



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

**The Challenges of Customs in Export Trade Facilitation:  
The Case of Ethiopian Revenues and Customs Authority  
Dire Dawa Branch Office.**

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

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## Statement of Certification

This is to certify that Mengistu Tefera has carried out his research work on the topic entitled “*The Challenges of Customs in Export Trade Facilitation: The Case of Ethiopian Revenues and Customs Authority Dire Dawa Branch Office*”.

The Work Is Original in nature and is suitable for submission for the award of Master Degree in Logistics and Supply Chain Management (M.A in LSCM).

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Date:

## Statement of Declaration

I, the undersigned, declare that this study is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly acknowledged.

Declared by:

Name: Mengistu Tefera

Signature \_\_\_\_\_ Date \_\_\_\_\_

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## List of Acronyms

<b>AEO</b>	Authorized Economic Operator
<b>BPR</b>	Business Process Reengineering
<b>EC</b>	European Commission
<b>HRD</b>	Human Resources Development
<b>IBM</b>	Integrated Border Management
<b>ICT</b>	Information Communication Technology
<b>IMF</b>	International Monetary Fund
<b>PCA</b>	Post Clearance Audit
<b>RILO</b>	Regional Intelligence Liaison Office
<b>RKC</b>	Revised Kyoto Convention
<b>TRS</b>	Time Release Study
<b>WB</b>	World Bank
<b>WCO</b>	World Customs Organization
<b>WTO</b>	World Trade Organization

## List of Abbreviations

<b>APEC SCCP</b>	Asia-Pacific Economic Cooperation Sub-Committee on Custom Procedures
<b>APFC</b>	Asian Pacific Countries
<b>ASYCUDA</b>	Automated System for Customs Data
<b>ECA</b>	Economic Commission for Africa
<b>ECLAC</b>	Economic Commission for Latin American and the Caribbean
<b>ERCA</b>	Ethiopian Revenues and Customs Authority
<b>OECD</b>	Organization for Economic Co-Operation and Development
<b>SPSS</b>	Statistical Package for Social Science
<b>TTF</b>	Trade and Transportation Facilitation
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNECE</b>	United Nation Economic Commission for Europe

## ***Abstract***

*Customs has been described for a century as a gate keeper, with customs authorities representing a barrier through which international trade must pass. But currently Customs plays a critical role in the implementation of a range of trade, economic and social policies and contributes to the achievement of national development objective focusing on trade facilitation and regulatory control. Trade facilitation and customs regulatory control regarded as two major requirements for both government and the business community in pursuing their national and international trade in the competitive environment of today. However, enormous amount of time and money wasted due to long delays at customs in most sub-Sahara African Countries like Ethiopia. The objective of this study was to identify the challenges of customs in export trade facilitation at Dire Dawa Customs Branch Office. To achieve the research objective, the study employed a descriptive method and used both qualitative and quantitative research approach. Primary data were collected from all Customs employees found in export clearance team, and all exporters and customs clearing agents who have permanent office at the branch. Accordingly 85 questionnaires were distributed and interviews have made with purposively selected 3 team leader, 2 process owners and 1 Deputy Branch manager. The collected data were analyzed using descriptive statistics. Four major findings from the case study are identified as the key criteria required for facilitating international trade. First, risk management is identified as a core principle of accommodating facilitation. Second, customs laws and regulations, customs procedures and information technology are found to be key instruments for supporting the achievement of trade facilitation. Third, comprehensive and integrated approaches to cooperation are regarded as enablers, which contribute to facilitation. Finally, human resource development is identified as a prerequisite to support all other elements in accommodating trade facilitation. The accommodation of trade facilitation can be achieved dependent on these key criteria being effective and consistent with international standards and guidelines. Despite the effort of the Dire Dawa Customs Branch Office to accommodate trade facilitation, the study identifies some discrepancies between 'policy and implementation' or 'principles and practices', particularly in the areas of risk management, customs procedures and information technology. These implementation problems are found to result mainly from the lack of skills and knowledge of the customs officers. A key finding of the study is that continuous and sustainable development of human resources in terms of customs competency is required to ensure transparency, consistency and predictability in providing customs services. Finally, the challenges of customs vary from branch to branch and even from one customs procedure to another depending on the nature of the branch as the study entirely delimited to study the issues of Dire Dawa Customs Branch Office; it does not represent the scene in other Branch office and other customs procedures. Thus, further research needs to be conducted to address this customs challenges in export trade facilitation.*

**Key words:** *Customs Automation, Risk Management, Human Resource Development and Management, Cooperation and Coordination among customs and other agencies, Customs Procedures, Customs Laws and Regulations*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

The challenges in the 21st Century place massive demands on customs administrations. Now, there is a need for customs administrations to be more responsive than ever before. It also requires customs to understand globalization, the dynamics of international trade, the technicalities of the trade supply chain, emerging policy directions and the complexities of the global landscape (Pravin, n.d).

Customs has been described as a “gate keeper” for a century, government service with customs authorities representing a barrier of international trade flow and the only route through which international trade must pass to protect social and economic interests of the county (Widdowson, 2006). Revised Kyoto convention (1999) also defined customs as government service which is responsible for implementation and administration of national and international laws, conventions and agreements related to importation and exportation that the country is signed. Additionally, the roles and responsibilities of customs administration in most developing and least developed countries primarily focused on revenue collection to fill government budgetary requirements (Wondwossen, 2013)

Widdowson (2005) also stated that in a number of countries, customs administration plays a leading role and regarded as a key border agency responsible for all transactions related to issues arising from border crossings. In the process of executing prominent responsibilities at the border, customs mostly encounters impact to ensure appropriate balance between trade facilitation and control. When examining the issues of trade facilitation, it is important to recognize the difference in needs and expectations of customs administration and trading community. On one hand, traders are looking for the simplest, quickest, and most reliable way of getting goods into and out of the county. This simply shows that they are looking for certainty, clarity, flexibility, and timeliness in their dealing with customs procedures. In short traders are looking for the most effective ways of doing business and they are driven by commercial imperatives. On the other hand, customs authorities are seeking to ensure regulatory control of the border related to importation, exportation and movements of people and they are driven by

law. Therefore, what customs administration now seeking to achieve is an appropriate balance between trade facilitation and customs control (Widdowson, 2005).

The term ‘trade facilitation’ has emerged as a focus of studies aimed at reducing transaction costs imposed through international trade. The World Trade Organization (WTO) defines trade facilitation as “the simplification and harmonization of international trade procedures covering the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade” (OECD, 2005).

The simplification and harmonization of customs procedures is, therefore, important in contributing to the increase in the volume of international trade, the development of economies and the prosperity of the international trading community. It is expected that improvement in customs systems and processes can also lead to a decrease in the time and the cost of international trade transactions (Wunwimon, 2010). Thus, the success of the trade facilitation agenda is heavily reliant on the ability and efficiency of customs administrations to achieve an appropriate balance between facilitation and regulatory control (Wunwimon, 2010).

Although African countries have acknowledged the importance of trade facilitation through transparent and predictable customs procedures, sub-Saharan African countries’ customs administrations are characterized by, excessive documentary requirements, outdated procedures, lack of automation and insignificant use of information technology, lack of proper risk management techniques, lack of transparency, predictability and consistency, as well as lack of cooperation with other government agencies. This results in the waste of enormous amount of time and money. Delays at the customs as long as 10-30 days and over are very common in the region (ECA, 2004). Ethiopian customs administration is also characterized by similar problems. Hence, the aim of this study was to identify the challenges of customs (customs administration) in export trade facilitation by focusing on customs automation, human resource management, risk management, and cooperation and coordination among customs and other agencies (Teweldeberhan, 2011).

## **1.2. Statement of the Problem**

The roles and functions of customs have evolved with the ever changing domestic and international environment. As a result, trade facilitation which entails the simplification and

harmonization of customs procedures is now one of the key challenges for many customs administrations. Effective and efficient customs administration contributes to facilitating legitimate trade and implementing proper customs control, which are engines of sustainable economic development. A number of empirical researches suggest that many customs authorities in both developed and developing countries have recognized that simplify customs procedures, adopt modern technologies, proper human resource development and management, effective utilization of risk management, and productive interaction with business and other stakeholders are essential for effective and efficient customs administrations to facilitate international trade through transparent and predictable customs procedures (Mikuriya, 2012).

Trade facilitation and regulatory control are the challenging issues in most African countries and a cause of delays and high transaction cost (Buyonge & Kireeva, 2008). Since, their customs administrations are characterized by excessive documentary requirements; outdated procedures, lack of automation and insignificant use of information technology, lack of transparency, predictability and consistency, as well as lack of cooperation with other government agencies (Wondwossen, 2013). This results in the waste of enormous amount of time and money.

The Commission for Africa in its 2005 Report stated that Customs urgently need reform. Africa suffers from the highest average customs delays in the world, 12 days on average. Estonia and Lithuania require one day for customs clearance; Ethiopia averages 30 days. Customs procedures are often Byzantine in their complexity... Customs delays add to over 10 per cent to the cost of exports. Delays at the customs as long as 10-30 days and over are very common in the region. Waiting for up to 24 hours to pass through borders appears to be the norm rather than the exception in Southern Africa (cited in Buyonge & Kireeva, 2008).

Telecommunications services are inadequate, inefficient with frequent interruptions (ECA, 2004). Similarly, trade facilitation and regulatory control are the two challenging customs responsibilities in the current globalized world (Wunwimon, 2010). Those issues are very crucial for most Least Developed Countries especially for those Sub Sahara African countries like Ethiopia (Wondwossen, 2013). Due to lack of simplified and harmonized customs procedures, effective utilization of information technology or automation, risk management, proper human resource management, cooperation with business and other stakeholders these countries are facing challenges (Wondwossen, 2013).

Regarding customs role in trade facilitation, a number of surveys have been conducted globally. Djankov, Freund and Pham Cong (2006) attempted to determine how time delay affects international trade. On the other hand, Soloaga, Wilson and Mejia (2006) evaluate the impact of changes in trade facilitation measures on trade for main industrial sectors in Mexico, using four indicators of trade facilitation: port efficiency, customs environment, regulatory environment, and e-commerce use by business (as a proxy for service sector effectiveness). But in the case of Ethiopia there are few researches related to the challenges of customs in trade facilitation. Teweldberhan, (2008), Tadele, (2013), and Tilahun, (2014) tried to evaluate the role, challenges of customs in import trade facilitation. Additionally from the researcher's practical experience in customs operation, there are different challenging factors to facilitate legitimate trade as the same time to implement appropriate regulatory control without compromising one another. To cope up, the government has taken various measures in order to minimize factors that affect trade facilitation. However, those impact still sensitive and burning issues for both the government and trading communities.

According to the study conducted by Tsegaye and Endris (2011) Ethiopia is one of the countries with excessive challenges in cross border trade. The highest cost of doing business across borders in Ethiopia has become a major constraint. This in turn affects economic development of the country. The World Bank study of trading across borders ranking puts the country at 166<sup>th</sup> in the world. While, on average, sub-Saharan African customs delays are the longest in the world, the average delay is 12 days in the region compared with 7 days in Latin America; the longest delays in the region are in Ethiopia - where the average trader has to wait more than 30 days for customs to clear goods (World Bank, 2013). Numerous stages in the process of clearing and transporting commercial goods in transit from the port of Djibouti to Addis Ababa can take more than 20 days. This has contributed to the country's current 132<sup>nd</sup> rank out of 189 nations in the World Bank doing business index. The longer the time taken for import/export procedures or journey, the more expensive imports, exports and production becomes rendering Ethiopian exports less competitive.

The ability of countries to deliver goods and services on time and at the lowest possible cost is a key determinant of integration into the world economy today (Roy and Bagai, 2005). With the expansion in the volume of trade, policies that remove nontariff barriers and expedite the

movement of goods and services across borders, i.e., ‘international trade facilitation’, have emerged at the forefront of the trade agenda (Grainger, 2008). As Grainger notes; “over the last few decades customs tariffs have been significantly reduced. Consequently, the gap between tariff duties and transaction costs has narrowed; in view of such low trade tariffs, the transaction cost associated with paying duties is actually higher than the duties themselves” (Grainger, 2008). Experience shows that trade facilitation is highly dependent on infrastructural developments (Rodrigue, 2013). However, trade facilitation is not only about the physical infrastructure for trade (Hufbauer, 2012). Studies indicate now that, “only about a quarter of the trade delays is due to poor road or port infrastructure.”(Djankov *et al.*, 2006). “Seventy five percent is due to administrative hurdles - numerous customs procedures, tax procedures, clearances and cargo inspections - often before the containers reach the port” (Djankov *et al.*, 2006).

This seems to be one part of the trade facilitation challenges in Ethiopia which suffers from excessive border bottlenecks, lack of reform and drawbacks in private investment. A report for instance states in this regard, “Customs administration and administrative entry barriers appear to be the major Non Trade Barriers (NTB) affecting Ethiopia’s trade with COMESA member states. The NTBs reported within this area with the greatest frequency include export licensing, customs valuation and formalities, and to a lesser extent, classifications. There are also complaints pertaining to pre-shipment inspection as well as consular formalities and documentation” (Imani Development International (Ltd), 2007).

This has affected Ethiopia’s international trade relation and has hampered its trading across borders track record at the face of global competition for foreign direct investment. Hence, this study, *inter alia*, examines the challenges of customs in export trade facilitation in Ethiopia-the case of Ethiopian Revenues and Customs Authority that target at reducing the cargo time release needed to execute trade across border can effectively move it closer to the global economy. The focus will be on the administrative framework such as risk management, customs automation, human resource developments and management, as well as cooperation and coordination among customs and other government agencies i.e., soft infrastructure, rather than on traditional infrastructural challenges. The purpose of this study was to identify the major challenges of customs in delivering prompt customs clearance service at the point of origin or departure for

export goods facilitation in Dire Dawa. However, the export trade is one of the fundamental economic activities of a country in the international trade and affected by efficiency of customs administration, it is does not attract the researchers attention. Many researches have been carried out nationally and internationally on trade facilitation in general and specific to customs challenges, none of them considered export trade facilitation as their point of focus of their studies. Almost all of the studies solely emphasized on import trade facilitation. Therefore, this forms the research gap and inspired the researcher to conduct a study on this topic to fill the research gaps by addressing following basic research questions:

1. What are the major challenges of customs in export trade facilitation in Dire Dawa?
2. What are the reasons behind those challenges?

### **1.3. Objective of the study**

#### **1.3.1. General Objective**

The main purpose of this study was to identify the major challenges of customs in delivering prompt customs clearance service at the point of origin or departure for export goods facilitation in Dire Dawa.

#### **1.3.2. Specific Objectives**

The study attempted to achieve the following specific objectives:

1. To identify the major challenges of customs in export trade facilitation Dire Dawa.
2. To explore the reasons behind those challenges.
3. To evolve strategies to mitigate the existing challenges based on the findings of the study.

### **1.4. Significance of the Study**

There are a number of studies conducted on customs administrations but most of them are concentrated on import trade facilitation and there are few researches that tried to include export as a point of focus for trade facilitation globally. However, the researcher is unaware of any single research on the challenges of customs in export trade facilitation in Ethiopia. Hence, the finding of this paper will have the following academic, economic and organizational values. These can be:

- ✓ It will help ERCA's strategic team and experts to understand the challenges of customs in export clearance procedures towards trade facilitation and assist them to design proper customs laws, regulations and procedures that can fit the current global trade environment. And it will also enable ERCA's officers to provide fast and proper service to legitimate traders.
- ✓ The research will also enable ERCA to deliver its duties and responsibilities in line with international standards and best practice which reduce unnecessary clearance delay and waiting time. As a result, clearance related transaction cost and costs of doing business of legitimate business communities and traders significantly reduced.
- ✓ The research will show ERCA where or the area to focus (like customs clearance procedures, automation, risk management, human resource management and cooperation with business and other stakeholders which improve the country's export trade performance in the global arena) to minimize the unnecessary lengthy procedures to ensure and maximize the benefits of trade facilitation and lessen its impact of export business.
- ✓ It will enhances the researcher's understanding and experience of customs administration related to the challenges of customs in export clearing procedure on trade facilitation and knowhow about international standard and best practice for future career and to conduct similar survey in ERCA level.
- ✓ The study will also serve as a springboard for future and further research in the area by other researchers.

### **1.5. Scope of the Study**

According to Hufbauer (2012) as cited in Tilahun (2014) Trade facilitation can be analyzed into two broad perspectives—physical infrastructure which consists of the quality and quantity of physical links of roads or port infrastructures (hard infrastructures) and the administrative hurdles or soft infrastructures i.e., the service perspective deals with the quality of services provided for goods moving on the various routes and this can be again broken down in to logistics and customs service.

