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Note to contributors

Bi-annual Journal Published by
St. Mary's University
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Articles:		Page
Determinants of the Financial Performance of a Private Commercial Bank in Ethiopia <i>Rahel Tesfaye and Maru Shete</i>		1
Causes of Project Implementation Delay in the Ethiopian Electric Utility Enterprise: The Case of Construction Projects in Universal Electric Access Program <i>Meaza Alemayehu</i>		31
Cross-Border Contraband Trade across the Main Route from Moyale to Hawassa: An Exploration into the Causes and Consequences <i>Belayneh Bogale, Moti Mosisa, Abreha Mesele, and Negesse Bogale</i>		68
Note to contributors		93

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St. Mary's University (SMU) is one of the leading private higher education institutions spearheading the dissemination of knowledge in the country. Over the past ten years, **SMU** has achieved remarkable progresses as well as successes in the transmission of knowledge.

Journal of Business and Administrative Studies (JBAS) is a peer-reviewed bi-annual journal published by St. Mary's University and dedicated to the promotion and production of knowledge through the scientific methods of enquiry to achieve independent analysis as well as collection, processing and interpretation of data.

Cognizant of the complementary functions of transmission of knowledge (through teaching) and the conduct of scholarly inquiry (through research), SMU has aggressively been promoting publications of journals and conducting conferences for well over a decade. On one hand, while SMU recognizes that its faculty staff, academics and practitioners in the country possess a wealth of untapped scholarly and research potential. On the other hand, we believe that this immense potential has not been realized due partly to lack of resources and partly to the absence of a reliable outlet (i.e. journals). This concern has prompted the academic leadership at SMU to launch JBAS.

JBAS shall hopefully fill the vacuum created by the absence of outlets in the realm of business, economics and administrative studies in the country. The purpose of this Journal is to provide practitioners and scholars with a forum through which they would get opportunities to publish their research based debate as well as discourse in the fields intimated. Equally important, it shall offer insight into developments in the fields bringing Ethiopian realities under purview.

Contributors shall thus come from a broad range of fields and disciplines seeking to reflect on the theoretical and practical developments in the areas of accounting and finance, economics, management, marketing, public management as well as governance and related fields.

Cross-Border Contraband Trade across the Main Route from Moyale to Hawassa: An Exploration into the Causes and Consequences

Belayneh B¹, Moti M.², Abreha M.³, and Negesse B.⁴

Abstract

Globally and specifically in Africa, governments' major revenues, and the countries' peace and security, are challenged by the increasing nature of illegal cross border trade. As a result, the issue of contraband is attracting the attention of both the academics and practitioners. It is with this reality that this study stood with the general objective of exploring the causes and consequences of cross-border contraband trade across the main route from Moyale (border town between Ethiopia and Kenya) to Hawassa (the capital of Ethiopian Southern region). To this end, exploratory study was conducted involving analysis of both primary and secondary data. Primary data were collected through key informant interview carried out with contrabandists, local business people, customs and revenue authority personnel and town administration heads and security officials. Secondary data were collected from official documents of relevant authorities. The study indicated that contraband trade being carried out across the main route from Moyale to Hawassa is a result of multiple factors that are generally grouped into individual and social, policy, and institutional causes. Meanwhile, the lost revenue and foreign exchange, its negative effect on the formal business development, regional security and stability and health are the indentified consequences among others. Moreover, though the government tired to tackle these negative consequences of the business through various interventions, the success so far is limited. The authors recommend that a synergetic approach should be adopted by the multiple actors at multiple levels to develop a comprehensive strategy to address the causes of contraband business.

Keywords: *Contraband, Cross-border trade, Customs, Smuggling, Chain of Supply, Moyale-Kenya, Ethiopia*

1. Introduction

Illegal cross-border trade is an organized activity, involving both business and criminal activities, characterized by the importation or exportation of goods and services by unlawful means as well as evasion of taxes with an objective of making more profit within a short period of time (Jibril, 2014). It is defined by Economic Forum as ‘money, goods or value gained from illegal and generally unethical activity’ which generates ‘economic, social, environmental or political harms’ (World Economic Forum, 2012:3). In the African context, intra-African trade flows for the past 30 or more years have been low and full of discrepancies (Berg, 1985). Due to this the official intra-African trade accounts for only about 10% of total African exports and imports (Keane et.al, 2010). While observations at individual African countries revealed that, informal

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cross-border trade (ICBT) is thriving, almost everywhere, and serving as a source of income to about 43 % of Africa's population (Jean-Guy and Ajumbo, 2012). According to same authors, Informal Cross Border Trade (ICBT) in Eastern Africa is more discernible when compared to other parts of the continent. Tegen and Alemayehu, (2002) also argued that trade between countries in the Horn of Africa is largely unofficial, unrecorded and has been there for a long time. For instance, evidence shows that hundreds of thousands of all types of livestock, coffee, vegetables and *chat* originating from Ethiopia are smuggled to neighboring countries. In return, a wide range of manufactured goods is imported to the country illegally (ibid). Out of the outlets available to the illegal cross border trade, the *Moyale to Hawasa* route is the major one. The main highway from Moyale (a border town between Ethiopian and Kenya) and Hawassa (the capital of Southern Nations Nationalities and Peoples region) has a direct connection with a territorial border with Kenya and Somalia, and there are about six politically and economically important towns along this route.

