ADDIS ABABA UNIVERSITY

SCHOOL OF GRADUATE STUDIES

SCHOOL OF INFORMATION STUDIES FOR AFRICA (SISA)

SURVEY OF INFORMATION REQUIREMENTS OF BUSINESS ORGANISATIONS (IMPORTERS) IN ETHIOPIA: THE CASE OF AUTOMOTIVE PARTS IMPORTERS IN ADDIS ABABA

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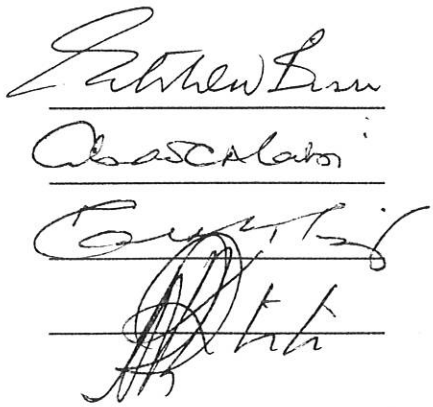

DEDICATION

To Menen Mekonen, loving wife and John Birhane, loving son who shared their time, of course with pain, so that Birhane accomplishes one of his dreams.

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ABSTRACT

Import business has international characteristics and carried out between two or more organisations, individuals living in different parts of the world. In order for the transactions to be carried out smoothly, the information flow must be clear and properly set to adhere to the rules and regulations of the respective countries.

The seller is interested to sell his goods against good settlement or payment. The buyer is also interested to get the goods in good condition. Thus both parties have to set an agreement (contract) in which the terms and conditions of the transaction are well established. However, this agreement by itself is not an end to materialise the physical delivery of goods and effect payment in return. The involvement of third party to facilitate the agreement reached between the two parties is mandatory. National Bank, Commercial Bank(s), Insurance, Shipping companies, Customs, etc., are some of the institutes involved in each transaction of import business.

The study therefore highlights the importance of business information in this context and indicates the processes and the information required in the process of doing import business in general and automotive parts import and sale in particular. Specifically the requirements of each organisation such as Bank, customs, Insurance that have to be fulfilled by the importer are detailed in the study.

The data flow in and out of the system is highlighted in detail using diagrams and tables.

Finally, a prototype database is created to show the importance of computerised business information system in import and sale business sector. It is possible to store, manipulate, and retrieve updated information from the system that in turn facilitates the provision of timely information to support decision making.

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List of abbreviations used in the study

APIS	Automotive Parts Import and Sales
C+F	Cost and Freight
CAD	Cash Against Document
CBE	Commercial Bank of Ethiopia
CCCN	Customs Co-operation Council Nominator
CIF	Cost Insurance and Freight
CPO	Cash Payment Order
DBMS	Database Management System
DBO	Design by Objective
DPA	Duty Payable Amount
ETA	Excise Taxable Amount
FDRE	Federal Democratic Republic of Ethiopia
FOB	Free on Board
FV	" Franco Valuta"
GDP	Gross Domestic Product
ICC	International Chamber of Commerce
IS	Information Systems
IT	Information Technology
JSD	Jackson Systems Development
L/C	Letter of Credit
NBE	National Bank of Ethiopia
PAD	Problem Analysis Diagram
PSA	Problem Statement Analysis
PSL	Problem statement Language
RAM	Random Access Memory
SADT	Structured Analysis and Design Technique
SAS	Structured System Analysis
SSADM	Structured Systems Analysis & Design Methodologies
STRADIS/	Structured Analysis, Design and Implementation of Computer System
UCP	Uniform Customs and Practice for Documentary Credit

CHAPTER ONE

INTRODUCTION

1.1 STATEMENT OF THE PROBLEM

Ethiopia as a country is almost 100% dependent on import of automotive parts with a significant share and impact on the utilisation of scarcely available hard currency in the country. Business organisations in the country have major problems of lack of sufficient and reliable information while deciding to import the right quantity, right quality, at the right time, at right price, from the right source, and sell it in the market. The preliminary survey indicated that most of the organisations are facing the problem of keeping huge amount of overstock that caused capital tie up and in effect reduces return on investment (ROI).

A survey study was conducted on spare parts taking the then Ministry of State Farms Development (MSFD) in 1991. The survey showed that MSFD was having above 100 million Birr worth of spare parts out of which only 20% was moving and 80% non moving. The non moving represent unjustified tied up capital for one sector only (Balku, 1991).

On the other hand these organisations have an acute problem to keep the right quality and quanti of parts in stock so that to enable them satisfy the request coming from customers.

1.2 JUSTIFICATION OF THE STUDY

Wilson (1987), stated that in order and simply to survive in the business world, the businessman must have source of information, and does have access to such sources. The required information for the organisation could be obtained from within or from external environment. The type of required information for business organisations can range from internally processed information such as accounting reports to market information that is external to the organisation.

Business information needs are sometimes neatly categorised under headings such as 'strategic planning', 'management control', and 'operational control' (Keen & Morton, 1978), and these headings are usually associated with different organisational levels in business: top management, operational supervision.. Top management seek for information that would enable them to set out the strategic planning of the organization. Information required at this level is more of unstructured and external oriented.

The tactical level management need information that would enable control the overall activities of the organization. The type of information referred at this level is known as Management Information System. The operational level refers to the supervisory level that requires information to control the day to day activities of the organisation.

Information requirement analysis to be carried out on business organisations engaged in import and sales of automotive parts in Ethiopia will help the people solve their problem related to identification of vital information required in their day to day business activities and decision making.

It is difficult for business organisation to sustain in business environment without having sufficient and reliable information in general and business information in particular. Thus business organisations dedicated to do business in the area of automotive parts in Ethiopia, must equip them selves with adequate business information.

Bentley (1981) has clearly stated the use of information. Information is vital to effective business management. Knowing what is happening, where and when and its effects on the business is essential. This can only be achieved if the user's needs are understood, and analysed and met in an efficient manners.

Information esteemed as valuable commodity to business organisations has two valuable applications (Lavin, 1987): Problem solving and strategic planning. Problem solving is the more obvious use-applying information to specific decision-making situations. The study can unearth potential problems which might otherwise go undetected and help define their full scope.

Strategic planning is a less direct use of information, but is possibly the most important application in the business world. Information is an essential component of sound log-range planning. When used in the strategic sense, information is often called intelligence (Lavin, 1987). Intelligence is gathered by collecting individual bits of data and piecing them together to form clear patterns. By its very

nature, intelligence relies on sources outside the organisation; it is generated by scanning the environment for useful information.

So far no information requirement analysis has been conducted by any party in this field in the country. And such analysis is made to contribute a lot towards identifying the required information to help solve problems and contribute in strategic planning to reduce uncertainties in decision making and project the unknown future. To some extent pointing out the sources (internal & external) of the required information for such organisation will be part of the study.

As mentioned earlier Ethiopia is import dependent as far as automotive parts is concerned and details of imports (year, 1990-1994) are indicated in table 1 . The trend shows that the amount of imported automotive parts to the country is increasing from year to year at higher rates except in the year 1991 where there was instability of the government in the country. It can be imagined from the import progress that a big amount of foreign currency is required to satisfy the demand coming from the business community. The following tables are presented to show the amount of imported spare parts in relation to other items in five years (1990 to 1994).

Table 1.1. Summary of automotive parts imports (1990 to 1994) compared to total imports to the nation (in ,000 Birr)

YEAR	TOTAL IMPORT	AUTOMOTIVE PARTS IMPORT	% OF AUTOMOTIVE PARTS
1990	2,230,238	100,648	4.5%
1991	976,647	49,272	5.0%
1992	198,839	149,469	7.5%
1993	3,852,334	214,209	5.6%
1994	5,650,756	313,367	5.5%
TOTAL	**12,908,814**	**826,965**	**6.4%**

All imports are valued on **CIF** bases
Source: Ministry of finance & Customs authority (Ethiopia) Annual external trade statistics (1994)

As shown in the preceding table, the average share of automotive parts imported to country in five years was 6.4% of the overall import. This indicates that the amount imported in this line is so big (826,965 million Birr) that demands the availability of big amount of hard currency and proper management based on established business information system on all parts; the government and the business community. Other imported items to the country include industry equipment, trucks, fuel, food items, raw materials, etc..

On the other hand the availability of hard currency is very limited and difficult to get. Auction is the practice so far used in the country to fairly distribute the hard currency to those who request for it. The competition for the business community to get sufficient foreign currency to import their merchandise has been observed increasing from time to time.

These days business organisations have to have sufficient and key information to quote fair rate and win the auction for hard currency that help them import and sell products from abroad, because market economics heavily relies on information. Automotive parts importers have to go through this procedure.

The business of importing automotive parts is not an end in itself in the country. Another vital activity of a business organisation is to look for and secure market for what it has imported. This activity requires an information work (market information) without which it is difficult to meet the very objective of the business organisation (profit making).

The information requirement study and analysis have mainly dealt with, in terms of the information needed (user study); information required in the processes of importing the right quantity and quality of parts from the right source, market information needs to enable importers sell their imported parts, and information needs to maintain their stock to minimise the risk of under stock and over stock. The emphases of the study is then to identify information requirements of the business community in the field of import and sale of automotive parts and conduct systems analysis and design using system techniques available.

1.3 OBJECTIVES OF THE STUDY

1.3.1 GENERAL OBJECTIVES

The general objective of the study is to investigate, assess, study and analyse information requirements of the business community in Ethiopia dealing with import and sales of automotive parts with a view to developing a prototype information retrieval system to facilitate import and delivery of required parts at minimum cost.

1.3.2 SPECIFIC OBJECTIVES

In order to achieve this general objective the following specific objectives have been formulated:

1. To investigate the establishment, ownership and capital of the business organisation (spare part importers) including manpower.
2. To investigate import and sales policy and strategy of these organisations.

3. To identify internal and external sources of information for these business organisations in the process import and sale of automotive parts.
4. To investigate import volume, sales volume and stock status of these organisations
5. To investigate the extent of the application of information technology and the trend to this business activity.
6. To design a prototype database to store and retrieve the required information

1.4 SIGNIFICANCE OF THE STUDY

The study advocates the importance of information as a vital and key resources in business activities to make informed decisions to attain objective and live in the competitive environment. Decisions made in business without having relevant, accurate and timely information can contribute significantly to the losses of the organisation. It is well elaborated by Cartwright et al (1993:107), if information is not accurate it could be worse than having no information at all, because wrong decisions may be made.

It is expected that the outcome of this study may directly help the people who have already invested their money and those who are planning to invest in the business of import and sales of automotive parts in Ethiopia. It may also benefit other businessmen in different sector (import) for business information has a common objective and characteristics that have to be inherited by all types of business activities.

It is also anticipated that the result of the study is to benefit the nation in such a way that if business people are successful using the out come of the study will minimize capital tie up and other related costs. Due to this investment opportunity can be realized thereby contributing to the economic development of the country. It can contribute to improvement of hard currency utilization in the country which is scarcely available. Unnecessary, poor quality and incorrect parts will not be imported by business people who have equipped themselves with timely and relevant information about market and suppliers.

The availability of sufficient spare parts in the country will undoubtedly reduce the down time of motor vehicles stranded in workshops (garages) due to lack of the required parts that in turn has an impact in the transport sector of the country. On the other hand new investment opportunity is noted on the transport sector that will definitely require smooth supply of spare parts. Thus the result of the study which is to be consumed by the business people will help secure the availability of the required spare parts and supports other sector of the country's economy; mainly agriculture and transport.

The results of this study can be used as input by business organisation engaged in import and sales of products other than spare parts to the country and assist policy makers to understand the evolving structure and performance of the country's import and sales of automotive parts. This is especially important in a country such as Ethiopia, which is emerging from more than a decade of increasing State control over marketing activities and attempting to re-establish a viable private market system.

Finally the result of the study can be used by system study group while conducting studies on systems analysis and design related to import business activities in the country as well as by importers/exporters to monitor their business activities.

1.5 METHODOLOGY

1.5.1 DATA COLLECTION METHODS

Information systems begin with data. Understanding the data is the first step towards building an information system. Equally important is knowing what the system is doing and what processes it invokes to achieve its ends. These facts are essential for the design and development of successful systems.

Therefore, much of the analysis stage of this study was mainly concerned with collecting data on :-

- operation of the existing automotive import system and the methods used to handle data;
- actual and potential information users of the system;
- the output requirement of the system that would satisfy the information needs of those users
- the input requirements of the system to produce desired outputs;
- the processing requirements of the system to produce the defined outputs;
- data elements stored by the system, etc.;

To collect information on these aspects of the system, the following data collection methods have been used.

Primary data has been collected using survey and observation methods. The survey method referred to distribution of questionnaires and conducting planned discussions (interviews) with respondents. The target population of this study were 500 spare parts importers a list of whom was obtained from the database of the Addis Ababa Chamber of Commerce 1997). Hence, statistical techniques and tools are applied in selecting sample size population, analyse and interpret the data collected. Some of the activities are detailed as follows:

1.5.1.1 Questionnaire

The questionnaire was organised in a way that it enables the user to get an idea on business information. Selection of respondents to the questionnaire has been effected from two target groups: Dealers and Importers. The sample size was designed to be 20% of the total population, i.e. 500 importers and dealers in the field of automotive parts as the result of which, a sample of size 100 was selected using a random number table. Accordingly 5 were dealers, 95 were importers.

As a matter of fact, the sample size depends on a number of considerations (Agarwal, 1994:163) are as follows:

- The purpose of which the sample is drawn.
- The type of population from which the sample if be drawn. That is, if the sample units constituting the population are highly variable, a large sample is required and conversely, if the population comprises of less variable units, then a small sample is good enough. For perfectly homogeneous population, a single unit is sufficient to get the correct results for the whole population.
- Resources allotted for the study in terms of time and money.

Thus the sample size taken in this study is relatively high (100 importers out of 500 population size) in order to make the study representative. This is done because the variations among the importers are many such as in terms of financial position, type and brand of parts imported (light vehicle Vs Trucks), source of their supply, market share, etc.

1.5.1.2 Interview

The interview technique applied in this study was a structured one. Three types of interviewee were selected for the study. The first type addressed organisations directly related to import process such as Commercial bank of Ethiopia, Customs office, Ministry of trade and industry, Chamber of Commerce. The second type of interviewee were users of the product (spare parts). This refers to fleet operators and work shops. The third type of interviewee were resourceful persons who are equipped with import business discipline through education and experience. The total number of interviewed individuals from different sectors were 8 a list of whom is mentioned in appendix II. Personal contact of the researcher with government officials and business people have helped for the interview process to go smoothly, without which it would have been very difficult to arrage the interview process and collect data as desired..

These interviewees were considered to strengthen some of the questions answered by the respondents in the questionnaire method. Finally data collected through questionnaire and interview were analysed using statstical package known as "SAS" to draw inferences.

1.5.1.3 Problems encountered during data collection process

It was difficult to distribute the questionnaires and get the interviewees on schedule for the following two major reasons:

- Transportation was the problem during the study. It was difficult to distribute and collect the questionnaires on the required date;
- It was also a problem to get response on time. Therefore, the researcher had to go several times to remind the respondents to fill out the questionnaire.
- Language problem was also another factor for the questionnaire no to be filled on time by respondents. This has happened because the questionnaire was prepared in English

1.5.2 LITERATURE REVIEW

Different materials were surveyed to enrich this research. These include several books on business and information management. Various journals, newsletters produced by different sources in relation to business and information were also taken into account while carrying out this research.

A number of documents were also assessed and analysed for the following reasons:

- It was essential to have a theoretical background on the basics of the business information in general and import business in particular;
- To see if other similar studies have been conducted in this area; and to what extent; and
- To investigate the possible sources and needs of business information in the country.

1.5.3 Systems analysis and design technique

From the variety of systems analysis and design methodologies available today the widely used ones are the structured design methods. Because these methods provide a formal and organised way of working through the stages of design to ensure consistency, documentation, change of control and above all recognise that the potential users of a system should have the ultimate voice in the design process. All structured methodologies have common features in that "they use graphical models to document the outcome of each step, place heavy emphasis on user participation in the design process and involve repetition of the previous phase(s) and step(s)" (Daniels and Yeates 1982) in Hadera, 1995.

Rowley (1990), and Eardley et al (1991) have categorised the best known structured design tools into three major groups as: Functional Decomposition, Data-and-Process Design, Prescriptive methodologies.

Functional Decomposition Methodologies

These structured design methodologies emphasise on the breaking down of systems into smaller subsystems, so that the whole system can easily be understood. Some of the best known functional methodologies include the top-down approach, bottom-up approach, HIPO and step-wise refinement approach.

Data-and-Process Design Methodologies

These methodologies are broadly divided into two groups, namely data-oriented and process oriented. The data-oriented methodologies mainly emphasise on the characteristics of the data being processed by the system. Data flow-oriented (process) methodologies, on the other hand, are based on the decomposition of a system into modules by considering the types of data elements and their logical behaviour within the system. Data-oriented Methodologies include Structure Analysis and Design Technique(SADT), Composite Design, Structured design, Structured System Analysis(SAS), Structured Systems Analysis and Design Methodologies (SSADM), etc.

Process-oriented methodologies include Jackson systems Development (JSD), Structured Analysis, Design and Implementation of Computer Systems (STRADIS), Warnier/Orr methodology, Information Engineering Methodology(IEM), etc.

Prescriptive methodologies

These are basically computerised design procedures commonly used by analysts to develop software. The most widely used prescriptive design methodologies include Chapin's approach, design by objective (DBO), Problem Analysis Diagram (PAD), Problem Statement Language(PSL)/Problem Statement Analysis (PSA).

It is not always easy to select the 'best' one from the structured methodologies described above, however, the analysis and design methodology used for this study is a combination of useful elements of the functional decomposition and data-and process-oriented design methodologies mentioned above, emphasising on SSADM that builds up several views of the system (Data Structure Diagram, Data Flow Diagrams and Entity Life Histories) which allow cross-checking of one another during the analysis and design process.

Finally some computer programming techniques are used in this study to design the prototype database and user interface to show the possibility of storing and retrieving the required information in this business sector.

1.6 SCOPE AND LIMITATION OF THE STUDY

This study sets out to look in to all import related business information requirements, sources and services and evaluate its utilization by the end users (importers). However, due to time constraint, the main emphasis of the study lies on to specific business sector, i.e. import of automotive parts to Ethiopia. Information related to this business sector is analysed based on the data collected from different sources which have direct and indirect relationship with this type of business. To mention some among other sources; Bank and insurance, Customs office, Transport organisations, Importers, etc.

Some of the limitations to the study can be attributed to some respondents who were to some extent reluctant to give the required answer in time and some of them failed to answer totally. This is mainly caused because people in the business fear to give information.

1.7 ORGANIZATION OF THE THESIS

This study is composed of five chapters.

Chapter 1 gives the background information as well the statement of the problem, justification, stating general and specific objectives of the study, significance of the study, scope and limitation of the study, and the methodology used to conduct the study, mainly how data is collected, analysed .

Chapter 2 deals with business information overview which was surveyed from various literature. It has highlighted the terms like data and information, information system and types, decision making and information, information as competitive and strategic factor to business organisation, etc. Chapter 3 and 4 are composing the analysis and design part of the study. Information requirements of import business is analysed from the survey result and accordingly the prototype designed is carried out.

Finally, chapter 5 summarises findings of the study and provides further recommendations for applying business information system in the import sector with special attention to automotive parts import to Ethiopia.

CHAPTER TWO

BUSINESS INFORMATION SYSTEM OVERVIEW

2.1 INTRODUCTION

It is worth discussing, about ***data***, ***information***, and ***information systems*** so that one gets the understanding of ***business information systems*** and related topics in the following sections.

2.1.1 Data and Information

Data in the context of business environment can be defined as a collection of unprocessed facts associated with particular activity; measurements or observations about people, events or objects (Clare et al, 1995:17; Burn et al, 987:). However, data in isolation has no real meaning and simply collecting it for its own sake is pointless exercise.

If data is to have any value at all, it needs to be given some meaning and interpretation and this can be achieved only by some forms of processing applied to data (Clifton & Sutclifffe, 1994:13).

The result of the processed data is known as information. According to Clare et al(1995:5) information is defined as relevant data that has been processed meaningfully.

In order for information to be meaningful and useful for the user it has to have certain characteristics, namely ***accessibility, relevance, comprehensibility, timeliness*** and *accuracy* (Eric et al, 1993:3; Jennigs & Sener, 1995:279; Clifton & Sutcliffe, 1995:16).

To be useful, information must be accessible. For information to exist somewhere is not sufficient, users must know that it exists in the first place and they must know how to obtain it as well.

The second fundamental requirement of information is that of relevance. Having large amount of information can burden the user with unnecessary administrative overloads. In order to avoid such burdens, the available information must be relevant to the purpose.

Comprehensibility of information related to the format of its presentation and its match to the particular needs of decision makers.

A further requirement is that of timeliness. From the end user's point of view this may be a preference to minimize or at least limit the time taken from information requests to receipt. That is to minimize delays between request for and provision of information, that can be caused due to: procedures and structures of the system or weakness in the information received (incomplete, insufficiently accurate, irrelevant, etc.) which implies the user to repeat the request (Eric et al, 1993:4). The qualities, attribute of accuracy and timeliness are clearly linked.

2.1.2 INFORMATION SYSTEMS

Information system as defined by Laudon (1995:5) is a set of interrelated components working together to collect, retrieve, process, store and disseminate information for the purpose of facilitating the management functions (planning, control co-ordination, analysis, and decision making in business and other organisations).

The general model of information system is highlighted by input, process, and output. The input aspect of the model refers to capture or collection of raw data resources from within an organisation or from its external environment. By process it means the conversion of raw input into more appropriate and useful form. Finally the output aspect refers to the transfer of processed information to the people or activities that will use it. Of course the storage of information is understood to exist in all parts of the model.

