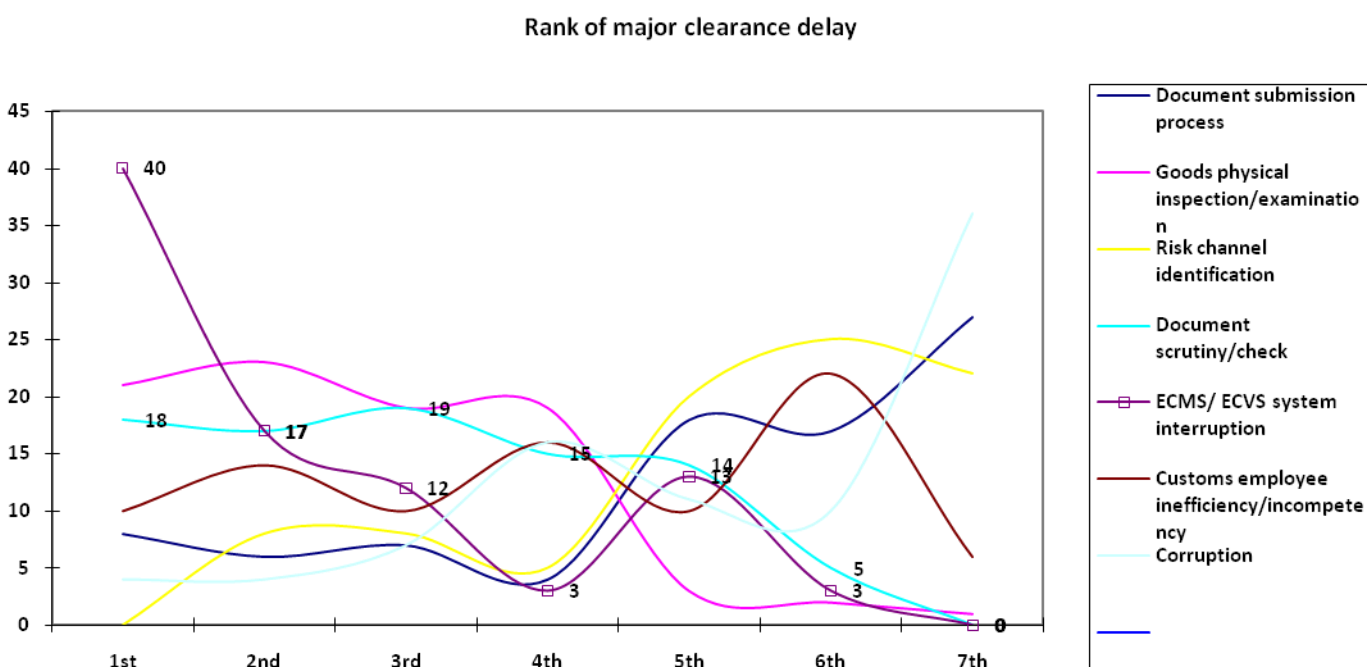
In order to identify major causes of customs clearance delay, questionnaires were distributed to customs officers/employees and customs clearing agents to rank among provided constraints. There might be mentioned several causes for clearance delays. However, some of the major source of delays of clearance has been selected and asked the respondent to express their consent of rank among them.

Table: 4.6.1 Source of major delays of clearance process

No	Source of major delays of clearance process	Count of respondents' source of major delay ranks						
		1 st	2 nd	3 rd	4 th	5 th	6 th	7 th
1	Document submission process	8	6	7	4	18	17	27
2	Goods physical inspection/examination	21	23	19	19	3	2	1
3	Risk channel identification	-	8	8	5	20	25	22
4	Document scrutiny/check	18	17	19	15	14	5	-
5	ECMS/ ECVS system interruption	40	17	12	3	13	3	-
6	Customs employee inefficiency/incompetency	10	14	10	16	10	22	6
7	Corruption	4	4	7	16	11	10	36

Source: survey result

Figure: 4.6.1 source of major delay



Source: survey result

Based on the above (Table 4.6.1) and figure 4.6.1; it show that 45.45 percent of the respondent ranked interruption of ECMS / ECVS system as number one problem. Goods physical inspection/examination and Document scrutiny/check were mentioned as number two by 23.86 and 20.45 percent of the respondent. Hence, it can be understood from the survey result that Modjo customs branch office clearance process major source of delay are system interruption especially ECMS/ ECVS, Goods physical inspection/examination and Document scrutiny/check. And also according to the respondent ranking, among the source of delay that last ranked by respondent were corruption, document submission process and risk channel identification.