There have been numerous case studies of CBCT in the last two decades, mostly by sociologists, anthropologists and political scientists than economists and public administration specialists. Lesser and Moisé-Leeman (2009) surveyed a few of these studies. The studies covered many border areas in Africa, including, among others: the Horn of Africa — Somalia, Ethiopia, and Kenya (see for example, Little 2005; Teka and Azeze 2002). The studies generally found out that contraband business have negative impacts on development of legal businesses, security and public health in the region. A study by Golub (2013), for instance, asserted that the key causes of contraband vary from one region to the other, and categorized the main determinants in Africa, among others, as: lack of trade facilitation, inadequate border infrastructure, limited access to finance, limited market information, corruption & insecurity, and limited knowledge, education & business management skills.

In Ethiopian context, the country's Growth and Transformation Plan (GTP I) sought to strengthen the tax collection and administration systems to increase domestic revenue substantially as one of the economic development strategy (GTP-MoFD, 2010). The subsequent GTP II has also given due attention for the revenue and customs sector, and planned to increase the share of tax revenue to the total GDP to 17 percent so that budget deficit would be narrowed down to 3% or less

(MoFD, 2015). By the same token, Ethiopia's ambition of becoming a middle income state by 2025 requires a substantial rise in domestic revenue from tax and non-tax sources. Contrary to this fact the Federal Customs and Revenue Authority (2010) disclosed that Ethiopia loses 16.2% of tax revenue per year due to illicit trade.

In Ethiopia, notwithstanding the recent explosion of plans, government's commitment and reports with regard to the contraband and custom break, knowledge gaps still remain. At least as far as the researchers are concerned, little has been done to study the causes and consequences of cross border contraband trade in the study area. Hence, assessing issues pertaining to regional CBCT systems holds significant policy implications.

This article is sought to explore the causes and consequences of cross-border contraband along the major route from Moyalle to Hawassa. The article has tried to search answers for the following research questions: (i) what are the major causes of contraband trade in the area? (ii) what are the consequences of contraband business? (iii) are there administrative responses taken by the governments far?

2. Materials and Methods

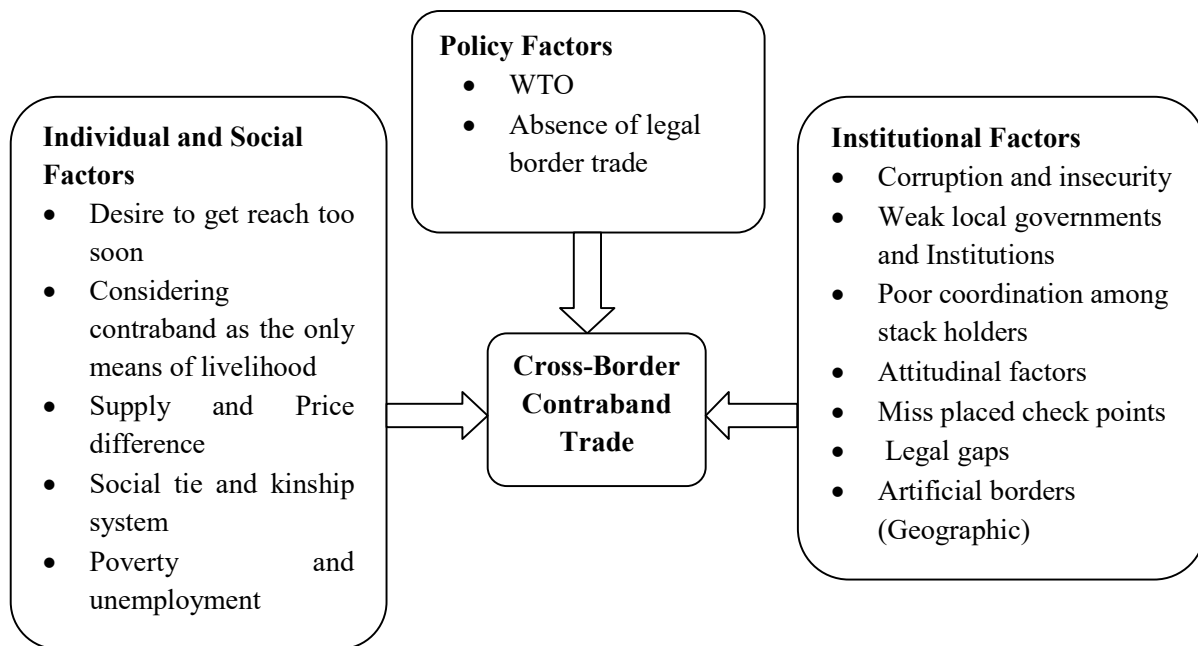
To carry out this research and achieve the objectives, qualitative research approach has been used. Besides, since little was researched about the cause and consequences of cross border contraband trade in the study area, exploratory research is found to be appropriate. Towards this end both primary and secondary data sources were utilized. While instrumentally, key informant interview and observation techniques were used to collect information from different segments of the society, namely, eight (8) high ranking custom authority officials, fifteen (15) local legal business operators, six (6) security officials and 24 current and ex contrabandists. In all the cases, purposive sampling technique was applied to target the respondents except ex-contrabandists and current contraband operators. Ex-contrabandists and current contraband operators were selected by using snow ball sampling technique, because there was no formal structure for identifying them.

3. Discussions and Findings

3.1 Exploration of the Causes of Cross-border Contraband Trade along the Moyale-Hawassa Route

As highlighted in the literature review part of this study, multitude of factors are responsible for the proliferation of CBCT in Africa. Similarly, this survey came up with several causes for the cross-border contraband trade across the main route from “Moyale” to “Hawassa”. Based on the information gathered from customs authority's personnel, legal business operators and contrabandists, the researchers have summarized the causes in to three main categories i.e Individual and Social, Policy, and Institutional.