Hence, the focus of this study was on the later perspective-export trade facilitation with the emphasis of challenges of customs, particularly in Dire Dawa branch; since it is handled about

19 percent of export cargoes. In order to examine documentary information, five years data was used from 2011 to 2015 to see the burden of the branch and to know the number of export cargoes they handled per day, month and year. Since, the objective of the study was to identify the major challenges of customs in export trade facilitation; it is advisable to take the more recent data than oldest data due to the dynamic nature of the challenges and international trade 2011 to 2015 data selected. In order to make the study within the given time frame and financial resource, it was delimited to the Branch office's export clearance team only. More emphasis will be given to challenges of customs in export trade facilitation in relation to Automation, Risk management, human resource development and management, as well as Customs cooperation and coordination with other government agencies at the Branch level.

### **1.6. Definitions of Key Terms**

The definitions of the following terms are as per Revised Kyoto Convention (RKC, 1999).

**Administration:** The executive part of the government; the person collectively who are interested with the execution of the laws and superintendence of public affairs.

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

**Customs:** The Government Service which is responsible for the administration of Customs law and the collection of duties and taxes and which also has the responsibility for the application of other laws and regulations relating to the importation, exportation, movement or storage of goods.

**Clearance:** The accomplishment of the Customs formalities necessary to allow goods to enter home use, to be exported or to be placed under another Customs procedure.

**Third party:** any person who deals directly with the Customs, for and on behalf of another person, relating to the importation, exportation, movement or storage of goods.

**Declarant:** Means any person who makes a Goods declaration or in whose name such a declaration is made.

**Customs office:** Means the Customs administrative unit competent in the performance of Customs formalities, and the premises or other areas approved for that purpose by the competent authorities.

**Customs law:** Means the statutory and regulatory provisions relating to the importation, exportation, movement or storage of goods, the administration and enforcement of which are specifically charged to the Customs, and any regulations made by the Customs under their statutory powers.

**Customs formalities:** means all the operations which must be carried out by the persons concerned and by the Customs in order to comply with the Customs law.

**Customs control:** Means measures applied by the Customs to ensure compliance with Customs law.

**Audit-based control:** Means measures by which the Customs satisfy themselves as to the accuracy and authenticity of declarations through the examination of the relevant books, records, business systems and commercial data held by persons concerned.

### **1.7. Limitation of the Study**

In conducting this study the researcher has faced many limitations and constraints. Some of the impediments encountered, among other things discussed under this title. Lack of well-organized secondary data in the areas like performance reports that can indicate the gap between planned clearance time and the actual time taken, customer complains survey and human resource profile, lack of reference materials and previously conducted research in customs on the challenges of customs in export trade facilitation which could help the researcher to see the existing research gaps were the major limitations. In addition to this, primary data were collected using an interviews and questionnaires. Hence, respondents were reluctant to give response and to fill questionnaires particularly in open ended questions because of lack of time and willingness. In order to compromise some of the limitations related to lack of reference materials and empirical study in the library, the researcher highly depended on the web information. To overcome limitation of primary data collection, the researcher closely communicated with those respondents until the required data were collected.

## **1.8. Organization of the study**

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

## **CHAPTER TWO**

### **RRELATED LITERATURE REVIEW**

#### **2.1.Theoretical Literature**

##### **2.1.1. Customs**

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

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

##### **2.1.2. Knowledge of Customs**

The World Customs Organization (WCO), established in 1952, is an independent intergovernmental organization with 177 Members. Its mission is to enhance the effectiveness and efficiency of Customs administrations in the areas of compliance with trade regulations, protection of society and revenue collection, thereby contributing to the economic and social wellbeing of nations ([www.wcoomd.org](http://www.wcoomd.org)). Customs contributes significantly to protecting the security and safety of citizens, as well as to increasing competitiveness through efficient, targeted controls and the facilitation of legitimate trade, Taxation and Customs Union ([ec.europa.eu](http://ec.europa.eu)).

##### **2.1.3. The Role of Customs**

The responsibilities of Customs administrations vary from country to country, and are often the subject of regular review and modification to ensure their ongoing relevance in a constantly changing world. Traditionally, however, Customs has been responsible for implementing a wide

range of government policies, spanning areas as diverse as revenue collection, trade compliance and facilitation, interdiction of prohibited substances, protection of cultural heritage and enforcement of intellectual property laws. This breadth of responsibility, reflects the fact that Customs authorities have long been entrusted with administering matters for which other government ministries and agencies have policy responsibility, such as health, agriculture, environment, trade statistics and in some cases, immigration. This is generally achieved through the implementation of a diverse range of service level agreements, with Customs having regulatory responsibilities stem from the more traditional Customs role of collecting duties on internationally traded commodities, a common extension of which is the collection other forms of tax, such as value added tax (VAT) and excise duties (Teweldeberhan, 2011).

In many developing and least developed countries, import duties and related taxes represent a significant proportion of the national revenue. Because of this, the focus for their Customs authority is, understandably, revenue collection. In developed countries in the other hand, with relatively little reliance on imports as a source of government revenue, there is an increasing focus on border protection, with particular emphasis on the enforcement of import and export prohibition and restrictions, including those arising from free trade agreements. Nevertheless, the current trade towards global free trade and the recent heightening of international terrorism concerns have seen border security emerge as a priority across all economies (Widdowson, 2007).

#### **2.1.4. Customs Modernization**

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

customized capacity building plan to enable a Customs administration to implement the necessary changes to its management and operational environment, (World Bank, 2008).

### **2.1.5. Customs Procedures**

According to Puengpradit (2010), Customs procedures are a significant factor that needs to be taken into consideration in relation to trade facilitation and customs regulatory control. Customs administrations should strengthen their customs operations by simplifying customs procedures and implementing risk management and audit-based control in order to enhance the capacity for revenue collection, improve the efficiency of customs clearance and controls, and reduce the time and costs for customs administrations and the trading community.

In this regard, the revised Kyoto Convention provides general principles and standards for customs formalities and customs clearance of goods is the part General Annex of the Convention that focused on Clearances and other Customs formalities. In particular, the WCO Guidelines for the Immediate Release of Consignments by Customs (Immediate Release Guidelines) provide the key international standards for the customs clearance procedures. The immediate release guidelines aim to facilitate the movement of time sensitive consignments by implementing simplified customs procedures designed to permit a rapid and reliable delivery service on the condition that the goods are in compliance with the basic requirements of customs administrations (APEC SCCP, 2006).

### **2.1.6. Customs Clearance**

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

automation and ICT use is a useful step in implementing such procedures (UNCTAD, 2008).

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

### **2.1.7. Customs Control**

Much of the literature in this field has adopted the definition and concept of ‘customs control’ as defined in Chapter 2 of the revised Kyoto Convention and the WCO Glossary of Customs Terms, which refers to the measures applied by customs administrations to ensure compliance with customs-related laws and regulations. The revised Kyoto Convention (WCO, 1999) outlined the principle of customs control as representing “the proper application of customs laws and compliance with other legal and regulatory requirements, with maximum facilitation of international trade and travel”. In other words, customs controls should be kept to the minimum necessary to meet the main objectives of ensuring regulatory compliance and should be carried out on a selective basis using risk management techniques to the greatest extent possible (WCO, 1999).

### **2.1.8. The Ten Strategic Building Blocks of Customs in the 21st Century**

In June 2008, the WCO consulate drafted “Customs in the 21st Century, Enhancing Growth and Development through Trade Facilitation and Border Security.” The document was the result of an understanding with the leaders of the Worlds Customs Administrations that a new strategic perspective was needed in the 21st Century. Accordingly in the 21st Century, the WCO views the accepted mission of Customs to develop and implement an integrated set of policies and procedures that ensure increased safety and security, as well as effective trade facilitation and revenue collection. This new strategic direction, as outlined by the WCO, has ten strategic building blocks: (1) Globally Networked Customs, (2) Better Coordinated Border Management, (3) Intelligence-Driven Risk Management, (4) Customs-Trade Partnership (5) Implementation of Modern Working Methods, Procedures and Techniques (6) Enabling Technology and Tools (7)

A professional, Knowledge-Based Service Culture (8) Enabling Power (9) Capacity Building and (10) Integrity (WCO, 2008).

### **2.1.9. Risk Management in Customs Context**

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

Mostly, risk management processes are used to route goods through green channel (Immediate release without examination), yellow channel (Documentary check), Red Channel (Physical examination of goods and documents), and blue channel (Examination at a later stage or post audit) after the goods are released. To apply proper routing of goods in these channels, there should be a sound profile development that relies heavily on gathering, charting and analysis of information from the WCO database, Regional Intelligence Liaison Office database (RILO database), national seizure reports, and other administrations acting under the Nairobi Convention or bilateral agreements. When it is implemented properly, risk management techniques can ensure benefits such as better human resource allocation following implementation of risk-based customs clearance; improved compliance with laws and regulations because it is a general experience that the improved efficiency in Customs together with the traders' incentive to achieve faster release through the green channel; reduced release time and lowered transaction cost focusing on only 10-20 percent of the goods are examined under efficient risk-based clearance. This implies that Customs can release the vast majority of shipments (80-90 percent) immediately after the clearance document has been lodged by applying the principle of Post-Clearance Audit (PCA) in order to verify compliance with statutory and regulatory provisions in accordance with the recommendations of the WCO revised Kyoto Convention (EC, 2007).

### **2.1.10. Customs Automation**

According to WCO Safe Framework of Standards (2007), and Economic Commission for Latin American and the Caribbean (ECLAC, 2006), an automated system in Customs provides one of the most useful tools for the facilitation of international trade procedures. The customs shall apply information technology to support Customs operations, where it is cost-effective and efficient for the Customs and for the trade. The Customs shall specify the conditions for its application (WCO, 1999, Standard 7.1). As a complement to Customs reform, automation becomes a catalyst for modernization of the Customs and a stimulus for increased use of information and communications technology (ICT) by other governmental department and private sector participate in an automation initiative. Moreover, the literature by (De Wulf & McLinden, (2005) highlights the importance of information technology in customs operations.

Automated systems reduce delays at customs procedures; several African countries are using automated customs systems such as the Automated System for Customs Data (ASYCUDA) or other systems like the Tunisia Trade Net for the case of Tunisia to simplify and speed up customs procedures. However, the main challenge to the successful implementation of automated systems is the inability of customs officers, agents and other professionals within the trade community to fully exploit services offered by such system. To meet this challenge, there is a need to create training centers to deliver courses to the principal actors in international trade (ECA, 2004). Thus, automation system in Customs administration has a significant impact to increase transparency in the assessment of duties and taxes, reduce Customs import clearance times, increase predictability and ensure direct and indirect saves for both government and traders. The higher the level of automation of Customs procedures in a country is the greater the possibility of detailed inspections of detections fraud, effective risk management and firm action including prosecution in court (Buyonge and Kireeva, 2008).

### **2.1.11. Human Resource Development and Management**

According to EC (2007); effective development of a human resource management system which supports the achievement of the customs administration's objectives is an integral duty of top and middle level management and the system should explicitly recognize that people are the organization's most valuable resource. USAID (2004) stated that human resource management is

the single most important issues affecting the ability of customs to achieve its assigned objectives effectively and efficiently. As per Wulf and Sokel (2005), Human Resource Management (HRM) can be broken down into several phases: (i) staff profile, (ii) recruitment (iii) training, (iv) staff compensation (v) merit based promotion, and (vi) integrity and sanctions (USAID, 2004).

The aim of this section is not to discuss about the elements of WCO Revised Arusha Declaration rather to see the relationship of customs integrity with human resource management and development. Accordingly, the implementation of sound human resource management policies and procedures plays a major role in the fight against corruption in the Customs. Corruption is most likely to occur in organizations where morale or ‘esprit de corps’ is low and where Customs personnel do not have pride in the reputation of their administration. Customs employees are more likely to act with integrity when morale is high, where human resource management practices are fair and where there are reasonable opportunities for career development and progression (WCO, 2005).

#### **2.1.12. Coordination and Cooperation among Customs and Other Agencies**

The term Integrated Border Management (IBM) is often used in the national context to describe different forms and levels of border agencies coordination and cooperation aimed at facilitating legitimate trade and increasing operational efficiency. Coordination and cooperation can encompass different components that include joint, coordinated or delegated the conduct of inspections, the exchange of data to allow traders and agents unique data entry through (e.g. A single window platform); operation of integrated procedures and joint or delegate inspections; and joint management of the border post and related facilities as well as the sharing of infrastructure, facilities and equipment may be viewed as an indicator of the level of cooperation between Customs and other governmental agencies, particularly at the national level (UNCTAD, 2008).

However, border crossing clearance procedures often involve lengthy formalities. Throughout the clearance process, traders may have to prepare various sets of data or documents and make them available in different formats or use separate access channels for each of the relevant agencies. When goods arrive at the border, traders have to undergo multiple formalities with

multiple national agencies who conduct document and physical checks of the goods, means of transport, and persons accompanying the goods (Teweldeberhan, 2011).

This often leads to a duplication of effort and processes, such as the presentation of documents and the conduct of inspections. It is common that agencies have different operating hours and are located at different places. Often, specialized agencies, such as veterinary services face staffing problems and delaying necessary inspections until an inspector can be dispatched. This lack of coordination also leads to inefficiencies for the public authorities. The agencies must maintain different systems for collecting data. This is inefficient, since the sharing of intelligence and information on consignments across borders would allow a better targeting of risks. Border Agency Cooperation attempts to identify and implement solutions to improve cooperation amongst border agencies. It also provides opportunities for financial savings for governments by sharing equipment and facilities, and alleviating the pressure on staff, such as inspection officers (UNECE, 2012).

### **2.1.13. Customs Laws and Regulations**

Tax and Customs laws, regulations, administrative guidelines and procedures should be harmonized and simplified to the greatest extent possible. So that Tax and Customs administration formalities can proceed without undue burden. This process involves the adoption of internationally agreed conventions, standards and other instruments. Practices should be reviewed and redeveloped to eliminate red tape and reduce unnecessary duplication. Tax and duty rates should be moderated where possible and exemptions to standard rules be minimized. Systems and procedures should be in accordance with the internationally agreed Conventions and standards, generally accepted accounting principles, and implement them as stated in the paper. Complex regulations, procedures or administrative guidelines allow corrupt practices to develop and flourish and that create negative impact on import clearance procedures in the process of facilitating legitimate trade. The elimination of red tape includes cumbersome processes that may involve duplication of effort or unnecessary processing procedures. Hence, to make customs laws and regulations predictable, simple, transparent and harmonized adoption of internationally agreed standards including Generally Accepted Accounting Principles (GAAP); HS Tariff Convention; WTO Valuation Agreement; and WCO Revised Kyoto Convention on the Harmonization and Simplification of Customs is an important strategy (WCO, 2005).

#### **2.1.14. International Standards and Conventions**

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

#### **2.1.15. Customs in the Ethiopian Context**

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

As ERCA (2008) cited in Teweldeberhan (2011), to improve customs efficiency and effectiveness and to meet the current global challenges on trade facilitation as well as control, it

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

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

enhancing the capacity of the Authority to improve efficiency of customs clearance to be in line with international standards and best practices (ERCA, 2010).

**i. The General Customs Procedures in ERCA**

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

**ii. Customs Clearance Procedure of Ethiopia**

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

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

**Identifying risk level**, the risk level of the documents identified using the ASYCUDA++ system to make risk based treatment or control (Customs proclamation no. 859, 2014).

**An examination of goods**, this activity is undertaken by the examiner to assure that the goods and conditions of the declaration are the same with the nature, origin, quantity and value of the goods (Customs proclamation no. 859, 2014)..

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

### **iii. Customs Declaration**

Customs declaration may be made in written form, orally, by bodily action or electronically. Customs declaration to be presented in written form shall be filled in the prescribed form, signed and contain all the particular necessary for completing custom formalities (Customs Proclamation no. 859, 2014).

### **iv. Mandate of ERCA**

The authority is charged to administer the activities broadly indicated in the proclamation number (587/2008) and customs proclamation (859/2014). The Authority involves mainly in the enforcement of prohibitions and restrictions, collection and accounting of revenue, trade facilitation, and compilation of use full statistics for economic planning (ERCA Proclamation no. 587, 2008, and Customs Proclamation no. 859, 2014).