In addition to collected data from questionnaires, interview has been made with the branch official and clearing agents regarding to major customs clearance delays. Their opinion also shows that system interruption is their number one problem at the branch. This is due to lack of sufficient infrastructure on the Ethio- telecome side and not strong enough and still need progress of the under implementing of newly Ethiopian customs management system (ECMS) project. The quality of customs clearance depends on the quality of the customs administration overall, and the degree to which it uses information technology applications. Therefore, they suggested that rapid technological developments required facilitating import goods customs clearance process.

4.7 Risk management and automation at Modjo customs branch office

Modern customs practices and operations need to fully reflect the principles of risk management. Under such a system, higher risk consignments are identified through back-office customs activities relying on intelligence-led, risk management based analysis of historical customs data. High-risk cargo is targeted and extracted from the normal processing path through use of an effective selectivity mechanism. Such consignments may then be subjected to full customs scrutiny including extensive documentary or physical examination (or both). Nonelected consignments are typically released with minimal scrutiny, as being of little interest to customs. (Customs modernization book,2005). It is extensively support the clearance process.

Based on this, the respondents were also asked to express their degree of consent on risk management and automation practice at Modjo customs branch office.

Table: 4.7.1 Risk management and automation at at Modjo customs branch office

Statement	1	2	3	4	5	Mean
Customs has strong information and profile for risk channel categories or risk based inspection (red, yellow, green and)	4 4.54%	17 19.32%	8 9%	38 43.19%	21 23.86%	3.63
Risk management techniques are properly implemented in customs clearance procedure	2 2.3%	20 22.72%	12 13.63%	46 52.30%	8 9%	3.43
Importer who demonstrating high level of compliance receive expedited/fast customs clearance	4 4.54%	26 29.54%	17 19.32%	31 35.22%	10 11.36%	3.20
In general, the current rule and regulation for customs clearance effectively decrease the delays of goods to be cleared	5 5.7%	18 20.45%	19 21.59%	41 46.59%	5 5.7%	3.26
The import clearance process are properly supported by modern information technology system	4 4.54%	9 10.22%	15 17%	50 56.81%	10 11.36%	3.60
Customs employees have adequate operational knowledge related to customs clearance process	5 5.7%	30 34%	14 15.90%	37 42%	2 2.3%	3.00
Cumulative mean						3.35

Keys: 1(Strongly disagree), 2(disagree), 3(neutral), 4(agree) and 5(strongly agree)

Table 4.7 above on the first statement the respondents were asked to reflect their perception based on their experience concerning risk profiling and strong information to identify risk channel. To apply proper routine of goods based on risk level, there should be a sound profile development system that relies heavily on gathering, charting and analysis of information from different national and international organizations. Customs should not inspect each and every import consignment and also for the matter of customs clearance facilitation it could not be release all shipment without inspection. Therefore, there should be selectivity based on risk profile.

Applying systematic trade transactions to select those transactions that are to be subjected to a particular type of control. This combination of risk indicators can be called a risk profile. (Customs modernization book, 2005)

The customs operation shall be based on the principle of risk management transparency and accountability and create a conducive environment to provide equitable expeditious, predictable and reliable service in the exercise of customs control. (Customs proclamation # 859/2014)

Accordingly, among distributed questionnaires, 43.19 percent of the respondents were agreed and 23.86 percent strongly agreed that customs has strong trader risk profiling. It shows that almost 67.05 percent of the respondents were perceives that there is risk profiling at customs.

And around 23.86 percent of the respondent disagreed and strongly disagreed with the idea. The rest 9 percent of the respondent had no idea or keep themselves neutral. This particular question result shows that, even though the majority of the respondent replied that customs has strong risk profiling, the number of respondent with disagreement is not undermined. Hence, there is unnecessary import goods physical inspection or document check without proper risk profile at Modjo customs branch office. This is also might the cause of customs clearance delay and due to this impact on import cargo logistics.

Similarly, regard with the second statement, 52.3 percent and 9 percent of respondent agreed and strongly agreed respectively that risk management techniques has been implemented properly at the branch. 22.72 percent and 2.3 percent of the respondent disagreed and strongly disagreed on the statement.

Table: 4.7.2 sample risk level of Modjo customs branch office (from 01/01/20120 to 01/06/2020)

6 Month data	Risk channel			
	Red	Yellow	Green	Blue
Count	5148	5044	2731	410
percentage	38.60%	37.83%	20.48%	3%

Source: ECC, ECMS

Risk techniques- if customs decides that it can accept a 5 percent risk that the goods violate a regulatory prescription, only those transactions that the model suggests would exceed this level of risk will be inspected.