2.2 BUSINESS INFORMATION AND DECISION MAKING

2.2.1 BUSINESS INFORMATION

Business information is the type of information with all the attributes mentioned earlier, created to serve the business in attaining its objectives. Information in a business context facilitates the maximization of opportunity and the minimization of risk. Business information needs are sometimes neatly categorised under headings such as 'strategic planning', management control; and operational control, and these headings are usually associated with different organisational levels in the business: top management, middle management, operational supervision.

Thus the requirements of decision makers in business be it large or small are for processed information; and that the bulk of all this is gathered and processed by accountants and others (Rowe, 1973).

According to Clifton and Sutcliffe(1994) and Stueart(1993) there are five levels and three categories of business information. The five levels are: international information, national

information, corporate information, departmental information, and individual information, while the three categories of business information are: **strategic** information relates to long term planning policies and therefore of most interested to top management. Company-wise, it includes market availability and penetration figures, projected raw material costs, product developments, manpower changes and new technologies; **tactical information** used in short-term planning, i.e. months rather than years, and is of more interest at departmental level such as sales analysis and forecasts, cash flow projections, etc.; **operational information** applies to short term, perhaps hourly, running of departments. It includes current stock-in-hand, outstanding and overdue purchase orders, work-in-progress levels, and customers' to-follow orders, it is derived quickly from current activity data.

2.2.2 INFORMATION USE IN DECISION MAKING

Information is primarily used in organisations for planning and operational management purposes, and essentially for making decisions associated with them.

Decision making (selecting the best alternative and committing resources) is mainly based on the availability of proper information. Decisions made based on wrong information are normally worse than making no decision because the outcome from such decisions could be destructive to the business. As mentioned above decision means committing some resources of the organization and if any decision is made on the basis of wrong input (information), the result is undoubtedly improper utilization of the resources committed that is why said making wrong decision is worse than not making decision

Decision in business can be made at lower, middle, and strategic levels. The type of information to serve decisions at various levels could vary. For instance the strategic decisions usually made by senior executives commonly seek out a very wide range of information; and commission information such as market an opinion surveys. They may also invest in a special information management tools such as business models and simulations before reaching a strategic decisions (Jennigs &Sener, 1995:).

Raina, 1987 in the book, ***Guide to import management***, highlights information use in import business decision making. An organised effort at acquisition of sources of information and its analysis and interpretation is justified only if it is put to use by decision making. In this context it is important to note that large part of a procurement official's day in an importing organisation, as in others, is taken up by decision making of various types whether on trivial issues or important business matters. They therefore, have very little time to collect, collate and analyse information directly. Unless this is made available to them in an applicable form, the odds are that decisions will be based on information acquired through informal channels and possibly in the optimistic belief that nothing else is available or relevant.

2.3 BUSINESS INFORMATION NEED & USES

In general, potential users of business information include politicians, government departments and civil servants, business information providers and publishers, parents and the concerned citizens, but by far the most important user of business information is the firm(Kaye, 1991:2). The firm is said to

be the most important and frequent user of business information for the reason that it is the only means of survival.

To help business organisations to survive in the competitive business world, they must have sources of information, and does have access to such sources. In some cases it is the financial pages of the daily news paper, or more likely the Financial Business Times, in other cases it will be social acquaintances, the competitor contact who is willing to discuss the current downturn in Business (Wilson, 1987).

If one uses the 'natural organisational divisions of production, sales, marketing, personnel, and finance, it becomes evident that different individuals pursuing different kinds of tasks within functional divisions, overlap quite significantly in their needs for information.

Organisations need information of various kinds and the specific needs of various departments within them also differ. There is further level of variations, in that the people within each department-from temporary clerks to departmental managers-also have different needs, the sources of the required information could be from within the organisation or from external environment.

2.4 MANAGING INFORMATION FOR CONTINUAL IMPROVEMENT

The rate of change in the business world during the 1980s was fast and during the 1990s we can already see that change is occurring faster. The faster changes can be attributed to the development and progress of technology in general and information technology in particular. To survive in this

environment organisations must learn to be flexible and responsive to their customer's need. To run successful organisation is difficult and rapidly getting more difficult as markets become more competitive and consumers become more demanding (Wilson, 1993).

All organisations must manage information, just as all business must make a profit. It could be argued that however well one manages information, without profit one's business will fail. On the other hand, with out information good decisions are impossible, and profitability depends upon good decisions making through out the organisations.

It would be unlikely to make good business decisions without proper information and managers are constantly seeking more and better information to support their decision making, hence the growth of information systems a term which today is often taken to mean networks of computers, but strictly speaking should also include non-computerised channels of communication such as regular meetings, the in-and out-trays full of memos and reports and of course the phase. To survive, every organisation must be able to collect information, communicate it internally and process it so that mangers can make decision quickly and effectively in pursuit of organisational objectives in a changing, competitive environment.

A well managed information system is considered to be the nervous system which allows an organisation to respond to opportunities and avoid if not minimize threats; to be effective it must reach to the furthest extremities of the organisation.

2.5 BUSINESS INFORMATION AS A STRATEGIC FACTOR

2.5.1 ACHIEVING COMPETITIVE ADVANTAGE WITH INFORMATION SYSTEMS

A new role for information system has been their application to problems concerning the firm's competitive advantage. Such systems are considered strategic information systems because they focus on solving problems related to firm's long-term prosperity and survival. Such problems may entail creating new products and services forging new relationship with customer and suppliers, or finding more efficient and effective ways of managing the firm's internal activities. The objective of such systems is to provide solutions that will enable firms to defeat and frustrate their competitors.

Although any information system application is "important" in the sense that it solves some important business problems, a strategic information system is one that places the firm at a competitive advantage. Strategic impact systems are far-reaching and deploy rooted; they fundamentally change the firms goals, products, services, or internal and external relationships.

2.5.1.1 Information as a competitive factor

All over the world information today is in the process of becoming one of the most important- perhaps the most important- competitive factor that business managers have at their disposal in order to improve market and competitive positioning.

What sets value creation by strategically controlled information and knowledge management in a special position, is the unique role that information and knowledge play within an organisation. Information and knowledge are inherently related to the human kind. One individual's use varies

considerably from another even if their evaluations are made from the same basic data or information material, from the same factual piece of information. The level of knowledge the individual's experimental background, other readily available factual knowledge and even social status and human psychological mental state, are all elements which will eventually affect a person's use of information.

According Kalseth to (1991), a business or company wide information solution must take into consideration:

1. **The external business environment:**

   - concrete information(fact- quality information);

   - signals (soft information) which at any given moment can seem useless, but over time may crystal; i.e. into clear trends, or create set of values for a certain activity when seen in conjunction with other known information (intelligent information)

2. **Internal organisation:**

   -internally generated information (experience) from the organisation's own activities or as a result of collecting and processing internal & external information;

   - effective management of internal & external information

3. **Net/ Communication**:

   -the purpose of controlled information management is to communicate information to the right person in the organisation when she/he needs it;

   - collection of external information;

   -communication/sales of information; information as an integrated part of a product.

These three factors According Kalseth to (1991) will in fact be the most important issues for strategic evaluations and when establishing a business information strategy.

2.5.2 Countering competitive forces

To stay in business, almost all firm's must worry about their competitive advantage-that is their ability to compete with other firms. This competitive advantage is shaped by a series of competitive forces, such as substitute products and services, the bargaining power of customers and suppliers, and the threat of new competitors entering the market. These forces, in turn, affect the balance of power between the firm and its traditional competitors in the industry.

The are four basic strategies that firms can pursue to counter these competitive forces (Laudon et al, 1995). These are:

Table 2.1 Basic strategies of competitive forces

strategy	Problem to be solved	Solutions
Low-cost leadership	• Competition from firms with comparable products and services at the same cost is taking away customers	• Produce products and services at a lower prices than competitors without sacrificing quality and level of service.
Focus on market niche	• multiple firms are competing for he same market	• Identify a specific focal point for a product or service. The firm can serve this narrow target area better than competitors and attract a specific buyer group mare easily
Product differentiation	• Customers have no brand loyalty, and competitors can lure them away with lower prices	• Create brand loyalty by developing unique new products that are distinct from competitors' products
Linkage	• Customers can easily switch to another firms, suppliers deliver late or at unfavourable prices	• "Lock in" customers and suppliers, making it difficult for customers to switch and tying suppliers into a price structure and delivery timetable shaped by the firm

Information systems can be designed at enterprise level to help realize the competitive forces strategy used by the organisation. If the company is following for instance the low-cost leadership strategy, it will be tantamount to collect information about products cost and price, search means by which it will enable produce products of low cost than competitors, etc. The information system shall facilitate this condition as well.

2.5.3 Improved operations and internal management

Companies can also gain competitive advantage by performing their business task more efficiently and by improving productivity, reducing costs, or enhancing the quality of products or service. Basic business system that cut administrative cost, reduce costs from excess inventory, or speed production can be strategic of they help a firm become the low-cost leader in its field.

Japanese companies which allocate approximately 1.5% of turnover to information, consider information to be the company's "blood". Indeed, the comparison is most appropriate: blood is regenerated through contact with the outside world, while its function is to reach all parts of the organisation. Likewise, if information is to be of strategic value, it must be a circulating good, a continuous flow requiring an efficient information network with inside and outside the firm, within an exchange context (Martini, 1992).

2.5.4 Company Information

Information within the firm usually comes under three headings:

- **Communication information;**
- **Management information and;**
- **Planning information.**

The purpose of **communication information** is to provide direct knowledge of the company both externally and internally. It can be effective if internal sources are integrated and collected with outside sources, and if promotion mechanism in the marketplace are coupled with effective internal links.

The purpose of **management information** is to control and optimize production, sales and administration operations. Management information includes scientific and technical industrial, judicial and financial data, etc.

Planning information is represented by management information systems, which are in turn based on cyclical data, economic analysis, and forecast, comparison between internal strength and the outside environment, etc. The aim of this type information is not only to develop the company but above all to provide the company with an adequate globallization strategy.

2.5.5 The role of information in value creation

Information and knowledge play an increasingly active and prominent role in companies' and organisations' value creation activities. ***Knowledge*** *is needed for: problem solving, decision making, analyse events and occurrences, the creation of ideas, the process of innovation, the development of products, etc.*(Martini, 1992).

The organisation's level of knowledge is always represented by the competence of its employees. Data and information are the basis for the knowledge we have at any given time. We need constantly

to receive and aggregate new information, represented to us as new knowledge, new experience, new development.

A business can therefore be said to represent an anthill of "news" (What we will call signal information) as well as concrete information and knowledge. It is up to the business manager to exploit and make use of this total amount of knowledge in an appropriate manner, in the right organisational and strategic business context.

2.6 INFORMATION REQUIRED FOR IMPORT BUSINESS

Import business is one of the international trade activities which is held among two or more countries having different policies, culture, people, customs and values but both have common interest, i.e. exchange of goods and services to support their respective economy. While exchanging goods and services among countries, a lot of information is generated and provided to the concerned parties. Here it is tried to highlight the need and importance of information to facilitate people and transactions of import business.

2.6.1 Need and importance

While exchanging goods and services among countries, the need and importance of market information and intelligence in import procurement is axiomatic. Import procurement involves a series of decisions from the stage of planning procurement operations and ending with supplying the right product to the user. In each of these decision areas information and market intelligence play an

important role in satisfying or meeting the import need in an optimal manner within constraints of resources on the one hand and the international commercial environment on the other.

Thus, the decision on what to buy can be effectively resolved only if there is knowledge on what is available in the international market. Information on functional attributes of different products, performance standards, specifications, national or international standards, substitute products, operating conditions etc. will enable a procurement agency to know which are the various options available to it to meet a given need. Additionally, information will also enable it to precisely communicate these needs to potential suppliers with minimum ambiguity. Together with other information, for example, on present prices and likely future trends, on the reliability of different suppliers, on freight markets, on port conditions in different countries and/or their export regulations, etc., it will enable a buyer to decide on what, how much, when, where, and at what price to buy (Raina, 1987:108).

The information needs are vast in the import business sector. The needs of course, will vary from situation to situation. However, importers are usually in need of information on the following aspects: information on ***product and market specification***, whether the product is capital good, or consumer item; information on ***currency market*** to compare the exchangeability of local currency; information on ***freight market*** to choose the economical freight line; etc.

2.7 APPLICATION OF INFORMATION TECHNOLOGY (IT) FOR BUSINESS

The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency (Gate, 1996:136). This is to show that automation could not be the only option to solve business problems.

Michael Earl (Earl, 1986), in his paper (***Formation of information system strategies-a practical frame work)*** makes useful distinction between the terms **IS** (information system) strategy and **IT** (information technology) strategy. He suggests the former is best used to define what should be done with technology and the latter to define how it is done. **IS** strategies are therefore business focused and aim to identify the systems support priorities and plans relevant to a particular business unit; **IT** strategies on the other hand are technology focused and aim to show how a given set of requirement is to be met (Lincoln, 1990: 79)

The front line of information technology is computer, linked to various other devices such as printers and communication modems. These facilitates:

- store vast quantities of data very compactly
- process these data in many different ways, and do so very quickly
- copy the stored data or move all or part of the data to remote location with ease

- communicate the data to other computes, printers and other output devices speedily and accurately.

The communication aspect of the computer has greatly increased the usefulness of computes, and has led to the rise of the networking between computers within particular location of external data services(Jennings et al, 1995:325).

The implication of information technology for business is underlined by Bill Gate, 1996 in the book, the ***Road Ahead***. Because the most efficient business have an advantage over their competitors, companies have incentives to embrace technologies that make them more productive. Electronic documents and networks offer business opportunities to improve their information management, services, and internal and external collaboration, reduce costs, avoid expenses and improve the quality of decision making (Gate, 1996:135; Lincoln, 1990:103). The personal computer has already had huge effect on business. But its greatest impact won't be felt until PCs inside and out side a company are intimately interconnected.

Business of all size have received different benefits from personal computer. Small business arguably have been the greatest beneficiaries, because low-cost hardware and software have permitted tiny outfits to compete better with large multinational corporations. Big organisations tend be specialised. While one department writes brochures, another deals with accounting, yet another handles customer service, and so forth.

If communications system is good enough, companies don't need as many levels of management. Intermediaries in middle management, who once passed information up and down the chain of

command, already are not as important today as they once were. Microsoft as a company is taken as an example. It was born an information age company and its hierarchy has always been relatively flat. the goal is to have no more than six levels of management between. The director and any one in the company. In a sense, because of E-mail, there are no levels between the director and any-one in the company (Bill Gatete, 1996:138).

Normally few levels of management in an organisation enhances effective and efficient information flow in all directions that in turn facilitates timely provision of information based on which timely and right decision could be made. This is of course expected from flexible business organizations to win business competition and ensure their survival in the dynamic environment.

Due to fast development in information technology it is becoming possible for business organisation having their PCs connected to networks like internet to access on-line, and down load updated commercial database to get current information through which they can make reliable and informed business decisions.

CHAPTER THREE

SURVEY OF IMPORT BUSINESS INFORMATION PROCESS

3.1 THE FEATURES OF IMPORT BUSINESS

Interest in the subject of import management is of relatively recent origin traceable to the balance of payment problems of developing countries. The search for remedies to alleviate these problems has focused attention on the latent potential for foreign exchange savings in import procurement (Riana, 1987).

3.1.1 Import Management, its Importance

Most non oil-exporting developing countries have faced in the past, and continue to do so now, balance of payment difficulties. The process of economic development has, in many cases, resulted in imports growing from year to year, with exports having either stagnated or, at best, grown at lower pace than imports. The result has been a persistent and widening import surplus and a current account deficit.

In order to restore balance in their external accounts, governments have usually taken recourse to a consideration of three broad measures: (i) export promotion; (ii) compensatory financing arrangements such as official loans and grants, borrowing from international and other financial institutions, etc., and (iii) import restrictions. The success of the first two being subject to exogenous influence, the more often and widely used measures for restricting imports have been tariffs and

quantitative restrictions. For somewhat inexplicable reasons the enormous scope for foreign exchange savings through efficient import management has, until very recently, escaped attention (Mulunehi, 1982:71).

3.1.2 Problem areas of import

While the benefits of improved import management techniques are substantial, problem areas to be tackled before the benefit can be realised are many and complex. These problems have both a macro and micro dimensions. The macro problems have to do with policy framework within which import operations have to be carried out.

At the other end are the problems of a micro nature which have to be tackled at the importer's level. Importers procurement involves a series of decisions, which have to be taken judiciously, using the tools and techniques of optimal decision theory, to ensure that procurement objectives are realised efficiently and economically. The traditional objectives of procurement at times referred to as the five R's of an optimal buy decision are: right product, right quantity, right time, right place, and right sources(Riana,1987:14; Chhabra, 1988:548; Carter,1985:218; Leeners et al, 1992:68).

These objectives are not always complementary. More often they present conflicting choices and involve trade-offs. A good deal of ***information and analysis*** is required to evaluate different options that may be available in international market and to make a judicious choice.

There are other elements of supply management besides procurement where scope for efficiency and economy are significant. Materials management is one of these. The goods, once purchased, have to be moved from the place of purchase, handled at the ports, cleared through customs and transported to warehouses for storage and distribution. Unless care is taken, there is the risk of damage, deterioration, pilferage, losses and delays. Experience with many developing countries suggests that these losses are not inconsequential. Given the acute scarcity of foreign exchange and the critical nature of the needs which imports in most of these countries meet, the importance of avoiding and preventing wastage of any kind can not be over emphasised.

Developing countries are obliged to procure their imports requirements in a market environment which is unfavourable to them. There are external factors over which these countries have little or no influence. Most of the time they have to accept a passive position and be price takers and not price setters.

For a large number of developing countries, the sources of supplies for critical intermediate inputs and capital goods are located geographically in distant parts of the world. The importers therefore, are placed at a disadvantage. Firstly, they are not able to keep in close touch with commercial developments in the supplying countries. Secondly, they are also not able to develop good contacts on a personal basis which are crucial for durable commercial relations. And lastly, freight costs are sometimes high.

3.1.3 Import planning at enterprise level

Import planning and programming at the enterprise level imply a series of decisions which should be taken so as to ensure that the procurement objectives are achieved in the most efficient possible manner. In this context it is useful to relate the different decisions that the management of an importing enterprise will have to take to each of the procurement objectives, and analyse the issues to be taken into account in the decision making process so that overall the final outcome is the best possible within the relevant constraints. Viewed thus, the procurement decision areas are:

1. **what to buy**
2. **how much to buy**
3. **when to buy**
4. **at what price to buy**
5. **where to buy, and**
6. **from whom to buy**

3.1.3.1 What to buy

The decision on what to buy is in a sense a basic one. A simplistic decision could be to buy the best quantity or the most effective product. The objective is to have the right quality rather than the best quality in some absolute sense.

Another consideration which is relevant to the decision on what to buy is that of substitution possibilities that may exist to achieve the intended purpose. New products are developed from time to time which can be good substitutes for existing ones for meeting a given requirement.

3.1.3.2 How much to buy

The second decision which a procurement agency has to take is on the quantity which should be procured during a given period. Among the issues to be considered to determine the quantity to be purchased are:

- estimating the likely demand for the product in question

-estimating the expected market share (other importers of same)

To make these assessment on a systematic basis will require a large volume of information and analysis.

3.1.3.3 When to buy

An important decision in regard to imports is that of selecting the most opportune time for market entity. The markets for a large number of commodities traded on recognised commodity exchange or terminal markets are extremely volatile, characterised by rapid and wide price fluctuations. A variety of factors tend to influence the sentiments of buyers and sellers in these markets, with destabilising effects on supplies and prices. For deciding on the best time to enter the market, in such cases, it is necessary not only to check price variations on a day to day basis but also to analyse the factors which influence these in the short run and in the long run.

The timing decision may also have to take into account the activities of other big importers from other countries. Others, like exchange rate of the importer's trade currencies, expected level of rates affecting international transactions, the possibilities of changes in trade restriction or incentives.

3.1.3.4 At what price to buy

One of the intriguing problems of an importer is to decide on the "right" price at which he should buy. For large numbers of products traded on the international market there are no single or standard price (e.g. original and local parts which have different price quotation for same item).

An importer has to have some basis on which to assess whether the price which is demanded or offered is the "right" price.

It is relevant to note that the buyer's decision cannot simply rest on the lowest price. Price must be in relation to a number of other factors, such as quality and delivery and their relative costs. This is well evidenced by Automotive parts importers in their response to the question related to supplier selection (table 3.6). Hence information on other areas, in addition to prices, is necessary to help evaluate prices in the context of quality alternatives and supply scheduling options

3.1.3.5 Where to buy

Several factors will have to be taken into account while coming up to a decision where to buy:

- trade, production and consumption statistics,
- trade embargo or any other serious legal restriction between countries
- Bilateral trade agreements or counter-trade scheme
- different trade regimes (e.g. those which have preferential treatment to some countries and discriminate against other through tariff; quotas, etc.

- any existing or potential tax or quantitative restrictions on exports in a prospective supply sources would be negative factor, relative to buying from suppliers in another country which may have one such export restriction.
- the importer must also take into consideration his own country's treatment of import from alternative supply market
- transport facilities between two countries, and the cost of transportation

3.1.3.6 Who to buy from

In general, it is prudent to select suppliers who have a good business track record and sound financial position. An importer has to check on the credentials of supplier. Erratic supplies of inputs can mean production disruptions and losses for a manufacturer importer. For commercial importer, this will mean the inability to sell on an off-the-shelf basis (lost sale), resulting in loss of clientele, market share and profit-making capacity.

3.2 AUTOMOTIVE PARTS IMPORT IN ETHIOPIA

3.2.1 General information and trends

The term Import is defined in relation to foreign (international) trade regime of a country. The foreign trade regime is used to describe the kind and the mix of instruments and associated administrative framework and procedures which a country uses to manage the external sector of its economy (Raine, 1987:29).

Several materials are imported to Ethiopia from different parts of the world. Imported items are classified by Ethiopian customs office by end-use such as: **raw materials, semifinished goods, fuel, capital goods and consumer goods.**

Automotive parts are one of the regularly imported items to the country to support the transport and agricultural sector of the economy. The import statistics prepared by Customs office (1994) indicate that the value of imported items on automotive parts including tyres and tubes has increased tremendously. This is due to economic liberalisation (market economy) introduced since the change of the military regime, 1991/1992. The number of imported machinery like trucks, light vehicles which require the availability of spare parts is increasing from time to time since the introduction of market economy in the country.