#### **2.1.16. Trade Facilitation**

The trade facilitation agenda is gaining increasing momentum as the Doha Ministerial Declaration and subsequent decisions of the General council of the WTO have sought to intensify international commitment to further expedite the movement, release and clearance of internationally traded goods in transit. The success of the agenda is heavily reliant on the ability of Customs to raise the portcullis in an effort to achieve an effective balance between trade facilitation and regulatory intervention. Achieving such a balance can provide significant flow-on benefits for national economics, and the issue of trade facilitation has consequently been added to the WTO agenda, with many countries now re-assessing their legislative and administrative approach to the regulation of international trade. Specifically, the Singapore Ministerial Declaration direct the council for trade in goods to undertake exploratory and analytical work, drawing on the work of other relevant international organizations, on the simplification of trade procedures in order to assess the scope for WTO rules in this area (Widdowson, 2007).

As per UNESCAP (2002), trade facilitation first included in the WTO agenda as one of the Singapore issues at the 1996 WTO Ministerial Conference. A symposium on trade facilitation was held in 1998 to explore the main concerns of traders when moving goods across borders. In

November 2001, the Doha Ministerial Conference called for negotiations on trade facilitation after the 2003 WTO Ministerial and subject to agreement on the modalities of negotiation. WTO members formally agreed to launch negotiations on trade facilitation in July 2004 (UNESCAP, 2002).

In the WTO text on trade facilitation, there are three specific articles dealing with the simplification and harmonizing of trade procedures namely: (1) Freedom of transit (article V), whereby each member state is requested to grant freedom of transit for goods, vessel and other means of transport crossing its territory via the routes most convenient for international transit; (2) Fees and formalities (article VIII), which states that all fees and charges imposed with respect to importation and exportation must be limited in amount to approximate the cost of services rendered and must not represent an indirect protection to domestic industry or a source of revenue for fiscal purpose; (3) Publication and administrations of trade regulations (article X) this requires that all trade regulations be published promptly in such a manner as to enable governments and traders to become acquainted with them (UNESCAP, 2002).

Even though trade facilitation first included at the 1996 WTO Ministerial Conference there are several GATT provisions that are related to trade facilitation, that are agreement on: customs valuation, rules of origin, pre-shipment inspection, import licensing procedures, technical barriers to trade (TBT) and the Application of Sanitary and Phytosanitary (SPS) measures a symposium on trade facilitation ([www.unescap.org](http://www.unescap.org), unescap).

#### **2.1.16.1. Definition of the Term Trade Facilitation**

There is no uniform definition of the term ‘trade facilitation’. Rather, it is defined differently depending on the discussion forum. While, for example, in 2001 the OECD referred to it as a ‘simplification and standardization of procedures and associated information flows required to move goods internationally from seller to buyer and to pass payments in the other direction’, the United Nations Economic Commission for Europe (UN/ECE) defined it as a ‘comprehensive and integrated approach to reducing the complexity and cost of the trade transaction process, and ensuring that all these activities can take place in an efficient, transparent, and predictable manner, based on internationally accepted norms, standards and best practices’. For the purposes of this study, the term will be used as understood by the WTO, the ‘simplification and

harmonization of international trade procedures, including activities, practices, and formalities involved in collecting, presenting, communicating, and processing data required for the movement of goods in international trade' (WTO, 2001).

#### **2.1.16.2. Measures of trade facilitation**

In order to better understand what trade facilitation is about, it is useful to look at some examples of trade facilitation measures. Typical measures can be entire concepts (Single Window), IT solutions (EDI), standardization (electronic or paper-based) or simplified procedures (Authorized Economic Operator [AEO]). Furthermore, customs techniques such as risk analysis can speed up customs procedures and thereby facilitate global trade. The Single Window, for example, is a concept based on the idea that a trader undertaking to move goods internationally needs to turn to one government agency only, either in person or via the Internet, which then forwards the required information provided by the trader to all other relevant government agencies. Such a single entry point simplifies the process for the trader who, in most countries, currently has to turn to several different agencies in order to comply with national trade regulations. Often, the trader has to present the same information several times and in different forms, sometimes paper based, sometimes electronically. This results in a major bureaucratic effort (OECD, 2005).

The Single Window has the advantage that it can be created in an e-environment as well as in a less advanced environment, for example, in a developing country where the window is not a web interface but a counter window in a (government) agency. Another typical trade facilitation measure is the introduction of simplified procedures for traders who have acquired a special status, such as the AEO of the European Union (EU). The granting of such status usually depends on one's compliance record in the past or on the outcome of a risk analysis. In the case of the European AEO, a figure established within the framework of the European Commission's (EC) customs security program (CSP), the status is granted when certain criteria relating to the operators' control system, financial solvency and compliance record are met. Once conferred by one EU country, these criteria will not be re-examined in another member country, but this does not automatically confer the right to simplified procedures. It is possible that additional national criteria have to be met in order to benefit from them (UNECE, 2012).

### **2.1.16.3. Economic impact of trade facilitation**

It is said that the economic impact of trade facilitation has always been difficult to measure due to the lack of standard parameters. How, for example, should one measure the benefits resulting from the distribution of the United Nations (UN) layout key, the standard trade document developed by the UN/ECE which forms the basis for the majority of trade and transport documents worldwide? Just as there is no standard definition for trade facilitation, there is no standard concept of a trade facilitation policy. Furthermore, the customs environment in countries is so varied that improvements to certain aspects can bring immense savings in one country, while in another the same measures hardly change anything. However, economists have begun to assess the economic impact of trade facilitation. While in the past mainly country-specific studies have been carried out, newer studies are also trying to estimate the cost reduction potential of trade facilitation worldwide. In 2004 the World Bank published an analysis of the correlation of trade facilitation and the movement of goods attributed to trade in finished products worldwide in 2000-01 (Wilson, Mann & Otsuki, 2004).

Having collected and evaluated data from 75 countries, the experts came to the conclusion that the four factors: port efficiency, customs environment, regulation environment and use of e-commerce by enterprises, have far-reaching effects on imports and exports of the individual country. An increase in efficiency in these areas is presumed to also have positive effects on the movement of goods worldwide. It is estimated that if the overall profit of trade facilitation for trade in finished products equaled 377 billion USD, imports and exports would increase in all regions of the world. According to the study, adherence to the provisions of Article V GATT (freedom of transit), represented by the indicator port efficiency, and to the provisions of Article VIII GATT (fees and formalities), represented by the indicator customs environment, would lead to an increase of trade in finished products in the amount of 107 billion USD (Article V) and 33 billion USD (Article VIII). If countries were to publish and apply trade regulations as prescribed by Article X of the GATT, an increase in trade volume of 83 billion USD is expected. With regard to different regions of the world, the study comes to the conclusion that through trade facilitation measures, most regions would increase their exports rather than their imports, whereby the exports would mainly go into the market of OECD countries. After the findings, Southeast Asia has the largest potential for an increase in imports and exports. In Africa and the

Middle East, imports would rise more than exports due to the lack of integration into the market of finished goods and restricted market access to OECD countries. Furthermore, country-specific case studies exist. While in the past studies considered trade facilitation measures undertaken by trade partners in order to assess the benefits of a reform, countries have to start looking at their own level of trade facilitation in order to realize the potential gain of 377 billion USD worldwide. This potential for development has led many countries to initiate national trade facilitation policies (OECD, 2005).

## **2.2. Empirical Literature**

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

Support in the form of effective management of human resources is required to make facilitation and control achievable (Wunwimon, 2010).

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

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

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

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

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

In the same year (2011), another research conducted by the Addis Ababa Chamber of Commerce on The Impact of Border Clearance Procedures on the Cost of Doing Business in Ethiopia shows that ERCA undertook a Business Process Reengineering (BPR) study which set a target of eight hours for export clearance in Ethiopia. The export clearance time set by the BPR is the time to clear the goods after the arrival of the goods at the customs clearing stations assuming every documentary requirement fulfilled by the exporter.

In line with the BPR customs personnel are being provided with training in order to achieve the target. Even though the Ethiopian Government is also taking measures to reduce delays in import clearance time by establishing dry ports at Semera, Kaliti, Dire Dawa and Modjo, and easing the process of implementing multi-modal transport services, the customs clearance services are given in very fragmented places for export goods. As indicated on the analysis part, the weighted national average clearance time for export goods was 6 days. Considered against the best performers (Australia, Japan, Korea and Ghana), this time indicates that there is a delay in the clearance of export cargo in Ethiopia. This fact has been recognized by the BPR study of ERCA undertaken in 2007. The reasons for the delay in the border clearance of goods in Ethiopia include documentary requirements of many regulatory bodies, constraints during transit and at customs stations. So the target of eight hours set by the BPR of ERCA for export clearance is

unrealistic. The survey by Addis Ababa Chamber of Commerce also compared TRS undertaken by countries like Ghana, Tanzania, Kenya, Uganda, Japan, South Korea, and Australia, no TRS, pursuant to the WCO Guidelines, has ever been undertaken in Ethiopia. As indicated earlier, ERCA undertook a BPR study in 2007 as an in-house exercise. The target set by the BPR study for the clearance of export cargo as eight hours is admirable, but ambitious. As broad stakeholder participation is not visible from the BPR study, the immediate concerns of business operators do not seem to have been reflected (Tsegaye and Endris, 2011).

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

### **2.3. Challenges of Customs in Trade Facilitation**

Although, African countries have acknowledged the importance of trade facilitation as reflected by the numerous agreements signed at bilateral, sub-regional and regional levels as well as efforts made at country level, most of these initiatives have so far yielded very limited benefits. The poor results are attributed to several factors such as non-compliance to the agreements, poor program implementation, and lack of coordination among and between countries, lack of coordination among relevant agencies within countries, inadequate skilled manpower and most importantly, lack of a multi-sectoral approach to trade facilitation.

Consequently, trade in Africa is characterized by high transaction costs, accounted for by high transport and communication costs; high charges and delays at numerous roadblocks; long customs and administrative delays at ports and border posts; inefficient international payment and insurance mechanisms; and stringent international trade standards. The quality of

infrastructure is a major problem as most roads are dilapidated due to lack of proper maintenance. The problem is more pronounced in landlocked countries as these countries incur high transaction costs not only from their own poor infrastructure but also from that of their transit neighbors (ECA, 2004).

Numerous roadblocks, which result in excessive delays and substantial increase in transport costs, continue to pose a serious challenge to trade facilitation in Africa. Customs administrations are characterized by excessive documentary requirements; outdated procedures; lack of automation and insignificant use of information technology; lack of transparency, predictability and consistency; as well as lack of cooperation with other government agencies. This results in the waste of enormous amount of time and money (Wondwossen, 2013).

Delays at the customs as long as 10-30 days and over are very common in the region. Waiting for up to 24 hours to pass through borders appears to be the norm rather than the exception in Southern Africa. Telecommunications services are inadequate, inefficient with frequent interruptions and very expensive in Africa compared to the rest of the world. Availability of mobile cellular phones is very limited, prohibitively expensive and non-existent in some countries and internet use per capita is lowest in Africa compared to the rest of the world (ECA, 2004).

The need for more stringent security procedures poses a new and serious challenge to customs administration. It remains unclear how new security initiatives will affect international trade, especially for developing countries in general and African countries in particular. The additional cost that tight security entails may reduce demand for lower-value goods moving in containers or even make some products uncompetitive. In a nutshell, the requirements of security initiatives could harm the trade of African countries. These problems are compounded by inefficient payment and credit arrangements in the continent, and difficulties in meeting the multiplicity of international trade standards introduced by developed countries (ECA, 2005).

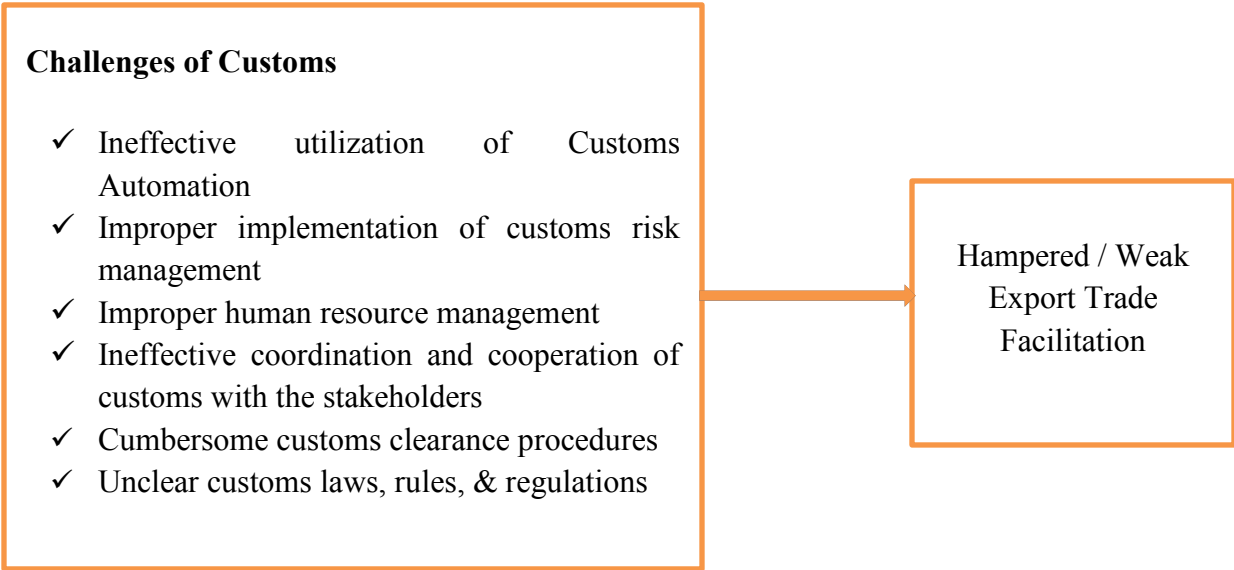
Tackling the challenges of international trade in Africa requires a comprehensive and coordinated approach that entails improvements in infrastructure and provision of efficient

and competitive services in the areas of roads, railways, ports, information and communications technology; the removal of illegal roadblocks; and the simplification and harmonization of customs and border procedures.

### 2.3. Conceptual Framework

Based on the reviewed literatures the conceptual framework for the challenges of customs in export trade facilitation is developed. The framework comprises the six criteria required for the examination of customs' challenges in achieving export trade facilitation: risk management, customs laws (rules and regulations), customs procedures, customs automation or information technology, human resource development and management, and the customs' cooperation with other governmental, nongovernmental, national and international agencies or organizations. These criteria were used in the analysis and discussion of the research findings. It is illustrated in Figure 2.3.

**Figure 2.3 Conceptual framework of the study**



Source: Wunwimon, 2010

## **CHAPTER THREE**

### **METHODOLOGY OF THE STUDY**

The study focused on Challenges of Customs in Export Trade Facilitation in Ethiopia: the case of Ethiopian Revenues and Customs Authority Dire Dawa Branch Office. The main purpose of this chapter is to present the underlying principle of research design and methodology, sampling design, the selection of appropriate research data collection techniques and method of data analysis in line with research questions proposed before the study.

#### **3.1. Study Design**

A research design is “a plan or blueprint of how you intend to undertake the research” (Mouton, 1996:165). Descriptive research design was adopted by this research. The descriptive research, aims to present a complete description of a subject within its context. Descriptive researches are often used when an amount of knowledge about the subject already exists, this knowledge can then be used to categorize into models and frameworks. Consequently, the approach with in-depth interviews, document review and the use of questionnaire as data collection techniques will be very useful in the study of the major constructs.

To accomplish the objectives of this study, a mixed method research design merging both qualitative and quantitative research methods were applied. As Creswell (1995) has recently illustrated, mixed method approaches now provide rationale ahead of triangulation.

#### **3.2. Population of the Study and Sampling**

##### **3.2.1. Study Population**

The study population that the researcher intended to draw a sample was indicated in sample frame. Based on the sample generalization is given for the entire population. Therefore, sample should be representative. The sampling frame of this study was customs official and employees, exporters, and third parties clearing agents who have permanent office in Dire Dawa.

**Table 3.2.1 Population of the Study**

<b>S/No.</b>	<b>Category</b>	<b>Total</b>
1	Employees and officials	20
2	Exporters	60
3	Clearing agent	5
4	Total	85

Source: Ministry of Trade, and ERCA, 2016

### **3.2.2. Sampling Design and Sampling Procedure**

Samples were drawn from each population of the study using census method due to manageable size of the population.