The model that activates the transaction specific selectivity decision can be easily made to interface with the existing automated customs management systems, hence making the application of risk management techniques a matter of customs routine. (customs modernization book, 2005)

The respondents were also asked to express their degree of consent on whether importer who demonstrating high level of compliance receives expedited/fast customs clearance. Revised Kyoto convention (RKC) recommended that for authorized persons who meet criteria specified by the Customs, including having an appropriate record of compliance with Customs requirements and a satisfactory system for managing their commercial records to obtain faster release of their cargo. For example: AEO (authorized economic operators, special customs privilege users. Consequently, 35.22 percent and 11.36 percent agreed and strongly agreed on the idea. This aggregate number is around 46.58 percent. Undeniable 29.54 percent and 4.54 percent of the respondent disagree and strongly disagreed on there is special customs clearance treatment based on compliance level. The rest 19.32 percent of the respondent had no idea or keep themselves as neutral.

Identify and implement rule and regulations provisions that are better suited for customs clearance process facilitation is very important. (WCO, 2007 quoted by Mengistu tefera) clear, simple, transparent and predictable legislation creates the framework for the development of systems and procedures that are easily understood by both the trading community and the officials. Based on clear and easily understood legal framework, customs systems and procedures should be in accordance with the internationally agreed Conventions and standards to ensure trade facilitation without undue burden.

According to the survey result demonstrated on the above table 4.7.1 shows, 46.59 percent and 5.7 percent of the respondent were agreed and strongly agreed respectively that the current ECC rule and regulation encourage the customs clearance process. However, 20.45 and 5.7 percent of respondents were disagreed and strongly disagreed on that idea. The rest of 21.59 percent respondents rated neutral.

The researcher also observed complaining from clearing agent while conducting this survey that the newly customs proclamation amendment number 1160/2019 regarding with temporarily goods storage time at customs warehouse from 60 day to 15 day. Even if it can help the clearance process to be fast it is not fair. This is due to many reasons. Among those reasons,

interruption of system, long container allocation time take by port and shortage of money of importer to pay duty and tax.

According to WCO recommendation one of the most critical assets and tools for trade facilitation core customs area that the customs administration should reform and modernization program is customs information technology.

With this regard, the respondent expressed the view of perception was whether the import clearance process is properly supported by modern information technology system. The respondents reflect their degree of consent. Accordingly, 56.81 percent and 11.36 percent of the respondent agreed and strongly agreed with the statement. 10.22 percent and 4.54 percent of the respondent were disagreed and strongly disagreed or the clearance process at Modjo customs branch office has not been supporting modern information technology. The rest 17 percent kept them neutral.

The researcher observed from customs employee and clearing agent that ECC has been undergoing the giant ECMS to replace ASYCUDA++. It is on progress and project level and expected finalized in coming soon. It has also a capacity to accommodate lots of customs information and trying to integrate and interface within customs other systems like single window, ECMS and other institution like road transport.

The other most important point that raised by the researcher on the questionnaire is concerning customs employees operational knowledge related to customs clearance process. To establish the competency of customs authorities to administer and enforce customs laws, develop administrative regulations, adjudicate or settle cases, and make decisions on customs administrative matters customs employee competency and skill have great impact. Based on this, 42 percent and 2.3 percent of the respondents were agreed and strongly agreed with the statement. That means less than 50 percent of the respondents believe that customs employees at the branch have adequate customs clearance process knowledge. This indicates that, there is customs clearance knowledge and skill gap in the branch to execute the process. 34 percent and 5.7 percent disagree and strongly disagree with the idea. And the rest 15.9 percent rated neutral. The aggregate number of disagreement and neutral is more than 50 percent. It shows that the customs clearance employee should support with appropriate training related to customs

clearance in order to facilitate the process and avoid the negative impact on import goods logistics.

4.8 Multiple linear regression analysis for customs clearance and logistics efficiency

Table: 4.8 independent variable (customs clearance predictability, simplicity and speedy)

Independent variable	Mean
Customs clearance predictability	
There are different kinds of schemes that Modjo customs branch office is implementing in order to make customs clearance fasten (e.g pre-arrival, deferred payment etc...)	3.87
Good can be released temporarily by guaranty in order to avoid clearance lead time or goods waiting time at customs warehouse.	3.68
Advance ruling (giving advance information for customers) on tariff classification & valuation has been implementing at Modjo customs branch office.	3.32
Importer able to choose the location for goods physically inspected (at customs compound or importer site)	3.15
Customs clearance simplicity	
Customs modernization program being implemented to simplify customs clearance process	3.84
There are no redundancy of goods physical inspection and document checking for a particular shipment.	2.80
Import shipment are cleared from customs as scheduled	3.00
Simplification of document requirement for customs clearance has been implementing at Modjo customs office	3.59
Speedy customs clearance	
There are additional cost incurred due to delays of customs clearance process	3.69
There is standard time for each customs clearance activities and gives services accordingly at Modjo customs branch office.	3.40
Modjo customs branch office mostly use transactional value method to calculate duty and tax for imported goods to fasten clearance process	3.23
Customs employees have adequate operational knowledge related to customs clearance process	3.00
Risk management practice and automation	
Risk management techniques are properly implemented in customs clearance procedure	3.43
Importer who demonstrating high level of compliance receive expedited/fast customs clearance	3.20