Fig 1. Causes of Cross- border contraband trade



Source: Authors' own compilation of survey data

(1) Individual and Social Causes of Cross Border Contraband Trade

The individual and social causes of CBCT are those factors that emanate from the life philosophy and attitude of the individual business operators, micro (household) economy and the culture, history, geographical location, and the socialization of an organized community (*see fig*

I above). These individual and social causes of cross border contraband trade have been manifested in different ways, out of which the following factors are identified as major factors.

A. Desire to get reach too soon: According to village elders and legal pity business operators, there exists considerable level of desire to get reach too soon among the youth mainly through cross border contraband trade. The respondents argue that, though it is very difficult to come up with concrete evidence, undeniable number of wealthy individuals with hotels, gust houses, vehicles and other economic heights in the study areas, alleged to be contrabandists or semi-contrabandists. This claim is also supported by the researchers' informal observation and the communication with town administration heads. This allegation of money laundering and success story through CBCT has become a bad inspiration to the youth and thin agers which have negatively affected their attitude towards education and legal business. The informal communication with the youths also reveals that considerable numbers of them are keen to follow the footsteps of those wealthy individuals whose wealth has been built on the foundation of contraband.

B. Considering Contraband as the only means of livelihood: It is known that pastoralism has been the dominant means of livelihood in parts of the study area particularly among the "Borenas" and "Gugies". However, there is an emerging lifestyle of trading contraband among the youths. Contraband is even being considered as the most important (for some even as the sole) means of livelihood. According to the director of ERCA Yabello branch, due to the pastoral life style nature of their parents, the youths are turning towards CBCT as a means of sedentary life and making easy money. The Director further added that in comparison with the total youth population in the area the number of those who are in the formal sector is quite limited. Though this can be explained through multitude of factors, their preference of CBCT over the formal sector and their dependence on it as the only means of livelihood is one of the reasons.

C. Supply and Price Difference: According to ERCA *Moyalle* branch office Director, most of the basic goods frequently used by local people living near the Ethio-Kenya are goods illegally imported from Kenya. This is due to the fact that goods from the center (Addis Ababa) do not reach the areas in adequate quantity .Even if the goods reach with adequate quantity. Even if goods reached these locations, their prices would be so high due to

transportation costs and become unaffordable for the poor. This poor supply and the significant price differences are fueling the already low culture of consuming legal items in the area. To empirically check this price differences the research team has tried to make a price comparison across the border and towns (*see Table 1 below*).

Table 1. Price of selected items in towns selected as milestones

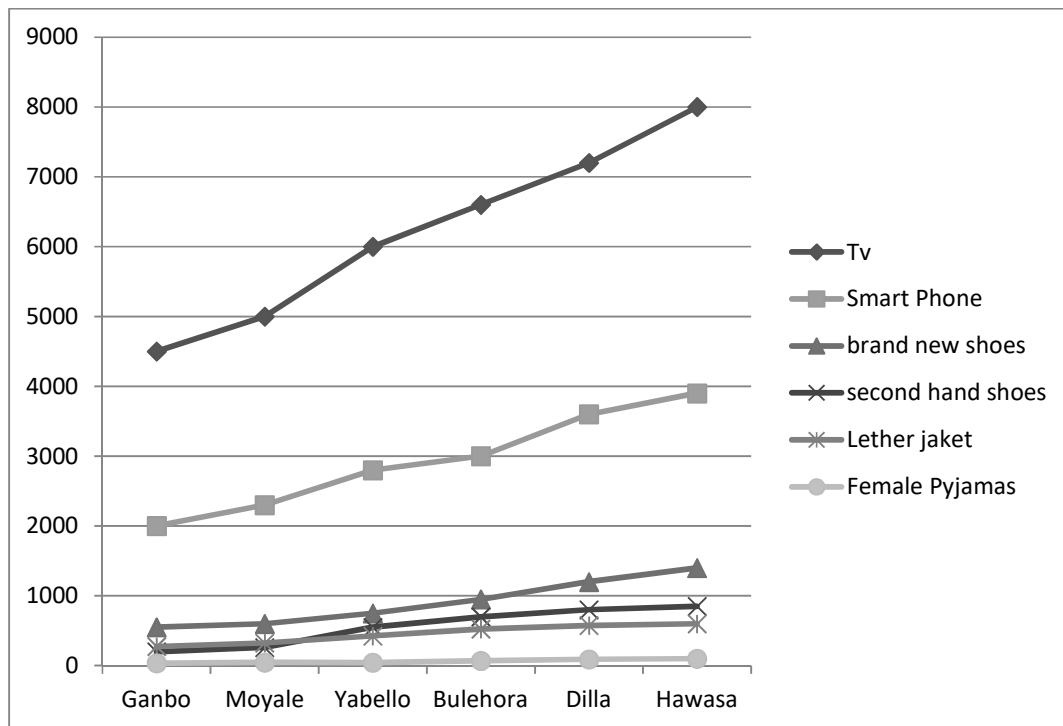
Selected Item		Key Market Towns					
		<i>Gambo</i>	<i>Moyalle</i>	<i>Yabello</i>	<i>Bulehora</i>	<i>Dilla</i>	<i>Hawassa</i>
Selected	TV (32 ^{inch})	4500	5000	6000	6600	7200	8000
Electronics	Smart Phone (ave.)	2000	2300	2800	3000	3600	3900
Male Shoes	New	550	600	7500	950	1200	1400
	Used	200	260	550	700	800	>850
Selected	Leather jacket	150–400	200–450	350–500	400–650	450–700	>500
clothes	Female Pyjamas	20–55	30–60	40–70	50–90	70–110	>90

*The monetary amounts are in Ethiopian birr

Source: Authors' own survey

As one can understand from the above table, there is a significant price difference across the major towns in the study area. In the journey from *Gambo* to *Hawassa* the price of the selected commodities almost doubles itself. Moreover, this factor was rated as the most important cause, by most informants, among the individual and social causes of contraband trade in the area.