### **3.2.3. Sample Size Determination**

Due to time and Resource constraints a samples of Exporters and Customs Clearing Agents were drawn based the location of their permanent office. This means only entire Exporters and Customs Clearing Agents who have permanent office in Dire Dawa City were included in the sample. Accordingly, the researcher included 85 samples in the study that was 20 customs officials and employees, 60 exporters and 5 customs clearing agents who have permanent office in Dire Dawa.

## **3.3. Measurement Instruments and Their Validity and Reliability**

### **3.3.1. Measurement Instruments**

The challenges of customs were measured through collecting and analyzing data concerning usage of automation or information technology, application of risk management system on export items, human resource development and management system, customs laws (rules and regulations), customs procedures, and cooperation with other stakeholders to facilitate export trade and to give prompt customs clearance services to the customers in general through direct observation, interviews, questionnaires and document reviews.

### **3.3.2. Validity**

Validity is the accuracy of a measure or the extent to which a score truthfully represents a concept. It refers to the extent to which an instrument measures what it is supposed to measure. Good measures should be both consistent and accurate. If a measurement is valid, it is also

reliable (Joppe, 2000). The validity of the data collection instrument was determined through discussing the research instrument with the research experts in the field of study, academicians, and especially the researcher’s supervisor. The valuable comments, corrections, suggestions given by the research experts, academicians, and researcher’s supervisor assisted the validation of the instrument.

### 3.3.3. Reliability

*Reliability* refers to the consistency or dependability of a measurement technique, and it is concerned with the consistency or stability of the score obtained from a measure or assessment over time and across settings or conditions. If the measurement is reliable, then there is less chance that the obtained score is due to random factors and measurement error (Geoffrey et al, 2005). To measure the reliability of the data collection instruments, an internal consistency technique using Cronbach's alpha was used in this study. Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalization (Zinbarg 2005). Coefficient alpha ranges in value from 0, meaning no consistency, to 1, meaning complete consistency (all items yield corresponding values). Generally speaking, scales with a coefficient  $\alpha$  between 0.80 and 0.95 are considered to have very good reliability. Scales with a coefficient  $\alpha$  between 0.70 and 0.80 are considered to have good reliability, and an  $\alpha$  value between 0.60 and 0.70 indicates fair reliability. When the coefficient is below 0.6, the scale has poor reliability. Most statistical software packages, such as SPSS, will easily compute coefficient (Zikmund *et al*, 2011). As shown in table 3.3.3 the overall Cronbach’s alphas coefficients for expected scale item are **0.912**. Therefore, the expected scales used in this study demonstrate very good reliability. The following Table shows the SPSS result on the Cronbach Alpha.

**Table 3.3.3 Reliability Statistics of the Instrument**

Cronbach's Alpha	N of Items
.912	36

### 3.4. Sources of data and methods of collection

In an attempt to identify the challenges of customs in export trade facilitation and to provide possible recommendations, the researcher used both primary and secondary data sources.

Primary data was collected through direct observation, structured and semi-structured questionnaires and interviews. The semi-structured and structured questionnaires were filled by customs employees, exporters, and customs clearing agents; and the semi-structured and structured in-depth interview were conducted with customs officials. In addition, personal discussion, and interview was made with these people in order to be acquainted with over all environment of the organization and efforts and performance made to facilitate export trade. Related literatures, books, journals and documents were reviewed for secondary data collection.

### **3.5. Method of data Analysis**

Both qualitative and quantitative data collected have been organized, classified, analyzed and interpreted in the chapter four of this paper to arrive at conclusions. Each question in the questionnaires was categorized based on the study's research objectives and finally grouped on the basis of common characteristic. The data were also analyzed in the descriptive frequency using Statistical Packages for Social Studies (SPSS v16.0).

Then data also organized and presented using different tools such as percentages, tables, charts, and figures in an easily understandable way. As result interpretation was made using percentage of respondents' frequencies.

### **3.6. Ethical Consideration**

The general ethical issues were raised at each stage of a research process and the researcher was given due attention because of the nature of the study area. To undertake the research, necessary approval and permit was obtained from the Addis Ababa University School of Commerce Graduate Studies and a covering letter was attached to the questionnaire ensuring participant's anonymity and confidentiality that information was obtained from them could not be disclosed to the third party. Hence, the respondent's rights to privacy, to be fully informed consent, confidentiality, and anonymity were addressed individually. Respondent's name and other identifying information were not used in the study. Finally, the appropriate acknowledgement was made for the used of numerous works of others.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

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

#### 4.1. Result of the Survey

As indicated in chapter three, the respondents are from three groups such as employees of Dire Dawa Customs of export clearance team, Exporters and customs clearing agents those who have a permanent office at Dire Dawa City. Data related to their profile was collected and analyzed to know the respondent's level of education, work experience, and job position.

##### 4.1.1. Demographic Characteristics of the Respondents

###### 4.1.1.1. Sex and Age of the Respondents

To collect required data and facts about the challenges of customs in Export Trade facilitation 85 (Eighty Five) questionnaires were distributed and 82 (96.5%) were returned. From the collected questionnaires 2 (2.3%) were discarded because the fact on the questionnaire were irrelevant for the study. Hence, the analysis and interpretation of employee opinion were carried out based on 80 (94.1%) of the returned questionnaires.

A total of 80 respondents were participated in the study. Out of this 51 (64%) were male and 29 (36%) were female. Respondents were also categorized into different age groups. As shown in table 4.1.1.1 the ages of most of the respondents were between 20-30 years which constitute 37 (46%) of the respondents. 35 (44%) of the respondents were between 31-40 years. Those between 41-50 years and greater than 50 years each accounts about 4 (5%) of the respondents.

This shows that most of the customs employees, customs clearing agents and exporters are young and energetic that enables customs achieve its objective to assure trade facilitation.

**Table 4.1.1.1.: Sex and Age of the Respondents**

Sex of the Respondents		Frequency	Percent	Age of the Respondents		Frequency	Percent
Valid	Female	29	36.2	20-30	37	46.2	
	Male	51	63.8	31-40	35	43.8	
	Total	80	100.0	41-50	4	5.0	
				>50	4	5.0	
				Total	80	100	

*Source: Field Survey, 2016*

#### **4.1.1.2. Educational Level, Job Position and Work Experiences of the Respondents**

This table showed the educational level, job position and work experiences of the respondents. Regarding work experiences 37 percent of the respondents have less than three years while 24 percent of them have between 3 and 5. 30 percent of the respondents have more than 10 years and only 9 percent of the participants have 6-10 work experiences. This shows that more than 60 percent of the respondents have less than 6 years work experiences. This implies that there is a considerable challenge in handling large and complex transactions at the branch office. This in turn challenges the customs administration in facilitating export trade as it is required by international cross trade to make it competitive in the world market and motivate the exporters to involve them in the business. In respective of educational background of the participant 55 percent of them have Bachelor Degree, 26 percent have certificate and the remaining 19 percent are diploma holders. This means 73.8 percent of the respondents have more than diploma which will contribute for the best understanding of the business nature and provide a fertile ground for further training to equip them for the needed export facilitation. Concerning their job position 69 percent of them are exporters, 6 percent were customs clearing agents. Goods examination officers and junior document Scrutiny officer each accounts 9 percent and the remaining 5 percent and 2 percent were Document Scrutiny Officers and team coordinators respectively.

**Table 4.1.1.2 Educational Level, Job Position and Work Experiences of the Respondents**

Educational Level of the Respondents		Frequency	Percent	Work Experiences	Frequency	Percent
Valid	Certificate	21	26.2	< 3 years	30	37.5
	Diploma	15	18.8	3-5 years	19	23.8
	BA/BSc	44	55.0	6-10 years	7	8.8
	Total	80	100.0	> 10 years	24	30.0
				Total	80	100.0
<b>Job Position</b>						
Goods Examination officer		7	8.75			
Junior Document Scrutiny Officer		7	8.75			
Document Scrutiny Officer		4	5			
Team Coordinator		2	2.5			
Exporter		55	68.75			
Customs Clearing Agent		5	6.25			
Total		80	100.0			

*Source: Field Survey, 2016*

#### **4.1.2. Challenges of Customs in Export Trade Facilitation**

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

In order to collect information on Customs Challenges in Export Trade facilitation, questionnaires were prepared for Customs employees, exporters and customs clearing agents that focuses on particular areas like customs automation, risk management, human resource management, customs procedures, customs laws (rules and regulations), cooperation and coordination among customs and other government agencies at the Branch Office. To achieve

this objective, five point likert scale where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree was used to collect data from respondents.

#### 4.1.2.1. Utilization of Automation at Dire Dawa Customs Branch Office

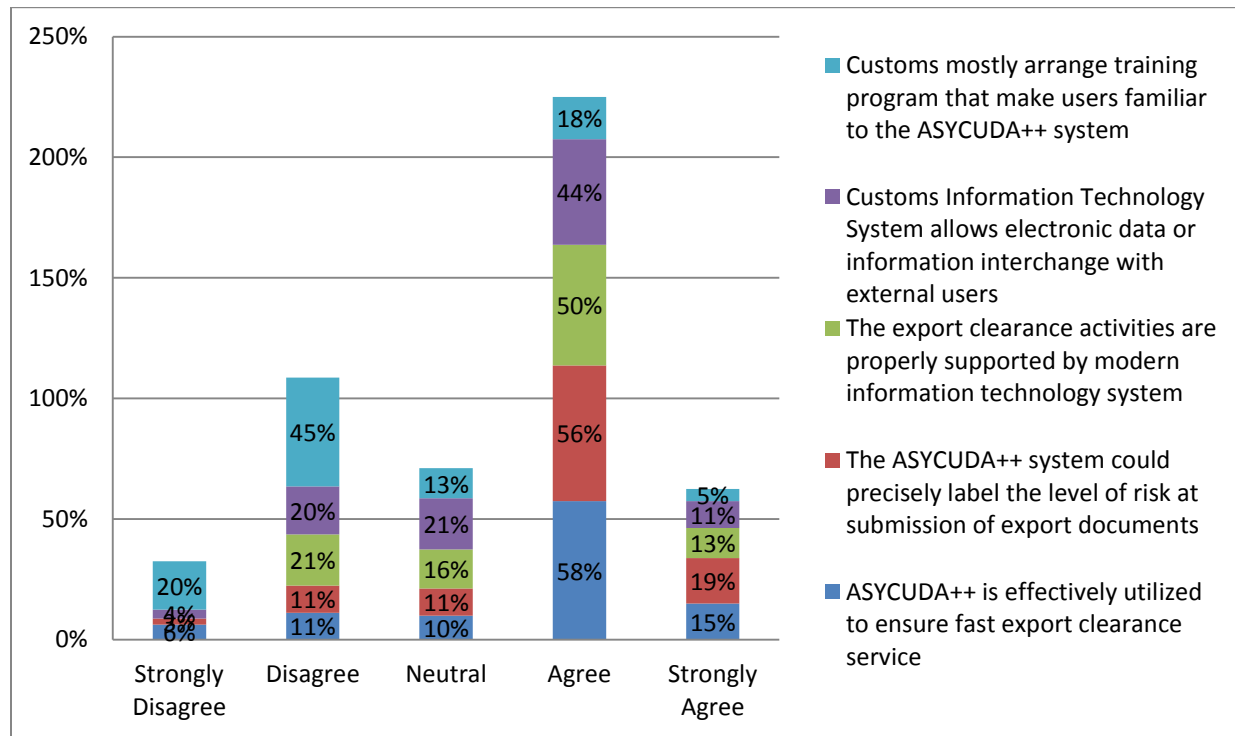
Currently most African countries are using Automated Systems such as Automated Systems for Customs Data (ASYCUDA) for trade facilitation. However, it is not effectively utilized because of technical inability of the users to implement the system functionality successfully as intended. The technical inability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

**Table 4.1.2.1: Utilization of Customs Automation at the Branch Office Result Table**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>
ASYCUDA++ is effectively utilized to ensure fast export clearance service	5 (6.2%)	9 (11.2%)	8 (10%)	46 (57.5%)	12 (15%)	3.64
The ASYCUDA++ system could precisely label the level of risk at submission of export documents	2 (2.5%)	9 (11.2%)	9 (11.2%)	45 (56.2%)	15 (18.8%)	3.78
The export clearance activities are properly supported by modern information technology system		17 (21.2%)	13 (16.2%)	40 (50%)	10 (12.5%)	3.54
Customs Information Technology System allows electronic data or information interchange with external users	3 (3.8%)	16 (20%)	17 (21.2%)	35 (43.8%)	9 (11.2%)	3.39
Customs mostly arrange training program that make users familiar to the ASYCUDA++ system	16 (20%)	36 (45%)	10 (12.5%)	14 (17.5%)	4 (5%)	2.43
<b>Cumulative Mean</b>						<b>3.36</b>

*Source: Field Survey, 2016*

**Figure 4.1.2.1: Utilization of Customs Automation at the Branch Office**



Source: Field Survey, 2016

According to Table and Figure 4.1.2.1 above, 57.5 percent of the respondents agreed and 15 percent strongly agreed on effective utilization of existing customs automation to ensure fast export clearance service whereas 10 percent of the respondents are neutral on effective utilization of customs automation at the Branch Office. This accounts about 74 percent which means customs automation for trade facilitation is significantly utilized at Dire Dawa Branch. This is also validated by mean score of 3.64. On the other hand, 6.3 percent and 11.3 percent of the respondents strongly disagreed and disagreed respectively. Here, the result of the survey shows that the existing customs automation system is not fully utilized by the Branch Office. This is supported by the interview made with team leaders in export clearance and Information Technology section that the current automation system is not effectively utilized. Because, there is lack of ICT infrastructure, experienced IT experts, and also lack of training in customs automation. This was also supported by Kidist (2010) that automation is not adequately utilized in ERCA. Thus, the Branch Office faces challenge to facilitate export trade. As observed by the researcher, frequent network failure is common in the branch office due to Ethio-Telecom network problem. This in turn challenges customs in facilitating export trade / international trade

without compromising regulatory control. From the result of interview, questionnaires and observation, ineffective utilization of customs automation is the challenge for customs in export trade facilitation.

The respondents were also asked to express their degree of consent on the ability of ASYCUDA++'s in precisely labeling the level of risk of exported cargoes at submission of the exported documents. Accordingly, 56.3 percent of them agreed and 18.8 percent of them strongly agreed on the positive statement presented. This means 75 percent of the cargoes risks are labelled by ASYCUDA++ system. The remaining 25 percent are expressed their consent as strongly disagree, disagree, and neutral which accounts 2.5 percent, 11.3 percent and 11.3 percent respectively. This is also confirmed by mean score of 3.78. This implies that there are cargoes their risks manually labelled by customs employees. The participants were also answered the question provided to check the automation of export activities. Accordingly, 50 percent of the respondents agreed, 12.5 percent strongly agreed on the properly supporting of export activities by modern information technologies. The remaining 21.3 percent and 16.3 percent of the respondents were disagreed and neutral respectively. This also substantiated by mean value of 3.54. This means there are activities that are not supported by modern information technology or customs automations.

#### **4.1.2.2. Reasons behind Ineffective Utilization of Customs Automation**

In developing and least developed countries there are different challenging situation that customs administration faces to facilitate trade and ensure customs control through effective utilization of ICT. In relation to this, August 8, 2009 IMF East Africa workshop on Customs administration automation systems cited in IMF (2011) indicates some customs administrations in Anglophone Africa have noted challenges with the existing applications. The participants pointed out a number of unavailable system functionalities such as Warehouse guarantee management, Manifest control, guarantee accounts temporary exports, Selectivity, automatic updating of exporter profiles is not available, and some systems do not provide for report access levels and rights, and report generation is not flexible enough to meet the requirements of the user, including generating the routine performance indicators. Despite progress in automation, full utilization of the automated systems' functionality is still weak and lack of alternative option to

interface the customs system with other stakeholders systems lack of trainings and IT professionals. Consequently, that has an impact on trade facilitation through electronic data exchange with proper cooperation and coordination (IMF, 2011).

As shown in Table and Figure 4.1.2.1 above, 20 percent of the respondents strongly disagreed and 45 percent of them disagreed on the availability of well-organized trainings that make the users familiar to Customs automation (ASYCUDA++) with 12.5 percent of them neutral. The remaining 17.5 percent and 5 percent agreed and strongly agreed respectively. It is also confirmed by mean score of 2.43 below average. This shows the branch is not providing sufficient training to the ASYCUDA++ users. In the case of electronic data exchange capacity of existing Customs automation, 3.8 percent of the respondents strongly disagreed and 20 percent disagreed while 23 percent neutral choice respectively. The rest 43.8 percent and 11.3 percent of the respondents agreed and strongly agreed on the positive statement presented. This is also validated by mean score of 3.39. Here the respondents' perception indicates that well organized trainings to make employees familiar to ASYCUDA++ not properly arranged at national as well as at the branch office level and which is bottlenecked for effective utilization existing automation by modifying or developing supporting software to meet national requirements. Consequently, lack of well-trained IT experts and employees and some functionality system to ensure effective electronic data exchange may be the reasons behind for ineffective utilization of Customs automation for trade facilitation.