Independent variable	Mean
Customs clearance predictability	
In general, the current rule and regulation for customs clearance effectively decrease the delays of goods to be cleared	3.26
The import clearance process are properly supported by modern information technology system	3.60

Source: *survey result*

According to 2016 World Bank report Ethiopian logistics overall efficiency was explained as 2.38 score rate (1=low to 5=high). There are six performance indicators that contributed to this figures. These are Ease of arranging competitively priced shipments(2.56), Competence and quality of logistics services (2.37), Frequency with which shipments reach consignee within scheduled or expected time(2.37) and Ability to track and trace consignments(2.18). So that, the researcher computed these dependent variables with independent variables which are predictability, simplicity and speedy of customs clearance process and risk management and automation.

The relationship between the mean response of y (denoted as μ_y) and explanatory variables x_1, x_2, \dots, x_k is linear and is given by $\mu_y = \beta_0 + \beta_1 x_1 + \dots + \beta_k x_k$ where each β_i is an unknown parameter.

Table: 4.8.2 dependent variable (logistics efficiency) and independent variable (customs clearance predictability, simplicity, speed, risk management and automation)

Descriptive Statistics			
	Mean	Std. Deviation	N
Logistics	2.3800	.00000	4
predictability	3.51	.329	4
Simplicity	3.3075	.48836	4
Speed	3.3300	.29063	4
Risk	3.3725	.18025	4
Automation	3.3725	.18025	4

Source: *SPSS result*

The above table 4.8.2 shows that the statistics representation of the quantitative data.

Table: 4.8.4 NOVA result

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.089	3	.030	.	. ^b
	Residual	.000	0	.		
	Total	.089	3			

a. Dependent Variable: Logistics efficiency

b. Predictors: (Constant), risk management, customs clearance speed, customs clearance predictability

Table: 4.8.3 Correlation of dependent and independent variable

Correlations

		Logistics	predictability	simplicity	speed	risk	Automation
Pearson Correlation	logistics	1.000
	predictability	.	1.000	.129	.975	-.389	-.389
	simplicity	.	.129	1.000	.220	.822	.822
	speed	.	.975	.220	1.000	-.351	-.351
	risk	.	-.389	.822	-.351	1.000	1.000
	automation	.	-.389	.822	-.351	1.000	1.000
Sig. (1-tailed)	logistics	.	.000	.000	.000	.000	.000
	predictability	.000	.	.435	.013	.305	.305
	simplicity	.000	.435	.	.390	.089	.089
	speed	.000	.013	.390	.	.324	.324
	risk	.000	.305	.089	.324	.	.000
	automation	.000	.305	.089	.324	.000	.
N	logistics	4	4	4	4	4	4
	predictability	4	4	4	4	4	4
	simplicity	4	4	4	4	4	4
	speed	4	4	4	4	4	4
	risk	4	4	4	4	4	4
	automation	4	4	4	4	4	4

Source: SPSS result

Multiple linear regression analysis has been used to identify the effect of customs clearance process on logistics efficiency. As can be seen from table 4.8.3, Pearson correlation value is 1.00 it shows that there is strong correlation between dependent and independent variable.

Table 4.8.5 Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error				Lower Bound	Upper Bound
1	(Constant)	.520	.000		.	.	.520	.520
	customs clearance predictability	-.570	.000	-1.091	.	.	-.570	-.570
	customs clearance speed	1.195	.000	2.021	.	.	1.195	1.195
	risk management	-.036	.000	-.037	.	.	-.036	-.036

a. Dependent Variable: Logistics efficiency

Table: 4.8.6 Model of summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	1.000 ^a	1.000	.	.	1.000	.	3	0	.

a. Predictors: (Constant), risk management, customs clearance speed, customs clearance predictability

The above table 4.8.6 shows that R-squared is 100%. It means the better the regression model fits.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

INTRODUCTION

This chapter presents the major finding of the study from chapter four, conclusion and finally to generate recommendation based on the findings which align with the objectives of the study.

