

# Challenges of Cross Border Contraband Goods Control in Ethiopian Revenue and Customs Authority the Case of Humera Customs Station Office

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## Abstract

This study has assessed the challenges of contraband goods control in Ethiopian revenue and customs authority (ERCA) with special focus across the Ethio- Sudan border at humera customs station office. To achieve the research objective, appropriate research questions were prepared to guide the research. Interview guides were also designed to gather responses from some staff and management members. Primary data was collected through questionnaires and interview. And Secondary data was also collected from manuals and reports. The study employed a descriptive method and inferential statistics with both qualitative and quantitative research approach. The result indicated that, the most challenging factors that hinder contraband goods prevention in humera customs station office are lack of adequate man power, insufficient check points, incompetent knowledge and skill with the control unit and inconvenient physical working conditions. It was also found that the partnership among humera customs station office and other responsible sectors, incommunication and information exchange, on criminal investigation and joint operation is very weak.

**Keywords:** contraband, illicit goods, cross border. Check points, customs station

## 1. Introduction

Customs administrations throughout the world have the great responsibilities in achieving national objectives which promote economic development and wellbeing of the society such as collecting government revenue from international trade protecting and ensuring security of the community and facilitating legitimate trade are among the objective (Wulf and Sokol, 2005).

Referring to Anderson (2000: 15) border controls are part of so-called 'frontier regimes'. These regimes "consist of agreements about borders: the practices that have grown up around them; the administration and management of borders controls; related systems of police and customs cooperation; and institutions and arrangements for Trans frontier cooperation".

Contraband trade began in Ethiopia long time ago. Since then smugglers do not hesitate to smuggle goods into and out of Ethiopia and they are still doing it in spite of all laws and regulations, the seizure of contraband goods has become an everyday occurrence, almost daily, federal policemen and other law enforcement bodies mandated to seize contraband goods intercept many criminals involved in smuggling. The frequently seized contraband goods smuggled into the country includes manufactured goods such as electronic and electrical goods, garments of various kinds, perfumes, cosmetics, pornography, habit forming drugs, armaments and others. Sudan, Eritrea, Kenya, and Djibouti are identified to be the main sources of these goods. Contraband is an illicit act which has harmful effect on the socioeconomic development of a country. To avert the adverse effects of contraband most countries of the world take preventive measures ([www.erca.gov.et/index.php/customs/others/101contraband](http://www.erca.gov.et/index.php/customs/others/101contraband)).

Precious metals as gold and silver, garments, cosmetics as well as dangerous drugs that demoralize the moral sense of the youth and others smuggled in to our country by crossing the Ethio-Sudan boarder (annual report 2012 and 2014 Humera customs station office). On the other hand coffee, Teff, pepper crone and different livestock animals are the most common items smuggled out to Sudan from this area. From the researcher's observation legal traders who invest in closing, shoes, as well as spare parts seek to make profit, however goods smuggled in to this area, control the local market this create serious problem by losing their competitive advantage in the market.

## 2. Literature Review

The English word contraband, reported in English since 1529, denotes any item, which, relating to its nature is illegal to be possessed, sold et cetera. The term is derived from Latin contra "against" + Middle Latin bannum "a command." Numerous treaties defining contraband have been concluded among nations. However, the term is commonly used for goods that have been imported or exported illegally or for smuggled goods that are imported into or exported from a country in violation of its laws.

According to WCO (2003), customs controls should be carried out by professionally trained Customs personnel. With the increased use of electronic record-keeping and the sophistication of global trade, the need for higher standards of recruitment and training becomes increasingly important. The WCO has prepared a number of training modules which will be of value to Customs administrations in organizing the training of its staff.

Global customs and border control agencies face an interesting paradox in managing two parallel mandates. The first mandate deals with the effective facilitation of legitimate and legal trade flows of goods, services, people and capital. The second relates to the interdiction of and halting the flows of illicit commodities, services, and the apprehension and prosecution of individuals facilitating illicit trade. This parallel mandate can lead to operational inefficiencies within legitimate supply chains leading to increased cost, delivery disruption, time delays, interruptions in the smooth flow of products and services, traffic and port congestion, and longer cycle times (Lee & Whang 2005).

A vital component of all anti-contraband measures is the ability of authorities to enforce regulations and identify products which are illicit. Investment in enforcement resources for personnel or technology for excise or customs officials is an important policy measure to address smuggling and tax-evasion issues. The special anti-contraband measures (Sweeting J, Johnson T, Schwartz R.) addresses three distinct forms of enhanced enforcement. First, border control enforcement focuses on investments in measures such as container scanners, increased customs personnel, and other resources tailored towards identifying smuggled product prior to entering a new jurisdiction. Second, Inspection capacities/seizures focus on the ability of officials to inspect licensed or registered entities in the legal supply-chain to identify illicit goods. Finally, criminal investigations/intelligence focuses on other forms of enforcement that seek to identify and intercept key contraband organizers and producers. One example of this is investigation of organized crime groups.