Fig 2. Price of selected items in different towns



Source: Authors' analysis based on survey data

D. Social Tie and Kinship: Kinship networks often play a major role in informal cross-border trading in Africa (e.g., World Bank 2013, Golub and Hansen Lewis 2012, Little 2005, Meagher 2010). According to these authors kinship network may even substitute and undermine formal institutions. Informants from the “Yabello” and “Bule-Hora” and “Moyale” custom check points also confirmed that the allegiance to traditional sources of authority is often far more binding than to the formal and institutional authorities in the area. According to the informants, these kinship networks are very secretive and difficult to penetrate so as to indentify the chain of supply and organize a counter contraband campaign. Often several ethnic groups operate within different countries and regions. For instance ethnic groups living in Ethiopia and Kenya play a major role in CBCT including the the Burji in Northern Kenya and Sothern Ethiopia, the Somali in Northern Kenya, in the Ethiopian Somali region and republic of Somalia and the Borena in Ethiopia-Oromya region and Northern Kenya. Hence, the survey revealed that these historical, geographic and ethnic communalities have created fertile ground for the ever mushrooming CBCT.

For instance, one of the informants said: *"I'm an Oromo of Borena. But I do have brothers and sisters in Kenya. I always go to my family members at least twice per week. Whenever, I go there, I always bring materials by pack from Gambo(Kenyan market) so that I would sale it to local users"*.

E. Unemployment and Poverty: As per the customs authority's personnel, in the study area, the state –supported formal private sectors and micro, small and medium scale enterprises are very weak and fragile particularly across the route from “Bule-Horra” to “Moyalle”. This resulted in the weakening nature of legal local enterprises and private investment. Due to this, the youths are suffering from chronic unemployment, lack of source of income and extreme poverty. From this; it is not difficult to deduce that the informal business sector and the CBCT have mushroomed due to the aforementioned push factors.

(2) Policy-related Factors Causing Cross-border Contraband Trade

a) Differences in Trade Laws between Ethiopia and Kenya

As stated in the literature review part of the study the post-colonial African states developed their own economic policies, but these policies were not widely coordinated among neighboring countries. Trade policies were of particular importance as they served both to protect local industries and generate government revenues (Berg, 1985). According to the ECRA Hawassa branch manager, taxes on international trade have historically provided large portion of government revenues in Ethiopia. This is mainly due to the fact that direct taxes on income and wealth are difficult to enforce as a result of the lack of enforcing capacity and weak coordination among stockholders. Ethiopia as a country that peruses import-substitution adopted high import barriers, including tariffs and import prohibitions. Surprisingly, through deep inquiry of the Ethiopian tax proclamations it is common to come across very repetitive taxations on imported items (Customs Duty, Excise Tax, Value Added Tax (VAT), Surtax and Withholding tax). This has obviously inflates the cost of formal import trade to Ethiopia. The high levels of protection have impeded legal trade with neighboring countries including Kenya which in turn became incentives for CBCT.

It is known that Ethiopia is still under negotiation to become the member state of World Trade Organization (WTO) but Kenya is a signing member of WTO. According to WTO (2015), the World Trade Organization (WTO) deals with the rules of trade between nations at a global or near-global level. It's an organization for liberalizing trade, a forum for governments to negotiate trade agreements and settle trade disputes. It operates a system of trade rules. The WTO is currently the host to new negotiations, under the "Doha Development Agenda" launched in 2001. Where countries have faced trade barriers and wanted them lowered, the negotiations have helped to liberalize trade. The system's overriding purpose is to help trade flow as freely as possible-so long as there are no undesirable side-effects (WTO, 2015).

As a result the extent of trade restrictions, tariff and quota is quite limited in Kenya due to its membership to the WTO. In contrast, Ethiopia is not yet a member of WTO and the government is highly reliant on import and export taxes and duties. According to the directors of FCRA *Hawass* and *Moyale* branch offices, this difference of customs policy is one of the most important factors for the proliferation of CBCT in Ethiopia as a general, and in the routes specifically.

For instance to import a vehicle with spark-ignition engine in to Ethiopia an import duty of 35%, Excise tax ranging from 30%-100% depending on the CC, VAT of 15%, Sur tax of 10% and Withholding tax of 3% are levied. On the other hand to import the same to Kenya an import duty of 25%, excise duty of 20%, VAT of 16%, and an import declaration free (IDF) of 2.25% are levied (Kenyan Custom and Excise Act, 2000). There is also a significant excise, customs and other tax differences between the two countries which make the legal importation of items to Ethiopia relatively expensive. Hence it possibly tempts individuals to participate in contraband business so as to make easy money.

b) Absence of legal Petty Border Trade between Ethiopia and Kenya

The periphery/petty cross border trade is a special type of formal cross border trading activity allowing Ethiopians living close to the country's border to the export and import limited amount of basic commodities. It is a special type of cross border trade -where people living near and around the borders (mostly with in twenty KM) radius, are allowed to make formal trade with

also limited quantity. This special cross border trade was initiated in 1994/95 EFY by the Ethiopian Ministry of Trade. The trade requires traders to integrate both export trade and import trade in a sense that the volume of import should be equivalent to the volume of export trade.