The main objective of the study was to assess whether customs clearance process affect logistics efficiency at Modjo dry port. And the specific objectives were:

- ◆ To assess whether efficient face vet affects logistics efficiency at modjo dry port.
- ◆ To assess whether efficient customs goods physical inspection and automation affect logistics efficiency at Modjo dry port.
- ◆ To assess whether efficient customs document scrutiny affect logistics efficiency at Modjo branch office.
- ◆ To assess risk management and automation in facilitating customs clearance procedure.

5.1 summary of the finding

Logistics is very wide and accompany different chain of activities. According to World Bank every year report, one of among the six indicators that has highly impact on logistics performance is customs clearance process efficiency. Based on this the researcher, as of the title mainly focused on assessing customs clearance process (speed, simplicity and predictability) as mentioned on the above, it is one of the determinant of logistics efficiency. Knowing of customs clearance performance is very crucial to articulate one of the main determinants of logistics efficiency. Hence, this study covered time taken for customs clearance activities, Source of major delays of clearance process, Risk management and automation.

Based on this, data were collected from customs employee and customs clearing agents. 97 questionnaires were distributed to customs employee and customs clearing agent and, of which 59 were for customs employee and 38 were for customs clearing agent. From the total number of 97 questionnaires 88 were returned. The response rate was 90.72 %. And also the researcher approached to made interview with customs employee and official as well as customs clearing agents. In addition, information got from secondary data was used to support the fact that got

from questionnaires. Descriptive and explanatory methods were used to analyze the data collected from the respondents. Frequencies, percentages, mean and cumulative scores were used to explain the data.

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

1. With regard to redundancy of goods physical inspection and document checking for a particular consignment, almost 45.46 % respondents agreed that there is redundancy of goods physical inspection and document check. This result shows that there is high tendency of examining goods and document again and again even it is the same consignment. It is confirmed by mean score of 2.8. This is under the cumulative mean of 3.42. The researcher also tried to show on the above table 4.4.2 mentioned cost that charge by Modjo dry port for any goods delays in customs process. It may the cause for incurring additional cost at customs clearance process.
2. The other critical point that discussed on the previous chapter was about advance ruling or giving advance information for importers and clearing agent regard with valuation, tariff classification etc prior to importing of goods to customs compound. Similarly, the respondents were asked whether importer able to choose the location of goods physically inspected- it may chosen the goods inspected at the importer site instead of customs territory in order to save import logistics time and cost. Accordingly, these two ideas were scored the mean value of 3.32 and 3.15 which are under the cumulative mean value of 3.42 respectively. 48.86 and 46.5 % of the respondent agreed and strongly agreed respectively.
3. As per the result of the survey, it was revealed that goods are not released as per standard time mean score rate with 3. This is far from the cumulative mean value of 3.42. And the result shows that the lead time of goods at customs clearance is high. The reluctance of officers in decision making, the branch tendency of repetitively goods physical examination and other factors contribute to the delay. For this reason, the efficiency of logistics highly affected.

4. In addition, the other one of the determinants of logistics efficiency is cost. Based on this, almost 37.48 percent of the respondent revealed that and confirmed by mean score of 3.40 goods are not releasing based on the standard time. As a result, 68.18 percent of the respondent revealed that due to delay of import goods at clearance process, they are incurring additional cost. It is supported by 66 percent of the respondent indicated they are incurring cost of more than 2500 birr because of customs clearance delay.
5. 67.45 % of the respondent expressed their idea; customs clearance process delays affect their import logistics efficiency. They identified many key constraints for this reason. Frequently system interruption, goods physical inspection/examination, document check, under valuation and misclassification, and examination of goods.
6. Typically, customs is seen as responsible for all delays and wrong doing at the clearance, although other agencies are involved. It should be clarified the role of the other agencies in overall clearance delays. Hence, based on the survey result, 68 % of the respondent revealed that other regulatory agencies take days in order to give required permission for importing goods. It can be imagined how much cost would be incurred based on the above table 4.4.2 for every delays day.
7. The survey result also shows that importer who demonstrating high level of compliance does not receiving fast customs clearance. The current rule and regulation for customs clearance process not help to decrease the delays of goods to be cleared. Competency of employee on customs clearance at the branch is poor. In other word, 40 % of the respondent does not believe that customs employees at the branch have adequate customs clearance process knowledge. This indicates that, there is customs clearance knowledge and skill gap in the branch to execute the process. These are confirmed with mean score of 3.2, 3.26 and 3 respectively even though the cumulative rate of mean value is 3.35.