### **3. Methodology**

This study employed both quantitative and qualitative research approaches. The mixed approach was selected in the study to increase the reliability of data and data sources and to come up with answering the basic research questions. In addition the study has used descriptive and inferential methods of analysis. To gather the intended data and information from 154 sampled respondents selected from humera customs station staff, exporters and local trading community, other government agencies employees, as well as federal police and special forces by using a combination of sampling techniques that is probability (stratified random sampling) and non-probability (purposive sampling) for interview purpose. The researcher has also used closed ended and open ended questions to get quantitative and qualitative data respectively. Therefore, to achieve study purpose the following two research questions (RQ) were addressed to answer the research problem. These are:-

1. What are the responsible internal factors that hindered contraband prevention in humera customs station
2. what are the partnership challenges among the different responsible sectors

### **4. Results and Discussion**

The Ethiopian Revenues and Customs Authority (ERCA) is the body responsible for collecting revenue from Customs duties and domestic taxes. In addition to raising revenue, the ERCA is responsible to protect the society from adverse effects of contraband. It seizes and takes legal action on the people and vehicles involved in the act of smuggling while it facilitates the legitimate movement of goods and people across the border and within the country. Accordingly, the researcher believed that to raise questions on the internal factors that hinder contraband prevention in humera customs station to ERCA employees. And descriptive with the help of inferential statistics method of analysis was applied to reach a conclusion

#### **4.1 Overall Picture of Seized Contraband Goods at Humera Customs Station Office from Year (2011-2015)**

Before, directly go to the analysis of the research questions it is better to assess the overall pictures and trends of seized contraband goods at humera customs station office. Accordingly, table 4.1 and figure 4.1 below shows the data seized contraband goods flow in to our country and exit from our country and contraband trends respectively.

**Table 4.1 Estimated price of seized contraband goods at humera customs station office from year 2011-2015**

No	Year	Estimated price of seized contraband goods flow in to our country	Estimated price of seized contraband goods exit from our country through humera customs station	Total	Reference
1	2011	2,667,440.25	2,690,927	5,385367.25	u-/7/62--8-4-08-03
2	2012	8,248,612,.78	961,562	9,210,174.78	u-/7/62--8-4-28-04
3	2013	7,171,023	1,238,984	8,410,007	u-/7/62--8-4-179-05
4	2014	11,241,032	402,876	11,643,908	u-/7/62--8-4-9086-06
5	2015	6,625,964.44	<b>985,601</b>	<b>7,611,565.44</b>	u-/7/62--8-4-0135-0

Source: annual reports humera customs station office (2011-2015)

The table 4.1, above shows the estimated price of contraband goods flow in to our country and exit from our country seized by humera customs station office under different years from 2011-2015. The report also indicates that the main contraband goods imported through humera to our country are textile products, cosmetics, chemicals, food items, spare parts, electronics, shisha with its materials as well as precious metals as gold (annual report 2012 and 2014) humera customs station office. And some of the contraband items that exit to Sudan through humera include Teff, peppercorn, different animals, and tobacco and heritage materials. For detail figure 4.1 below indicates the trend how contraband is going along that specific area.

**Figure 4.1 Contraband Trends from 2011-2015 at Humera Customs Station Office**



Generally seized contraband goods in both cases is not constantly decreased this indicates that the existence of unsolved challenges in contraband prevention at humera customs station office.

*RQ1. What are the internal factors that hindered contraband prevention in humera customs station?*

#### **4.2 The Internal Factors that Hinder Contraband Prevention in Humera Customs Station**

The issue of human resource management is one core activity for any organization. Under this issue different statements that can show the respondent's point of view in accordance with the internal factors have been listed and the results have been presented below briefly

**Table 4.2 employee's perception on the internal factors**

NO	Statements	Perception	Frequency	Percentage
1	There is ongoing Training on how to control challenges of contraband goods	strongly disagree	1	2.9
		Disagree	5	14.7
		Agree	13	38.2
		strongly agree	15	44.1
		Total	34	100.0
2	The Contraband control team is adequate enough to control contraband	strongly disagree	9	26.5
		Disagree	21	61.8
		Agree	3	8.8
		strongly agree	1	2.9
		Total	34	100.0
3	There is competent knowledge and skill with control unit to control contraband activities	strongly disagree	11	32.4
		Disagree	17	50.0
		Neutral	2	5.9
		Agree	2	5.9
		strongly agree	2	5.9
		Total	34	100.0
4	There is enough checkpoints or kelas to control all cross border activities	strongly disagree	9	26.5
		Disagree	20	58.8
		Neutral	1	2.9
		Agree	4	11.8
		Total	34	100.0
5	Modern technological instruments like scanning machines is applied in controlling contraband activities	strongly disagree	17	50.0
		disagree	6	17.6
		neutral	7	20.6
		Agree	4	11.8
		Total	34	100.0
6	Good physical working conditions are provided in checkpoints	strongly disagree	12	35.3
		Disagree	13	38.2
		Neutral	5	14.7
		Agree	4	11.8
		Total	34	100.0

From the above summary of descriptive statistics all respondents have identified the first four factors that hinder humera customs station in contraband prevention but in order to reach a conclusion it is better to go to the test statistics. The purpose of the Friedman procedure is to test whether these observed differences are statistically significant or not. The SPSS output to the Friedman test is shown below.