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

Furthermore, the interviews that have made with the deputy branch manager and IT section team leader shows that system functionality of ASYCUDA++ lacks guarantee accounts for temporary exports and warehouse guarantee management, lack of suitable system for internal cooperation among departments, lack of software to interface customs systems with other national and

international institutions for effective electronic information exchange. Aware of this limitation the ERCA tries to get the next generation of ASYCUDA++ i.e. ASYCUDA World that is free from Telecom network and designed to support e-customs and e-commerce.

### 4.1.3. Implementation of Risk Management System

Risk management technique is a process that is used to route goods through blue, green, yellow and red channels based on the predefined criteria built in the system. To apply proper routing of goods based on risk level, there should be a sound profile development system that relies heavily on gathering, charting and analysis of information from different national and international organizations. In addition to sound development of risk profile, there should be effectively updated risk profile database for proper risk management technique that reduces trade transaction costs by releasing vast majority of shipments (80-90) immediately after the clearance document has been lodged (ECA, 2007). In order to assess proper implementation of risk management techniques in export clearance procedure at Dire Dawa Customs Branch Office; Customs employees, exporters and clearing agents were asked to express their opinion and the result is given in the Figure 4.1.3.1 bellow.

**Table 4.1.3.1: Implementation of Risk Management Techniques Result Table**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>
Risk management system is properly implemented on export goods clearance in Dire Dawa customs Branch Office	22 (27.5%)	25 (31.2%)	8 (10%)	23 (28.8%)	2 (2.5%)	2.48
The risk level of export cargos are labelled by the information technology system developed for risk management	18 (22.5%)	29 (36.2%)	9 (11.3%)	22 (27.5%)	2 (2.5%)	2.51
There is efficient information flow for risk profiling	9 (11.2%)	30 (37.5%)	14 (17.5%)	23 (28.8%)	4 (5%)	2.79
There is updated exporters risk profile data base	19 (23.8%)	29 (36.3%)	16 (20%)	16 (20%)		2.36
<b>Cumulative Mean</b>						<b>2.54</b>

*Source: Field Survey, 2016*

#### **4.1.3.1. Reasons behind Improper Implementation of Risk Management Techniques**

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

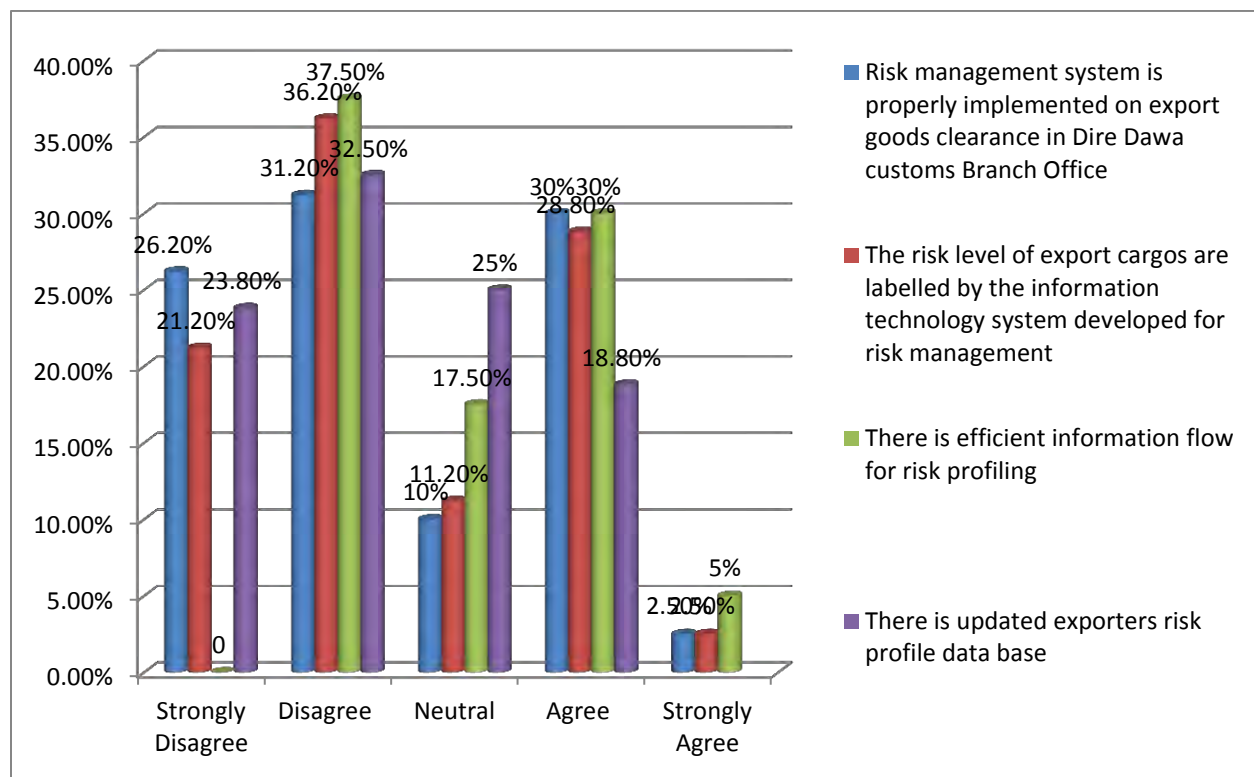
According to Table above and Figure 4.1.3.1 below, the respondents were asked about efficient information flow for risk profiling. 37.5 percent of the participants disagreed and 11.2 percent of them strongly disagreed while 17.5 percent neutral on effective information flow for risk profiling at the branch office. The remaining 28.8 percent and 5 percent of the respondents agreed and strongly agreed on the matter respectively. This is also validated by 2.79 mean score. In the case of the availability of efficient and updated risk profile database, 23.8 percent and 36.2 percent of the participants strongly disagreed and disagreed respectively when 20 percent responded neutral and 20 percent agreed. It is also substantiated by mean value of 2.36. This means below average or standard mean. This implies that there is a lack of efficient information flow and efficient and updated profile database in order to implement risk management principles in export clearance procedures at the Branch Office. When there is a lack of efficient information flow and updated profile database, proper implementation of risk management techniques in customs procedure will be difficult. The risk profile information is used as the basis for selectivity criteria. Simply, profiles are developed as a means of putting risk management into practice at the operational level (UNCTAD, 2006). The profile needs timely and regular monitoring and review of the impact and the results of the profile with a view to determining the best implementation.

The interview has been made with a risk management and intelligence unit team leaders revealed that the problems related to risk management practices in customs procedures depend on human

resource competency, training given about risk management techniques and cooperation with different departments, national security and other international institutions to ensure proper information flow and effective risk profile development.

In addition to the interview, the researcher was carried out an observation in export clearance procedure to see the process of risk management techniques. Accordingly, there is high intervention to change documents from yellow to red and risk officers write manually risk level on the document when the document submitted to customs to make it for physical inspection.

**Figure 4.1.3.1: Implementation of Risk Management Techniques**



Source: Field Survey, 2016

As per the above Table and Figure 4.1.3.1, 27.5 percent and 31.2 percent of the respondents were strongly disagreed and disagreed on proper implementation of risk management techniques in export clearance procedure at the Branch Office while 10 percent of them neutral. The rest 28.8 percent and 2.5 percent of the participants agreed and strongly agreed with the case. This is also demonstrated by mean value of 2.48. On the other hand, the respondents were asked to proof whether the risk management system of the branch was supported by modern information

technology specifically designed for risk management activities and the risk levels of the shipments are labelled by it. Accordingly, the respondents gave their consent on the matter as 22.5 percent of them strongly disagreed, 36.2 percent of them disagreed, 11.2 percent neutral, 27.5 percent agreed and the remaining 2.5 percent strongly agreed with the existence of the system. It is also supported by 2.51 mean score. On this perspective the mean score of all variables are less or near the standard mean score. This implies the principles of risk are not applied in the branch to facilitate export trade. Therefore, it is still a serious challenge for the branch in export trade facilitation. In addition to this, the researcher made an interview with Information Technology Support section team leader and enforcement core process owner. As per to their view on risk management techniques, the Branch Office is not properly implementing risk management on export clearance procedure. The interviewees further emphasize that lack of trained staff, lack of updated and organized exporters risk profile database, lack of adequate communication infrastructure, weak cooperation with a different section at the Branch Office as well as with central risk management are the main problems to implement risk management techniques properly. Furthermore, it is observed by the researcher that risk management officer has changed the risk level of consignments from yellow risk level to red risk level manually. This indicates that risk selectivity criteria are not properly functioning. The system assigns a low risk level to all export consignment without discrimination due to lack of properly updated exporters' risk profile database. As a trade facilitation tool, risk management techniques are used to facilitate international trade focusing on inspecting selected high risk consignments and released low risk consignments immediately when a clearance document lodged. But due to this all the exporters are subjected to physical examination since there is no way to discriminate between the compliant and non-compliant in the absence of recorded data concerning their performance on compliance.

In ERCA, proclamation no. 859/2006, article 6 clearly articulates the importance of risk management technique for trade facilitation and regulatory control through a risk selectivity system that gives focuses on high risk level goods. However, the current risk system categorize majority of customs declaration under yellow channel without differentiating the high risk cargo from the low risk consignment. The data obtained from ASYCUDA++ shows that the average deceleration treated through the red channel from 2011 up to 2015 at the branch was 105,751 declarations. Based on this data, all (100 percent) of declarations were passed through physical

examination and documentary checking in Dire Dawa Customs Branch office level and at the national level as well. This indicates that there is high intervention by customs and trade facilitation is compromised. Thus, risk management techniques are not properly implemented on export items and cargoes at the national level as well as Dire Dawa Customs Branch Office level. This is the challenge of customs in export clearance procedure to facilitate the export trade as per the needs of the traders. This in turn affects the competitiveness of the export and increase the cost of exporting due to wasted time during inspection.

#### **4.1.4. Human Resource Management and Development in Customs**

Developing effective human resource management system which supports the achievement of customs administrations objectives and the system that explicitly recognize those people are the organization's most valuable resource is an integral duty of top and middle level management (ECA, 2007). USAID (2012) also stated that human resource management is the most important issues affecting the ability of customs to achieve its assigned objectives effectively and efficiently. So that human resources should be considered and managed as the most important elements of the organization.

To assess the level of recognition given to human resource in Dire Dawa Branch Office; respondents were asked to suggest their opinion on the availability of proper human resource development and management system.

##### **4.1.4.1. Reasons behind Proper Human Resource Management and Development Problems**

Effective human resource management system which supports the achievement of the customs administration's objectives should be founded on and bound by national personnel legislation and international standards, and explicitly recognizes them as they are the most valuable resource of that organization (ECA, 2007). USAID (2012) also stated that human resource management is the single most important factor affecting the ability of customs to achieve its assigned objectives effectively and efficiently. As per De Wulf and Sokel (2005), Human Resource Management (HRM) can be broken down into several phases such as staff profile, recruitment, training, compensation, merit-based promotion and integrity as a central issues that are demanding due attention for sound human resource development and management system in Customs administration. In order to assess the availability of well-organized training programs, adequacy

of pay structure, and availability of merit based promotion; the respondents were requested to express the degree of their consent on the issues and the results summarized and presented as follows.

#### 4.1.4.1. Reasons behind HRD and Management Problem

**Table 4.1.4.1 Reason behind human resource development and management system**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>
The employees are given adequate training periodically that helps them to understand the nature of export goods and give fast inspection service to facilitate the trade	18 (22.5%)	32 (40%)	13 (16.2%)	11 (13.8%)	6 (7.5%)	2.44
The existing performance measurement system enable employees to perform efficiently	16 (20%)	27 (33.8%)	10 (12.5%)	23 (28.8%)	4 (5%)	2.65
Employees have appropriate office and necessary resources to execute their duties	17 (21.2%)	29 (36.2%)	15 (18.8%)	15 (18.8%)	4 (5%)	2.5
There is appropriate payment system for employees which allow them a reasonable standard of living	22 (27.5%)	24 (30%)	26 (32.5%)	8 (10%)		2.25
Customs has a merit-based promotion system that encourages efficient performance and competition among the staffs	7 (8.8%)	13 (16.2%)	38 (47.5%)	22 (27.5%)		2.94
There are efficient capacity building program	5 (6.2%)	22 (27.5%)	36 (45%)	15 (18.8%)	2 (2.5%)	2.84
<b>Cumulative Mean</b>						<b>2.60</b>

*Source: Field Survey, 2016*

According to Table 4.1.4.1 above, 6.3 percent of respondents strongly disagreed on the availability of effective capacity building whereas 27.5 percent of them disagreed on the case

and 45 percent of the participants were neutral. The remaining 18.8 percent and 2.5 percent of the respondents agreed and strongly agreed on the availability of efficient capacity building program at the branch office. It was also validated by 2.84 mean score. This means the branch has inefficient capacity building program. Concerning the availability of merit based promotion system that encourages efficient performance and competition among the staffs only 27.5 percent of the respondents agreed and the rest of them strongly disagreed, disagreed, and neutral with respective percentage of 8.8, 16.2 and 47.5. This was also supported by 2.94 mean score. For the questions asked to evaluate the sufficiency of current pay structure, only 10 percent of the respondents agreed, 32.5 percent neutral, 27.5 percent strongly disagreed and 30 percent disagreed. It was also verified by mean score of 2.25. This implies that majority of employees in export clearance team were not satisfied with the current pay structure and capacity building programs as well as merit based promotion system which are the pillars for effective human resource management and development. In addition, the respondents were asked to rate the availability of appropriate office and material for the employees to execute their duties. Accordingly, they expressed their consent as 21.2 percent strongly disagreed, 36.2 percent disagreed, 18.8 percent neutral, 18.8 percent agreed and 5 percent of the respondents strongly agreed with the availability of the necessary office and working resources for personnel to perform their jobs. This was also demonstrated by 2.5 mean score. They were also requested to give answer on the existence of efficient performance measurement that allows employees to perform efficiently. As per their responses 20 percent strongly disagreed, 33.8 percent disagreed, 12.5 percent rated neutral, 28.8 percent agreed and 5 percent strongly agreed. It was also validated by mean score of 2.65. On the issues of training the participants were asked to proof the provision of adequate training by the branch office periodically that helps the employees to understand the nature of export goods and give fast inspection service to facilitate the trade and they responded as 22.5 percent strongly disagreed, 40 percent of the participants disagreed, 16.2 percent of them neutral, only few 13.8 percent and 7.5 percent agreed and strongly agreed respectively. This was also proven by 2.44 mean score. This shows that the branch office is not giving adequate training for employees that equip them for the job they are assigned to do and the majority of employees are also not satisfied with the office and resources allocated for the execution of their tasks.

To make the information reliable, the respondents were asked to give their opinion about Customs employees' competency and cooperativeness. The results are summarized in the Table and Figure 4.1.4.2 below, the majority 67.5 percent of the respondents disagreed on the competency of Customs employees for service delivery and 32.5 percent of the respondents agreed on the competency of customs staffs. Regarding to the employees cooperativeness, 53.8 percent of the respondents disagreed on the issue and 46.2 percent of them agreed with the case. Hence, Customs employees have problems of capacity limitation to provide effective service and they were not willing to cooperate with external customers at the time of service delivery. This indicates that the staffs at the branch were not well trained according to their work position and capacity limitation they have and also the staffs were not motivated to deliver effective service in a cooperative manner. Both competency and cooperativeness problem related to effective human resource development and management programs.