5.2 Conclusion

A number of theoretical and empirical literatures were reviewed. Mainly World Bank doing business and logistics performance index report showed that Ethiopia ranked 126th out of 160 countries. The logistics system of the nation is deteriorating when compared with other countries. The ranking of Ethiopia shows a back ward spiral between 2014 and 2016, going from 104 to 126 in the rank comparison across 160 countries. (World Bank group,2016).

This World Bank report shows that the number one performance indicator of logistics is efficiency of customs clearance process. There are different aspects of customs efficiency measurement. Many countries around the world measures their customs performance in terms of collecting revenues, enforcing laws effectively, facilitating trade, protecting society, managing risks and border security. From the logistics point of view, customs performance efficiency in International LPI, it is about the efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities in customs).

Savings time in clearance have a clear economic benefit. The benefits of reduced cycle time have been clearly demonstrated in various industries (Stevenson 2011). Cycle time reduction has become a significant concern for those doing global business. The longer products take to get to market, the more likely they will perish, become outdated, be displaced by superior alternatives, or lose the interest of potential buyers. Stevenson research has shown that a 10% cut in delivery time will, other things being equal, expand exports of time-sensitive manufactures by over 4% (Holloway & Rae 2012).

Therefore, this study has examined the impact of customs clearance process on logistics efficiency the case of Modjo customs branch office.

Accordingly, the study results show that there were improvements made by the branch and there are a lot of positive messages to be taken from the results of the study at the branch that are help clearance process and worth sharing to other branch. Such as customs modernization program, different kinds of schemes that help customs clearance fast (this means pre- arrival procedure, deferred payment etc), temporarily release of goods in order to avoid the goods customs delay, Simplification in customs clearance to fasten the clearance process.

One of the key points recommended by RKC to facilitate customs clearance is standardization and simplification of goods declaration and supporting documents.

With this regard, the survey result shows that there is possibility of practice that release of goods on the provision of the minimum information necessary to identify the goods and permit the subsequent completion of the final goods declaration.

In the survey the researcher also understood that ECC has transforming and upgrading from ASYCUDA++ to ECMS that is very helpful for facilitating and accommodating all customs clearance related information in the technology. And also entering in to interfacing with other agencies by implementing single window. Unlike transforming of ASYCUDA++ to ECMS, the branch are highly affecting by system interruption.

On the other hand, the result of the finding also revealed that there are constraints that have high impact on import logistics. Such as goods are not releasing on standard time, therefore, customs clearance delay forced to add more than 2500 Birr additional cost on import logistics.

Complexity or redundant customs formalities that delay clearance and create opportunities for unnecessary discretionary interventions it may lead to lag and inefficient logistics. In this regard, the survey result shows that there is redundancy of goods physical examination. In fact, there might be no provisions at the branch for selective inspection of cargo based on risk management again.

The other core point that the survey found out was, goods are not released as per standard time. This result shows that the lead time of goods at customs clearance is high. This is due to reluctance of the officers in decision making, tendency of redundancy goods physical examination and other factors contribute to the delay.

This survey result also identified key constraints for clearance delay. These are frequent system interruption, goods physical inspection/examination, document check, under valuation and misclassification, and examination of goods.

Alongside customs role in clearing process, the survey found out others' regulatory agencies share of delays that have highly and undeniable impact on customs clearance process.

Lastly, customs clearance knowledge and skill gap of the customs employee have been identified.

In general, custom clearance time delays, which driven by different factors have significant impact on time and costs. Therefore, this impact reflects on overall import logistics efficiency.

5.3 Recommendations

Based on the findings discussed on the above outline, even though, found points that have a lot of positive impacts on logistics efficiency to be taken from the results of the study. Areas where shown on the results need to be improved.

1. In order to overcome the delay of import goods on clearance process and redundancy of good examination, it is important that strengthen risk management capacity. The application of risk management principles provides the means of achieving facilitation and control. It is a commonly held belief that facilitation and control sit at opposite ends. It is often assumed that, as the level of facilitation increases, the level of control decreases. Similarly, where regulatory controls are tightened, it is commonly assumed that facilitation must suffer. Effective application of the principles of risk management is the key to achieving an appropriate balance between facilitation and control.

The customs role is, therefore, to manage compliance with the law in a way that ensures the facilitation of trade. To achieve this, several administrations have already implemented compliance management strategies that are based on the principles of risk management.

Customs should move from physical controls to selective and periodic compliance checking through post-importation accounts-based audits. Effective use of information technology can substantially contribute to such controls while facilitating trade.

2. A major source of dispute between Customs officials and traders is related to the treatment attributed to the goods for Customs determination of the value, classification of goods, and determination of rules of origin. They are also a source for corruption if traders aim to obtain a better treatment of their goods by way of bribery. Advance ruling provisions aim to set up a transparent and formal process whereby exporters and importers obtain upon request rulings from Customs administrations prior to the transaction. It should be legally binding.