**Table4.3Friedman test of Ranks on internal factors**

	Mean Rank
Contraband control team is adequate enough to control contraband	3.38
There is competent knowledge and skill with control unit to control contraband activities	3.31
There is enough checkpoints or kelas to control all cross border activities	3.32
Good physical working conditions are provided in checkpoints	3.24
Modern technological instruments like scanning machine is applied in controlling contraband activities	2.26

Source: computed from Survey Result, 2016

From the above Friedman test table 4.6 the mean ranks among the factors that hinder contraband prevention are compared and this indicates how the variables differed. Accordingly, the variable that Contraband control team is adequate enough to control contraband seems with highest mean rank (3.38) and the variable that there is enough check points seems second highest mean rank (3.32) followed by there is competent knowledge

and skill with control unit to control contraband activities and Good physical working conditions are provided in checkpoints (3.31) and (3.24).again it is not likely true to conclude based on these values, so in order to reach on conclusion we have to go the test statistics of the Freidman test.

**Friedman Test**

*Hypothesis:*

*H0: There is no statistical significant median difference (M) among the internal factors that hinder contraband prevention. (They are equally challenging factors).*

*H1: At least two of the factors that hinder contraband prevention are significantly different (they do not equally challenging factors).*

**Table 4.4 :Friedman Test Statistics on the internal factors**

N	34
Chi-Square	72.092
Df	5
Asymp. Sig.	.000

Source: Field Survey Result, 2016

From the above Friedman tests of statistics, since the asymptotic (P value) is 0.000 which is less than 5% so we reject the null hypothesis (that there is no statistical significance difference) thus the observed difference in the ranking among the variables are not just by chance that is the challenging factors that humera customs station office hinder in contraband prevention: Contraband control team is adequate enough to control contraband, there is competent knowledge and skill with control unit to control contraband activities, there is enough checkpoints or kelas to control all cross border activities, Good physical working conditions are provided in checkpoints are statistically significant different. The appropriate multiple comparisons on the group medians using Wilcox on signed ranks test two related samples also done to differentiate the pairs of groups.

Accordingly, the researcher summarized that, the four variables ranked by Friedman test as major challenges of the internal factors in contraband prevention at humera customs station office which are statistically tested by Wilcoxon signed rank test and they are statistically significant challenges. From the Wilcox on pair wise test the asymptotic p- value for all pairs exceeds Alpha 0.005 except for pairs applied scanning machine-adequate contraband control team, with (Z= -2.906, p value 0.004) and applied scanning machine – enough check points with (Z= -3.366, P value 0.001) here the negative z-score value in the scanning machine-adequate contraband control team, implies luck of contraband control team is higher significant challenge than Appling scanning machine and the negative z- score value in the applied scanning machine –enough check points indicates that insufficient check points is more challenging factor than Appling scanning machine. But other pairs of groups are equal significant challenges

*RQ2. what are the partnership challenges among the different responsible sectors*

**4.3 The Level of Cooperation among the Different Responsible Sectors**

Clearly, the traditional role of custom focusing on revenue collection is changing and the mandate of Customs administrations has expanded. Although the objectives and priorities for controlling the cross-border movement of goods may differ from country-to-country, improving the level of cooperation among the different responsible sectors within country as well as outside a country is mandatory. Thus the researcher was egger to assess the level of partnership that humera customs station had with different sectors here, the descriptive method of analysis was applied to compare the responses from different sectors.

As it is discussed in the literature, various disciplines have already approached the concept of coordination. Chisholm (1989: 13) considers coordination as an attempt “to bring about some kind of order”. In more depth, Malone and Crowston determine coordination as “the act of managing interdependencies between activities performed to achieve a goal”. Therefore, the emphasis lies on “interdependencies” as the actors are aiming at achieving a “common objective” (Malone & Crowston 1990: 362).