All imports can be subject to foreign exchange and import controls when balance of payments considerations make this necessary. The supply of foreign exchange to importers is briefly discussed in 3.4.3.1 where the requirements of National Bank to grant foreign exchange is enumerated.

3.2.2 Contribution to the economy

Import in most developing countries account for 20 to 25 percent of GDP (Riana, 1987).. Assuming an import/GDP ratio of 20 percent, even a modest saving of 5 percent in import costs, through improved methods of procurement, handling, stock management and distribution would be equivalent to an increase of 1 percent in GDP, which may be fairly difficult to achieve through increased production.

The average value of automotive parts import when compared with the overall import value in five years (1990 to 1994) is 6.4%. The average value of automotive parts imported is 165,393 million Birr annually (customs annual report, 1994). Thus if this sector is managed systematically, the saving will be quite significant to contribute to the nation's economic development.

3.3 ORGANIZATIONS RELATED TO IMPORT PROCESS

Different organisations are directly or indirectly taking part in the process import business. However, the major ones are: Banks (local and foreign), Insurance, Ministry of trade, customs office, and transport organisation.

3.3.1 Bank and insurance

Bank and insurance services have significant role to play in facilitating the import business sector in Ethiopia. There are four types of banking services in Ethiopia. One is the National Bank of Ethiopia (NBE) which is in charge of controlling the foreign exchange of the country. The other type refers to Commercial banks which are dedicated to facilitate the commercial transactions by providing different banking facilities such as credit, saving, and local and foreign payment, etc.,. The third type belongs to Development bank, its main objective is to provide credit facility and give professional assistance in terms of evaluating project feasibility studies of different investors/entrepreneurs that plays vital role to support the economic development of the nation. The fourth banking service refers to Housing and Saving scheme that supports the building construction and agricultural sector of the economy by providing credit and saving facilities.

Automotive import business like any business activities has direct relationship with the banking service here in Ethiopia. Importers take credit form the bank, use bank services to facilitate payments to their suppliers abroad, getting foreign exchange from the bank, and collecting their shipping documents through the bank, etc.

The relationship with insurance companies is also vital for import business. Goods to be imported from abroad to the country have to get insurance cover since it involves various risks in the process of shipment (sea or air). As a requirement unless goods are covered by insurance the National Bank of Ethiopia will not allow importers to get foreign exchange. Details of the relationship with banks and insurance are highlighted below.

3.3.2 Ministry of Trade and Industry

The ministry is the sole organisation with the power of issuing trade licences in Ethiopia. In accordance with the policy of Ethiopian government, the ministry has the responsibility to register, license, revoke, cancel, and regulate any person or organisation engaged in trade activities (Gezahegn, 1995:91).

In this regard importers who import goods on commercial basis have to produce valid foreign trade licence (import) issued by the Ministry of trade and Industry. Perhaps this could be prerequisite to fulfil for an importer before proceeding to other aspects of the import activity.

3.3.3 Customs office

The relationship between importers and Customs office starts right after the imported goods officially reached the customs office. Carriers responsibility is discharged fully after they have delivered the goods against manifest in good condition to the port authority or customs office. During hand over of goods any defect or damage in the process of transportation including shortage in number (package) is notified in the manifest that in turn is used as one evidence if there is any insurance claim required.

There are four procedures to follow to clear imported commodity from customs office in Ethiopia.:

- **Checking**
- **Classification**
- **Valuation**
- **Payment**

The process of checking includes physical count of cases (boxes) against the quantity registered in the manifest of the carrier. Assigning temporary location for these goods in the ware house of the customs office and goods handling are part of this process.

The valuation process refers to converting the invoice and freight amount of imported goods into taxable amount upon which the final tax calculation is to be determined. Finally the payment process is to indicate the stage where the importer is advised to collect the goods from customs office upon effecting various payments (tax, storage, and others). The existing valuation practice used by the customs office is shown as follows:

- **getting cost and freight value of the imported goods (C+F)**

- **add insurance premium to get CIF value (cost, insurance, and freight)**
- **add 1% CIF value to the total of CIF amount to get duty payable amount (DPA)**
- **apply the allowed percentage to get duty tax. For example for automotive parts imported the applied tax ranges from 20% to 30%.**
- **sum the duty payable amount and the duty tax amount to get excise taxable amount (ETA)**
- **apply 12% to the excise taxable amount to get excise tax. This common to all type of imported products irrespective of their type.**
- **add 2 Birr stamp to duty amount and excise tax to get the amount due of customs. This does not include the storage and transit service charges**

In most cases there is a dispute (among importer and the customs office) about the classification and valuation of imported goods caused by different reasons. The first reason is related to goods description. The name of the goods stated in the shipping document and what is actually imported used to vary especially when the "Franco-valuta" option was exercised. Recently this type of problem is significantly minimised but not totally eradicated. The second reason is related to shipping documents presented for clearance. They are usually found improper and some times illegal resulting in conflict among the importer and the office. This often led to a long time lag to clear the goods from customs thereby requiring to deposit (in case of "franco-valuta") 75% of the imported value as priori deposit.

Due to these lags, the money deposited before hand is not returnable within a short period of time (until the dispute is settled). As the result of the delay and capital tie-up, high value importer is

exposed for unnecessary costs. Thus importer has to give due attention for proper documentation and advice his/supplier designate the right description of the goods in the invoice and other shipping documents.

Tariff

Encouraging tariff reduction was introduced since the change in economic policy in Ethiopia in 1991/1992. During the command economy the tax system was based on Customs Co-operation Council Nominator (CCCN) with a number of tariff rates ranging from 5% to 230% of import values and there were 24 tariff rates.

FDRE government released a tariff amendment numbers 1 and 2 effective January, 1996 and December 30, 1996 respectively. The amendment reduces the highest customs duty on import to 50% leaving the tax for automotive parts to be the minimum 20% and maximum 30% of the CIF value of the imported goods respectively and defined tractor parts to be 5% of the CIF value. This type of amendment is encouraging in all respects. However, there are some problems remaining:

- One problem is the delay to get imported goods cleared from the customs office. This could be caused due to dispute created in the course of clearance process mentioned above. 51 (77%) respondents have confirmed the seriousness of this problem.
- The second problem is the inefficient port services, mishandling of goods at the port, additional port service levy, and prohibition of port entrance for clearing agents, the case of Assab port (Entrepreneur, 1997).

3.4 SURVEY RESULTS AND DISCUSSIONS

Collecting information is a necessary first step in any professional approach to buying from international market. However, this by itself is not sufficient. Before a logical inference can be drawn and the information can be used in decision making, it is often necessary to collate different types of descriptive and quantitative data. Some of the information which a decision-maker obtains from diverse sources (e.g., newspapers, conversations with colleagues, agents, buyers, sellers, etc.) is analysed intuitively.

More generally, buying decisions often involve a systematic approach to the evaluation of alternative courses of action that may be available. Data is necessary for such an evaluation. But this has to be manipulated and used with appropriate tools and techniques of economics, statistics, and business management operations research. In other words, information has to be analysed and results interpreted for judicious decision-making.

3.4.1 Data interpretation

The data analysed in this study is collected through questionnaire administered to 100 importers who have been randomly selected from the list of automotive parts importers whose list is maintained in the trade directory of the Chamber of Commerce, 1994. The response rate was 66%, i.e. 66 importers responded to the questionnaire and the remaining 34% (34 importers) failed to respond.

The year of establishment of these business organisations ranges form 1953 to 1995. Above 70% of the companies were established since 1986 and mainly after the fall of the military regime in 1991, with introduction of the new economic policy of the country that encourages private business.

The capital initially registered by these companies to run their import business is ranging from 10,000 Birr minimum to 20 million Birr maximum. The present capital (March, 1997) ranges from 100,000 Birr minimum to 100 million maximum.

It is important to note that in the tables presented below, the sum of the of the respondents can be seen higher than the actual number of respondents, i.e. 66. This has happened so because one respondent can give his answer for more than one variable. For example for the question "where parts are imported from", one respondent can give the answer indicating that he/she can import form Italy, Germany, England and other countries.

The importers have identified some of the countries from which major share of automotive parts is imported to Ethiopia:

Table 3.1 Countries from which automotive parts are imported

Country name	Number of respondents	Percentage
Italy	36	54
Others	27	41
Germany	24	36
Dubai	18	27
Japan	18	27
England	15	23
U.S.A	15	23
Sweden	9	14

The lion share of automotive parts import to Ethiopia is effected from European countries in general and Italy in particular. Normally one importer is importing automotive parts from more than one country. That is why the sum of the over all importers is beyond responding number i.e., 66.

3.4.1.1 Problem areas

In the process of automotive parts import, importers have faced various types of problems, their sources can vary. The first problem starts with determining the quantity to be imported for sale. Importers, in their response, have stated the basis of quantity determination as mentioned in table 3.2:

Table 3.2, Information basis for quantity determination

Information for quantity to import	Number of respondents	Percentage
Market demand	51	77
Economic order quantity	27	41
Available finance	15	23
Tender	3	4

As indicated in the above table, the bases of quantity determination by most of the importers (51%) refers to external information (market demand) which is beyond the direct control of the importers. As the result of which the probability of importing wrong quantity (lower or higher than the required one) is expected. The problem of importing wrong quantity is manifested by the dead stock at hand and lost sales. Table 3.3 indicates the value of dead stock.

Table 3.3 Dead stock availability

Numbers of respondents	Percentage of dead stock
30	5
21	10
3	20
3	80

50% of the respondents are found with 5% of their stock is dead(not sellable). Since the capital required to run such business is big, 5-10% dead stock means a significant capital is tied-up in the form of inventory. Respondents were also asked to specify the reason for dead stock. Possible reasons for dead stock are many, however, the respondents have stated their reasons. The major reason is attributed to purchasing problem which is the major part of import process. The problems related to purchasing include all activities ranging from writing enquiry to supplier(s), filling the purchase order, follow-up to clearing the imported goods. Wrong part number could be written in the order that can cause wrong delivery. Marketing problem can be referred to information collected about the market (customer and competitor). If sufficient market information is not collected and analysed, the overall market speculation could not be dependable. The reasons are shown in Table 3.4.

Table 3.4. Reasons for dead stock of imported automotive parts

Reasons	Number of respondents	Percentage
Purchasing problem (ordering wrong item & quantity)	21	32
Market problem (not able to sell)	18	27
Supplier problem (delivering wrong items)	15	23
Others (obsolescence, model change, etc.)	6	9

Other business problems related to import and sale of automotive parts are also mentioned by the respondents. Among others, the problem of **communicating with customers** and **supplier** related problems are given higher weight second to insufficient customs services in all case hinders the business activities as shown in table 3.5.

Table 3.5 business information related problems

Business information related problems	Number of respondents	Percentage
Inefficient customs service	16	24
Sources of information and communication with supplier	13	19
Communication with customers	13	19
Poor telecommunication service	9	14
Poor banking service	9	14
Market information problem	6	10

On the other hand respondents were asked about the mechanism used to select their supplier and to get market information (competitor's information, and reach their customers). The basis of selecting a supplier is shown in the table below. Major emphasis is given to quality of a product seconded by

price of the product, delivery time, and dealership (for importers who have special agreement with their suppliers.)

Supplier selection	Number of respondents	Percentage
Price of the product	18	26
Quality of the product	20	31
Delivery time	14	21
Special agreement (dealership)	14	21

Table 3.6. The basis of supplier selection.

Respondents were also asked about information technology they have and their plan towards it. Nearly 54% of the respondents have computers at hand though their usage is limited to word processing and partly work sheet like excel. This is said because the network application of information technology is exercised by only 9% of the respondents as depicted in table 3.7.

IT	Respondents	Percentage
computers	36	55
telephone	66	100
E-mail	6	9
Fax	60	91
Tlx	24	36

Table 3.7 available information technology

Thus it can be said that if good business information system is introduced to import sector, user of the system have the ground to apply with little effort invested to introduce system in question.

3.4.1.2 Source(s) of information

The possible sources of business information in general and import business in particular can be large enough if used ultimately to get relevant information to facilitate decision making. The commonly

referred sources of business information are: Chamber of commerce documents, trade fairs, newsletter, Central statistics reports, yearly summary of import and export reports, government polices and regulations on imports and exports like tax details, transportation data(tariffs), bank reports (quarterly & annual), trade directories prepared locally and made available by commercial attaches of Ethiopian embassies abroad and other countries' embassies in Ethiopia, etc..

However the awareness of the existence and use of these information sources by business people have been found not satisfactory as analysed by Gezahegn (1995:128) in his thesis on trade information system.

3.4.1.3 Discussion

Importers engaged in the business sector of import and sale of automotive parts are actually exercising the use of proper business information system. Most of the respondents as indicated by the preceding tables have the problem of communicating to their customers and suppliers. Their sales efficiency undoubtedly depends on their customers' demand and satisfaction. However, any weakness in this area could have a negative impact to the business. Almost all importers have dead stock though the degree varies and this phenomena could be attributed to the problem of capital tie up.

Other problems related to the process of import business are detailed in the following sections of this paper.

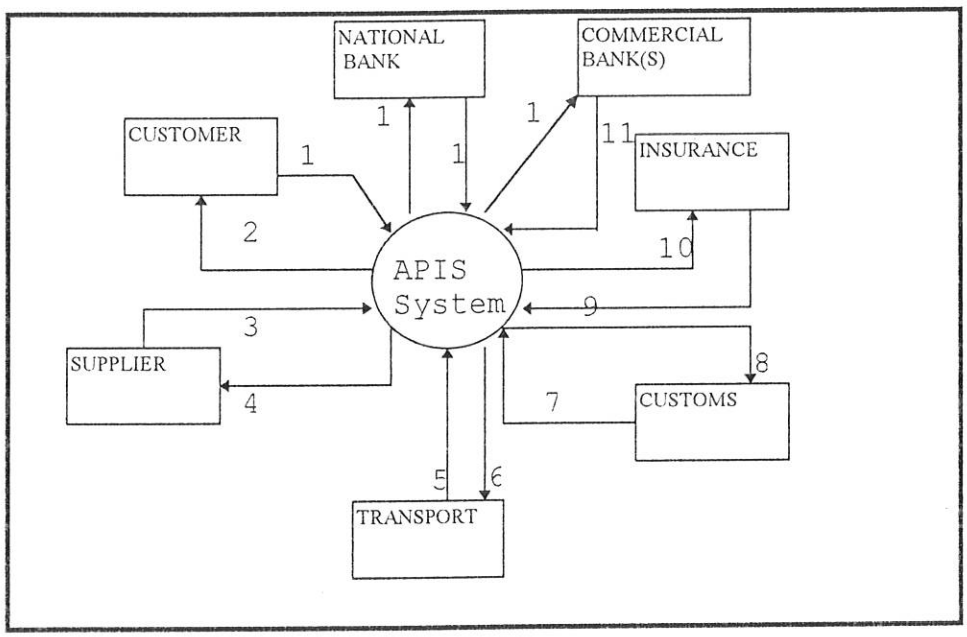
3.4.2 INFORMATION FLOW TO AND FROM THE SYSTEM

3.4.2.1 Context diagram

Among the number of established structured analysis and design techniques the data flow diagram is used in this paper to document the data flow from and to the system and to describe the processes. A context diagram shown in figure 3.1 documents the system's boundaries by highlighting its sources and destinations. By definition, source or destination is outside the system's boundaries and is not subject to the systems control (Davis,1994:111). Thus in the process of collecting data, the following entities are identified sources/sink to automotive parts import and sales system over which the importing business organisations have no direct control:

1. **Customer**
2. **Customs**
3. **Insurance**
4. **Commercial Bank(s)**
5. **Supplier**
6. **National bank of Ethiopia (NBE)**
7. **Transportation**

Figure 3.1 ***Context*** *diagram of automotive import and sale system*



APIS stands for automoitve parts import and sell system

1. **Customer**
2. **Customs**
3. **Insurance**
4. **Commercial Bank(s)**
5. **Supplier**
6. **National bank of Ethiopia (NBE)**
7. **Transportation**

Table 3.8 Data flow labelling

Data flow number	Description	Source	Destination/sink
1	Sales request	customer	system
2	sales receipt	system	customer
3	delivery (shipping) advice	supplier	system
4	purchase order	system	supplier
5	Freight rate (sea and/or air)	transport	system
6	Freight request	system	transport
7	tariff and storage amount	customs	system
8	clearance request	systems	customs
9	insurance coverage (premium)	insurance	system
10	Insurance coverage request	system	insurance
11	letter of credit number	commercial bank(s)	system
12	letter of credit opening request	system	commercial bank(s)
13	approved foreign exchange	National bank (NBE)	systems
14	foreign exchange request (auction application)	systems	National bank (NBE)

The data flows which are labelled in the table are more general, the details of these data flows are illustrated in the process description below. The term "system" denoted in the destination column referred as the Automotive Parts Import and Sale System (APIS).

Process description

System: Automotive parts import and sale(**APIS**)
Process: Import and sell of automotive parts

Table 3.9 Data flow from and into the system and NATIONAL BANK (NBE)

Data flow out of the system to	Data flow in to the system from
NATIONAL BANK	
Foreign exchange application that include: • auction number • auction application number • proforma invoice number • supplier name • supplier address • type of goods to import • unit price • type of currency • amount requested • date of application • mode of shipment • country of origin • 2% of the cost and freight value deposit advice • purchase order number • purchase order date • purchase order amount • customs declaration number • customs declaration date • customs declaration amount • applicant's signature • applicant's seal	**Approved foreign exchange that include**: • approved amount • type of foreign exchange • exchange rate • validity date • auction number • supplier name & address • type of goods to import • bank permit number • bank permit date • bank seal • authorised signature

Tasks/activities in the process of applying for foreign exchange

- Filling auction application form
- depositing 2% bid bond in the name of NBE
- submit auction application
- determining offer rate
- filling bank permit for foreign exchange
- follow up status of all application
- collect approved foreign exchange

Table 3.10 Data flow from and into the system and CUSTOMER

Data flow out of the system to	Data flow in to the system from
customer	
Sales receipt • proforma invoice number • proforma invoice date • sales invoice number • invoice date • unit price • total price • type of material (description) • part number • customer name & address • check number • check amount	**Sales request** • type of materials requested (description) • part number • quantity requested • date requested • customer name & address • check number • check amount

Tasks/activities in the process of receiving customer order

- fill out sales receipt/invoice
- arrange payment
- give receipt to customer
- accept customer request
- accept inventory data
- send data to financial system
- compute sub totals
- compute sales tax
- compute amount due
- produce gate pass , etc.

Table 3.11 Data flow from and into the system and SUPPLIER

Data flow out of the system to	Data flow in to the system from
SUPPLIER	
Purchase enquiry/order • supplier name & address • type of material (description) • part number • quantity • purchase order number • order date • unit price • total price • terms of payment • mode of shipment (sea/air)	**Order confirmation/delivery advice** • supplier name • supplier address • type of materials ordered (description) • part number • quantity ordered • Expected date of shipment • port of embarkation • port of destination • supplier invoice number • supplier invoice date • unit price • total price , free on board(FOB) • estimated freight • total price , freight & cost (C&F) • proforma invoice number • proforma invoice amount • proforma invoice date • country of origin (country name)

Tasks/activities in the process of placing purchase order

- inventory update
- determine order quantity
- prepare enquiry letter
- receive proforma invoice
- analysing offers
- selecting supplier
- prepare purchase order
- send order to supplier
- receive delivery advice
- collect shipping documents
- computing prices
- approving order
- corresponding with supplier
- preparing purchase requisition

Table 3.12 Data flow from and into the system and COMMERCIAL BANK(s)

Data flow out of the system to	Data flow in to the system from
COMMERCIAL BANK	
Letter of credit opening request • letter of credit application • letter of credit amount • supplier name & address • type of material (description) • quantity in line item • purchase order number • order date • total price (FOB) • estimated freight cost • total amount cost + freight • type of currency • mode of shipment (sea/air) • expected date of shipment • mode of shipment • allow partial shipment (Y/N) • allow transhipment (Y/N) • bank permit number(NBE) • bank permit amount(NBE) • bank account number (importer) • supplier's bank name & address • supplier proforma invoice no • supplier proforma invoice amount • supplier proforma invoice date	**Letter of credit number** • letter of credit number • date of letter of credit • date letter of credit expires • type of materials ordered (description) • part number • quantity ordered • Expected date of shipment • port of embarkation • port of destination • supplier invoice number • supplier invoice date • unit price • total price , free on board(FOB) • estimated freight • total price , freight & cost (C&F) • proforma invoice number • proforma invoice amount • proforma invoice date • country of origin (country name) • bank service charge amount

Tasks/activities in the process of arranging payment

- opening bank account
- fill out L/C application in detail
- advising issuing bank about the L/C type
- submit the application
- collecting beneficiary copy
- collecting shaping documents
- check fund availability in the account
- corresponding with the supplier about the payment and shipment status

Table 3.13 Data flow from and into the system and INSURANCE

Data flow out of the system to	Data flow in to the system from
INSURANCE	
Insurance application • Applicant name • applicant address • application number • application date • port of loading • port of unloading(destination) • sum to be insured • mode of shipment (sea/air) • insurance company name • insurance company address • description of goods • packing style • approved vessel name • signature • company seal • shipping marks and numbers • quantity (package)	**Insurance cover** • insurance company name • insurance company address • marine open cover number • certificate/policy number • debit voucher number • debit voucher date • type of cover(4) • sum insured • endorsement number • premium amount • period of insurance(range of days) • approval signature • insurance company seal • settled claims • settled amount

Tasks/activities in the process of insuring to be imported goods

- fill out insurance application
- submit the application
- get insurance offer (premium amount)
- paying premium
- collect insurance certificate and debit notes
- open insurance files
- claiming in case damage and loss

Table 3.14 Data flow from and into the system and CUSTOMS

Data flow out of the system to	Data flow in to the system from
CUSTOMS	
Clearance request • supplier invoice number • invoice amount • type of currency • description of goods • country of origin • country of origin certificate number • bank permit number • packing list number • number of cases (packages) • quantity in each case(package) • cash payment order(CPO) number • CPO amount • date of payment • insurance certificate number • insurance debit note number • premium amount • freight receipt number • freight amount • importer (company) name • importer (company address	**Declaration** • declaration number • declaration amount • customs station • duty tax amount • sales tax amount • total tax due • storage charge (amount) • storage receipt number • storage receipt date • duty receipt number • duty receipt date • gate pass number • gate pass date • signature • customs seal

Tasks/activities in the process of clearing imported goods

- check the arrival of goods
- get original shipping documents from bank
- present shipping documents to customs
- compute all types of taxes referring the customs book
- fill out the computed tax on declaration
- submit all documents to customs for checking and approval
- correct rejected documents
- effect duty and sales tax and storage charges
- collect goods cleared from customs

Table 3.15 Data flow from and into the system and TRANSPORT

Data flow out of the system to	Data flow in to the system from
TRANSPORT	
Request for freight rate • port of loading • port of destination • mode of shipment (air sea) • expected date of shipment • freight payable (prepaid/at destination) • description of goods • gross weight • volume	**Freight rate** • transportation schedule • freight invoice number • freight invoice date • freight amount(rate) • freight payable(prepaid/at destination) • signature • company seal • freight (company name) • freight (company address)
Tasks/activities in the process of arranging transportation	
• determine mode of shipment • receive shipment schedule • receiving freight rates • effecting freight payments • get freight receipt/invoice • documenting route of transport	

3.4.2.2 Major processes of the system

Normally the import and sales of automotive parts system has four major functions or processes by which the transformation of various data into information is performed. These process are known as :

- **procurement(import) process;**
- **inventory process;**
- **sales process, and ;**
- **accounts (financial) process.**

All purchasing related data coming in to the system from external entities such as bank(s), insurance, customs, supplier are handled (processed) by the import function and in turn send

data to these entities other processes in the system(accounts, inventory, and sales). The main concern of sales function is to handle data coming from customers and the inventory as well as financial processes within the system. The inventory function is to receive, process and give data mainly to import, sales, and financial functions. Finally the accounts function is to handle all data related to financial aspects of the import organisation. It receives data from external entities like bank, customs, insurance, transport organisation, and suppliers as far as financial matters are concerned. It also produces information from these and other data received from other sources of the system and provide information to same.