**Table 4.1.4.2 Customs Employees Competency and Cooperativeness result table**

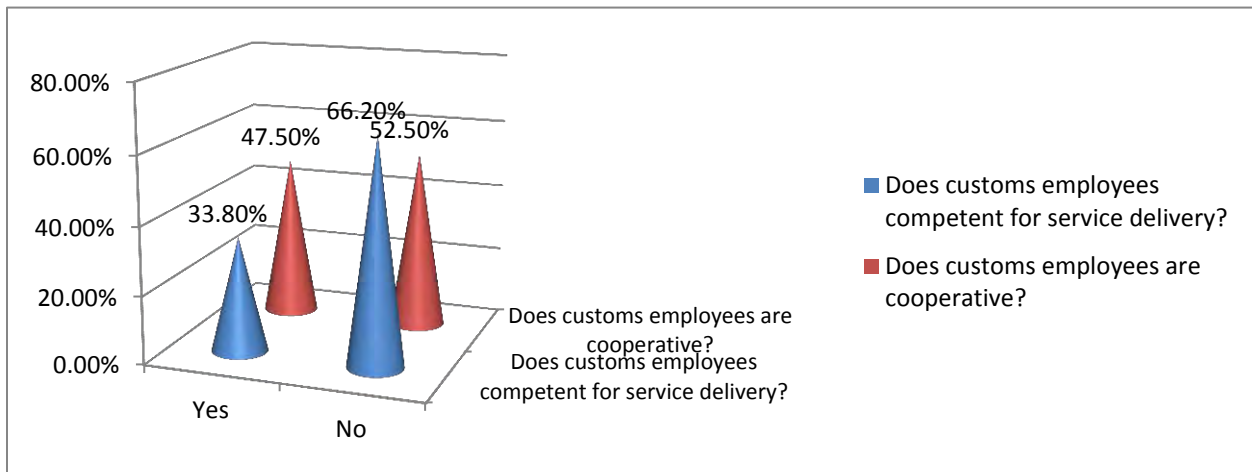
Questions	Responses	Yes		No	
		Frequency	Percent	Frequency	Percent
Does customs employees competent for service delivery?		26	32.5	54	67.5
Does customs employees are cooperative?		37	46.3	43	53.8

*Source: Field Survey, 2016*

From the point of view of employees in export clearance team, lack of position wise training, merit based promotion and reward system are the reasons behind human resource management and development problems. Similarly their view in the open ended questions indicates that current pay structure is better as compared to other civil service institutions and the country's economic potential. However, the main problem lay on the stationary or static behavior of pay structure and lack of additional incentives to motivate employees at different levels of the organization and there is a lack of proper handling of staff, less attention is given to experienced and skilled professional turnover. Even though majority of the employees are degree holders, they have low work experiences with customs environment and laws as well as regulations. Hence, the situation makes them to be reluctant. In the case of corruption, the respondents specified that currently grand corruption is not common in export clearance process at Dire

Dawa Customs but it is difficult to say the Branch Office is free from some form of corruption that is commonly unavoidable in its nature.

**Figure 4.1.4.2 Customs Employees Competency and Cooperativeness**



*Source: Field Survey, 2016*

The interview with the deputy manager and human resource team leader shows that various types of trainings are arranged and given to the staffs at the branch office level and as ERCA level in the areas like tariff classification, customs valuation, risk management, investigation and intelligence. As per their view, the problems are not mainly lack of training rather weak follow up and lack of training need assessments. The common and sensitive problem in human resource management at the branch office is the increment of employees' turnover rate which takes away trained and experienced professionals.

About the reward and promotion system, the manager's explanation indicates that there is no reward and incentive system to motivate employees based on their performance and efficiency result for the time being but as the Ethiopian Revenue and Customs Authority (ERCA) level there are surveys and policy preparation that aimed to revise the existing human resource management and development system that could ensure reasonable reward and remuneration in the future. From documentary reviews, most literatures suggest human resource policies should not only be aimed at recruiting the right people, but also improve staff skills, and provide a quality work environment, remuneration that can sustain a reasonable standard of living, safety

and health guarantee, additional incentives, and merit based promotion retain experienced and skilled professional (WCO, 2005).

In ERCA human resource management and development regulation was developed after BPR implementation in 2000 E.C. The document includes the rights and the responsibilities of ERCA staffs with clear bonus and incentive mechanisms for best performance but it is not practically implemented. From the document sanction and punishments are properly applied as per Article 37 and 41 of the ERCA's workers administration regulation no.155/2009. In connection with this the branch office and ERCA have faced high levels of staff turn over every year. This implies that human resource development and management has been given low attention by the Branch office. According to the interview made with the branch office team leaders, process owners and the deputy manager, the current human resource management and development system is better than the system before customs reform and modernization i.e. BPR. After BPR implementation some improvements have been seen in a few areas like capacity building and salary improvement. But the improvement is not satisfactory to motivate employees that the base salary is not further modified based on performance and work experience as well as there is no practical system to motivate employees through additional incentive and remuneration. The interviewees extend their opinion on the current turnover rate is an alarming problem for customs because experienced and skilled employees leave the organization to get a better salary, additional incentive, performance based promotion and recognition. The causes of staff turnover in customs are discussed by De Wulf and Sokole, (2005) as follows:

**Staff compensation is a crucial factor in human resource management. It should be sufficiently high to attract and retain staff with the necessary qualifications to start work at customs. However, overall staff salaries are often inadequate and not modified in a regular base. While compensation is not the only motivating factor for doing a good job, it certainly ranks high to retain skilled and experienced employee. Lack of attractive additional payments, lack of adequate incentives and bonus, lack of job security, and reward mechanisms, encourage most valuable staff members to leave the Customs service in order to use their acquired knowledge to work as brokers and clearing agents (De Wulf and Sokole, 2005).**

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

#### **4.1.5. Cooperation and Coordination among Customs and Other Agencies**

The term Integrated Border Management (IBM) is often used in the national context to describe different forms and levels of border agencies coordination and cooperation aimed at facilitating legitimate trade and increasing operational efficiency. Coordination and cooperation can encompass different components that include coordinated or delegated conduct of inspections; the exchange of data to allow traders and agents unique data entry through single window platform; operation of integrated procedures; and joint management of the border post and related facilities as well the sharing of infrastructure, facilities and equipment may be viewed as an indicator of the level of cooperation between Customs and other governmental agencies, particularly at national level (UNCTAD, 2008). In order to examine the level cooperation and coordination among customs and other agencies at the branch office, Customs employees, exporters and customs clearing agents were asked to express their opinion on the effectiveness of cooperation and coordination at the branch level.

As can be seen from Table 4.1.5.1 below, 25 percent of the respondents disagreed, 20 percent neutral, 43.8 percent agreed and 11.2 percent strongly agreed on the availability of effective cooperation and coordination of Customs and other agencies at the branch to facilitate legitimate trade. This was also validated by mean value of 3.41. Considering these views and answers from respondents, it is evident that cooperation and coordination of the branch office are considerably weak or ineffective to facilitate international trade as well as to ensure regulatory control. In addition to the questionnaire, the researcher has been made an interview with Customs employees including the deputy manager. Their view shows that the level of cooperation and coordination among customs and other agencies is inefficient and they considered ineffective cooperation and coordination is the cause of majority delays that the branch office encountered. This also supported by the survey conducted by World Bank, 2014, which ranks Ethiopia at 166<sup>th</sup> in the logistics index out of 189 countries surveyed due to the 44 days length of time it takes to export from the countries. As Tsegaye and Endris (2011), the average export clearance time was 6 days at national level including Dire Dawa Customs branch office. The survey also specifies that cooperation and coordination problem in customs are the root causes for cumbersome

customs clearance at border posts and ultimately make the cost of doing business in Ethiopia is very high.

**Table 4.1.5.1 Respondents Perception on Cooperation and Coordination**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>
There is cooperation and coordination among customs and other government agencies or stakeholders at Dire Dawa		20 (25%)	16 (20%)	35 (43.8%)	9 (11.2%)	3.41
There is a joint discussion with exporters to ensure trade facilitation		29 (36.3%)	23 (28.8%)	17 (21.3%)	11 (13.8%)	3.13
There is a dispute settlement mechanisms when facing with exporters and stakeholders	2 (2.5%)	17 (21.2%)	18 (22.5%)	36 (45%)	7 (8.8%)	3.36
There are systems to notify the exporters and customs clearing agents about their rights and obligations; so that they have sufficient knowledge about their rights and obligations	9 (11.2%)	18 (22.5%)	18 (22.5%)	31 (38.8%)	4 (5%)	3.04
Suggestion boxes and other devices that customers can use for their comments are placed in a visible area.	13 (16.2%)	13 (16.2%)	16 (20%)	27 (33.8%)	11 (13.8%)	3.13
There is suitable arrangement for cooperation and coordination among customs and other agencies	2 (2.5%)	30 (37.5%)	12 (15%)	36 (45%)		3.03
<b>Cumulative Mean</b>						<b>3.18</b>

*Source: Field Survey, 2016*

#### **4.1.5.1. Ineffective Coordination and Cooperation with the stakeholders**

Border crossing clearance procedures often involve lengthy formalities due to limited physical infrastructure, lack of trained manpower, lack of electronic data interchange and political will. Throughout the clearance process, traders may have to prepare various sets of data or documents

and make them available in different formats or use separate access channels for each of the relevant agencies. When goods arrive at the border, traders have to undergo multiple formalities with multiple national agencies who conduct document and physical checks of the goods, means of transport, and persons accompanying the goods. This often leads to a duplication of efforts and processes, such as the presentation of documents and the conduct of inspections. It is common that agencies have different operating hours and are located at different places (UNECE, 2012). To examine, the availability of suitable infrastructure and electronic data exchange system for effective coordination and cooperation among customs and other agencies Dire Dawa Customs Branch Office, respondents were asked to give their opinion on these issues.

According to Table 4.1.5.1 above, 2.5 percent of the respondents strongly disagreed, 37.5 percent disagreed, 15 percent neutral and 45 percent agreed on the availability of suitable arrangement for cooperation and coordination among customs and other agencies that are involved in international trade for better cooperation and coordination. It was substantiated by 3.41 mean score. This indicates that there is lack of suitable infrastructure for effective coordination and cooperation among customs branch office and other agencies. Consequently, traders may face challenges to clear their consignments timely with minimum transaction costs and delivery their order on time.

In addition to the questionnaires, the researcher has been made an interview with team leaders in export clearance team and the deputy manager. During the interview team leader including the manager argued that there are some improvements in service delivery in export clearance procedure especially after BPR implementation. However, there are challenges related to other agencies like the Ministry of Agriculture, Ministry of Trade, Ministry of Industry, Road and Transport Authority, Ministry of Forest Development, Banks etc.

As stipulated in Article 2 of the Body of the Kyoto Convention, (WCO, 1999) Customs may always grant facilities for appeals. Any person who is directly affected by a decision or omission of the Customs shall have a right of appeal. This provision ensures the right of appeal to any person directly affected by a decision or omission of Customs. It is up to each individual Customs administration to define in its legislation what constitutes a person who is directly

affected for purposes of appeal rights. In order to avoid confusion over what types of decisions and omissions can be appealed; the national legislation must set forth the specific types of decisions and omissions that are subject to appeal. In order to assess the existence this appeal procedure the respondents were asked to speak their mind regarding dispute settlement mechanism in the branch. As clearly presented in the Table 4.1.5.1, 2.5 percent of the respondents were strongly disagreed the existence of the dispute settlement mechanism in the branch and 21.2 percent disagreed existence of a mechanism to solve dispute settlement in export clearance procedure, 22.5 percent of the respondents put themselves in neutral, 45 percent of respondents agreed and 8.8 percent strongly agreed with the issue. This was also verified by 3.36 mean score. Which means 47.2 percent of respondents did not approve the existence of the dispute settlement mechanism so they did not know about what they do when affected by the decision of Customs.

Similarly the study also tried to find out the branch office's eagerness to know its customers satisfaction in services delivery process. Accordingly, the respondents were asked the availability of suggestion boxes for customers' comments in the branch office. Based on the survey 16.2 percent of the respondents strongly disagreed, 16.2 percent disagreed in easily accessibility of the suggestion boxes, 20 percent neutral, 33.8 percent agreed, and only 13.8 percent of the respondents strongly agreed on the availability of the suggestion boxes. It was also demonstrated by mean value of 3.13. This shows that when customers want to comment on the Customs service means of forwarding is not accessible easily. In addition, respondents were asked to express their consent on the availability of systems to notify the exporters and customs clearing agents about their rights and obligations in order to make them have sufficient knowledge about their rights and obligations. As a result they responded as 11.2 percent strongly disagreed, 22.5 percent disagreed, 22.5 percent neutral, 38.8 percent agreed and 5 percent strongly agree with case. This was also validated by mean score of 3.04. This depicts that there is no sufficient system to notify the customers about their responsibilities which helps them to come up with the necessary requirements for service.

Similarly the respondents were asked their opinion in mutual dialogue and cooperation with ERCA. 36.2 percent of the respondents disagreed, 28.8 percent prefer to be neutral, 21.2 percent

agreed and 13.8 percent of them strongly agreed with the customs mutual dialogue and cooperation. It was also substantiated by 3.13 mean score. This shows that there are no significant and continuous joint discussion programs that will help both parties to resolve the problem faced before it exacerbate.

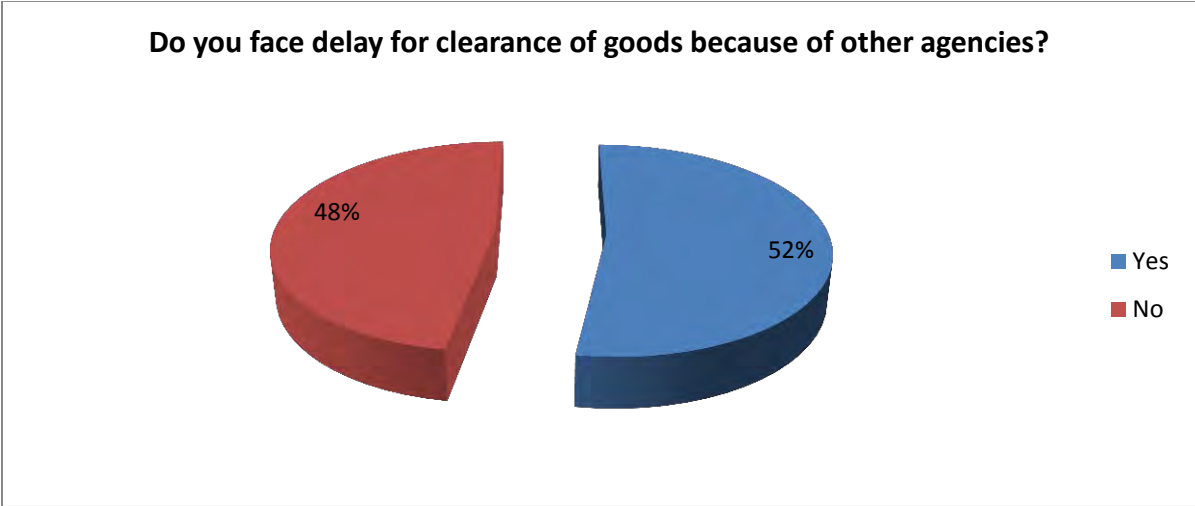
Based on these the ongoing relations between ERCA and business societies may concentrate on some part of trade societies because the respondents are dissatisfied of joint relations. Speedy and efficient clearance is in the interest of both Customs and the traders. Therefore, modern Customs administration do pursue a service minded approach based on the assumption that most exporters and carriers are honest and credible partners in the supply chain who want to comply with rules and regulation. When a business company has proven to be a trustworthy, accountable entity, partnership with customs could be established aiming at close cooperation for the benefit of both parties.

The respondents were also requested to explain their view if there is a delay of cargo at Dire Dawa Branch Office. As shown in the below Figure 4.1.5.2, majority of the respondents 52.5 percent agreed that they have been facing delays because of other agencies and 47.5 percent were negatively responded the questions. This shows that majority of the customers face delays because of other agencies at the Branch. In the open-ended question, respondents commented their opinion about clearance delay problems such as a lack of cooperative service culture among customs administration and other agencies, lack of suitable communication and physical infrastructure, excessive document requirements. Furthermore, they also argued that the Branch Office is not suitable for clearance because of limited space for a physical examination and outdated system to locate the consignments at the warehouse that is a slow process and it takes long time.