The general purpose of the proclamation can be explained as follows. Ethiopians near the border might have different feeding habits and lifestyles and their food and other commodity demands may not be completely met by domestic products. It is, therefore, imperative to allow the border people to buy their basic consumption items at the nearest towns of the neighboring countries. To curb illegal/informal trade across the border by allowing the people to freely import basic commodities as well as adapting the people to accustom the formal trade procedures of Ethiopia and thereby checking the widespread informal trade across Ethiopian borders

Table 2: Formal Cross-border Trade by Country of Destination

Country	1999-2015 (in ETB)	Percentage
Djibouti	5,840,000,000	9.56
Somalia	55,100,000,000	90.21
Kenya	138,000,000	0.23
Total	61,078,000,000	100

Source: NBE (2015)

In the above table, the research team used time series data on the Export and Import of Ethiopia with its neighbors from September 1999 to June 2015. The total export value of Ethiopia to all of the three countries during the stated period amounts more than ETB 61 billion. Somalia is the major export destination of Ethiopian products, among the other countries. Ethiopia's formal export to Somalia amounts ETB 55 billion, while the value of export to Djibouti and Kenya amounts ETB 5.84 billion and ETB 138 million, respectively. Hence, Somalia represents a major foreign market for Ethiopian products.

However, as it can be seen in the above table, the legal cross border trade between Ethiopia and Kenya accounts only 0.2% of the total legal trade in the region. According to the key informants, the legal petty border trade legislation has been implemented around the Ethio-Djibouti and

Ethio-Somali borders ever since its approval. Nonetheless, even though the law permits petty legal border trade, it is not being implemented in the border lines between Ethiopia and Kenya. Regarding the composition of trading items, fruits and vegetables are the dominant export items of Ethiopia to its neighboring countries, accounting for 66.65% of the total export value during the period, followed by live animals (25.56%) and chat (6.28%) (NBE, 2015). However, the legal border trade between Ethiopia and Kenya is quite limited mainly due to the absence of legal petty border trade between the two. Given the high potential of fruits and vegetables export to neighboring countries and live animal export potential from the pastoralists in the study area, it can be said that the absence of legal border trade (specially the petty trade one) has costed the country a lot.

(3) Institutional Causes of Cross Border Contraband Trade

- a) Corruption and Insecurity:** Corruption & Insecurity at the border and check points is also another factor fueling CBCT in the study area. According to the key informants, corrupt law-enforcement agencies often take advantage of the local traders' lack of knowledge on customs procedures to take bribes. The researchers also have witnessed Kenyan border security officers and Ethiopian soldiers publically receiving money in Exchange of free border cross for the contrabandists and their imported merchandises from the market located within the Kenyan territory (Gambo). Lack of effective policing of the border also increases the incidence of contraband items. The researchers personally wondered around the border and checked that only the main highway that enters to the Kenya is on the eyes of security, but the other very wide border is common to see contrabandists freely moving their items.

- b) Ethnic and Political Affiliation of Contrabandists:** On the other hand, there are higher rumors that some contrabandists use their ethnic and political affiliation to make of this illegal business. Some contrabandists also confirmed that those affiliate contrabandists make ICBT freely without any fear of inspection by the checkpoint officers. Furthermore, one of the observation made by the researchers also confirmed the same argument.

Case One

While the research team was at field work, this case was witnessed:

When the Bus from *Yabelo* to Addis Ababa reaches *Bule Hora* Customs Authority's Checkpoint, all the passengers were ordered to step out of the Bus for search and inspection. One of the checkpoint officers was inspecting the bags and materials at the Top/Head of the Bus, while the other was inspecting inside of the Bus. Then, the one who has been inspecting from the top started throwing very minor materials like kids clothes, the so called *Salbaje* (used clothes) and mis treated the owners. While the one who has been inspecting from the inside one was bringing pack of electronics like 42 inch Televisions. Then, one of the research team members asked why the officers were doing two contradicting acts. i.e one was throwing others, while the other was bringing materials in to the Bus. And, the officers warned the team not to speak any thing and, said that the issue was not the team's Business. Hence the researchers left them understanding that affiliations have its own contribution to the increasing nature

- c) **Weak Cooperation among Stockholders:** Another major factor that fueled CBCT in the study is lack of cooperation among different government agencies, particularly, local governments, REA, security and polices and the community. The survey and interview result revealed that the local governments consider fighting of contraband as their secondary not as their primary responsibility. Besides, they claim that they are busy with other businesses and argue the federal police and the ERCA should perform the task. The custom check points and branch offices, on the other hand, accuse local governments of being very negligent and even sometimes cooperate with the contrabandists. However, this vicious circle of allegation and counter allegation benefits only the contrabandists.
- d) **Artificial National Borders:** According to Herbert, (2000), prior to the colonial era, hard geographical borders did not characterize states in Africa, with rulers having only loose control over territory and movements of people. At the Berlin conference of 1884 the colonial powers divided up Africa among themselves, created territorial borders based on their de facto zones of control. These boundaries arbitrarily separated regions with long-standing ethnic ties and often without clear geographical separators (Young, 1994). These

colonial borders remained the basis for national boundaries following the end of colonialism in the early 1960s.

Moreover, governments are unable to effectively prevent unofficial crossings along long borders with few human or natural barriers, making evasion relatively easy. Similarly through observation of border lines, mobility of the people, the languages spoken, the Ethnic and kinship ties and the psychological makeup of the local people around the borders, the border between Ethiopia and Kenya is found to be highly artificial. There are about four ethnic groups living in both Ethiopia i.e the *Oromos*, the *Burgies*, the *Somalis* and the *Kukuyus*. These Ethnic groups even share their languages and life styles. Surprisingly, it is common to find a layman around the border being able to speak from 3-8 languages. Therefore drawing a political and economic line between these families is very difficult which in turn impedes the fight against CBCT.