3.4.3 REQUIREMENTS SPECIFICATIONS

3.4.3.1 NBE requirements to grant foreign exchange

National bank of Ethiopia (NBE) has a policy on which it controls the foreign exchange of the country. So far the bank exercises three policy issues to attain its objectives. In the Hailessilassie regime (king of Ethiopia up to 1974), the policy was to issue foreign exchange to importers upon request provided that they have import licence. The exchange rate was constant, i.e. 2.07 Birr for a US dollar.

The military regime revised the policy to a discriminatory one prohibiting private importers from getting foreign exchange, discouraging the private sector and favouring public ownership. Foreign exchange was issued in the form of allocation (budget) to the public sector at a constant rate, i.e 2.07 Birr for US dollar. This policy has brought new dimension of importing different materials ("Franco-valuta") for which the payment was effected from the parallel market ("black market").

The present government which took power from the military regime on May 28, 1991 has changed the economic policy of the country from command economy to liberalised one (market). This result gave National Bank of Ethiopia a chance to revise the previous foreign exchange regulations to accommodate the new economic policy. Import business is now encouraged and foreign exchange is issued on auction basis. Unlike the previous rate which was constant, the auction has introduced flexible foreign exchange rates increasing from time to time, 5 Birr for one US dollar in September, 1992 to Birr 6.667 for one US dollar on March 12, 1997 (CBE, exchange rate notice, 1997).

In order for importers to get foreign exchange that will enable them import their respective items, they must win the auction which usually takes place in the premises of National Bank of Ethiopia (Bankers club) every week. The requirements to be fulfilled by every applicant for foreign exchange are detailed below (NBE,1992):

(1) Importers who import goods on a commercial basis have to produce valid foreign trade licence (import) issued by the appropriate authority when they apply for foreign exchange

(2) Goods to be imported must be free from any import prohibition

(3) The application for foreign exchange shall be:

- properly completed, signed and sealed with the office stamp of the importers in sufficient copies
- supported by manufacturers' or suppliers' invoice in sufficient copies showing clearly full description of the goods including quantity, grade, quality, volume,

measurement, weight, and unit and total price of the goods at a named place of delivery

- Bank deposit slip to indicate bid bond of 2% of the C+F value must be attached to the application. The deposit should be made in favour of NBE.

(4) Terms of payment must be clearly shown in the invoice

(5) Where payment is to be made by letter of credit, the application for foreign exchange should be supported by manufacturer's or supplier's proforma invoices showing separately details of the FOB cost of the goods and the freight charges prevailing at the time. However, at the time of shipment the final invoice and the bill of lading should indicate breakdown of the actual freight charges paid which must be supported by the carriers' invoice. Such condition have to be incorporated in the letter of credit accordingly.

(6) Where payment is to be made by cash against document or on acceptance basis or by clean transfer (mail or telegraphic) the application for foreign exchange must be supplied by:

- manufactures' or suppliers' final invoices showing separately the FOB cost of the goods and details of the actual freight charges paid which should be substantiated by carriers invoice and
- copies of non-negotiable bill of lading showing the required particulars including details of the actual freight charges paid.

(7) Evidence must be produced that adequate insurance cover has been arranged with an insurance company particularly for goods imported under letter of credit

(8) Entry of goods into Ethiopia must be confirmed. All importer who has been provided with foreign exchange for importation of valuable goods shall present declaration and other relevant documents to prove entry of the valuable goods into Ethiopia within **120 days** from the date payment is effected. The exchange controller may for good cause grant reasonable extension of time beyond the 120 days.

(9) Penalty. Any person (importer) failing to discharge his obligations to the bank may be denied further chance of getting foreign exchange and legal action may in addition, be instituted.

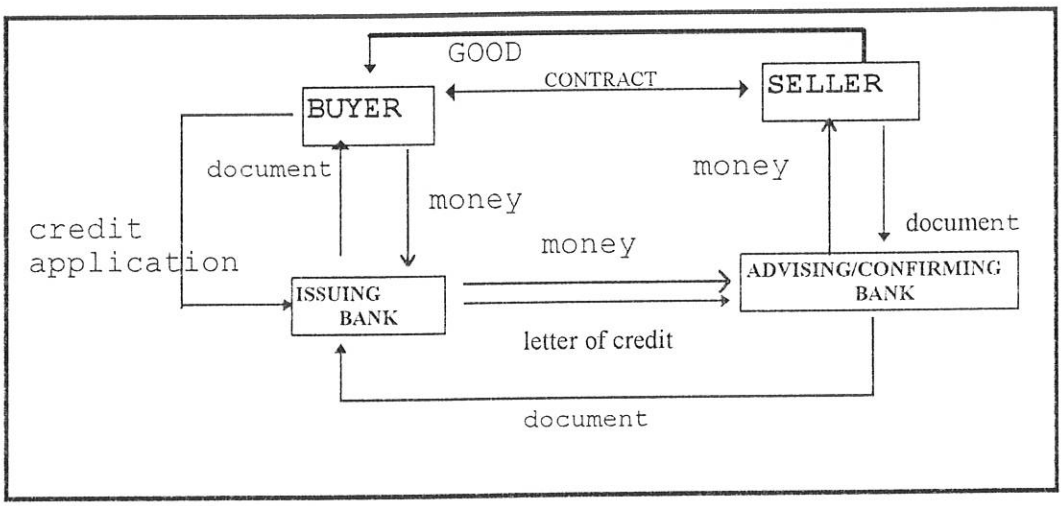
(10) "Franco-valuta" permit. The bank may provide "Franco-valuta" permit to importers of goods on which no foreign exchange is payable. Exchange control department collects to 2% of the value of goods from defined private companies and individuals. Exemptions, however, are made to government organisations, international organisations, missionaries, etc. The basis of calculation for such charges is the customs estimation of the value of imported goods.

3.4.3.2 Commercial bank(s) requirements to arrange payments

The main role of commercial bank(s) in relation to import business is to assist the importers effect payment through different settlements. Normally there are four types of settlement in this business: letter of credit, advance payment, cash against document, and transfer. The commonly used type of payment by importers in our country is the letter of credit (L/C) that usually involves two or more banks in the process (issuing bank and advising/confirming bank).

Letter of credit *is a written document undertaking by a bank (issuing bank) given to the seller (beneficiary) at the request and in accordance with the instructions, of the buyer to effect payment (that is, by making a payment or by accepting or negotiating bill of exchange) up to a stated sum of money within a prescribed time limit against stipulated documents (invoice, certificate of origin, insurance policy/certificate and bill of lading) (Guide to documentary credit operation, pp.6)*

The overall cycle of the letter of credit process is depicted in Figure 3.2 below.



The following activities are to be performed in the cycle of the letter of credit (payment process):

1. Buyer and seller agree to buy and sell goods , a contract comes in to being
2. Buyer makes application for letter of credit with his bank and signs the issuing bank's letter of credit agreement form. The issuing bank approves the application and issues the actual letter of credit document
3. The issuing bank forwards the letter of credit to the advising/confirming bank
4. The advising/confirming bank delivers the letter of credit to the beneficiary (seller)
5. The seller sends the documents evidencing the shipment of goods to the bank where the credit is available

6. The advising/confirming banks checks the documents against the credit terms and effect payment accordingly and advise issuing bank by sending shipping documents for reimbursement
7. The issuing bank reimburse the credit amount to advising/confirming bank and hand over the shipping documents to the buyer to enable him commence clearance

In order for the letter of credit process to be smoothly operated, the importers are required to fulfil the following conditions from their end:

(1) Importers must open current account in the bank (s) and arrange payments

(2) Letter of credit form must be filled accurately in accordance to terms and conditions stated among the buyer and seller and adhering to the rules and regulations mentioned in the International Chamber of Commerce (ICC) of Uniform Customs and practice for Documentary Credits (UCP).

(3) Have the Letter of credit signed by the applicant and verified by the bank

(4) Affix 0.20 cents revenue stamp on the letter of credit application

(5) It must be accompanied by the following documents:

- Supplier's proforma invoice bearing NBE seal
- 2% bid bond deposit slip (photocopy)
- NBE foreign exchange permit
- Insurance certificate

(6) Get the letter of credit number form bank on the copy of the application

(7) Get customer's debit advice beneficiary copy two days after the application to the bank

(8) Apply for amendment or correction to the letter of credit if any to the bank. The application should be signed and bear 0.20 cents revenue stamp.

(9) Follow up the shipment and collect original shipping documents from the bank to enable it commence clearance process.

3.4.3.3 Customs office requirement to get goods cleared

The basic requirement of customs process is related with shipping documents and description of goods:

(1) Goods imported must be in conformity with the order. Any variation may create inconvenience in clearing goods imported

(2) Original and chamberized manufacturer's or supplier's invoice must be attached

(3) There must be packing list to indicate the number of goods imported

(4) Certificate of origin must be attached to show the place (country) of manufacturing/supply

(5) Bank permit is required to show amount of foreign exchange permitted

(6) Get the duty amount calculated by the clearing agents (subject for checking by customs office)

(7) Deposit the tax amount in advance for goods imported through Assab in order for them to be transported to "Laghar Customs office" where the final clearance process is to be performed

3.4.4 Importers' limitations related to National Bank

Roughly a week before the auction takes place the National Bank of Ethiopia announces a supply of foreign exchange that is to be made available for the next auction. Accordingly legitimate importers are invited to take part and submit their offer. However this does not mean that all importers applying for foreign exchange are guaranteed to get it. Some get the required amount of foreign exchange and some do not. This does not include the request for foreign exchange amounting less than or equal to USD 5000 available to importer free from auction (NBE notice 26/97 dated March 3,1997).

The following reasons (23) are presented by the National Bank of Ethiopia used to reject illegible applicants for foreign exchange(NBE, 1997):

- Copy of valid import licence not attached to the application
- Items not included in the applicants trade licence
- Type of currency requested not identified
- Two or more proforma from different suppliers not attached
- Original bid bond advice (2% of proforma invoice blocked in favour of NBE) is not attached
- Currency indicated on application form differ from proforma invoice
- Multiple bid rates stated on single application
- Evidence of international competitive bid not attached(for USD 1 minimum and above)
- More than one application presented for single proforma invoice
- Currency quoted not under the currency list of auction
- Highest proforma invoice amount selected

- Locally produced proforma invoice attached
- Two proforma with different particulars
- Copy of agency agreements for sole supplier not deposited with the bank
- Proforma invoice is/are not signed or sealed by overseas supplier/s
- Bid rate not quoted
- Foreign currency not indicated in the bid application form
- Foreign currency on the bid application does not agree with proforma invoice
- more than one type of foreign currency indicated on a single bid application
- Proforma invoices is not addressed to the applicant
- Applicant's name different from the name indicated on the bid bond advice
- Amount in words and figures different in the bid bond advice

If the importer is free from any one of the above errors he/she is legible to compete for foreign exchange. After detailed analysis is carried out by the auction committee, winning rate will be declared and announced by the bank through mass media and that rate remained official exchange rate for the prevailing week. Applicants who have quoted below the declared rate are denied to get the requested amount. The winners are supposed to proceed to the next process, i.e. applying for foreign exchange permit.

The interview conducted with the NBE deputy exchange controller (Ato Mefin G.Slassie, 1997) commented on the problem of the overall business information in Ethiopia specifically related to NBE. According to him, there is lack of updated price information that in turn put the bank in a weaker position to control the under and over invoicing of imported goods. Another problem is the

backward communication system existing in the bank. Most of the transactions are processed manually. Thus, applications for foreign exchange permit are usually processed within a week after the date of application with exception of urgent applications. The support from the bank to importers in terms of availing business information is quite limited to "day to day" transaction processes.

3.4.4.1 Auction analysis

While conducting this analysis the auction number was number 118 as of March 12, 1997. The analysis on the auction process was based on reviewing auction documents and supported by interview with auction officer (Ato Tefera dated 17/03/1997). The result showed that a number of importers have failed in every auction to get foreign exchange from the bank. The break down of the reasons are:

- 30-40 % of applicants were rejected for quoting below the marginal rate of the prevailing date. This rate of rejection is becoming significant especially after the government banned importing goods through "Franco-valuta" in July, 1996. While the "Franco-valuta" option was in practice, rejection due to low rate offer was relatively low, i.e. about 10% of the applicants. This attributes to the low number applicants for foreign exchange.
- 11% of the applicants were rejected for various reasons out of which the main reason is related to supplier issues. It is common to get proforma invoices presented to the auction are not signed by suppliers. The auction process requires more than one proforma invoice obtained from foreign suppliers, for an applicant to be eligible to participate. But most of the rejected applicants

present only one proforma invoice or locally prepared proforma invoices. This shows that some of the importers have problems to find more than one supplier to get offers. Though not common, some applicants were found submitting their application without quoted rate that is automatically rejected from the competition.

To summarise the analysis, from among the large number of applicants for foreign exchange, it is about 50% and less that get the award. It is therefore advisable for an importer to take auction as a series parts of the importation process until sufficient fund is in reserve and be the country in a position to supply foreign exchange on request to the importer.

The consequence of losing the auction has a chained and negative effect on the importer's business cycle. If he has got orders from customers due to this the provision time will be significantly delayed. This in turn creates customer dissatisfaction. On the other hand in order to get the second auction in his favour he will be obliged to quote higher rate that has also another effect on the sales price of the product in the competitive market. It can also affect the supplier buyer relationships. If payment is detailed after confirmed order, the confidence of the supplier over the buyer can be questioned.

3.4.5 Importers' limitation related to commercial bank(s)

Import business as discussed earlier is one of the international trade. This involves buying and selling of goods and services between different countries. It is essentially a mechanism which links the countries of the world through commodity trade, services flows and factor movements (Yilma, 1997:1). This type of trade demands a flow of goods from seller to buyer and/or payment from

buyer to seller through banks. But this does not mean that the process of doing international trade (import) is done without problem. Some of the limitations in effect are caused by some importers not having deep knowledge and expertise in the field.

Furthermore in an interview conducted with the employees of commercial bank of Ethiopia, some of the limitations of the importers are reported as:

- importers usually lack the knowledge of risk to international trade;
- they do not know different settlements like that of advance payment, cash against document, and letter of credit;
- settlement through letter of credit is used just because it is advised by National Bank of Ethiopia
- most of the importers are not aware of the Uniform Customs and practice for Documentary credit (UCP) provided by the International Chamber of commerce (ICC) in which the responsibilities of issuing bank and confirming bank is clearly stated;
- Policy issues related to foreign exchange and letter of credit procedures are not known by large portion of the importers;
- Auction procedures are not clearly known by the importers, as a result of which the commercial bank of Ethiopia (L/C) department spent significant time to pass advice on these issues;
- Importers usually fail to fill properly the letter of credit application form by which the bank is delegated to act upon effecting payment. Relevant information like that of Goods description, full address of the importer are always missing in the application. This is specially true after the "Franco-valuta" business is banned and importers start using the

banking services. This is due to lack of knowledge and experience. "Franco-valuta" business was direct shopping and did not involve any third party or require defined supplier;

- Importers usually fail to follow up their application and do not consider it as part of their import process. Normally, they are expected to collect beneficiary copy; check any deviation from terms and conditions of the contract, communicate (fax or telephone) the status of the L/C to the supplier to commence shipment, etc. On the other hand importers fail to collect and check shipping documents in time though more than 60% of customers collect their shipping documents before the bank notification on the arrival of shipping documents. Even if shipment is made on time, errors in invoicing or on any supporting documents can cause problems or defiance upon the clearance of the goods on arrival;
- Importers consider the bank to be liable for every inconveniences occurred between supplier and the buyer. However, this has happened so because they do not know the value of the contract reached between the two parties that is the basis of reference in case of any misunderstanding. For example if the name of goods in the purchasing contract is named as building materials and fails to clearly state the exact name of the required product (reinforcement bar of defined size) and if wrong delivery is made, the bank has nothing to do with this problem, since the bank is referring the documents not the physical goods delivered. In this case the dispute between the buyer and the supplier is to be solved by referring to the purchase contract terms and conditions.
- 80% of the "Franco-valuta" import was from three countries: Dubai, India, and Turkey. No less than 40% of importers and suppliers from these countries have the problem to

adhere to the terms and conditions of documentary credit systems and procedures. This could be attributed to lack of experience during the "Franco-valuta" business.

- though not common to all importers, some importers were found to apply for letter of credit but with insufficient fund in their account. This creates unnecessary delay in the process.

These limitations have contributed negatively towards promoting the import business. Suppliers will not have business confidence over their buyers and importers are also exposed to unnecessary costs like interest rates, storage costs, lost sales, etc.

3.4.6 Importer's limitations related to Customs office

During the "Franco-Valuta" business the main limitation of importers was to provide the customs office with proper shipping documents (invoice, certificate of origin, description of goods, etc.). This was because most of the importers were going into business either emotionally or without proper business plan, and those who were already experienced in the business, were trying to escape paying duties. Due to this improper way of doing things it was possible even to get customs office employees affected by corruption for which the government has fired a large number of custom employees at a time.

After the "Franco-valuta" business is prohibited, the problem of documentation and goods description is minimised by about 85% (as interviewed with Ato Giday, March 18, 1997). The remaining 15% attributes to manufacturers invoice not properly presented for goods imported from

countries like Djibouti, Daubai, and Hongkong for these countries are used as transit for importers and no importer is expected to produce manufacturer's invoice from these countries. Some incidents were observed in which importers presented manufacturers' invoice from the countries mentioned above that in turn caused unnecessary delay in clearance of goods.

3.5 PROPOSED SOLUTION

For import business to be efficiently run at least all importers must know all the processes, documents required in the process (documentation, presentation), legal requirements in due course of doing this business, and especially knowing the source (supplier) is quite mandatory to make a healthy business. The importance of creating of business information system in this respect is therefore to help know and use the required information in the processes of import and sale of automotive parts..

With this in mind the next chapter focuses on designing prototype database to demonstrate the usability of information in business environment with a particular reference to import business, and especially in solving the problems stated in different parts of this paper earlier. The main objective of the prototype is to demonstrate an awareness of computerised import business information system.

CHAPTER FOUR

PROTOTYPE DATABASE FOR AUTOMOTIVE PARTS IMPORT AND SALE SYSTEM (APIS)

4.1 DATABASE DESIGN

In designing the Automotive Parts Import and Sales System, the users requirement, process requirements, the current trend in information technology facilities in the nation and particularly the introduction of the users to it are taken in to account. Recently internet facility is introduced to the country, and importers who are in international business are expected to go for this service. Thus, importers have to prepare themselves to effectively and efficiently use the facility in getting updated information. In order for them to use the information available in the in the internet, they must first have information system designed to support the usage of the facility.

The proposed solution for information related problems and limitations in the process of importing and selling automotive parts in Ethiopia is a computerised information system, because the nature of the business is becoming flexible and changing from time to time. Computerised information system in this context is therefore to help the sector to cope with

the newly developed rules and regulations in national and international levels and progressively changing technology.