Currently, there is applicable legal rule or procedure that allows advance rulings in ECC on tariff classification. However, due to many reasons there is an implementation problem. Advance ruling is important for eligibility to preferential treatment and reduced consequent delays. Therefore, Modjo customs branch has to reinforce the implementation of the provision.

3. Even though, there is standard time for activities undertaken in ECC developed in the era of BPR in 2007, almost it is outdated and even it is not known by survey respondents due to frequent changes of customs organization by itself and dynamism of global trade practice. Therefore, it needs to be set standard time for customs clearance service in line with WCO time release study guideline.
4. In fact, ECC has transformed and upgraded from ASYCUDA++ to ECMS. This is good action that ever taken by ECC. However, interruption of system this on pilot testing system is a common problem for Modjo customs branch. Improve their information technology systems to ensure the timely and accurate electronic of data is important. The researcher observed that the root cause of system interruption is telecom infrastructure. Modjo customs branch office is a huge and approximately handling more than 15,000 containers at a time and generating the lion share of revenue collection. Therefore, there should be developed its own system control station and alternative mechanism.
5. Since, other regulatory agencies also have undeniable share on the delay of customs clearance. There need to be a mechanism of platform in order to integrate the agencies. And Relationship with stakeholders to pursue a common customs facilitation agenda reinforced. In this time the best solution for this problem is the undergoing project of single window. Therefore, it is better to complete the single window project and enter in to function.
6. Finally, implementing a Customs procedure aligned with the principles of the Revised Kyoto Convention would allow for customs clearance process speedy, predictability and simplification.

References

- Addis Ababa chamber of commerce and Sectoral Associations with financial support from the Swedish Agency for International Development Cooperation, Sida, 2011, the impact of border clearance procedures on the business in Ethiopia.*
- Bartlett J.E, 2001, determining appropriate sample size in survey research.*
- Biggan, 2018, research methodology.*
- Birhanumekonnen, 2018, Ethiopian business review*
- Debeledessalegn sirika & teklukassagizaw, 2016, Effects of Procrastination on Customs Clearance Cost: The Case of Kaliti Customs Branch in Ethiopia*
- Donald f. wood, 2019, business logistics quoted the council of logistics management (published journal)*
- Fekadu M. Debela, 2013, logistics practice in Ethiopia.*
- Floyd J. fowler, jr, 1984, survey research method*
- John w. creswell, 2005, research design*
- Helvetic , 2016, international journal of academic research in management.*
- Korinek and sourdin, 2011, to what extent are high- quality logistics service trade facilitating- OECD trade policy working paper No 108(published)*
- Liwenchen and yongfrima, 2015, a study of the role of customs in global supply chain management and trade security.*
- Onwuegbuzie and combs, 2010, criteria Meta framework for mixed analysis techniques*
- Pilot, D. and hunger, B, 1999, nursing research*
- Ruslanmbeysenbaev, 2019, proposals for improving the logistics performance index*
- Russell L. Ackoff, 1953, the design of social research*

Sezer and abaziz, 2017, the impact of logistics industry on economic growth

The Asian journal of shipping and logistic,2017, the logistics performance effect in international trade

Undp, 2017, Ethiopian national logistics strategy

Wco , 2018, time release study guid

World Bank, Customs modernization hand book, 2005

World Bank, 2016, logistics performance index

World Bank, 2016, logistics development strategies and performance measurement

World Bank, 2018, logistics and trade facilitation connectivity

World Bank, 2019, easy of doing business

APPENDIX- I

Addis Ababa University
School of Commerce

Logistics and Supply Chain Management

A Master Thesis Study on The impact of customs clearance on logistics efficiency: The case of Modjo customs branch office

Dear Respondent,

First and foremost, I would like to thank you for giving your precious time and for agreeing to take a quick 5-10 minutes. My name is *EndashawTemesgenBeyene* and I am conducting study entitled “*The impact of customs clearance process on logistics efficiency: The case of Modjo customs branch office*” as a partial fulfillment for master of art degree in logistics and supply chain management program. Beyond academic purpose, the result of the study will help to provide certain information for logistics sector.

Therefore, your support to fill this questionnaire is extremely valuable to accomplish this study. The researcher also assured you that all answer you provided will be kept in the strictest confidentiality and utilized for the purpose of the above mentioned entitled academic study only.

For any additional information, explanation and comment please feel free to contact me via phone # +251(0) 9 12 34 31 65 or email endashawsome@yahoo.com

You can use Amharic language to explain your idea.