- e) **Weak local governments and Institutions:** The local government institutions especially across the border and rural *Woredas* and *Kebeles* are found to be weak, which undermine the effectiveness of the enforcement of these laws. According to the informants from the “Moyale” ERCA branch office, this local institutional weakness and negligence to enforce contraband rules is even worse in Ethio-Somali regional state which administer part of “Moyale” town than “Moyale” of Oromia side. Moreover, the local governments also failed to properly implement the urban and rural job creation policy of the government which is manifested by high unemployment rate in the formal sector. Besides, according to the team’s observation, the growth of ICBT has been facilitated by the failure of local government institutions to control the flow of currency in areas under their administrative jurisdiction. This complete freedom of currency movement between the two countries is even to the extent of exchanging of Ethiopian Birr (ETB) in the Kenyan market while using the Kenyan shilling (KES) up to 100km from the border.

- f) **Attitude and Awareness:** According to the SNNPR plan for counter contraband, there is a critical attitudinal problem regarding the serious obstruction of contraband on the countries social, economic and political stability. According to the plan, this attitudinal problem has lead to the absence of commitment to the counter contraband effort and ethical problems.

There are evidences where some local government leaders believe that the fight against contraband is not actually their business which has in turn created power vacuum and uncertainty. Moreover, though the most interviewed local government officials denied this allegation and claimed that they are under a relentless effort of battling against the evils of contraband trade, very few of them argued that contraband should be fought when it is large scale and organized while the petty contraband is the means of survival to the poor.

Legal Gaps and Misplaced Check Points : The key informants repetitively claimed that the gaps related with low enforcement and the out dated positions of custom check points is another factor for the expansion of CBCT across the main route from “Hawassa” to “Moyalle”. According to the key informants at both *Hawassa* and *Moyalle* branch offices of ERCA, their prosecutors are often challenged by delay, legal procedures and even some times favor to the contrabandists’ from the judiciaries side. According to the officers, this has become an incentive to the contrabandists. The other factor that was repetitively raised during the interview with these officers was faulty and outdated placement of custom check points. Due to the expansion of rural road net works, the contrabandists are avoiding (scram) check points by crossing via the rural roads which made the check points simply nominal posts.

3.2 Perceptions towards Legal Business Development and CBCT

The socio-economic reality in the study area reveals that there is a deep rooted recognition of contraband as a normal means of livelihood. Through informal communication with some of the contrabandists and dwellers in the study area, the researchers have come across some surprising comments. For instance; at *Bulehora* bus station the research team piled in to an old bus and waited till it fills. After about 30 minutes the bus was full and everybody settled in to the uncomfortable seat. All most every was passenger is smilingly up on petty contrabandists; because they unusually put on from 3 to 5 trousers or 3 to 5 shirts and 2 to 4 leather jackets. As each of the researchers team members were sandwiched by petty contrabandists, and used the opportunity to gather the information about why and how they are doing this business. One of the informants (from contrabandists) said:

Case Two

“My name is Mr. X, I 'am from *Wolayta- Areka*, and coming from Kenyan market- *Gambo*. I have been doing this business for the last seven years. I usually come to *Gambo* on Wednesday and purchase contraband merchandises for the next Sunday market at my place of residence *Areka-Wolayta*. To pass the checkpoints I wear about 4 trousers, 3 shirts and two leather jackets personally, and put some other textiles and cosmetics on a medium purse estimated to 5000-15,000 ETB. Profit wise I moderately earn 50 up 100 % profit out of each items which is higher than my friends doing a Legal Business. For instance, friends who are legal traders back at “*Areka*”; are not capable of paying 500ETB *ekub* per week, while, I can easily save 1000-1500 ETB per-week with this business. Moreover, bureaucratic- wise, this business is more flexible and simpler than the legal one-where there is requirement for trade registration, tax liability,

Also, other actors in ICBT like motor service providers, house rents, have positive attitude towards these business. For instance, one of the motor bike service providers who came originally from *Gurage Zone-Butagira*, was another informant who shared his experiences to the research team. His business is to provide transportation service to the contrabandists and the merchandises they smuggle. He said

Case Three

“The Ethiopian federal polices and custom officers who came from the heart of the country are very rude and sinister. They chase after us and smash the items we carry forcefully as if it is enemy’s property. Despite the fact that we are their brothers and doing this work to change ours and our families' life, they label us as a criminal with the aim of confiscating our properties or to force us pay taxes. But where is its illegality? We....never accept their allegation of our illegality, and all we do is our legal and regular work. Because this bike is mine- not stolen, I buy fuel and spare parts from my earning, my customers pay only the customary charge. Thus, this is my job from which I earn money and support me and my family.

The above cases manifest the distorted attitude of petty contrabandists about legal business and their denial of the illegality and harmful side of contraband business. Town administration heads (Yabello and Moyalle) also confirm that one of the most important impediments in their counter contraband activities has been distorted attitude and perception. Though the researchers have come across some participants in the contraband business who were aware of the evil sides of the business they argued that it is the available means of livelihood and they are doing it just to survive.

3.3 Exploration of the Consequences Cross- border contraband trade along the Moyale to Hawasa Route

It is obvious that the government loses revenue as a result of different forms of contraband- both as importation and exportation. These deprivations of earning include loses in custom duties, excise taxes, Value Added Tax (VAT), Sur tax and withholding tax. Though the researchers' repetitive attempt to get a documented (officially estimated) amount of lost government revenue due to cross- border contraband trade in the area, the key informants claim that the amount is so significant. Similarly various government reports has generally stated give the country's revenue potential only limited amount of tax is being collected mainly due to the smuggling business and the underground economy coupled with weak collection and enforcing capacity.