The prototype of the system is presented to create the framework for the computerisation of automotive parts import and sales system(APIS).This chapter describes the design of the system, the databases and the user interface aspect. The requirements of the system, taking the objective mentioned earlier into account, are enumerated below:

4.1.1 System requirements

The system is expected to perform the following activities:

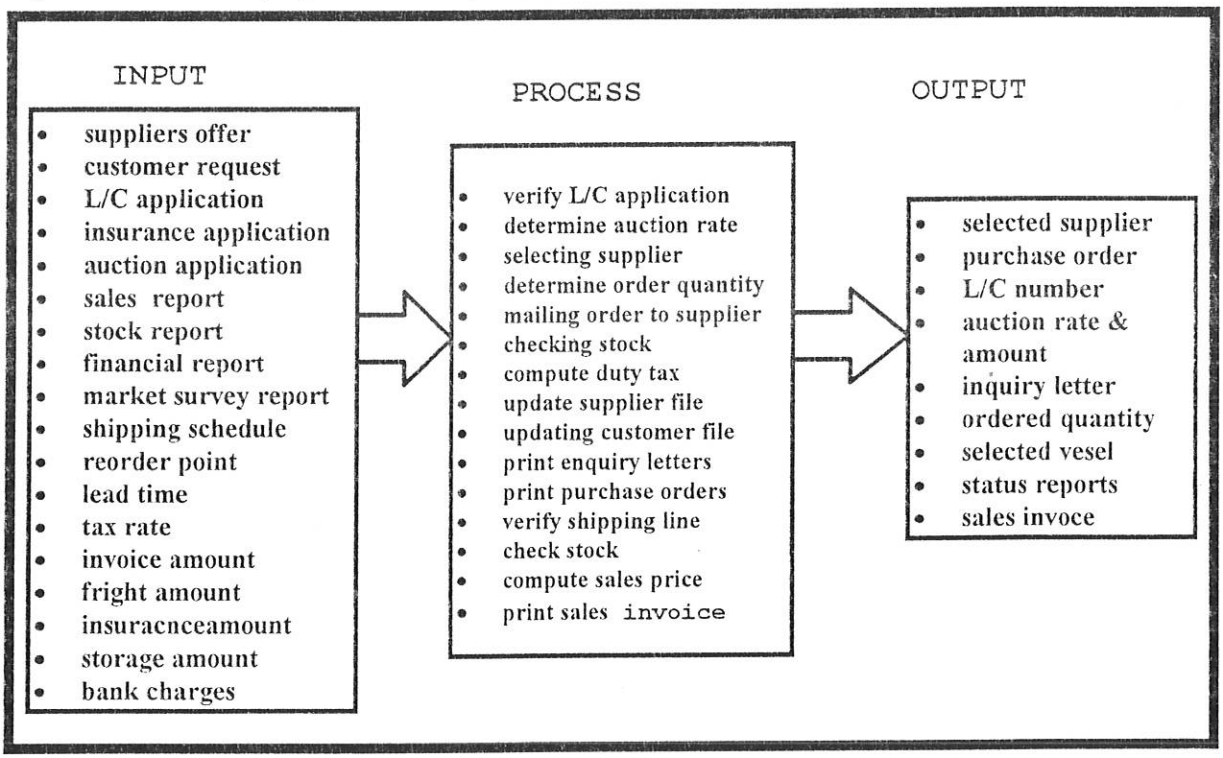
- Maintain and control a permanent record of item(s):
    - imported and/or on order
    - inventory status
    - sold items over a given period of time;
- Maintain and update customer databases
- Maintain and update suppliers database
- Maintain and update procurement process and follow-up
    - foreign exchange application status
    - letter of credit/payment status
    - shipment follow-up
    - clearance status including related costs
    - service charges

The design components of the system comprising of inputs, functions, databases, outputs, controls, technology and user interface are described in the following sections.

4.1.1.1 System's Inputs

Establishing the computerise automotive import and sale information systems is aiming at storing and retrieving up-to-date information in a user friendly manner. The implications are that the system must have an efficient input process with high data quality, which in turn will results in high quality outputs (Rachel, 1996) .The quality of the data is relatively high for it is generated form purchasing and inventory formats which are used in the international business. These are the letter of credit(L/C) application forms, Bill of lading and Airway bills, insurance formats, purchase orders, stock records suppliers invoice, custom documents, etc.

Figure 4.1 shows the input process and output of the system (IPO) chart.



Though the inputs to the system are many, the main ones are enumerated as follows:

- offers from suppliers;
- auction results from National Bank;
- letter of credit number from Commercial bank;

- shipping advice from supplier;
- shipping schedule from shipper;
- customer request;
- stock status from inventory;
- financial reports (periodical), and;
- sales reports (periodical).

The sources or formats of these inputs to the system are known as: proforma invoice, bank auction, letter of credit , purchase order, shipping invoice, customer request form, and various finance reports and sales functions. The data taken form these formats are discussed in the data dictionary part of this paper (4.2.3).

4.1.1.2 Database

A database is a collection of data needed to support and record the business of the firm. These business records include the ongoing records of the firm, the day-to-day business transactions, and any material or information which is used for reference purposes. According to Modell(1988). A database has the following characteristics:

- It is a base of data
- It is a common pool of data
- It could be manual or automated
- It is an orientation or frame of mind
- It is a frame of reference for systems development
- It can be viewed as a set of "file cabinets" where each cabinet contains a number of "drawers, each drawer contains a number of indexed "folders", and each folder contains a number of related "records". Each record contains a number of related items of information or data.

It is also summarised by Clare et al (1995) as a facility for the storage, retrieval and management of data. The majority of information systems are built around a mechanism that provides facilities for successful organisation and access to data. Because of all its properties, a database is considered as building block and prime integrating force of the information system with in an organisation (Burch,1989:396 and Clare, et al, 1995:191).

A database is usually managed by a software called database management system (DBMS) that provides facilities for storing, accessing and maintaining the data. DBMS is a general-purpose software packages that are developed by computer manufacturers or software houses (Clare, et al, 1995).

The advantages of databases suggested by different authorities like Clare(1995), Angell(19910, and Siegel (1994) are listed below:

- **elimination of redundancy and inconsistency;**
- **maintenance of integrity;**
- **data independence;**
- **data sharability is increased**
- **data is centrally controlled**
- **easier logical access to data**

The number of databases created for the import and sale of automotive parts are discussed in 4.3.1.1 of the paper.

4.1.1.3 Data description

Data is a raw fact that is to be converted into information through a process. Objects for which we store data are referred to as entities. According to Modell(1988), entity in the information systems context is defined as a thing, person or place of particular significance to the system about which information is held. An entity may be a tangible object, such as an employee, customer, or an inventory item. Or it could be an intangible object one such as auction, shipment, etc. There are criteria used to qualify for an entity to be called entity:

- an entity should have more than one attribute;
- an occurrence of one entity must be associated with at least one occurrence of another candidate entity;
- an entity must have multiple occurrences; and
- each occurrence of an entity must be uniquely identified.

The system of Automotive Parts Import and Sale is expected to have four main functions (modules) for which several items or entities are to be recorded. Each attribute has a value that could be associated with it and a physical data representation of that attribute value. Table 4.1 indicates the functions (group of related processes or activities all performed to achieve a predetermined goal (Modell, 1988:149)) and their respective attributes. The main functions commonly used in the process of import and sale are described as : import(procurement), sales, inventory and finance.

Table 4.2 Major entities of the four functions

Processes (functions)	Entity
PROCUREMENT (module)	• supplier • proforma invoice • purchase item • supplier invoice • shipper • purchase order • letter of credit • insurance • bank • auction
INVENTORY (module)	• stock item • supplier • customer
SALES (module)	• customer • sold item • sales invoice
FINANCE (module)	• supplier • customer • receivable • payable • expense • income • bank • bank account • insurance • shipper • purchase item • sold item • stock item

From the above table, it can be seen that some entities are repeated in at least three functions of the system. This is because the processes are highly interrelated and one cannot exist without the other, thus they must have something to share in common. For example the entity supplier can be of interest to purchasing, inventory, and finance. Hence when the supplier database is

created by the system, there will be a possibility that it is referred to by the three other functions mentioned above.

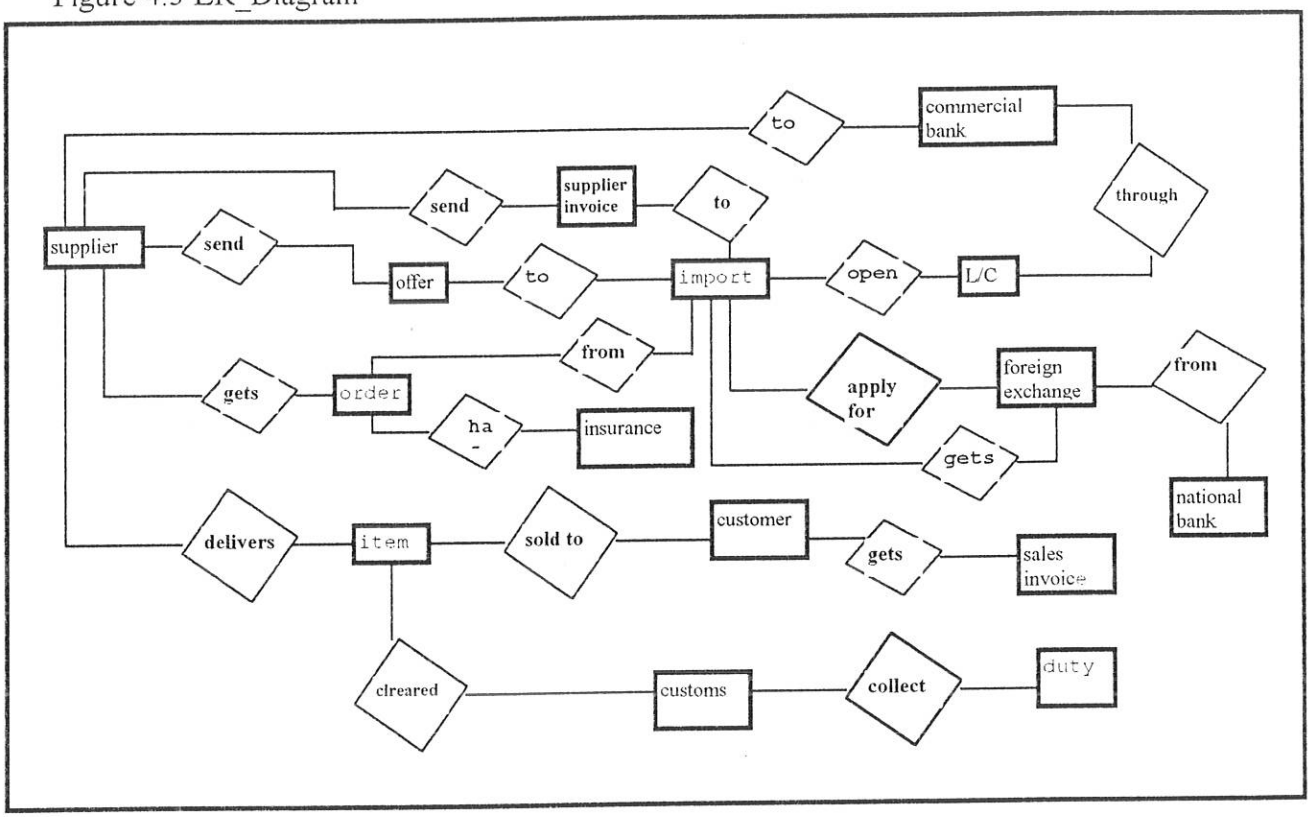
4.2 DATA MODELING

In order to describe the structure of a database, we need to define the concept of a data model. A data model is a collection of conceptual tools for describing data, data relationship, data semantics and data constraints(Henery, 1986).

4.2.1 Entity Relationship model

This model shows the relationship of entities identified in the process of analysis. Relationship is an association that exists among several entities. These entities interact with each other in various ways to perform the import business, and those interactions are called relationships (Modell, 1988:86). The importer requests for foreign exchange from the National bank; open letter of credit through Commercial bank to effect purchase payment to his supplier. The relationship can be one-to-one, one-to-many , and many-to-many. For instance one purchase order can not be given for more than one supplier, this indicates one-to-one relationship. On the other hand one or more items can be purchased from many suppliers, that shows many-to-many relationship.

Figure 4.3 ER_Diagram



4.2.2 Normalization of data items

Normalisation is one of the data analysis (bottom-up) approach having an objective of analysing data items rigorously and their relationships in such a way to remove unnecessary redundancies by which it is possible to avoid update anomalies of data. This in turn help to design the database, input and output data items.

For the sources of data in import and sale of automotive parts are too many, covering all these documents will be beyond the scope of this study. Thus a sample documents and data elements are treated in the paper just to indicate the importance of data analysis. The sample areas are grouped into three modules named: sales, procurement, and inventory.

Grouping the overall import and sales activities into four major activities is based on the researcher's long time experience in the field supported by document review related to purchase follow-up reports by some big Automotive Parts Importers. Decision makers in this type of business are always eager to know the status of the process in order to get parts imported and sold on time. Time is a vital element that has to be carefully managed in this type of business environment. Thus the sample database will help to create awareness on computerised business information system and how it supports the process follow-up. Developing complete and full-fledged system requires special time and effort. This study could therefore be used as a sort of input whenever there is an intention to establish business information at enterprise level.

The following pages present the tables and their attributes that are used to build the prototype databases for import and sale of automotive parts follow-up and related activities.

Figure 4.4 **Sales module**

entity	attribute
SALES INVOICE	(sales invoice_number, customer_code, date_of_sale, sales _price, sales_tax, total_due)
CUSTOMER	(customer_code, customer_name, customer_address)
ITEM SOLD	(sales invoice_number, item_code, quantity, item_total)

Figure 4.5 **Inventory module**

entity	attribute
INVENTORY	(item_code, description, stock_on_hand, reorder_level, unit_cost, unit_sales_price)
ITEM ORDERED	(item_code, supplier_code, Po_number, supplier_price)

Figure 4.6 **Import/purchase module**

entity	attribute
purchase order	(PO_number, supplier_code, PO-date, description, FOB_amou freight, C+F_amount)
supplier	(supplier_code, supplier_name, supplier_address)
supplier invoice	(invoice_number, invoice_amount , invoice_date, supplier_code)
Auction	(Auction_No.,exchange_rate, proforma_No., proforma_amount, supplier_code)
Bank permit	(bank permit_No, permit_amount, Auction_No., permit_date, permit_validity date)
Shipment	(Shipper,Vessel_name, B/L_No., port_of_embarkation, port_of_destination, expected_shipment date, expected_arrival date, PO_number)
Duty	(duty_code, duty_amount,)
letter of credit(L/C)	(L/C_number, L/C-amount, PO_number, supplier_code, date_opening, date_expired)

4.2.3 Data dictionary

Data dictionary is a collection of data about data that describes data element name, description, data type, length, value of the field, that will be contained in the system. The dictionary describes all the data elements used by the system (APIS).

Data element name: Item ordered code
Description: Spare part number ordered from supplier in the form of purchase(import)
Type: Alpha-numeric
Length: 15 characters
Key: Primary key
Comments: The field is used to identify parts ordered for different parts can have similar name.

Data element name: Item ordered description
Description: Spare part name ordered from supplier in the form of purchase(import)

Type: Text
Length: 25 characters
Key:

Comments:	The field identifies the name of parts ordered at least to indicate the group.

Data element name:	Item ordered quantity
Description:	Spare part quantity ordered from supplier in the form of purchase(import)
Type:	Numeric
Length:	5 characters
Key:	

Data element name:	Item ordered price
Description:	Spare part unit price given from supplier
Type:	Numeric
Length:	5 characters
Key:	
Comments:	The field shows unit price of the part at the time of purchase in FOB terms.

Data element name:	Purchase order number (PO number)
Description:	Unique number to identify the order number in the process of importing parts
Type:	Alpha-numeric
Length:	5 characters
Key:	Primary key
Comments:	The field is used to identify the number of active orders in a given period of time.

Data element name:	Purchase order date (PO date)
Description:	Order date
Type:	Date (dd/mm/yyyy)
Length:	10 characters
Key:	

Data element name:	Supplier code
Description:	The code assigned to supplier from which part are ordered using purchase order.
Type:	Alpha-numeric
Length:	6 characters
Key:	Primary key
Comments:	The field is used to identify the supplier of the parts ordered from.

Data element name:	Supplier name
Description:	Name of the supplier. It could be a company or individual
Type:	Alpha-numeric
Length:	20 characters
Key:	

Comments:	The field is used to identify the name of supplier who supplies spare parts ordered
Data element name:	Supplier address
Description:	
Type:	Alpha-numeric
Length:	25 characters
Key:	
Comments:	The field is used to identify the address of supplier who supplies spare parts ordered

Data element name:	FOB amount
Description:	Free on board amount of the purchase order
Type:	Numeric
Length:	10 characters
Key:	
Comments:	The field is used to identify the total amount of the order before freight is paid, i.e at the port of embarkation.

Data element name:	Freight amount
Description:	Freight charge to the order that could be air or sea freight
Type:	Numeric
Length:	7 characters
Comments:	The field is used to show the freight amount of the order.

Data element name:	Invoice number
Description:	supplier's invoice number
Type:	Alpha-numeric
Length:	10 characters
Key:	Primary key

Data element name:	Invoice amount
Description:	Suppliers invoice amount
Type:	Alpha-numeric
Length:	15 characters
Comments:	The field is used to identify the total invoice amount and type of currency the supplier is demanding for against parts delivery.

Data element name:	Invoice date
Description:	Supplier invoice date
Type:	Date(dd/mm/yyyy)
Length:	10 characters
Comments:	The field is used to identify the date of the invoice for later reference.

Data element name:	L/C number
Description:	Letter of credit number

Type:	Alpha-numeric
Length:	9 characters
Key:	Primary key
Comments:	The field is used to identify the L/C number opened in favour of the supplier as a settlement to parts delivered against order spare parts.

Data element name:	L/C amount
Description:	Total amount of L/C and type of currency
Type:	Numeric
Length:	10 characters
Comments:	The field is used to show the L/C amount in total and the currency type used during the time of opening.

Data element name:	L/C opening date
Description:	Letter of credit opening date
Type:	Date(dd/mm/yyyy)
Length:	10 characters
Comments:	The field is used to show the date of letter of credit opened.

Data element name:	L/C expire date
Description:	Letter of credit expire date
Type:	Date(dd/mm/yyyy)
Length:	10 characters
Comments:	The field is used to show the date the letter of credit expires.

Data element name:	stock_on_hand
Description:	spare parts available in
Type:	numeric
Length:	5 characters
Comments:	The field is used to indicate the current stock position in the organisation

Data element name:	Reorder_quantity
Description:	
Type:	numeric
Length:	6 characters
Comments:	The field is used to show the quantity of parts at the time of order.

Data element name:	Reorder_time
Description:	
Type:	date(dd/mm/yyyy)
Length:	10 characters
Comments:	The field is used to identify the item reorder is initiated.

Data element name:	sales invoice_number
Description:	invoice number prepared by the seller(importer) at the time of parts sell
Type:	Alpha-numeric

Length:	11 characters
Key:	Primary key

Data element name:	PFI_number
Description:	proforma invoice number
Type:	Alpha-numeric
Length:	7 characters
Key:	Primary key
Comment:	The field is used to identify the proforma invoice number used to apply
for	foreign exchange at the time of auction.

Data element name:	customer_name
Description:	name of the customer
Type:	Alpha-numeric
Length:	25 characters

Data element name:	customer_address
Description:	address of the customer that includes, city, box, and telephone number.
Type:	Alpha-numeric
Length:	30 characters

Data element name:	quantity_sold
Description:	quantity of the part sold to customer
Type:	numeric
Length:	6 characters
Comments:	The field is used to indicate the quantity of parts sold to customer in a given period

Data element name:	unit_sales price
Type:	numeric
Length:	6 characters
Comments:	The field is used to indicate the sales price of each part sold to customer.
Data element name:	Auction_number
Description:	The number of auction declared every week by national bank
Type:	Alpha-numeric
Length:	5 characters
Key:	Primary key
Comments:	The field is used to identify the auction number for which the importer participates in the competition of getting foreign exchange.

Data element name:	Exchange_rate
Type:	numeric
Length:	6 characters
Comments:	The field is used to indicate the value of one dollar or any other unit of currency in terms of Birr at the prevailing auction number

Data element name:	proforma_amount
Type:	numeric
Length:	10 characters
Comments:	The field is used to show the total amount of the proforma invoice in its respective currency at the time of auction application

Data element name:	Bank permit_number
Description:	permit number for foreign exchange given by NBE.
Type:	Alpha-numeric
Length:	7 characters
Key:	Primary key
Comments:	The field is used to identify the Bank permit number by which the importer is able to open L/C while effecting payment for imported goods.

Data element name:	Bank permit_date
Description:	The date bank permit is issued
Type:	date (dd/mm/yyyy)
Length:	10 characters

Data element name:	Bank permit validity_date
Type:	date (dd/mm/yyyy)
Length:	10 characters
Comments:	The field is used to indicate the date the Bank permit remains valid.

Data element name:	Shipper
Type:	Alpha-numeric
Length:	30 characters
Field:	Key
Comments:	The field is used to indicate the name of the shipping compnay

Data element name:	Vessel_name
Description:	name of the ship or air lines used for transportation of imported parts
Type:	Alpha-numeric
Length:	15 characters
Key:	Primary key

Data element name:	Port_embarkation
Description:	Name of the port of loading of the imported goods. It could be Sea or
Air	port.
Type:	Alpha-numeric
Length:	15 characters

Data element name:	Port_destination
Description:	Name of the port of destination of the imported goods.
Type:	Alpha-numeric
Length:	15 characters
Comments:	The field is used to indicate the port name where the imported goods are to be unloaded

Data element name:	Expected shipment_date (ESD)
Description:	Date of shipment (delivery)
Type:	date (dd/mm/yyyy)
Length:	10 characters
Comments:	The field is used to indicate the date of shipment (expected) of the ordered parts.

Data element name:	Expected arrival_date (EAD)
Description:	Date of arrival
Type:	date (dd/mm/yyyy)
Length:	10 characters
Comments:	The field is used to indicate the date goods to arrive at the port of destination.

Data element name:	Duty_code
Description:	code of the tax to be paid for imported goods
Type:	alpha_numeric
Length:	16 characters
Key:	Primary key
Comments:	The field is used to identify the code of duty tax for the parts imported

Data element name:	Duty_amount
Description:	tax amount payable for imported goods
Type:	numeric
Length:	7 characters
Comments:	The field is used to identify the amount of tax to be paid for imported goods.