Thank You

EndashawTemesgen

Part I. General Information

For the following questions you are cordially invited to provide the most appropriate response of your choices by putting a thick mark (✓) in the box provided.

1. Sex: 1. Female 2. Male

2. Age: 1. 20-30 Years 2. 31-40 Years 3. 41-50 Years 4. More than 50 years

3. Educational background

1. Certificate 2. Diploma 3. BA/BSC
 5. PhD 4. MA/MSc Other Specify -----

4. Work experience as customs clearing agent/employee

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

5. Current job Position -----

Part II

Please indicate your consent by putting a tick mark (√) the number that best represent how you feel about the efficiency of customs clearance process at Modjo customs branch office.

No	1. Efficiency of customs clearance process (speed, simplicity and predictability)	Strongly disagree	disagree	neutral	agree	Strongly agree
1.1	Customs modernization program being implemented to simplify customs clearance process					
1.2	There are different kinds of schemes has been implementing at Modjo customs branch office in order to make customs clearance fasten (e.gpre-arrival, deferred payment etc...)					
1.3	Good can be released temporarily by guaranty in order to avoid clearance lead time or goods waiting time at customs warehouse.					
1.4	There are no redundancy of goods physical inspection and document checking for a particular shipment.					
1.5	Advance ruling (giving advance information for customers) on tariff classification & valuation has been implementing at Modjo customs branch office.					

No	1. Efficiency of customs clearance process (speed, simplicity and predictability)	Strongly disagree	disagree	neutral	agree	Strongly agree
1.6	Importer able to choose the location for goods physically inspected (at customs compound or importer site)					
1.7	Import shipment are cleared from customs as scheduled					
1.8	Simplification of document requirement for customs clearance has been implementing at Modjo customs office					
1.9	There are additional cost incurred due to delays of customs clearance process					
1.10	There is standard time for each customs clearance activities and gives services accordingly at Modjo customs branch office.					
1.11	Modjo customs branch office mostly use transactional value method to calculate duty and tax for imported goods to fasten clearance process					

1.11 Does customs clearance process delay affect your company import logistics performance?

Yes

No

don't know

1.12 For question number 1.11, what are the key constraints for the delay? (Please list them in their order of seriousness).

No.	2. The average time it take the customs clearance activities	Day	Hours	minutes
2.1	Declaration submit to customs(face vet) at Modjo customs branch office			
2.2	Goods physical inspection			
2.3	Document scrutiny/check for red risk			
2.4	Document scrutiny/check for yellow risk			
2.5	Document scrutiny/check for yellow green risk			
2.6	Ready to inspection of arrived goods at Modjo dry port			

2.7 To what extent customs clearance delays has impact on logistics in terms of cost in average?

Less than 1000 birr 1000 – 2500 birr 2500 – 5000 birr above 5000 birr

2.8 Are there any other governmental regulatory agencies involved in between clearance process?

Yes No

2.9 If you answer for question number 2.8 is yes, how many time they take to give the required permission for import goods to be cleared in average?

Month Day hour minute

2.10 Would you please rank the following source of major delays in customs clearance process at Modjo customs branch office?

Source of major delays of clearance process	Rank
Document submission process	
Goods physical inspection/examination	
Risk channel identification	
Document scrutiny/check	
ECMS/ ECVS system interruption	
Customs employee inefficiency/incompetency	

Corruption	
------------	--

No.	3. Risk management and automation	Strongly disagree	disagree	neutral	agree	Strongly agree
3.1	Customs has strong information and profile for risk channel categories or risk based inspection (red, yellow, green and)					
3.2	Risk management techniques are properly implemented in customs clearance procedure					
3.3	Importer who demonstrating high level of compliance receive expedited/fast customs clearance					
3.4	In general, the current rule and regulation for customs clearance effectively decrease the delays of goods to be cleared					
3.5	The import clearance process is properly supported by modern information technology system					
3.6	Customs employees have adequate operational knowledge related to customs clearance process					

4.4 Any else you want to add about existing import clearance efficiency and how it can affect your company logistics process at Modjo customs Branch Office?

APPENDIX- II

Interview Guide Line

1. How do you evaluate Modjo customs branch office customs clearance facilitation support your import logistics?
2. Is Modjo customs branch office implementing simplified and modern customs clearance procedure? please mention them
3. Is the current automation system sufficient to support and make the customs clearance process fast?
4. What are the major sources of delays of customs clearance process? please specify
5. How do you evaluate the branch's risk management to support clearance process by identifying risk level of the goods being immediately cleared?
6. Anything that you want to add about customs challenges in export trade facilitation? Please, specify.