**Table 4.5: Customs Cooperation with Other three responsible sectors**

Statements	Extent of participation	humera customs station employees(HCSE) with other government employees(OGE)		humera customs station employees (HCSE) with exporters and local traders(EALT)		humera customs station employees with (HCSE) members of federal police and special forces(MOFPSF)	
		HCSE % age	OGE % age	HCSE % age	EALT % age	HCSE % age	MOFPSF % age
Extent of participation on communication and information exchange	Poor	-	-	52.9	50.0	5.9	7.7
	Fair	8.8	15.0	26.5	33.3	11.8	7.7
	Good	38.2	40.0	11.8	10.4	29.4	50.0
	very good	35.3	30.0	5.9	4.2	23.5	26.9
	Excellent	17.6	15.0	2.9	2.1	29.4	7.7
	Total	100.0	100.0	100.0	100.0	100.0	100.0
Extent of participation on criminal investigation	Poor	35.3	30.0	58.8	52.1	11.8	7.7
	Fair	41.2	45.0	26.5	29.2	11.8	7.7
	Good	17.6	15.0	11.8	14.6	26.5	34.6
	very good	2.9	10.0	-	4.2	20.6	26.9
	Excellent	2.9	-	2.9	-	29.4	23.1
	Total	100.0	100.0	100.0	100.0	100.0	100.0
Extent of participation on joint operation	Poor	5.9	5.0	61.8	58.3	5.9	7.7
	Fair	20.6	10.0	17.6	31.3	11.8	11.5
	Good	50.0	65.0	11.8	8.3	29.4	30.8
	very good	8.8	15.0	5.9	2.1	32.4	26.9
	Excellent	14.7	5.0	2.9	-	20.6	23.1
	Total	100.0	100.0	100.0	100.0	100.0	100.0

To assess the level of partnership among humera customs office and federal police as well as Special Forces, customs employees and members of federal police and Special Forces were asked. accordingly as it is indicated on the above table 29.4%,23.5% and 29.4% of served employees of ERCA put their view on the statement that the level of participation and communication as- good, very good, excellent respectively and only 5.9%,11.8% the employees replied as poor and fair on that issue. On the other side members of federal police and special forces also have similar response, 50%, 26.9 and 7.7%put their view as good, very good and excellent respectably on the statement that the level of partnership on communication and information exchange. So this generally implies the level of participation between customs office and federal police as well as Special Forces is very good.

Regarding the level of partnership on criminal investigation, 26.5%, 20.6% and 29.4% of respondents from customs employees put their view as good, very good, excellent respectably and 11.8%, 11.8% of them replied as poor and fair. And similarly 34.6%26.9% and 23% members of federal police and Special Forces put their comment as good very good and excellent respectively.

Finally, on the statement that the level of participation on joint operation 29.4%, 32.4% 20.6% from customs employees replied as good, very good and excellent respectably but only 5.9%, 11.8% of them replied as poor and fair, on the other hand 30.8%, 26.9%and 23% members of federal police and special forces commented as good, very good and excellent respectably.

In general from the above table, the level of partnership among humera customs station office and other responsible sectors seams.Customs office employees and government office employees agreed on the statements, participation on communication and information exchange and joint operation as fair and good, on the other side respondents of the two offices also have the same idea on the statement participation on criminal investigation as poor.As to the customs cooperation with traders, the level of participation on communication and information exchange, criminal investigation, and joint operation seems very weak Humera customs station relatively has better cooperation with federal police and Special Forces than the partnership with other government office and traders.

## 5. Conclusions

This paper has attempted to analyze the challenges of cross border contraband goods control in ERCA. In particular, the study identified the challenges in controlling contraband at humera customs station office. These challenges were addressed by employing survey questionnaires and structured interview given to ERCA officials

and process owners. The result of study revealed that among the factors that prevent ERCA to control contraband goods, the most important limitations, 88.3 ERCA staff respondents replied the fact that, the contraband control team is not adequate to control all activities. Thus lack of adequate man power is challenging factor in humera customs station office According to the structure, humera customs station office allowed 198 employees but know the actual employees in that office is only 58 which mean only 29% of the structure are full. The other challenging factor is lack of enough check points 85.3% of the respondents confirmed that there is no enough check points or kelas to control all cross border activities. This result also tested with Friedman and Wilcoxon pair wise test. Accordingly, the test statistics result on the internal factors that hinder contraband prevention was also found that the four variables ranked by Friedman test as major challenges of the internal factors in contraband prevention at humera customs station office which are statistically significant challenges. Due to the above reasons all the illegal trading around the city became difficult to control and it is common to see selling of contraband goods at every shops and street.

As to the level of partnership on communication and information exchange, criminal investigation, and joint operation majority of the respondents replied the level of partnerships on , communication and information exchange, criminal investigation and join operation as poor. Generally it seems humera customs station office relatively has better cooperation with federal police and Special Forces and weak partnership with government office and traders. This weak partnership among the branch offices and other governmental sectors and traders in controlling contraband activities across the Ethiopian and Sudan border created a good opportunity for contrabandists to expand their illegal activities.

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