4.3 USER INTERFACE DESIGN

The user interface consists of the screen features of a system which allows a user to interact with a computer. It is most important feature which represents the system's functions to the user (Everest, 1986).

While designing the interface the following points are taken into account:

- the forms and the data used in the process of import
- problem areas of the user in the process of import
- requirements of service giving institution like bank, insurance, customs, etc..
- users exposure to computer

As indicated in the survey result of this study (Table 3.7:53), about 50% of the respondents have computers at their disposal although most them are novice to operate computers. Thus the system being proposed is more flexible in accommodating both experienced and novice uses. The interface therefore is expected to provide instructions and easier way of manipulating the system. Hence menu driven option is used in the usage of database to extract information and enter the required data.

The users of the system will be involved mainly at three levels:

1. use of database to extract information: User(s) can select and enter the appropriate number given in the menu.

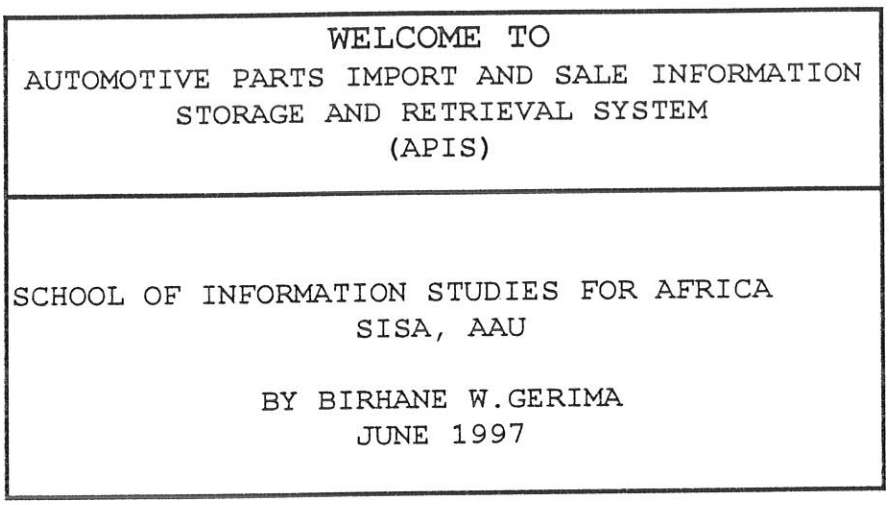
2. data entry. User(s) is provided with menu driven options, which lead to the data entry forms.
3. Entering key feilds code so that to retrieve related information which was captured and stored for this purpose.

In order for the user to interact with the system, there must be a computer requiring hardware and software specifications in general. It will be unwise at this stage to specify the technical details of the required computers and accessories for the user to acquire. However, since the prototype database is developed using Microsoft Access because of its integrating facility and simple to use and builtin functions, it would worth have a computer that has at least 640 kilobytes Random Access Memory (RAM) and at least 4 Megabytes of free Hard disk storage space and floppy diskettes for backups, file transfers and output deliveries. The 4 RAM is recommended because the application is run on window based environment. The software aspect of the system refers to two basic elements. The first one refers to operating system which is capable of better input/output control, automatic recovery and backup, control of system's time, control of data transmission, and control of DBMS. The second one is related to Database management software for the development, control, maintenance, and manipulation of the database.

4.3.1 Menu design

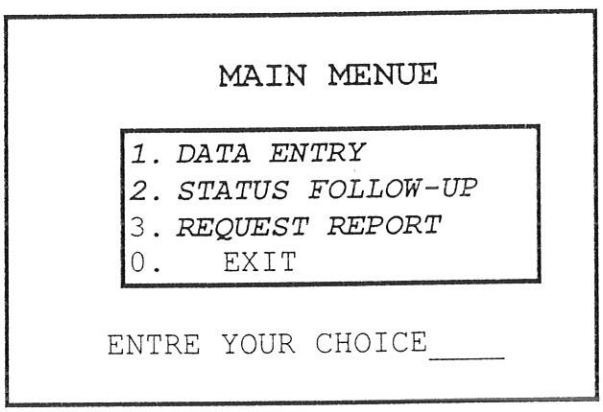
Initially the user will be welcomed by the system when he/she starts the computer. The screen show is presented below. This menu contains the name of the system, name of the person who developed it and place.

Figure 4.7 Welcome menu



The next menu is known as main menu that consists of the process options of the system. The main processes of this prototype are data entry, status follow-up, and request report. Once the user selects one of these processes, he will be allowed to access another menu to enable him edit or manipulate the data.

Figure 4.8Main menu of the system



The user after selecting his/her interest will be in a position to access to the entry and other data manipulation rights. For instance the data entry option as discussed in 4.3.1.1 is an integral part of the system designed to enable the user to store data for later retrieval of information regarding active orders and their status especially in obtaining information about the items ordered and their respective value, quantity ordered, where from(supplier) it is ordered, when it is ordered and expected date of arrival, etc.

Status follow-up

The status option of the system is designed to search and retrieve current information about import related activities which are captured in the process of data entry time. In fact these data are detailed in the data entry option in the form of databases.

When the user selects one of the status follow-up option for instance the ITEM status, he will be required to enter the item code by which all item related information will be searched and displayed. Thus search request screen is required to enable the user interact with the system while searching for information.

Figure 4.9 Status follow-up menu

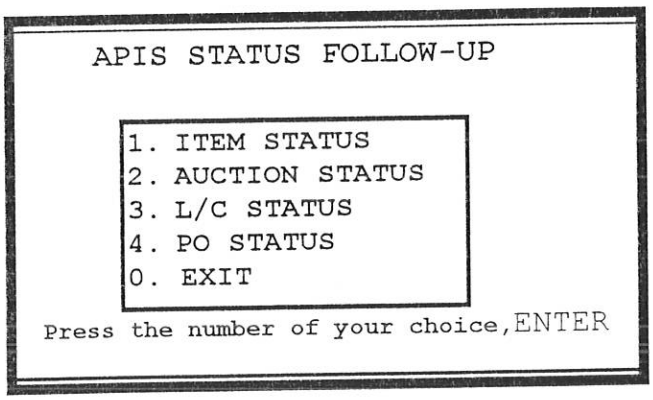


Figure 4.10 Search request screen

```
        SEARCH REQUEST SCREEN
           FOR ITEM STATUS

ITEM CODE_____________________

  Enter the code and press Ctrl
```

Once the item code is properly entered in the screen presented above, the user will be prompted to the next screen called search output to show the current status of the item (part): item ordered, item sold, and stock on hand.

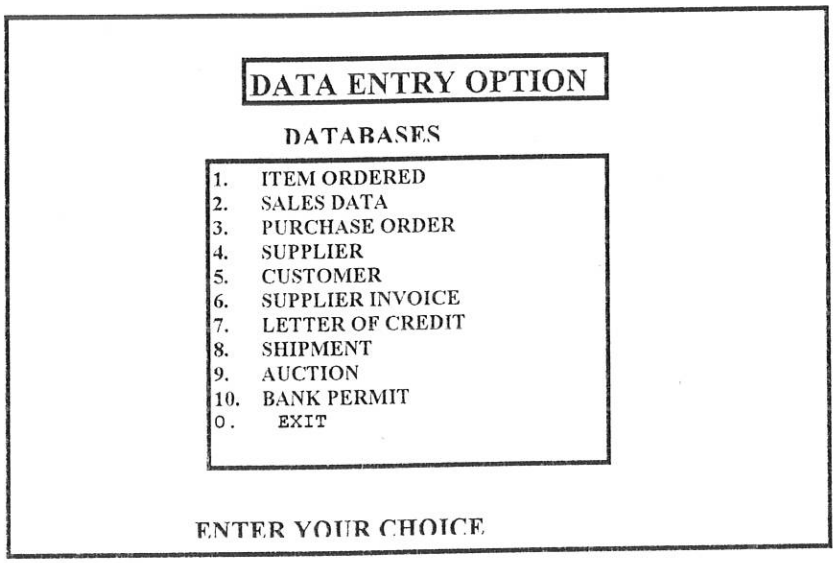
Figure 4.11 Search output screen

```
                    SEARCH OUTPUT

Item code (part number): XXXXXXXXXX
Description:XXXXXXXXXXXXXXXXXXXXXXX
Quantity ordered:XXXXX PO number:XXXX
Supplier code:XXXXX Quantity sold:XXXX
Customer code:XXXXXQuantity in stock:
XXXXX

                1. SAVE
                2. PRINT
                    0.   EXIT
        ENTER YOUR CHOICE_____
```

4.3.1.1 Data entry

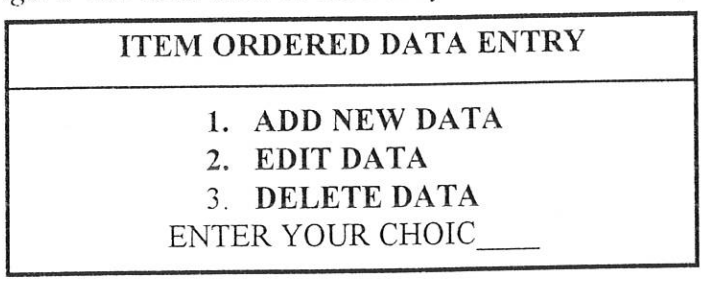
This form is designed in such a way to enable the user capture data related to purchase and procurement activities. The following entry formats are used to enter data about order, auction, payment, shipment, and stock status including sales. The data entry menu is design in such a way to enable the user select the type of data to enter.

Figure 4.12 Data entry menu(option)



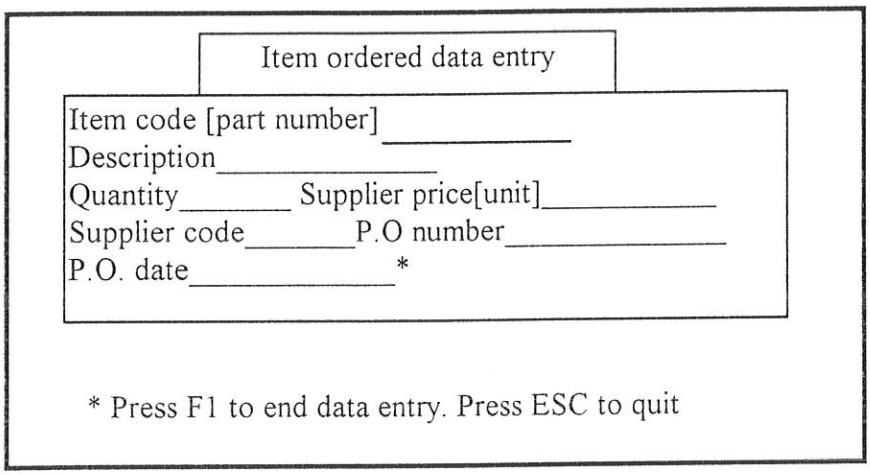
When the user selects one of the listed items for instance item ordered database from the data entry option, he/she will be prompted to data manipulation menu to indicate whether the data is to be added, edited, or deleted.

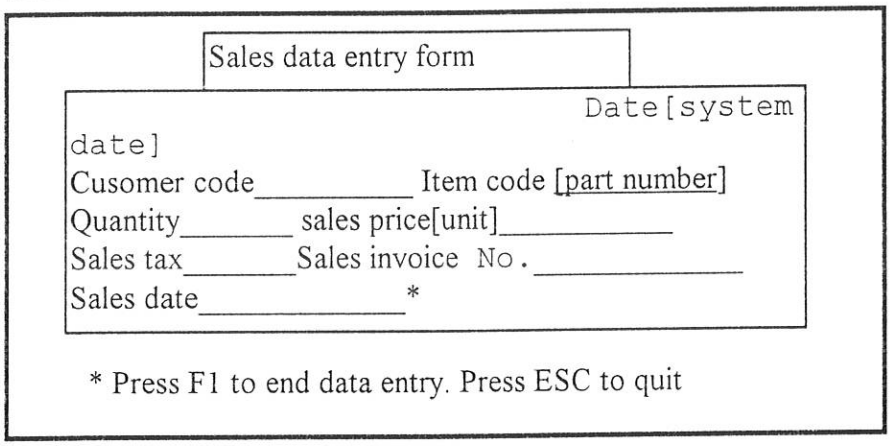
Figure 4.13 Item ordered data entry menu

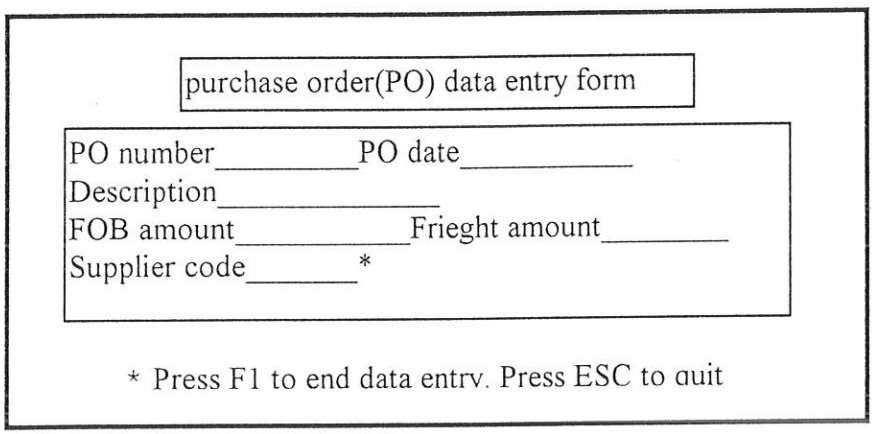


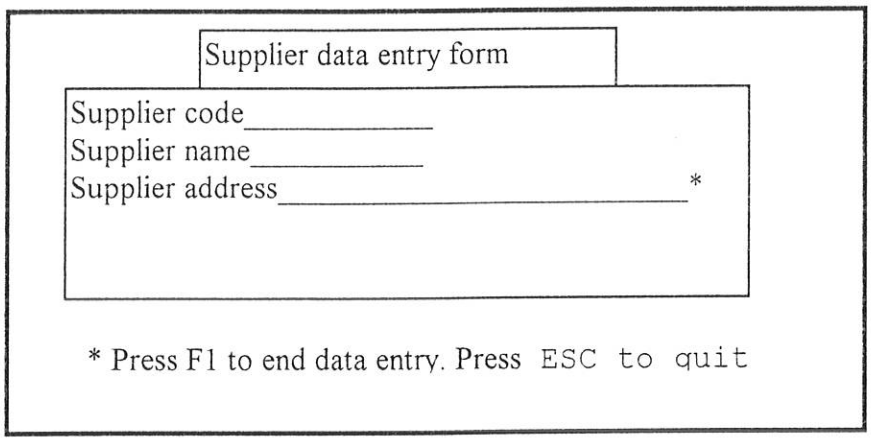
On selecting one of the data manipulation rights from the above menu, the user will be directly prompted to the data entry sheet where he can perform the action. If the user selects data editing or data deleting rights, he will be required to enter the entry number of the data.

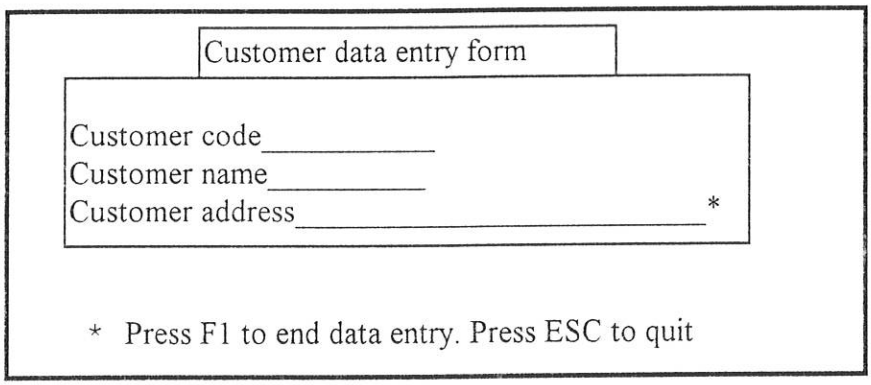
Figure 4.14-22 APIS data entry formats(electronic sheet)

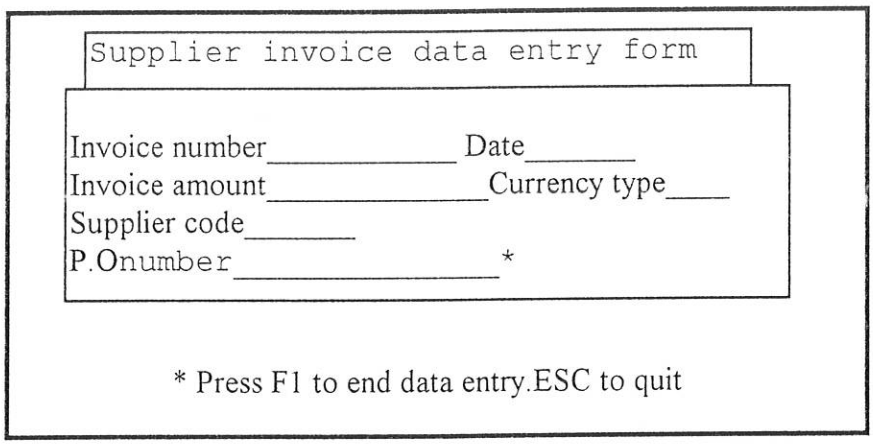


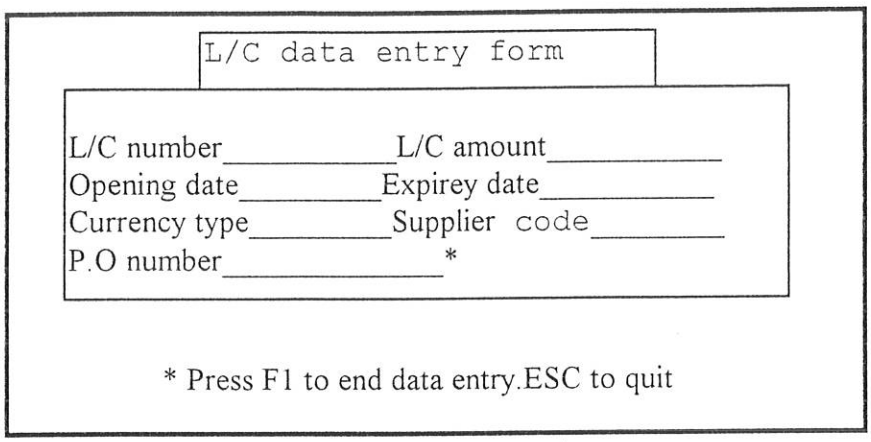


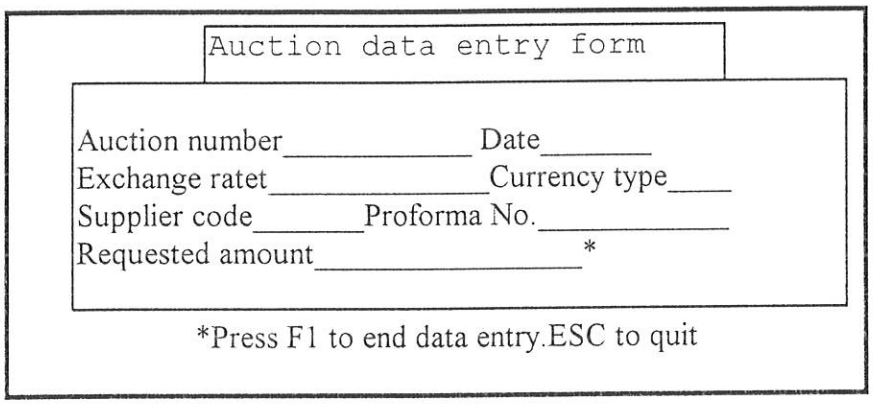


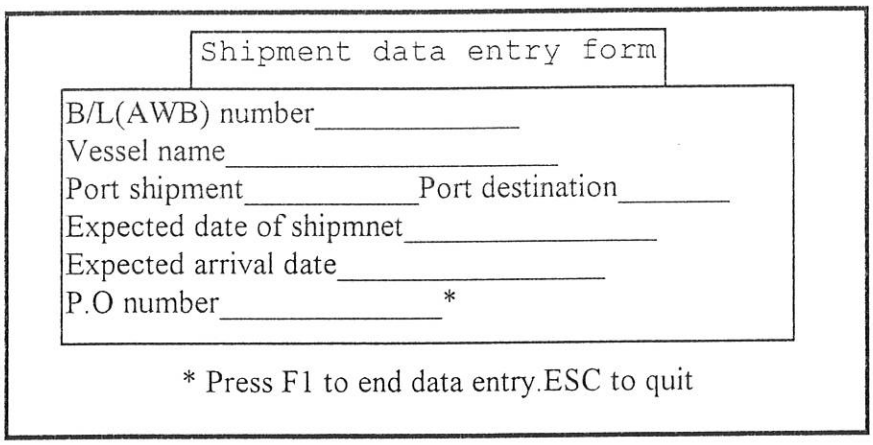

Supplier data entry form
Supplier code
Supplier name
Supplier address
*
* Press F1 to end data entry. Press ESC to quit

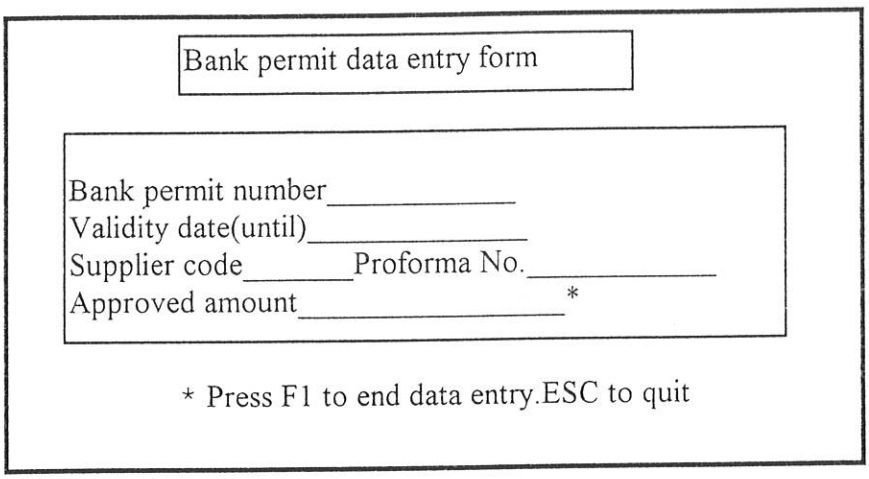

Customer data entry form
Customer code
Customer name
Customer address
*
* Press F1 to end data entry. Press ESC to quit


Supplier invoice data entry form
Invoice number
Date
Invoice amount
Currency type
Supplier code
P.Onumber
*
* Press F1 to end data entry.ESC to quit


L/C data entry form
L/C number_____L/C amount_____
Opening date_____Expirey date_____
Currency type_____Supplier code_____
P.O number_____*
* Press F1 to end data entry.ESC to quit


Auction data entry form
Auction number_____ Date_____
Exchange ratet_____Currency type____
Supplier code_____Proforma No._____
Requested amount_____*
*Press F1 to end data entry.ESC to quit


Shipment data entry form
B/L(AWB) number_____
Vessel name_____
Port shipment_____Port destination_____
Expected date of shipmnet_____
Expected arrival date_____
P.O number_____*
* Press F1 to end data entry.ESC to quit



The data entry sheet will help the user to capture data related to various activities that will be used for later retrieval of information in different formats. As discussed earlier, the retrieval of information will be effected using the search mechanism by entering the key fields of different databases.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

Information is a means of survival in the competitive business environment. The businessman therefore is required to have sources of business information and access to such sources. The sources of business information could be from within the organisation or from external environment. The internal sources such as financial reports, stock reports and sales reports are more or less under the direct discretion of the businessman. Whereas the external sources such as information about competitors, customers, suppliers and product are beyond the direct control and requires effort to get and use it to the advantage of the organisation.