From observation, there are different national agencies directly or indirectly responsible for the movements of goods. Some of the agencies have an office at the Branch and the remaining reside somewhere outside the Branch Office. Anyone who wants documentary permission to exports forced to search or contact those agencies physically which is tedious and time consuming. Even the agencies that have an office in the Branch are not willing to cooperate and share available resources with customs administration. In addition to this, their working time i.e. eight hour is

not matching with the working time of Customs that is sixty hours per day. Here, the researcher also observed that there is a clearance delay due to intervention by the Djiboutian Importers inspector especially during chat inspections services. Traders forced to stay until the Djiboutian inspector says go ahead in the inspection area. This indicates that as there is no trust between the exporter and Djiboutian importer on the quality and quantity of chat exported. To sum up, limited infrastructure like ICT, lack of electronic data exchange system, outdated warehouse service, and lack of access to other agencies in a common place are the reasons behind ineffective cooperation and coordination at the Branch Office

**Figure: 4.1.5.2 Response on delay of clearance because of other agencies**



*Source: Field Survey, 2016*

**4.1.6. Customs Export Clearance Procedure challenges for Trade Facilitation**

Customs procedures are a significant factor that needs to be taken into consideration in relation to trade facilitation. Customs administrations should strengthen their customs operations by simplifying customs procedures and implementing risk management and audit-based control in order to enhance the capacity for revenue collection, improve the efficiency of customs clearance and controls, and reduce the time and costs for customs administrations and the trading community. The simplification and harmonization of customs procedures is essential to support the clearance of goods with effective measures such as advanced lodgments, electronic declaration and payment, standardization of required documents and reduction of the number of copies needed for goods declaration. This needs to be based on appropriate customs legislation

and regulations supported by the application of information technology and intelligence, principles of risk management and the use of modern equipment for non-intrusive detection systems.

#### **4.1.6.1. The Reasons behind Customs Export Clearance Procedure Challenges for Trade Facilitation**

The challenges of the customs export clearance procedure for trade facilitation and control are identified in this paper by considering existing literature and respondents' perceptions. As outlined earlier, challenges related to risk management, Customs automation, human resource development, cooperation and coordination of customs among other government agencies are the main challenges among others. Here, after the identification of those challenging, identifying the root causes or reasons behind challenges are valuable to minimize the adverse effects of the problems. The reasons behind customs procedure challenges differ from country to country depending on social, political and economic situation. In the Ethiopian context reasons were discussed based on the available data gathered using various data collecting instruments such as questionnaire, interview, observation and documentary review in the following sections.

In the Table 4.1.6.1 below, the respondents were asked to ascertain with respect to the branch office organization of functional unit that are dealing with export clearance, about 3.8 percent of the respondents strongly disagreed, 12.5 percent disagreed, 12.5 percent neutral, 45 percent agreed and 26.2 percent of them strongly agreed on the availability of independently organized functional unit for export clearance team to allow the exporters to get efficient services. This was also demonstrated by 3.78 mean score. Accordingly, 71.2 percent of the respondents ascertain the existent of independent functional unit which handle export cargoes only without intermingling with commercial items. This shows how much emphasis the branch office gave for export trade facilitation. Such arrangements could help the traders benefit from Export Clearance by reducing their waiting time to delivery their order which in turn reduce their cost and increase their competitiveness. Similarly, as can be seen from the Table 4.1.6.1. 72.5 percent of respondents agreed on the reasonably attainability of criteria to obtain export clearance service, 11.2 percent of respondents strongly agreed, 7.5 percent neutral, only few 8.8 percent disagreed

on the issue. This was also substantiated by 3.86 mean score. This means the branch requirement for export clearance can be reasonably attainable by the customers.

**Table 4.1.6.1 The Reasons behind Customs Export Clearance Procedure Challenges for Trade Facilitation**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>
The document requirement for export clearance is simple and clear to understand		12 (15%)	2 (2.5%)	49 (61.2%)	17 (21.2%)	3.89
The existing customs export clearance procedure is well articulated to ensure trade facilitation		18 (22.5%)	9 (11.2%)	37 (46.2%)	16 (20%)	3.64
The criteria to obtain export clearance service is reasonably attainable		7 (8.8%)	6 (7.5%)	58.8 (72.5%)	9 (11.2%)	3.86
The export clearance team or department or functional unit is independently organized which allow the exporters get efficient services	3 (3.8%)	10 (12.5%)	10 (12.5%)	36 (45%)	21 (26.2%)	3.78
The export clearance functional unit is adequately staffed with skilled personnel to deliver fast and quality services	3 (3.8%)	13 (16.2%)	10 (12.5%)	28 (35%)	26 (32.5%)	3.76
<b>Cumulative Mean</b>						<b>3.79</b>

*Source: Field Survey, 2016*

The respondents were also asked to ascertain about the existing export clearance procedure whether it is control oriented or facilitation oriented. In this manner, the respondents labelled their view as 22.5 percent disagreed, 11.2 percent neutral, majority 46.2 percent agreed and the rest 20 percent strongly agreed with the statement. This means 66.2 percent of the respondents confirmed the existing procedure oriented towards trade facilitation than control. Similarly the respondents were asked to express their opinion on the simplicity and clarity of document requirement for export clearance. As it is shown in the Table 4.1.6.1 15 percent disagreed, 2.5 percent neutral, but the majority 61.2 percent and 21.2 percent cumulatively 82.5 percent agreed

and strongly agreed on the simplicity of the document requirements for export clearance. It was verified by mean score of 3.64. This aligns with the revised Kyoto convention, 1999 which dictates the simplicity of document required by customs to clear goods to ensure trade facilitation though some of the respondents disagreed and neutral on the issue.

#### **4.1.7. Clarity of Customs Laws and Regulations for Trade Facilitation**

Tax and Customs laws, regulations, administrative guidelines and procedures should be harmonized and simplified to the greatest extent possible. From a customs administrator's view point, clear, simple, transparent and predictable legislation creates the framework for the development of systems and procedures that are easily understood by both the trading community and the officials. Based on clear and easily understood legal framework, customs systems and procedures should be in accordance with the internationally agreed Conventions and standards to ensure trade facilitation without undue burden. In other words, complex regulations, procedures or administrative guidelines can encourage trading community to engage in a corrupt practice rather than voluntarily complying and also create bottlenecks for trade facilitation and control (WCO, 2007). In order to survey the clarity, consistency and predictability of customs laws and regulation at Dire Dawa customs respondents were asked about the clarity, predictability and consistency of customs laws and regulation.

As clearly presented in Table 4.1.7.1 below, some questions were forwarded to examine the application, clarity, consistence and predictability of existing proclamation and directives of customs. Accordingly 6.2 percent of the respondents were expressed their strong disagreement on the adequacy of the proclamation in supporting trade facilitation, 27.5 percent of them disagreed with its sufficiency to favor facilitation, 20 percent rated neutral, 36.2 percent agreed, and 10 percent of the respondents agreed on the matter. This was proved by 3.16 mean score. In addition to this the customs officials were interviewed to investigate the case and the documents were analyzed; based on all this information it can be concluded that the proclamation cannot be considered as a major hindrances and it is observed that most of the articles in the proclamation harmonized with international agreements. The respondents were similarly asked regarding to the existing directive whether it contains a detail explanation about the export procedure.

Accordingly, 2.5 percent strongly disagreed, 21.2 percent of the respondents disagreed, 13.8 percent neutral, 58.8 percent agreed and 3.8 percent of them strongly agreed about the details explanation of the directive. It was also validated by mean value of 3.4. Therefore, we can say that customs proclamations and directives have detail explanation about export clearance procedure. In other hand 33.7 percent of the respondents did not assured the detail description of the directives which means they face problem to implement in their day to day activities related to these. Thus, it is somehow affecting the facilitation.

**Table 4.1.7.1: Percentage Distribution of Respondents on Clarity, Predictability and Consistencies of Customs Laws and Regulations**

Statement	1	2	3	4	5	Mean
The existing directives contains detail explanations about export clearance procedure	2 (2.5%)	17 (21.2%)	11 (13.8%)	47 (58.8%)	3 (3.8%)	3.4
The ERCA proclamation sufficiently favor export trade facilitation than control	5 (6.2%)	22 (27.5%)	16 (20%)	29 (36.2%)	8 (10%)	3.16
The customs laws and regulations are clear to interpret and implement in export clearance procedure	2 (2.5%)	15 (18.8%)	7 (8.8%)	42 (52.5%)	14 (17.5%)	3.64
Customs laws and regulations are harmonized and standardized with international conventions (WTO, WCO)	10 (12.5%)	11 (13.8%)	20 (25%)	36 (45%)	3 (3.8%)	3.14
Customs laws and regulations are consistent and predictable	8 (10%)	14 (17.5%)	19 (23.8%)	36 (45%)	3 (3.8%)	3.16
<b>Cumulative Mean</b>						<b>3.30</b>

*Source: Field Survey, 2016*

In the same way the respondents were requested to express their consent on the simplicity / clarity of customs laws and regulations. Hence, 2.5 percent strongly disagreed, 18.8 percent of the participants disagreed on the simplicity or clarity of customs laws and regulations, 8.8 percent rated neutral, 52.5 percent agreed, and the remaining 17.5 percent of them strongly

agreed. This means about 77.5 percent of the respondents consented on the simplicity and clarity of customs laws and regulation to interpret. This was also demonstrated by 3.64 mean score. Therefore, ambiguity and complexity of customs laws cannot be the major case for the delay of export cargo. Regarding to customs laws and regulations standardization and harmonization, 12.5 percent of the participants strongly disagreed, 13.8 percent disagreed, and 25 percent rated neutral, 45 agreed, and 3.8 percent of the strongly agreed on the issue respectively. This was also validated by mean value of 3.14. Concerning consistencies and predictabilities of the laws 10 percent of the respondents strongly disagreed, 17.5 percent disagreed, 23.8 percent preferred neutral, 45 percent agreed, and 3.8 percent of them strongly agreed. It was also proven by 3.16 mean score. Here a considerable number of respondents select neutral option this implied that customs laws and regulations are technical to judge.

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

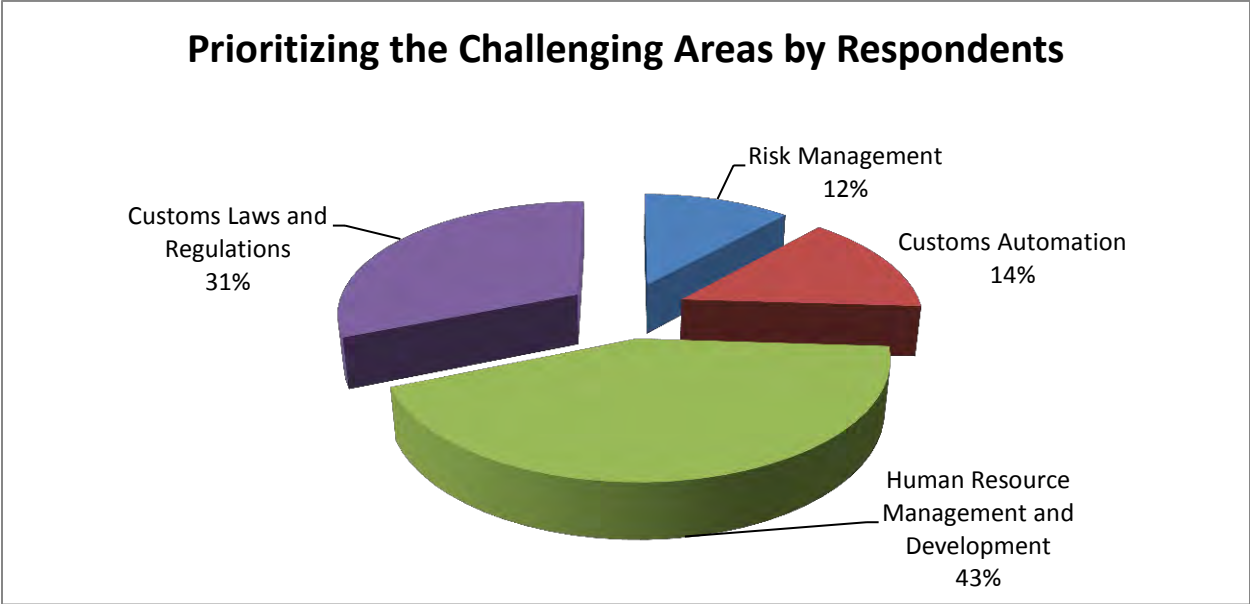
#### **4.2. Prioritizing the Most Challenging Areas in Customs Procedures**

Prioritizing or ranking the challenges of customs export clearance procedures based on their seriousness / significant role they play to solve problems in an orderly manner and it also supports the researcher to suggest suitable recommendation based on the assigned priority. Hence, the respondents request to rank those challenges.

According to Figure 4.2 below, the respondents were requested to prioritize the challenges of customs export clearance procedure on trade facilitation. 43 percent the respondents rank human

resource management and development as the most serious challenge for export clearance procedure while 31 percent of them rank customs laws and regulations the second most challenging area, 14 percent ranked customs automation as a third series problem to facilitate trade and the remaining 12 percent ranked risk management as the fourth most problematic area in export trade facilitation. In the respondents rank cooperation and coordination of customs with the stakeholders and customs procedures were not considered as a major problem area. Here, even if the priority has been assigned to each challenge, all of them significantly affect customs procedures. So that the priority was assigned for the sleek prioritize those challenges at the time of financial and other resource limitation occurred. Unless and otherwise all the challenges need due attention by concerned body.

**Figure: 4.2 Prioritizing the Challenging Areas by the Respondents**



*Source: Field Survey, 2016*

**4.3. Implementation of International Standards and Conventions as Trade Facilitation Instrument**

WCO Revised Kyoto Convention is the international framework for modern, efficient and effective customs procedures. In addition to this, Customs administrations subscribe to a number of other conventions and standards, the mains are: (1) the Harmonized Commodity Description and Coding System (HS code); (2) the WTO Agreement on Customs Value (ACV); (3) the

revised Arusha Declaration on Customs Integrity; (4) Immediate Release Guidelines and (5) more recently the WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE) program. Those standards and conventions can provide a base for efficient and effective customs procedures specifically for trade facilitation and control when properly implemented (IMF, 2011).

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

**Table 4.3 Application of international standards Result Table**

Question	Response	Frequency	Percent
Does Dire Dawa customs applying international standards in export clearance procedure?	Yes	39	48.8
	No	41	51.2

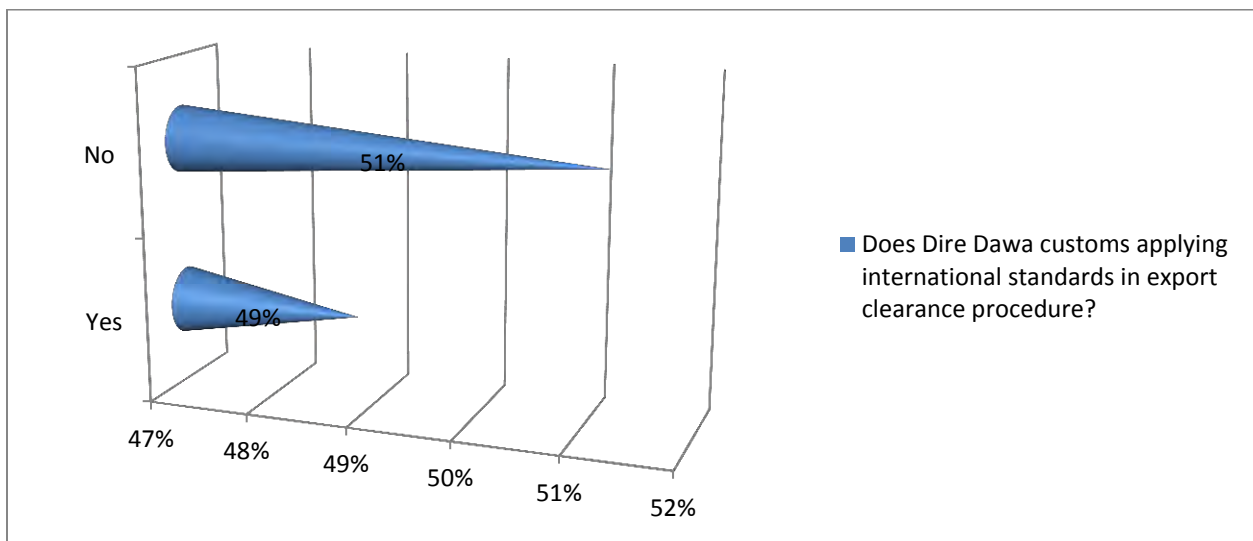
*Source: Field Survey, 2016*

Based on the Figure 4.3 above, 48.8 percent of the respondents agreed on the application international standards on export clearance procedure at the branch office while the majority 51.2 percent of the Respondents negatively responded on the issue. Thus, there is a lack of proper implementation of international standards and conventions in export clearance procedure in the Branch office.