Besides Food, beverages and medicinal drugs which are traded through the contraband channel, for example, escape sanitary and production, and expired date control cause health problems to the final consumers in the market. In developing countries in general and the study area in particular, illegal traders are dumping large volume of different kinds of medicines, most of which are banned in the developed countries. The Pharmaceuticals entering the area originate from Pakistan, China, Syria, Abu Dhabi, Arab Emirates, Kenya, India, even European countries like Germany, Turkey through Abu-Dhabi. For instance in the survey carried in Somali regional state, around 56.7% of respondents stated that large volumes of illegal and unsafe and poor quality drugs are entering in to the region through cross-border international contraband trade (Jbril, 2012). In same taken this survey on *Moyale-Hawasa* confirmed that expired medicines and other medical inputs are penetrating in to the country. Thus, this wide spread distribution of

fake, poor quality and expired drugs has serious negative impacts on public health, business development and the national economy as a whole.

Fig: street market at “Bulehorra” where contraband drugs and beverages are sold



Source: Photo credit goes to the research team

The above picture was captured at *Bulehorra* during the data collection process. It demonstrates street vender selling contraband juices, soft and energy drinks alongside local fruits and vegetables and human medicines. As the researchers approached and tried to examine the manufacturing and expire date of the products the labels were intestinally made invisible through expunction and cut off. Hence it is potential of being hazardous to health is quite visible.

Moreover, as it is stated under the attitude of contrabandists, it is not a surprise to witness the youth openly preferring contraband over the legal micro and small scale businesses in the area. This attitude of denying the legal business and government law enforcing authorities has got a serious implication in relation to the degrading moral values and order in the study area. Moreover, in spite of prohibitions by the government, pornography materials that are in route to the country and indictable dangerous drugs dishonor/demoralize the moral senses of the youth and others who take it for pleasure. This addiction may also cause them a wave of sickness when they are unable to continue taking it. Consequently, this may tempt them to participate in criminal activities and other social evils.

Expansion of crime and anti social behavior is the other consequence identified by the study. According to Encyclopedia of health (2015) antisocial behaviors are disruptive acts characterized

by covert and overt hostility and intentional aggression towards others. It includes repeated violation of social rules, defiance of authority, and of the rights of others, deceitfulness, theft and reckless disregard for self and others. Thus, these anti social and criminal activities can be expanded by individual and criminal organizations that use illegal contraband fire arms, pornographic movies and other criminal tools for violent activities that may cause death, rape, robbery and guerrilla gang organization and other crimes. Therefore smuggling armaments into the country weakens the struggle to maintain peace and order in the society.

In September 2016, closer to 40 different firearms and their respective bullets were seized at *Aposto* custom station that are said to be originated from Kenya. According to RCA *Hawassa* branch if these fire arms were transported to the heart of the country they might have been used by terrorist and anti- peace elements to destabilize the country. Moreover the mobility of organizations labeled by the Ethiopian government as “terrorist” (OLF, Al-ehthad, and ONLF) in the area (Northern Kenya, Ethiopian Moyale, and parts of the Somali region) is there. There have often been incidents and casualties due to the clash between these organizations and the government’s border and customs security squads. According to the Ethiopian government, draining off dominate source of firearms for these groups i.e. contraband and black market, is a most so as to ensure peace and stability in the area.

The existing cross-border trade is also entails negative impact on the legal business. According to the interviewed town administration heads, the negative impacts, among others, could include: (i) encouraging unfair competition between legal and illegal traders; (ii) affecting the performance of domestic manufacturing enterprises as well as legal importers and exporters; (ii) disruption of the law of the market (demand and supply) and unregulated flow of goods, which makes the application of fiscal and monetary policies as market control mechanisms by the government quite difficult; (iii) lack of quarantine and standard checks. On the same token, the existing literatures in the area (Teka nad Azeze (2002), ERCA,(2017), Lesser and Moisé-Leeman (2009)) also supports the above claim.

However, there is no doubt that cross-border market access widens short term opportunities for people living in the area. As indicated earlier, these networks have created outlets for livestock

particularly cattle, sheep, goats and camels. They have also made available some food and clothing items that are rarely obtained from alternative sources.

3.4 Administrative Responses

In order to control the increasing nature of ICBT, the government has put in place different strategies for different actors in the process. The categorization of the collected data through key informant interview revealed that the interventions can be classified in to; International Based and External Based Contraband Controlling system.

a) Internal Based Controlling System: In this case the Customs Authority office set interventions like;

- i. **Increasing employees Salary:** The 2014's high level of corruption in the Authority's system indicated the institution's salary scale as a reason for the corrupted nature of the office. Thus, the authority designed a new salary scale for its employees and right now based on experience and competence of performance, the salary of the authority's employees takes better structure than other local organizations. One of the authority's official said:

"Previously our salary was in the range of 3500 to 6000, and some of our friends (even some in jail right now), engaged themselves in a corrupted acts because of low level of salary in the authority. But, right now it is better than any other office. Because, now with first degree education level our salary ranges from 10000- 20000" Ethiopian birr.

Therefore, salary increment is one of the alternatives used by the government to reduce the level of ICBT.

- ii. **Increasing Check Points:** The insufficiency of the check points in the area is still raised as a reason for the increasing nature of IBCT. But, compared with the past, as the levels and tactics of doing ICBT used by contrabandists is becoming very advanced, the number of authority's checkpoints has shown increments from time to time.
- iii. **Rotation of Employees:** Despite the fact that big contrabandists have an attachment with higher government officials and goes beyond the check pint inspector autonomy, majority of the middle and lower level contrabandists make the business in partnership with check point officers. Hence, to avoid the partnership and cooperation of contrabandists and

check point officers, the authority uses frequent circulation of employees from center to center.