Well established business information system will help manage information coming from different sources and manipulate them optimally towards the company's competitive advantage.

Import business specially Automotive Parts Import and Sales in Ethiopia is one of the competitive businesses that demand timely information on the market, supply and the product based on which to enable business people make right decisions. If the businessman fails to get the right sources of supply, it will be difficult to run the business properly. It is also equally true that if the business man does not have the right strategy to win competitors, staying in this type of business will be unproductive.

From the study it was observed that respondents who were asked whether they have suppliers(sources) that can deliver parts for which payments can be effected after goods arrive at the port of destination (short term credit) known as *cash against document (CAD)*. 64% of them replied that they do not have such facility with their suppliers. Lacking this facility therefore means delay to get goods on time as a result of they could lose to competitors having the said facility. Importers have to be in a position to establish confidence on the supplier to allow import parts on cash against document(CAD) basis. The advantage of CAD apart from lesser banking charges is to get imported goods within 30 to 45 days after order compared to goods imported through letter of credit which were expected to be delivered within the range of 60 to 90 days. The shorter the lead time means the lesser quantity in stock is required and that in turn minimise capital tie-up shown in the form of inventory and dead stock.. It is therefore vital for the importer to know and store information related to CAD and letter of credit facilities in practice.

5.2 GENERAL COMMENTS

Information referred in the process of import and sales of automotive parts was well discussed in chapter three of this paper. However from the observations during the course of the study, I would like to put my comments on the services provided by different offices that directly related to import activities and information processing.

National Bank of Ethiopia

This is the only Bank in charge of providing foreign exchange to importers on auction basis carried out weekly at the Bankers club. There is one department in this Bank named as

Marketing Intelligence Division (MID) established during the command economy to assist public sectors in providing them information related to suppliers, products and their prices. Where there was no market economy and competition this type of service could have been helping the Government to control foreign exchange. Whereas these days things have been changed from command economy to market forces which require competition to survive the dynamic business environment. Importers are expected to be more efficient and responsible to identify their sources of supply and fair price of products. The role of MID in this context is almost of no value to importers rather it is the cause for the delays encountered in the process of getting foreign exchange permit approval. This problem as highlighted by respondents were mainly insufficient banking service (table3.5:52). On the other hand some importers are found presenting documents showing under-invoicing and locally produced proforma invoices. But such applications are rejected during auction analysis.

Hence the National Bank of Ethiopia as the body responsible to control the foreign exchange of the country on the one hand and facilitate the import business on the other hand has to reconsider this problem and work for the solution.

Commercial Bank of Ethiopia

This bank provides banking services to help promote import and export business of the country. Accordingly it is seen arranging seminars in collaboration with Addis Ababa Chamber of Commerce to importers and exporters to create awareness on the requirements and risks involved in the process of import and export of goods.

However, since the "franco-valuta" business is banned, the number of customer (importers) to the bank is increasing from time to time. On the other hand the telegraphic transfer to effect payment to supplier abroad is centralised for security reasons. This in turn has created a delay in the transfer of payment instruction to the Advising or Confirming bank to effect payment to the supplier. The average time to transfer payment instruction (letter of credit) is one week that is quite significant in this sector. The Bank therefore as a mediator and facilitator to import business is expected to look for a means to improve the delay related to payment to supplier. Importers are also required by Commercial Bank to improve their skill in the business, understanding and adhering to the rules and regulations of the bank.. This is said because of the importers limitations in relation to commercial bank as discussed in 3.4.5 of the paper.

Customs Office

As discussed earlier, there is a lot of improvement in the process of clearing imported goods specially after the "franco-valuta " business ceased to function. All documents are collected through bank and the probability of getting illegal documents is minimised. The clearing time is also reduced to five days as compared to weeks and moths before.

Recently, the customs office is on the way to introduce computerised clearance processes. This could increase efficiency and control of the system leaving some problems to importers who are yet not well familiar with computerised business information systems. The office, therefore, have to design a mechanism to help importers cope to the new system.

5.3 CONCLUSION

Well established business information system at enterprise level will mainly help the enterprise it self. But it will also help other institutions involved in the process of import business and government departments in such a way by providing timely and updated information.

The prerequisite for good business information system to be in place is to identify information requirements of the user and their sources using different data collection methods and tools. The data collected from different sources should be carefully analysed and documented for it to form the basis of designing the proposed solution and setting implementation strategy for the system. The study from this context has tried to identify information requirements of import business. However it is not an easy task to obtain a correct and complete set of information requirements of users. The reasons for this difficulty are enumerated by Davis et al (1985:474) as:

1. The constraints on humans as information processors and problem solvers.
2. The variety and complexity of information requirements
3. The complex patterns of interaction among users and analysts in defining requirements.
4. Unwillingness of some users to provide requirements (for political or behavioural reasons)

With all these limitations the study has tried to come with certain information requirements in the process on import and sale of automotive parts.

Importers in general and Automotive parts importers in particular were given due attention in the process of data collection. Organisations which play some parts have part in the import process like Banks, Insurance, Customs and Customers were also considered to strengthen the

data collection process. As the result of data collection, it was possible to identify the problem areas of the importers.. It was also possible to illustrate the data flowing into the system and going out from the system at higher level.

Finally the overall data were grouped in to four major processes namely Inventory, Sales, Procurement and Finance. The prototype database is designed on the basis of this category paying special emphasis to inventory, sales and procurement because most of the data used in import business are derived from these functions. The database is created to show the importance and possibility of storing, manipulating and retrieving data updated data using computers to support the overall business in meeting its objectives.

5.4 RECOMMENDATIONS

- Because of the wideness of the business sector (import business) and time available for this study, imitation, the study could not be said to be exhaustive. It however forms the basis on which similar studies should be carried out to bring about a substantial contribution to the economy and the community at large. These studies should give emphasis on the policy issues related to import business taking some good experiences of other countries. It is alo recommended that similar studies should emphasise on market information which is a major problem for importers and the basis of customer satisfaction.

- Information technology is changing the globe to a smaller village as far as information flow is concerned. In this context, it will be the job of information professionals to help the

business community to cope with the advancement maximize their profit by carrying out similar studies in business information system.

- Service giving organisations like Banks, Insurance, Customs, and government departments should be in a position to help business people, importers in particular by providing current information related to import business. Meanwhile the initiatives so far taken by Commercial Bank of Ethiopia arranging seminars on business (Import/Export) should be adopted by other service giving organisations like Customs, Insurance, Ministry of Trade, Chamber of Commerce and Trade fairs.

- Business information services are emerging nowadays in the form of consultancy business and news letters(Entrepreneur). However it is difficult to get business information services geared to serve the import and export sector. A recent seminar arranged by Commercial Bank of Ethiopia (20, Feb. 1997) about import and export processes where business community identified the problem of getting information about suppliers and customers abroad (credit information) was a case in study. Thus the establishment of such services could be helpful to avail required information to this business sector.

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Appendix I

QUESTIONNAIRE

INTRODUCTION

I am a graduate student of the School of Information Studies for Africa at Addis Ababa University in Ethiopia, carrying out a research project, as a requirement for the completion of a Master of Science degree program. I am conducting a study on "**SURVEY OF INFORMATION REQUIREMENTS OF BUSINESS ORGANISATIONS ENGAGED IN IMPORT AND SALES OF AUTOMOTIVE PARTS IN ETHIOPIA WITH SPECIAL REFERENCE TO SAME ORGANISATIONS LOCATED IN ADDIS ABABA.**"

The information you provide in the questionnaire will give me a picture of the existing types of information in use, type of organisation, sources of information, marketing information to some extent, and some information related to import and sale of automotive parts in the country. The purpose of this survey is to identify information requirements of business organisations engaged in the business of import and sales of spare parts in Ethiopia. Based on the result of the survey the researcher will design a prototype database to show how the required information can be stored and retrieved for use. I would appreciate if you could take a few moments of your valuable time to answer the following questions. Thank you in advance in anticipation of your co-operation.

Instructions to fill the questionnaire.

i) Use the spaces provided to write your answers to the questions. You may use additional paper where the space provided is not enough.
ii) Use 'X' to mark your answer in the box provided.

PART I- ABOUT THE ORGANISATION
Please mark 'X' against your choice

1. Name and address of the organization_____
_____

2 .Year of establishment_____, Initial capital_____, Present capital_____.

3 Type of your organisation
[ ] Private company
[ ] Partnership
[ ] Public/Government enterprise
[ ] Other; Please specify_____

4. Did you have a business plan (study) before and after establishing your business? [ ] Yes [ ] No

5. If the answer to the above question is NO, then how did you decide to invest in this business? Please give brief explanation_____

6. Type of spare parts imported and sold by your organisation
   [ ] Heavy Truck parts (Mercedes, Fiat, Scania, Nissan, etc.)
   [ ] Light vehicle parts (Toyota, Nissan, Lada, etc.)
   [ ] Agricultural machinery parts
   [ ] Earth moving parts (Grader, Dozer, etc.)
   [ ] Others; Please specify_____

7. Number of employees in each of the following activities.
   [ ] Purchase/Import
   [ ] Sales/Distribution
   [ ] Store/Stock control

8. Is your organisation a member of chamber of commerce? [ ] Yes [ ] No

9. Do you have any organised library/information unit in your organisation? [ ] Yes [ ] No

PART II- IMPORT

10. From which countries do you import the spare parts for sale?
   [ ] Germany [ ] Arab countries (Jedda, Dubai, etc.)
   [ ] Italy [ ] Japan
   [ ] USA [ ] China
   [ ] Others; Please list_____
11. While importing the spare parts, could you mention the sources of foreign currency.
   [ ] Franco Valuta [ ] Bank auctions
   [ ] Others; Please state_____

12. What means of shipment (transport) do you mainly use to import spare parts from abroad?
   [ ] Sea freight, [ ] Air freight,
   [ ] Others; please specify_____

13. On what basis do you select your suppliers?
   [ ] price
   [ ] Quality
   [ ] Delivery time
   [ ] Relation ship (Special agreement)
   [ ] Others; Please specify_____

14. On what basis do you determine the quantity of spare parts to import?
[ ] Market demand expectation
[ ] Available finance
[ ] Economic order quantity (EOQ)
[ ] Others; Please specify_____

15. Do you have DEAD stock (not moved for more than one year)?
[ ] Yes [ ] No

16. What percentage of your stock does the dead stock represents?
[ ] 5% [ ] 10% [ ] 15% [ ] 20%
[ ] Others; Please specify_____

17. Do you know the reason why you have that much dead stock?
[ ] Market problem
[ ] Purchasing problem
[ ] Suppliers problem
[ ] Others; Please specify _____

18 Do you have any mechanism that enables you to obtain information about other organisation (competitors), what they import and what they sell? [ ] Yes [ ] No

19. If the answer to the above question is YES, what are the mechanisms in use?
[ ] Market survey
[ ] Information exchange with competitors
[ ] Others; Please specify _____

20. Could you state some of the problems you face while running your business?
[ ] Marketing information (how and where to sale)
[ ] Communicating with suppliers
[ ] Communicating with customers
[ ] Finding sources of information about suppliers
[ ] Getting proper telecommunication service
[ ] Getting proper Banking services
[ ] Getting proper customs services

21. A lot of data is generated within business organisations as the result of day to day operation like purchasing, storing, clearance, sales, payroll, balance sheet, etc. These are highly essential for decision making at all levels, to assess past performance and to predict future trends.

a) Please indicate the mode of organisation of the above type of data in your organisation.
[ ] Departmentalised
[ ] Centralised
[ ] Others; Please specify_____

b) Do you generate any of the following products based on your internal information?

[ ] Statistical bulletins
[ ] News letter
[ ] Annual report
[ ] Others; Please specify_____

22. Is your company sets priority to select and import spare parts based on (choose only one):

[ ] Low prices
[ ] Quality of the material
[ ] Delivery time
[ ] Others; Please specify_____

And please give brief explanation why your company gives priority to any one of the above_____

23. What effects could it have on your company after the government banned the Franco Valuta business in the country?

[ ] Positive effect
[ ] Negative effect
[ ] No effect at all

24. Do you have an annual import and marketing plan of spare parts? [ ] Yes [ ] No

a) If the answer for the above question is yes, what types of information are referred to prepare the plan?

[ ] Market information
[ ] Market speculation(gut feeling through experience)
[ ] Financial limitation
[ ] Number of equipment imported to the country
[ ] Stock status of the company
[ ] Stock status of competitors
[ ] Sales volume of the company(historical)
[ ] Others; Please specify_____

b) Where do you get this information from?

[ ] From within(reports: weekly, monthly, quarterly, etc.)
[ ] Customers
[ ] Government offices (Rod transport, Central statistics, Bank, etc.)
[ ] Others; Please specify_____

25. Have you ever encountered problem in getting foreign currency (US Dollar, DM, Lire, etc.), from the National Bank of Ethiopia? [ ] Yes [ ] No

a) If yes, please list the type of problems.

[ ] Auction problem(preparation and technical)
[ ] Shortage of finance in your company

[ ] Lack of information while participating the auction
[ ] Shortage of foreign currency made available by the bank as compared to the demand for it
[ ] others; Please specify_____

b) On average, how long did it take you to get foreign currency from the time of initial request (in this case you may lose the first auction, or the second, etc.) .
[ ] One week [ ] Two weeks [ ] Three weeks
[ ] One month [ ] Three months and above

26. Have you so far encountered the problem of effecting payment to your supplier abroad in time? [ ] Yes [ ] No

27. If the answer for the above question is yes, can you state the possible reasons for the problem mentioned above?
[ ] Inefficiency of the Bank process
[ ] Shortage of finance from your end
[ ] Shortage of skilled man power in your organisation
[ ] Others; Please specify_____

28. While parts arrived at the port of destination (Assab, Massawa, Djibouti, AA air port), have you encountered clearance problems which have caused a delay to get parts at hand on time and as the result of which your sales activity is affected? [ ] Yes [ ] No

29. If the answer for the above question is yes, could you mention the type of problems in brief.
_____
_____

30. What are the major factors involved in setting the selling price of the spare parts imported for sale?
[ ] Fob price [ ] Freight
[ ] Inland cost (bank charges, customs tax, etc.)
[ ] Margin [ ] [ ] Competitor pricing
[ ] Discounting. Others; please specify_____

31. Is your organisation applying information technology (IT) in its day to day operation?
[ ] Computers_____ [ ] Fax,
[ ] Telephone [ ] Telex
[ ] E-mail, Others; Please specify _____

32. How do you get the computer(s)and other IT you are using?
[ ] Purchased by consultants
[ ] Gift from friends
[ ] Others; please specify _____

33. Do you have any plan to introduce or further develop the use of information technology (IT) in your business? [ ] Yes [ ] No

34. Since the nature of your business (import) requires best communication facilities (to enhance communication locally and internationally), how do you rate the service you get from Ethiopian Telecommunication Authority from this context?
[ ] Very poor [ ] Poor [ ] Good [ ] Very good

35. Who are the customers often visit your organisation to purchase the spare parts?
[ ] Garages [ ] Truck owners [ ] Retailers
[ ] Others; please specify_____

36. Do you have a mechanism (system) by which you are able to inform your customers about the arrival (availability) of new consignments of spare parts? [ ] Yes [ ] No

37. If the answer for the above question is yes, could you mention the major ones:
[ ] Advertising through media
[ ] Salesman visit
[ ] Others; Please specify_____

38. Do you have suppliers who can supply you spare parts on short term credit basis (cash against document). Meaning you pay the supplier after parts arrive at the port of destination?
[ ] Yes [ ] No

Thank you for finding your time to complete the questionnaire.
Please mail the completed questionnaire and any information to:

Birhane W.gerima
SISA
Addis Ababa University
P.O.Box 1176
Addis Ababa

Appendix II

PEOPLE INTERVIEWED

1. Ato Mesfin G.selassie, Deputy exchange controller (fellow-up), National bank of Ethiopia.
2. Ato Tefera, auction officer, National Bank of Ethiopia.
3. Ato Hailessilassie Mekonen, Head letter of credit department, CBE
4. Ato Giday, Operations staff, Customs office, Addis Ababa

5. Ato TekleG.hiwot, Head planning and statistics division, Customs office
6. Ato Mussie Leakemariam, General Manager, ETAMO.
7. Ato Tsehaye Tesfay, Head Import Department, ETAMO.
8. Ato Zemere Jemaneh, Company owner, YAZECO.

Appendix III

DOCUMENTS REVIEWED AND ANNEXED

1. Auction analysis reports (National Bank of Ethiopia)
2. Bank advises (IBD, commercial Bank of Ethiopia)
3. Bank permit application form
4. Bill of lading (Ethiopian shipping lines) & Air way bill (Ethiopian air lines)
5. Certificate of origin for goods imported
6. Customs declaration form (Customs office, Ethiopia)
7. Foreign exchange auction application form (National Bank of Ethiopia)
8. Insurance application form (Nile insurance & Ethiopian Insurance company)
9. Letter of credit application form (Commercial Bank of Ethiopia)
10. Packing list
11. Proforma invoices
12. Purchase order (Importers')
13. Suppliers' invoice

FOREIGN EXCHANGE AUCTION NO._____
DATE_____
APPLICATION NO._____

REASONS FOR REJECTION

1 COPY OF VALID IMPORT LICENCE NOT ATTACHED ☐

2 ITEMS NOT INCLUDED IN THE APPLICANTS TRADING LICENCE ☐

3 TYPE OF CURRENCY NOT IDENTIFIED ☐

4 TWO PROFORMAS FROM DIFFERENT SUPPLIERS NOT ATTACHED ☐

5 ORIGINAL BID BOND ADVICE NOT ATTACHED ☐

6 CURRENCY INDICATED ON APPLICATION FORM DIFFER FROM PROFORMA INVOICE ☐

7 MULTIPLE BID RATES STATED ON SINGLE APPLICATION ☐

8 EVIDENCE OF INTERNATIONAL COMPETATIVE BID NOT ATTACHED (FOR USD 1 MN AND ABOVE) ☐

9 MORETHAN ONE APPLICATION PRESENTED FOR SINGLE PROFORMA INVOCE ☐

0 CURRENCY QOTED NOT UNDER THE CURRENCY LIST OF AUCTION ☐

1 HIGHEST PROFORM INVOICE AMOUNT SELECTED ☐

2 LOCALLY PRODUCED PROFORMA INVOICE ATTACHED ☐

3 TWO PROFORMAS WITH DIFFERENT PARTICULARS ☐

15 COPY OF AGENCY AGREMENTS FOR SOLE SUPPLIER NOT DEPOSITED WITH THE BANK ☐

16 PROFORMA INVOCE IS/ARE NOT SIGNED OR SEALED BY OVERSEAS SUPPLIER/S ☐

17 BID RATE NOT QOTED ☐

18 FOREIGN CUURENCY NOT INDICATED IN THE BID APPLICATION FORM ☐

19 F/CY ON THE BID APPLICATION DOES NOT AGREE WITH PROFORMA INVOICE ☐

20 MORETHAN ONE TYPE OF F/CY INDICATED ON A SINGLE BID APPLICATION ☐

21 PROFORMA INVOICE IS NOT ADDRESED TO THE APPLICANT ☐

22 APPLICANT NAME DIFFERENT FROM THE NAME INDICATED ON THE BID BOND ADVICE ☐

23 AMOUNT IN WORDS AND FIGURES DIFFERENT IN THE BID BOND ADVICE ☐

24 _____
_____
_____
_____

CHECKED BY_____

INTIAL _____

006/97

COMMERCIAL BANK OF ETHIOPIA

FA-10

2. Customer's Debit Advice — KIRKOS KEBELE BRANCH — Date 24.4.97

Branch Code	Our L/C No.	NBE Code	Value Date
000	~~06--10327~~	07	

Corr. A/C No.

SKANDNIVISKA ENSKILD BANKEN

Customer's A/C No.