Additionally, the researcher has been made an interview with team leaders in export clearance process team in relation to international standards and convention implementation at the branch office export clearance procedure as trade facilitation tools. The interview result shows that those international standards and conventions are very important for the modern customs administration and enabling instruments for trade facilitation and customs regulations. About the implementation, they explained that most of international standards and conventions are part of the Ethiopian Revenue and Customs Authority regulations, rules, procedures and guidelines especially after Business Processing Reengineering BPR implementation which includes international standards and best practice resulted from benchmarks. Even proclamation number

859/2006 is in line with international standards and best practice. But, according to the interviewees view the problems can be attributed to the lack of infrastructure particularly proper ICT, lack of follow up mechanisms and lack skilled employees and clearing agents in relation to customs valuation, tariff classification, physical examination and fast service delivery culture. This in turn hinders trade facilitation effort of customs administration without compromising regulatory control.

**Figure 4.3 Respondents’ Perception on Implementation International Standards and Conventions**



*Source: Field Survey, 2016*

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

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

#### **5.1. Summary of the Findings**

The main purpose of this study was to identify the major challenges of customs in export trade facilitation at Dire Dawa Customs Branch Office. Its specific objectives were:

1. To identify the major challenges of customs in export trade facilitation at Dire Dawa.
2. To explore the reasons behind those challenges.
3. To evolve strategies to mitigate the existing challenges based on the findings of the study.

Data were collected from exporters, customs clearing agents, customs employees and officials. The questionnaires were distributed to 85 respondents. Out of this only 82 respondents returned the questionnaires and from this 2 were discarded due to irrelevance of the facts on questionnaires for the study. Descriptive statistics were used to analyze the data collected from the respondents. Frequencies, percentages, mean and cumulative scores were used to explain the data. The study used the six criteria developed by Wunwimon (2010) to assess the challenges of Dire Dawa Customs faced in facilitating export trade. These criteria were customs automation, risk management, human resource development and management, cooperation and coordination among customs and other agencies, customs procedures, and customs laws and regulations. Based on the discussion of data, the following summaries of findings were drawn:

1. The result of this study showed that the current risk management techniques of Dire Dawa Customs Branch Office are implemented manually and exposed to personal judgment rather than scientific risk management techniques due to inadequate technological and infrastructural support that have potential to ensure effective information flows and used to develop well organized risk profile database as shown by cumulative mean score value of 2.54.
2. In addition to this, the result of interview, questionnaires and observation indicate that, ineffective utilization of customs automation is the challenge for customs export

clearance procedure on trade facilitation and control. The reasons behind this challenge related to staff competency and availability of system functionality of ASYCUDA++ as it was demonstrated by aggregate mean value of 3.36.

3. The result of this study also revealed that, human resource management and development is among the most challenges of customs export clearance procedure on trade facilitation due to lack of skilled and experienced staff in customs administration. The working environment and the promotion as well as incentive mechanisms of customs are inconvenient to staff in order to stay at the branch as it had been validated by 2.6 cumulative mean score. Human resource development and management was also prioritized as the most problematic area by 43 percent of the respondents in export trade facilitation.
4. Alongside the cooperation and coordination among customs and other agencies hamper the function of Customs at the Branch office. The reason of this related to weak ICT infrastructure that unable to ensure appropriate information flows. 52.5 percent of the respondents approved the delay of cargo due to other agencies and it is also shown by cumulative mean value of 3.18 which is not far from the average mean.
5. Unclear, inconsistent, unpredictable, non-harmonized and unstandardized of customs laws and regulations as well as the implementation of international standards and conventions has significant impact on customs export clearance procedure as observed in the findings of the study. It was also evidenced by cumulative mean score of 3.3. There is a problem in interpretation, simplification and harmonization of the articles with the international conventions. As 50 percent of the respondents approved customs laws and regulation are control oriented than facilitation.
6. It is clear from the study that cumbersome customs clearance procedures were identified as a challenges for customs in export trade facilitation due to lack of simplified, clear, well-articulated procedures with inadequate skilled manpower that provide a significant degree of facilitation so that time delays still exist in the formal clearance processes as it was shown by cumulative mean score of 3.79.

## 5.2. Conclusions

A number of theoretical and empirical literatures reviewed showed that many least develop Sub Saharan Africa countries have inefficient customs administrations that make traders suffer from delayed and unreliable delivery, costly customs clearance and missed business opportunities. This paper has examined the challenges of customs in export trade facilitation at Dire Dawa Customs Branch Office.

In this study, ineffective utilization of customs automation, improper implementation of risk management, improper human resource development and management, cumbersome customs procedures, ineffective coordination and cooperation among customs and other government agencies, and unclear, ambiguous, non-predictable, and inconsistent customs laws and regulations are identified as major challenges of customs in export trade facilitation.

Even though, Ethiopian Revenues and Customs Authority currently undertake several reform and modernization efforts in order to ensure effective and efficient Customs administration, respondents' perception indicates that there are challenges in several areas. Risk management in export clearance procedure considered as a challenge for customs in export trade facilitation at the branch office. However, the principles of risk management in customs procedures clearly stated on the Proclamation No. 859/2006 article 6, the provisions are impractical in the Branch Office. As per the provision the risks should be managed based on appropriate information gathered and organized in a manner they can assure transparency and accountability to ensure export trade facilitation; but the risk management principles in the branch are managed through manual process rather than automation and highly dependent on regulatory control. The reasons behind ineffective implementation of risk management in export trade facilitation are lack of organized and up-to-date risk database, lack of proper information flow for risk profiling purposes, lack of cooperation with other departments in the Branch Office as well as lack of coordination with the national intelligence unit for third party information sharing for risk profiling.

Customs Automation often considered as enabling instrument for customs procedures to facilitate international trade. ASYCUDA++ is commonly used Customs Automation by most

African countries like Ethiopia which is the challenge of export clearance procedures because of unavailable system functionalities, lack of experienced and trained customs employees, lack of skills in order to utilize ASYCUDA++ for trade facilitation, lack of ICT infrastructure and ineffective telecommunication network connections are the reason behind ineffective utilization of customs automation. Thus, insufficient use of automated processes and information technology is a major source of delays, costs and inefficiencies of Customs procedures in ERCA.

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

Customs cooperation and coordination among other government agencies at Dire Dawa Customs Branch Office is another serious challenge as identified earlier and a source of long delay at Dire Dawa. This problem escalates international trade transaction cost and it also makes cost of doing business in Ethiopia and this affect the country's investment opportunity. The main reasons of this ineffective cooperation and coordination among customs and other government agencies are lack of ICT infrastructure, lack of skilled manpower, and lack of computerized system for information exchange among agencies. Thus, cooperation and coordination is the challenge of customs in export trade facilitation at Dire Dawa customs branch office.

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

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

Cumbersome customs clearance procedures were also identified as one of the challenging area for export trade facilitation at Dire Dawa customs branch office. This is due to absence of simplified, harmonized, clear and well-articulated customs procedures with inadequate experienced and skilled labor force in the branch.

### **5.3. Recommendations**

The findings discussed above outlined some challenges of customs in export trade facilitation at Dire Dawa Customs Branch Office. Thus, the researcher forwarded the following recommendations.

1. To overcome the problems of improper implementation of risk management techniques, ERCA should design effective cooperation and coordination mechanisms through the aid of modern technology to ensure effective and efficient information flow for risk profiling and for the development of organized and updated risk profile database. This also should be supported by proper learning and training, performance evaluation programs that improve staff competency in risk management.
2. In order to utilize existing customs automation effectively for trade facilitation, the branch office as well as ERCA should arrange suitable trainings and learning programs related to ASYCUDA++ to utilize it effectively and efficiently as well as to modify

ASYCUDA++ as per the national requirements that can fill the gap created on the absence of some system functionality of ASYCUDA++ like temporary export guarantee account, warehousing system management, reporting, manifest, etc.

3. As indicated in the above findings, human resource development and management is the most challenge for export trade facilitation at the Branch Office. Thus, customs should properly arrange position wise capacity program and should create proper follow up system after the training has been given. Merit based promotions and additional incentive provision should be made practical as stated on the paper and due attention should be given to experienced and skilled employees to reduce staff turnover.
4. In order to ensure effective cooperation and coordination among Customs and other governmental agencies at the Branch Office, Customs should launch suitable ICT infrastructure that support electronic data exchange for trade facilitation and it should also implement single window system to create a good communication, coordination and consultation system for all stakeholders.
5. Customs should institute a continuous training program on customs laws and regulation to make them easy and simple to interpret for both employees and traders. As much as possible customs should inform the trading community and other stakeholders about any changes and modifications of laws and regulations immediately to ensure consistency and predictability.
6. In order to keep a balance between trade facilitation and regulatory control, ERCA should incorporate international standards and conventions in its laws and regulations. It also should make them practical in the day to day operation of customs procedures. Here, customs administration should also implement WCO Revised Arusha Declaration in its procedure to ensure integrity in customs operation that is prevalent problem in customs administration. In addition, it should also simplify and harmonize the customs clearance procedures with the international standards.

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## **Appendix**

**ADDIS ABABA UNIVERSITY**  
**FACULTY OF BUSINESS AND ECONOMICS**  
**SCHOOL OF COMMERCE, GRADUATE STUDIES**  
**LOGISTICS AND SUPPLY CHAIN MANAGEMENT MASTER'S PROGRAM**  
**QUESTIONNAIRES**

**Dear Respondents,**

My name is Mengistu Tefera, a prospective graduate of this academic year from Logistics and Supply Chain Management department. Currently, I am conducting research on *“The Challenges of Customs in Export Trade Facilitation: the Case of Ethiopian Revenues and Customs Authority Dire Dawa Branch Office”* as a partial fulfillment for Masters of Arts Degree in Logistics and Supply Chain Management Program. The main objective of the study is to identify the challenges and prospects of customs in export trade facilitation by focusing on customs automation, human resource management, risk management, and cooperation and coordination among customs and other agencies. For the purpose of successful accomplishment of this study, your sincere cooperation in filling the questionnaire is extremely valuable.

Therefore, you are cordially asked to deliver your support in objectively filling the questionnaires provided. The researcher also wants to assure you that the data to be collected from you will be used for this academic research purpose only; and its confidentiality will strictly be kept. For any additional information, explanation and comment, you can leave your message through this phone number: +251 912 020 617, email: mta20111@gmail.com.

Thank you in advance!

Mengistu Tefera

**Part I.**

**General Information**

1. Sex: 1. Female  2. Male
2. Age: 1. 20-30 Years  2. 31-40 Years
3. 41-50 Years  4. More than 50 years
3. Educational background
1. Certificate  3. BA/BSC  5. PhD
2. Diploma  4. MA/MSc  Other Specify \_\_\_\_\_
4. Work experience as customs clearance agent /employee/exporter
1. Less than 3 years  3. 6-10years
2. 3-5 years  4. More than 10 years
5. Current job Position \_\_\_\_\_

**Part II**

**Introduction:** Please indicate your consent by putting a tick mark (√) the number that best represent how you feel about the challenges of customs in export trade facilitation in Dire Dawa Customs Branch Office.

	<b>Customs Challenges in export trade facilitation</b>	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
<b>1</b>	<b>Customs Automation or usage of information technology system</b>					
1.1	ASYCUDA++ is effectively utilized to ensure fast export clearance service					
1.2	The ASYCUDA++ system could precisely label the level of risk at submission of export documents					
1.3	The export clearance activities are properly supported by modern information technology system					
1.4	Customs Information Technology System allows electronic data or information interchange with external users					
1.5	Customs mostly arrange training program that make users familiar to the ASYCUDA++ system					

1.6. What are the common challenges of Customs in Export trade facilitation at Dire Dawa Customs? \_\_\_\_\_

2.	<b>Customs Risk Management Practice or system</b>	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
2.1	Risk management system is properly implemented on export goods clearance in Dire Dawa customs Branch Office					
2.2	The risk level of export cargos are labelled by the information technology system developed for risk management					
2.3	There is efficient information flow for risk profiling					
2.4	There is updated exporters risk profile data base					

2.5. Would you please rank the following most challenging areas to deliver prompt export clearance service?

<b>Challenge</b>	<b>Rank</b>
Risk management	
Customs automation	
Human resource management and development	
Customs Procedures	
Cooperation and coordination with the stakeholders	
Customs Laws (Rules and Regulations)	

2.6. Would you add anything about export risk management system? \_\_\_\_\_

3	<b>Human Resource Development and Management System</b>	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
3.1	The employees are given adequate training periodically that helps them to understand the nature of export goods and give fast inspection service to facilitate the trade					
3.2	The existing performance measurement system enable employees to perform efficiently					
3.3	Employees have appropriate office and necessary resources to execute their duties					

3.4	There is appropriate payment system for employees which allow them a reasonable standard of living					
3.5	Customs has a merit-based promotion system that encourages efficient performance and competition among the staffs					
3.6	There are efficient capacity building program					

3.7. Does customs employees competent for service delivery? Yes  No

If your answer is 'No' for the preceding question, please, state the reasons? \_\_\_\_\_

\_\_\_\_\_

3.8. Does customs employees are cooperative? Yes  No

If your answer is 'No' for the preceding question, please state your reason? \_\_\_\_\_

\_\_\_\_\_

3.9. Would you specify any problems in connection with corruption? \_\_\_\_\_

\_\_\_\_\_

4	<b>Customs Cooperation and coordination with stakeholders</b>	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
4.1	There is cooperation and coordination among customs and other government agencies or stakeholders at Dire Dawa					
4.2	There is a joint discussion with exporters to ensure trade facilitation					
4.3	There is a dispute settlement mechanisms when facing with exporters and stakeholders					
4.4	There are systems to notify the exporters and customs clearing agents about their rights and obligations; so that they have sufficient knowledge about their rights and obligations					
4.5	Suggestion boxes and other devices that customers can use for their comments are placed in a visible area.					

4.6	There is suitable arrangement for cooperation and coordination among customs and other agencies					
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4.7. Do you face delay for clearance of goods because of other agencies? Yes  No

If your answer is 'Yes', for the preceding question, please, state the reasons of the delay? \_\_\_

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5	Customs Procedure	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
5.1	The document requirement for export clearance is simple and clear to understand					
5.2	The existing customs export clearance procedure is well articulated to ensure trade facilitation					
5.3	The criteria to obtain export clearance service is reasonably attainable					
5.4	The export clearance team or department or functional unit is independently organized which allow the exporters get efficient services					
5.5	The export clearance functional unit is adequately staffed with skilled personnel to deliver fast and quality services					

5.6. Anything you want to add about existing export clearance procedures at Dire Dawa Customs Branch Office? \_\_\_\_\_

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6	Customs Laws (Rules and Regulations)	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
6.1	The existing directives contains detail explanations about export clearance procedure					
6.2	The ERCA proclamation sufficiently favor export trade facilitation than control					
6.3	The customs laws and regulations are clear to interpret and implement in export clearance procedure					

6.4	Customs laws and regulations are harmonized and standardized with international conventions (WTO, WCO)					
6.5	Customs laws and regulations are consistent and predictable					

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

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6.7. Does Dire Dawa customs applying international standards in export clearance procedure?

Yes

No

6.8. If your answer is 'Yes' for question no. 6.7, please specify them? \_\_\_\_\_

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6.9. Any additional ideas that you want to clarify? \_\_\_\_\_

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**Thank you!!**

## Interview Guide Line

1. What are the challenges of customs in export trade facilitation? Please specify?
2. What are the main reasons behind the challenges identified in question number 1? Would you explain by relating with each challenge?
3. Are the current customs laws and regulation sufficient to support trade facilitation?
4. Are customs laws and regulations easy to understand and make practical on export?
5. Is Dire Dawa Customs Branch office applying international standards and conventions in export clearance procedure to ensure maximum trade facilitation and appropriate regulatory control?
6. Is export Clearance procedure simple, clear and short that helps to give fast export clearance service? Does it align with international practices (like WTO and WCO conventions)?
7. Anything that you want to add about customs challenges in export trade facilitation? Please, specify?

**Table: Interview Guide Line Focus Points**

No.	Topic of Interview guide	Issues to be raised in the interview
1	Risk Management Implementation	Use of risk management, profiling systems, facility and infrastructure, skills and competency, supportive technology, communication channels, proper legal support
2	Customs Automation Utilization	Skill and competency, infrastructure, suitable telecommunication network, training, system functionality and related training
3	Human Resource Management and Development	Recognition, capacity building, skills and competency, Experience, competency, promotion, salary and additional incentives, integrity
4	Cooperation and Coordination Among Customs and other Government Agencies	Skills and competency, facility and infrastructure, support from middle and top management, electronic information exchange, interfaced system, accessibility (location)
5	Customs Laws and Regulations(Int'l Conventions)	Clear Interpretation, clarity, predictability, accessibility, continuous review
6	Customs Procedure	Practical application of international standards and conventions, simplification and harmonization, standardization of document requirements, number of copies required