- iv. **Team-Based Performance:** According to the authority's officials, the authority also put in place Team-Based Task system-where employees are attached to one another in the form of team. Hence, the existence of team based performance reduces the level of individual exposure to corrupted acts as it gives the chance of transparency, and paves the way for self- and team evaluation.
 - v. **Legal and Regulatory Interventions:** As a means to reduce the level of ICBT, the authority has also formulated a legal and regulatory intervention and punishment procedures to punish authority's employees participating in ICBT. Hence, the level of punishment and the way of treatment for the one who is engaged in ICBT is now very harsh and strict.
 - vi. **Staff Training:** In order to increase employee's awareness of the evilness and the impact of ICBT up on social, cultural and political life of the people, the authority has been giving a training of awareness creation.
- b) External Base Controlling System:** The authority has also been using external based contraband controlling system-where the interventions were more of in cooperation and partnership with local people, and other government and non government institutions. These interventions include:
- i. **Local Community's Benefit Sharing System :** It is a system where anyone in a local community helps the authority in seizing contrabandists crossing the check point either through *shag* (creating additional body on vehicles) or through forest. In principle the one who seize of contrabandists will share of 40 % of the value seized. For instance if Mr. X seized Mr. Y who is crossing the check point with an item estimated to be 10 million birr, Mr. X will share of 4 million birr. Moreover, this system encourages communal participation in the effort of reducing ICBT. But, as the process of payment is done federal office, the branch managers and the local communities argued that the authority is very weak in processing the promised payment to the seizers, and discouraging the participants in the process.
 - ii. **Awareness Creations:** All the interviewed branch managers stated that they have timely awareness creation forum with local communities. But, they also stated that as the issue is

very systematic and deep rooted in the mind and philosophy of local community, it needs intensive and continuous awareness creation.

- iii. **Partnership and Synergy Among the Actors;** The Authority's Regional Coordinator stated that the office has been struggling to reduce (as to avoid is difficult) ICBT by organizing different actors in the form of committees. At the regional level the structure of the anti-contraband secretariat and command post constitutes; Regional Chief Administrator(President) as a Chairman, Trade Industry and Development Bureau as V/Chairman and Revenue Authority /D/General; Regions Police Commission Commissioner, Region's Peace and Security Office Manager , Region's Militia Office, Region's Justice Office, Regions Animal and Fishery Resource , Region's Defense Office Representative, Region's Federal Police Representatives , Regional Administrator's Special Advisor , Region's National Intelligence Office representatives, and Regions Custom Office Manager, as members. Although the effectiveness of the secretariat requires and separate investigation the recognition of synergetic response by the regional governments can be considered as an impotent beginning.

4 Conclusion

In this article, an attempt was made to enquire the causes and consequences of cross border contraband trade across the main route from *Moyale* to *Hawassa*. To this end, the relevant data was collected through key informant interview and observation techniques. The study found out that the major causes of contraband trade in the area can be classified in to individual and social, policy related and institutional. The individual and social causes are desire to get reach too soon; considering contraband as the only means of livelihood; supply and Price difference across borders; social tie and kinship system, poverty and unemployment. Among these individual and social factors the supply and price difference across the borders was found to be the most decisive one. Under the policy related factors the study indentified the membership status difference of between Ethiopia and Kenya regarding the World Trade Organization (WTO) and the absence of legal petty border trade around the border of the two nations. Moreover corruption and insecurity, Weak local governments and Institutions, Poor coordination among stack holders, Attitudinal factors, Miss placed check points, Legal gaps, Artificial borders (Geographic) were identified as the most important institutional causes for the expansion of cross- border contraband trade in the study area.

The study has also tried to come up with the major consequences of cross-border contraband trade in the study area including the loss of government revenue, health related problems due to contraband items (drugs, narcotics, food, and beverage), degrading moral values due to the importation of pornographic and violent movies and the resultant expansion of crime and anti-social behavior, weakness of legal business and market instruments. Finally the article tried to assess the administrative responses taken by the government to tackle the problems under the umbrella of two broad categories namely the internal based and external based administrative responses. Though these administrative responses as an attempt to tackle the evils of CBCT are good beginnings the success of most of the attempts was found to be questionable.

5 Recommendations

On the basis of the findings and conclusions reached, the following recommendations are forwarded.

- The individuals who in small scale contraband should have at least basic awareness on the negative effect of contraband and the advantages of shifting to legal businesses. To this end relevant and continuous awareness creation and informative seminars has paramount importance to minimize the awareness and attitude related gap. Moreover, there has to be a mechanism to check out whether the provided training has improved the trainees' attitude and knowledge as well decreased the magnitude of the contraband business. Hence, the primary stakeholders (town administrations and RCA) should organize and provide informative trainings and seminars as soon as possible.
- The site and location of custom check points was selected many years ago. Nowadays several rural roads and pass ways are developed. Hence, evidence based study should be made to relocate check points or build additional stations where ever appropriate and feasible.
- Co-ordination among stakeholders is a decisive factor that determines the success of any counter contraband effort. Co-planning, co-implementation and co-evaluation should be attempted among ECRA, regional governments, local governments, Federal and regional police, intelligence and surveillance units of the government. After all unity is strength and synergetic effort will eventually payoff.

- At last, based on the researcher's observation and experience during the data collection process, the town administrations' and the RCA branch offices' contraband related record keeping and data availability are very poor. Unless contraband data is properly recorded and used as a base for follow up, decision making and implementation, the government's effort in reducing the smuggling business may not succeed. Therefore, carefully and accurately storing and making the data accessible for interested organizations and individuals' matters. In addition proper record keeping can reduce misappropriation of sized items and corruption.

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