DEBIT 2285

ETHIO AUTOMOTIVE & GENERAL TRADING PLC

	Foreign CY	Rate	Local CY
Amount advanced	~~SEK426,894.48~~	~~0.938172~~	~~400,500.45~~
Margin Held			~~100,125.11~~
Net advance			~~300,375.34~~
Excess drawing			
Interest			~~6,739.92~~
Net Total			~~307,115.26~~

Int. @ 13 %from 20.2.97 to 24.4.97

SIXTY THREE DAYS

~~Dynapac Inv. No 7736~~

Authorized Signatures

L/C Bank advice

6/96

COMMERCIAL BANK OF ETHIOPIA

Date Paid 27-02-97

T ADVICE — KIRKOS KEBELE — Presented 27-02-97

OUR REF. NO.	MSE CODE	VALUE DATE	EXCH. CONT. PERMIT	THEIR No.	DATED
KK/7637/97	07		784/012857/96		

Corresp A/C No — Customer's A/C No.

s remitted through:

ERS TRUST CO

ORK

Remitted to :

NKERS TRUST CO

WYORK

BRUSEELE LAMBURT

RUSSEL

IGIUM

AS COPOC AIRPOWER

MSESTEENWEG 957

610 WILRIJK BELGIUM

MAIL TO 2285

ETHIO AUTOMOTIVE & GENERAL TRADING PLC

Account (charges included) USD 1,751.72

Equivalent Birr

Interest at _____ from

Amount in Words: USD ONE THOUSAND SEVEN HUNDRED FIFTY ONE AND 72/100 ONLY

Foreign Cy	Rate	Local Cy
USD.1,751.72	6.41	11,228.53
		168.42
		112.28
		7.00
		0.20
		11,516.43

UPON AT SIGHT

Authorized Signature

Cash against Document (CAD)
Bank Advice

FOREIGN EXCHANGE APPLICATION FOR IMPORTS

LICANT'S NAME .....

.....

DRESS KEF. ..... KEBELE. ..... H. NO. .....

CITY .....

TEL. NO. ..... P. O. BOX .....

ADING LICENCE NO. .....

FOR OFFICE USE ONLY	
CLASSIFICATION SITC ..... EU ..... ES ..... AS	A/C No.
	Permit No.
	Authorized On
	Vaild Until
	Commodity
	B/S
	Country
	Currency
	B/P

Full Details of Quantity & Commodity	Foreign Currency Amount	Equivalent In Birr	Manufacturer's Name & Country of Origin
	FOB ..... FRIGHT ..... C & F	.....	
	Method of Payment ..... Port of Destination ..... Shipment Allowed by	Supplier's Name	

ORIGINAL

PRE. BY	AUD. BY	POS. BY

Commission included in the price? ..... If so what percentage? .....

o whose benefit? .....

ame of local commission agent & Address .....

.....

For Import financed by Foreign loans, indicate:

Source .....

Loan No. .....

I declare that I have read the commitments written below

Date .....

Signature & Office Stamp of Applicant

NATIONAL BANK OF ETHIOPIA
EXCHANGE CONTROL

APPLICANT'S COMMITMENT

This licence will be authorized on the understanding that:-

a) It will NOT be transferred, and will be available for one payment only. Split licence will however be issued on request.

b) It is issued subject to availability of foreign exchange without commitment by National Bank of Ethiopia.

I/We hereby warrant that the Foreign Exchange applied for in this application includes no allowance, agency commission, Branch or Head Office charges. I/We undertake to repatriate to Ethiopia any commission or discounts resulting from the importation described hereabove.

I/We undertake to produce to the National Bank of Ethiopia (Exchange Control) proof of entry of goods into Ethiopia (i. e. Customs import declaration and all other documents which the Exchange Control may require) within four months of the date upon which payment is made under this licence. I/We hereby declare that the above particulars are true and realize that any false declaration is subject to penalty at law under Ethiopia Penal Code of 1957

I/We undertake to return this permit to National Bank of Ethiopia if not utilized within the validity date.

N.B. This application for a licence must be submitted in quintuplicate with two copies of the supplier's invoice covering the goods shipped or to be shipped which invoice must be certified by the supplier as being true and correct.

FOR AUTHORIZED BANK USE ONLY

Name of Authorized Bank .....

Mode of Payment & Ref. .....

BILL OF LADING FOR COMBINED TRANSPORT AND PORT TO PORT SHIPMENTS

Shipper

I.T.G.
INDUSTRIA TOSCANA GOMMA srl.
FUSIGNANO (RA) ITALY

Consignee

TO ORDER OF
COMMERCIAL BANK OF ETHIOPIA/FI

Notify Party and Address (leave blank if stated above)

TYRE RETREADING INDUSTRY
P.O. BOX 343B
ADDIS ABABA/ETHIOPIA

Custom Ref.	B/L No. 11
Shipper's Ref.	
F/Agent's Ref.	Reference No.

E.S.L.

የኢትዮጵያ ፡ ንግድ ፡ መርከብ ፡ ኮርፖሬሽን ።
THE ETHIOPIAN SHIPPING LINES CORPORATION
አዲስ ፡ አበባ ።
ADDIS ABABA

Pre-Carriage by*	Place of Receipt by Pre-Carrier*
Vessel OMO WONZ V73	Port of Loading LEGHORN
Port of Discharge ASSAB	Place of Delivery by On-carrier*

Pre Carriage Payable at	On Carriage Payable at

Marks and Nos: Container No.	Number and kind of packages: Description of Goods PARTICULARS OF GOODS ARE THOSE DECLARED BY SHIPPER	Gross Wt. (Kg)	Measurement
BOX 282023/0 (SHIPPER'S OWNED)	1.= CONTAINER 20' BOX 1.620 PKGS.	KGS. 17.250	
SEAL No 02769			
TRIA – ADDIS ABABA ETHIOPIA	4 CASES	KGS. 3.700	
FCL/FCL	RUBBER AND MATERIAL FOR REBUILT TYRES		
	FREIGHT PAYABLE AT DESTINATION		

Said by Shipper to Contain

20950

GOODS STOWED IN CONTAINERS ON INSTRUCTION AND FOR ACCOUNT OF SHIPPERS.- SHIPPER WEIGHT, LOAD AND COUNT"

Freight and charges

Interest shall be payable at 2% above Bank lending rate at place of payment, per annum, shall be paid on any freight and charges remaining unpaid after due date of payment.

Received, in apparent good order and condition unless otherwise stated, the Goods or Containers or other packages said to contain Goods herein mentioned to be transported subject always to the exceptions, limitations, provisions, conditions and liberties contained herein and whether written, printed or stamped on the front or reverse hereof, from the place of receipt or the port of loading, whichever applicable, to the port of discharge or the place of delivery, whichever applicable.

All agreements or freight engagements for shipment of the Goods are superseded by this Bill of Lading.

In Witness whereof the Master or Agents have affirmed to the number of original Bills of Lading one of which being accomplished the others to be void.

COPY NOT NEGOTIABLE

..... For the Carrier

issued at LEGHORN date 11 DIC. 1996

Freight payable at DESTINATION	
Number of original Bs/L THREE(3)	

United Printers

(CONTINUED ON REVERSE SIDE)

-4-

* Applicable only when document for combined transport

Goods of a dangerous or damaging nature must not be tendered for shipment unless written notice of their nature and the name and address of the sender have been previously given to the Carrier. Master or Agent of the vessel and the nature is distinctly marked on the outside of the package or packages as required by statute under heavy Penalties. A special stowage order giving consent to shipment must also be obtained from the Carrier. Master or Agent of the vessel. Shippers will be liable for all consequential damage and expense if all the foregoing provisions are not complied with.

1 Expéditeur:
Absender - Consignor - Expedidor

2 Destinataire:
Empfänger - Consignee - Destinatario

Nº 90472

ORIGINAL

COMMUNAUTE EUROPEENNE
EUROPÄISCHE GEMEINSCHAFT
EUROPEAN COMMUNITY
COMUNIDAD EUROPEA

CERTIFICAT D'ORIGINE
URSPRUNGSZEUGNIS
CERTIFICATE OF ORIGIN
CERTIFICADO DE ORIGEN

3 Pays d'origine
Ursprungsland - Country of origin - País de origen

(mention facultative)
Angaben über die Beförderung
Means of transport
Expedición

SEAFREIGHT

5 Remarques
Bemerkungen - Remarks - Observaciones

4 No d'ordre; marques, numéros; nombre et nature des colis; désignation des marchandises
Laufende Nummer; Zeichen, Nummern; Anzahl und Art der Packstücke; Bezeichnung der Waren
Item number; marks, numbers; number and kind of packages; description of goods
Nº de orden; marcas, números; número y naturaleza de los bultos; designación de las mercancías

IMPORTER:

TOTAL WEIGHT:

CUSTOMER ORDER NO 068/96

6 Quantité

8 L'AUTORITÉ SOUSSIGNÉE certifie que les marchandises désignées ci-dessus sont originaires du pays figurant dans la case No. 3.
DIE UNTERZEICHNETE STELLE bescheinigt, daß die oben genannten Waren dem Ursprung in dem unter 3 genannten Land haben
THE UNDERSIGNED AUTHORITY certifies that the goods described above originate in the country shown in box 3
LA AUTORIDAD INFRASCRITA certifica que las mercancías designadas arriba son originarias del país indicado en la casilla Nº 3

-5-

CHAMBRE DE COMMERCE G.-D. DE LUXEMBOURG

17 Février 1997
Luxembourg, le

Lieu et date de délivrance, désignation, signature et cachet de l'autorité compétente.

የኢትዮጵያ ጉምሩክ ባለሥልጣን

MINISTRY OF FININCE
CUSTOMS
AUTHORITY

ቅጽ 2/80
FORM

ORT DECLARATION

1. SUPPLIER'S NAME & ADDRESS

2. MANIFEST NO.

3. DECLARATION NO.

4. MANIFEST DATE

5. STATION

IMPORTER'S NAME

WARNING PRESENTATION OF FALSE DECLARATION OR DOCUMENTS MAY BRING ABOUT PENAL LIABILITY

TRANSPORT

8. ... OF LOADING

9. IMPT. LICENCE NO.

10. COUNTRY OF ORIGIN

PLACE OF DISCHARGE

12. ... WAY. BILL NO.

13. BANK PERMIT NO.

MARKS & NUMBERS

15. STANDFAC. INVOICE NO.
SUPPLIER'S INVOICE NO.
DATE

16. EXCHANGE RATE

NUMBER ... PACKAGES ... DESCRIPTION

18. WEIGHT

19. NET WEIGHT

CONTINUATION SHEET

20. TARIFF ITEM NO.	21. QTY.	22.	23. DUTY PAYING VALUE	24. RATE	25. DUTY BIRR	C.
TOTAL B/F FROM CONTINUATION SHEET		26.	27.		28.	
TOTAL		29.	30.		31.	

36. I HEREBY DECLARE THAT THE INFORMATION SET FORTH ABOVE AND DOCUMENTS ATTACHED ARE ACCURATE AND ...

SIGNATURE & SEAL OF IMPORTER

32. OTHER TAXES

33. RATE

34. TAX AMOUNT

-6-

37. ... 17 ...

35.

TOTAL DUTY & TAXES PAYABLE

EXAMINER

38. CHIEF EXAMINER

39. DIRECTOR

40. RECEIPT NO.
DATE

NOTICE IF THERE IS SPECIAL REMARK ATTACH A REPORT

ATTACHED

NOT ATTACHED

ENCLOSURES ATTACHED NOT ATTACHED

VALID ONLY IF PROPERLY SIGNED & STAMPED

PRICE 0.60 x 5 = 3 ...

NATIONAL BANK OF ETHIOPIA

FOREIGN EXCHANGE BID APPLICATION FOR IMPORTS

No 65567

Auction No. .....

'A' To be completed by applicant

PPLICANT'S NAME .....

DDRESS: WOREDA ..... KEBELE ..... H. No. ..... CITY/TOWN .....

TEL. No. ..... P. O. Box.....

MPORT LICENSE No. .....

YPE OF ENTERPRISE: STATE ☐ PRIVATE (BUSINESS ENT.) ☐ INDIVIDUAL ☐

urpose for which foreign change is required .....

verseas suppliers

ame and address .....

.....

eneral commodity description .....

PART 'B' For internal use

12) Currency: Alpha & Numeric Code

.....

13) Audited by

	Particulars of Commodity	Quantity	Value in currency of invoice			
			Type of C/y	F.O.B.	Freight	Total Value C & F
					TOTAL	

Bid rate:

Willing to pay Birr ..... for US Dollar 1-

11) Amount Blocked

Birr .....

With .....

Branch .....

Applicant's Commitment

undertake that the foreign requested shall be used solely for the purpose(s) stated and ccordance with the Exchange Control Regulation of the National Bank of Ethiopia.

.....

Signature & Office Stamp of Applicant

ART 'C' For use of the Foreign Exchange Auction Committee (FEA)

Amount Allocated (FCY)	Bid Rate US$ to Birr	Equivalent in Birr

FROM _____

የኢትዮጵያ መድን ድርጅት

TO : ETHIOPIAN INSURANCE CORPORATION

_____ Main Branch/Branch

MARINE CARGO
INSURANCE PROPOSAL FORM

Date _____

Ref. _____

Please insure the following and let us have your
Policy/Certificate in due Course

1. Name of insured _____

2. Amount Insurance (Birr) _____

3. Quantity _____

4. Description of Goods _____

5. Marks & Nos. _____

6. Packing _____

7. From _____ To _____

8. Per S.S. _____

9. Cover required _____

10. REMARKS _____

Yours faithfully,

Name _____ Signature _____

Position _____

ናይል ኢንሹራንስ ኩባንያ (አ.ማ.)
NILE INSURANCE COMPANY (S.C.)
ካፒታል ብር Capital Birr 12,050,000 (በሙሉ የተከፈለ) (Fully paid - up)
☏ 114041, 552585 ✉ 12836 ፋክስ Fax 251-1-550336 Addis Ababa, Ethiopia

✓ MARINE INSURANCE CERTIFICATE

Date 7th March 1997

MARINE OPEN COVER NO. ....

CERTIFICATE NO. ....

DEBIT VOUCHER NO. ....

This is to Certify that the Nile Insurance Company (S. C.) has insured under an Open Cover Policy issued on behalf

on the Interest as specified below, valued at sum insured

Birr

Per:

Voyage

Subject to the terms of the Open Cover Policy and to the following Clauses.

INSTITUTE CARGO CLAUSES (A) 1/1/82
INSTITUTE CLASSIFICATION CLAUSE 1/7/78
INSTITUTE STRIKES CLAUSES (CARGO) 1/1/82
INSTITUTE WAR CLAUSES (CARGO) 1/1/82

ቁጥር 3

1124/88 9/1/88

In the event of damage to the Interest hereby insured outside Ethiopia, Lloyds Agents should be applied to for survey. In the event of damage to the interest hereby insured within Ethiopia Company's Office named herein above should be applied to for survey.

Claims (if any) payable at Addis Ababa by Nile Insurance Company (S.C.)

DESCRIPTION OF INSURED INTEREST

Examine

7th March 1997

for and on behalf of
NILE INSURANCE COMPANY

This Certificate represents ... that ...

APPLICATION FOR LETTER OF CREDIT

TO: ADDIS BANK _____ Applicant : _____

P. O. Box: _____ City _____

Phone : _____

_____ 19____

NBE LICENCE No. _____

Dear Sirs,

Please open an irrevocable | confirmed irrevocable Documentary Credit by cable | airmail letter to the extent of _____

Beneficiary name (say) Amount & dec

favonring _____

_____

available at your option, by drafts or solely against the documents specified below:-

1. Signed Commercial Invoices N= 3 more copies specifying Freight and Insurance charges (if any) copies certified by the Chamber of Commerce, indicating exchange control licence no. Pro forma

2. Signed Manufacturer's invoice in Manuf copies _____ copies certified by the Chamber of Commerce,

3. Packing List in 4 copies

4. Full set of clean on board ocean Bills of Lading | airway bill | parcel post receipt marked "freight prepaid" "Paybale at destination" by the shipping company, made out to order of _____

dated not later than _____ marked notify _____

_____

5. Certificate of Origin issued by a compitent authority.

6 Insurance certificat (indicate with X)

[ ] Insurance Policy or Certificate in full set blank endorsed issued by an approved Insurance Co. covering Marine air and war risks extended to cover Institute Cargo clauses (all Risks), WPA | FPA including tebft, Pilferage, non-delivery S. R. C. C. for the C. I. F. value of Shipment plus _____ %

upto _____

[ ] Insurance covered locally and policy as above and including shifta clause enclosed.

Others| additional details _____

_____

_____

from _____ to _____

Aaditional conditions:-

Origin of goods _____

Partial shipments are permitted not permited. Transhipment is permitted not permitted.

This credit is valid for negotiation not later than (validity date) _____

Packages to be marked Packing marks

All | charges outside Ethiopia are for account of beneficiary buyers

I we will pay you at your office the equivalent in Birr of the amount of the draft drawn under this Letter of Credi on demand at your then selling rate of exchange for cable transfers to the place of payment in the currency of th draft even though the custom authorities may subsequently refuse to permit the entry of the goods into Ethiopi consequent upon restriction being placed on their import. If this Letter of Credit provides for presentation o documents without drafts, my | our obligations to pay you on demand at your then selling rate shall be the same though drafts hand accoumpanid such documents. In additon I | we undertake to pay you the interest at your appl rate from the date of payment by your correspondent to the date of settlement by me/us.

ORIGINAL

PACKING LIST

ESPECIFICACION DE EMBALAJE
VERSANDLISTE

Seller (Name, Address, VAT Reg. No.)	Invoice Number	1 OF 2
	Invoice Date (tax point)	Seller's Reference
	Buyer's Reference	Other Reference
Consignee	Buyer (if not Consignee)	
	Country of Origin	Country of Destination
	Terms of Delivery and Payment	
Vessel/Flight No.	Port/Airport of Loading	
Port/Airport of Discharge	Place of Delivery	

Shipping Marks; Container No.	No. and Kind of Packages; Description of Goods	Commodity Code	Total Gross Wt (kg)	Total Cube (m3)

Item/packages	Gross/Net/Cube	Description	Quantity	Other Details

Name of Signatory

Place and Date of Issue

Signature

-10-

KG

PROFORMA INVOICE

o. ....

NVOICE of .....

hipped per ..... sailing on or about .....

rom Indonesian Port, Indonesia to Assab via .....

onsigned to Messrs .....

ef. .....

Marks and Numbers	Quantity	Description	Unit Price	Amount
			FOB Indonesia By Sea Per Set In US Dollars	
1.	100 sets		US$	US$
2.	300 sets			
3.	100 sets			
4.	50 sets			
5.	50 sets			
6.	50 sets			
7.	100 sets			
8.	50 sets			
9.	100 sets			
		Total FOB Indonesia		US$
		Total Ocean Freight		
		Total C&F Assab		US$.

Terms and Conditions:-

PRICE : C&F Assab

PAYMENT : Irrevocable L/C payable at sight for full contract amount

SHIPMENT : End April or early May subject to our receipt of your operative and satisfactory L/C by 20th April and vessel's being available

VALIDITY : Till 31st May, 1997

LOADING PORT : Any Indonesian Port

COUNTRY OF ORIGIN : Indonesia

PURCHASE ORDER NO.

INVOICE NO.

REF :
DATE:

MANUFACTURER'S NAME & ADDRESS ORIGIN : BY :		SUPPLIER'S NAME & ADDRESS TERMS OF PAYMENT :
ITEM NO. & DESCRIPTION	QTY	AMOUNT
F.O.B. SEA FREIGHT		
TOTAL C & F		

APPLICANT'S SIGNATURE

DATE -

ORIGINAL

INVOICE

Invoice Number	Sheet No. 1 OF 2
Invoice Date (tax point)	Seller's Reference
Buyer's Reference	Other Reference 2

Consignee

Buyer

ALL TRANSACTIONS ARE SUBJECT TO OUR TERMS AND CONDITIONS OF SALE

Country of Origin	Country of Destination

Terms of Delivery and Payment

Vessel/Flight No.	Port/Airport of Loading	Nature of transaction
Port/Airport of Discharge	Place of Delivery	VAT number

Shipping Marks; Container No. | No. and Kind of Packages | Total Gross Wt (kg) | Total Cube (m3)

Total Net Wt (kg)

CONT. NO.6X40FT CTRS

Item	Description	Quantity	Unit Price	Amount
	CARRIED FORWARD			

Invoice Total

CFR ASSAB

WE CERTIFY THIS INVOICE TO BE TRUE AND CORRECT AND IN ACCORDANCE WITH OUR BOOKS ALSO THAT THE GOODS REFERRED TO ARE OF PURE * TURKEY * ORIGIN.

ITS PROCEEDS ARE FOR OUR OWN ACCOUNT AND ARE NOT ACCREDITED IN THE ACCOUNT OF ANY DESTINATION OR FOREIGN ORGANISATION.

Name of Signatory
MONIQUE MAJERES

Place and Date of Issue
COLMAR-BERG

Signature

BANKERS:
KREDIETBANK 52-1000503-57 - BANQUE GENERALE DU LUXEMBOURG 30-058160-91
CAISSE D'EPARGNE DE L'ETAT 1000/6777-2
BANQUE INTERNATIONALE A LUXEMBOURG 3-100/1608
SOC. GEN. ALSACIENNE DE BANQUE 61-413616-19-26 - C.C.P. 9999-08

INVOICE CONTINUATION SHEET

Seller	Invoice Number	Sheet No.
		2 OF 2
	Invoice Date (tax point)	Seller's Reference
	Buyer's Reference	Other Reference

Consignee	Buyer (if not Consignee)

Item	Description	Quantity	Unit Price	Amount
				0.00
001			200.1200	220932.48
002				

FREIGHT

SUB TOTAL

TOTAL UNITS

THE VALUE OF THE ABOVE TUBES AND FLAPS IS INCLUDED IN THE VALUE OF THE ABOVE TIRES.

CFR ASSAB

US DOLLAR

CHAMBRE DE COMMERCE ★ GR-D. DE LUXEMBOURG

Vu, à la CHAMBRE DE COMMERCE

17 FEV. 1997

DECLARATION

The thesis is my original work and has not been presented for a degree in any other university.

Birhane Woldegerima
June___, 1997

The thesis has been submitted for examination with my approval as a university advisor.

Dr. G.A. Alabi
June _, 1997