

**STRATEGIES ADOPTED BY KENYA REVENUE  
AUTHORITY IN COUNTERING CONTRABAND GOODS**

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## DECLARATION

This research project is my original work and it has not been submitted for examinations to any other university.

Signed:  Date 2<sup>ND</sup> AUGUST 2021

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This research project has been submitted for examinations with my approval as University supervisor.

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Thank You

## **DEDICATION**

This research is dedicated to my family and friends A special feeling of gratitude to my family as a source of inspiration to push on with the research. I dedicate this research to my family it is for their time I sacrificed so work on the research.

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## **ABSTRACT**

The government establishments in charge of Revenue collection and other regulating authorities will always encounter challenges of losing revenues with availability of contrabands in the country as the contrabandists innovation of new tactics to circumvent the laid rules and regulations, therefore an ever-evolving challenging environment. The Kenya Revenue Authority is operating to maximize the country's revenue collection as well as countering the contraband goods to protect the local investments. Kenya Revenue Authority has to be dynamic and pragmatic in its anti-contraband strategies since the contrabandists are always innovating new ways of evading taxes and custom charges therefore loss on revenue with the presence of contraband within the borders. The study sought to establish the strategies adopted in countering Contraband goods at Kenya Revenue Authority as well as the challenges encountered during the process of implementation of the strategies. Interviews were conducted to collect qualitative data from the interviewees and the collected data was analyzed using thematic analysis and content analysis. The findings established that KRA is implementing several strategies to counter contraband goods with a broader view of the legal approach (arrest, investigation & prosecution), site inspection and early warning strategies at the Headquarters and the North Rift regional offices, while the entry points had operationalized anti-contraband strategies. The theory of strategic choice is well articulated whereby a well-defined and financed KRA strategy has improved the effectiveness of the anti-Contraband objectives and operations, performance and actualization of targets at the KRA. The contingency theory brings to light that the policies proposed have impacted positively impacted anti-contraband strategies but need to be fully implemented so as to actualize the total effectiveness. Structured follow up and well financing of the operationalization of strategy implementation has gradually improved the anti-contraband efforts. It is recommended that further study and research should be replicated on the Anti- contraband strategies at C&BC due to the evolving environmental dynamics contraband business.

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## **ABBREVIATION AND ACRONYMS**

<b>CG:</b>	Commissioner General
<b>C&amp;BC:</b>	Customs and Border Control
<b>IDF:</b>	Import Declaration Fee
<b>KRA:</b>	Kenya Revenue Authority
<b>NAWASCO:</b>	Nakuru water and sanitation Services Company
<b>RAs:</b>	Revenue authorities



## **CHAPTER ONE: INTRODUCTION**

### **1.1. Background of the Study**

Organizations strategy is inclusive of all the intended actions to be taken in order to meet the targets set and to achieve the long-term goals. Bruwer (2020) states that the reason for existence will determine your mission whereby the strategy will arise from the mission intended. Organizations should aim to put together their strategy but with maximum attention to the surrounding environment both internal and external that might lead to failure in the implementation process. Most establishments fail to successfully transfigure strategies to practicable and enable fruitful implementation and assessment of strategies. Bruwer (2020) points out the need to consolidate diverse managerial factors together to be able to realize an effective strategy enactment. Entirely, new strategies require an amalgamation of numerous aspects. This is due to the probabilities of disappointment of newly initiated projects are much higher. Strategists have an obligation of innovating strategies that are realizable and manageable. Therefore, there is need to acquire skills on how to convert concepts into realism in order to achieve the intended objectives (Christensen & Raynor, 2003).

A contingency theory of strategy is an organizational theory that claims that there is no best way to manage and organize an institution, to lead a company or decision making but instead suggests that the optimal course of action is contingent (dependent) upon external and internal factors as well as the task (Carton, 2004). According to this theory we can comfortably conclude that Management and organization is an open system and therefore

there is no specific best way or approach in management or doing tasks, different approaches are undertaken to handle, manage arising issues concerned in different situations. The 'open system' will embrace anomalies and challenges that will arise occasionally and will require adaptable situational solutions. Organizations that are operating in a continuously changing environment should adapt the open system as well as an environment dependent theory of strategy that will be able to assist the organization in mitigating the challenges faced from the environment (Carton, 2004). Due to the dynamic rate of tactics adopted by competitors or the targeted group, there is need to always be aware of what the new trend of doing things is all about.

Kenya Revenue Authority (KRA) has been facing challenges from their immediate operating environment due to the new tactics deployed by smugglers, tax evaders and other fraudsters to beat the system. If the organization sticks to one strategy for a very long time then it might not be effective after a short period of time and might be rendered obsolete in a very short period because the culprits who are considered as part of the operating environment are always innovative and on the move looking for new ways on how to beat the system at the border points smuggling through customs entry points, tax evasion tactics. Organization like KRAs Custom and border Control Department should not have a rigid system of strategy that is only based on routine and procedures, it should be very much aware of the new trends within the environment and how to reorganize, strategies and execute in time so as to be able to counter and outsmart the perpetrators. KRA should always be ready to adopt new tactics adopted by other revenue agencies in the world and advance technologically where necessary. KRA is in the front line in the fight against contraband Goods in Kenya, if the smugglers make it through the KRA then they will have

and easy time with other regulating agencies. Therefore there KRA has to make sure that the strategies deployed are applicable and effective in countering contraband goods.

### **1.1.1. Concept of Strategy**

The term strategy in the study explains the plan to be followed to achieve competitive edge in business and trading (Bamgbade et.al, 2017). Additionally, a significant number of investors and trading experts have compared strategy set up and planning to a chess game, in a way that it usually requires your attention in maximum concentration not only on the ‘battlefield’ but also on business. Strategy is a basic factor in any investment and business success. An investment plan without a well-planned strategy will have a high probability of Wastage of resource duplication of tasks and responsibilities (Christensen, Raynor& McDonald, 2015). Strategy has been defined and explained differently by different scholars since time in memorial, the implementation, execution and operationalization of strategy has been done in different styles (Bruwer, 2020).

Kulish et al (2020) opines that a sound strategy provides a defined roadmap, comprising of a laid down guiding principle or set of laws, that describes the activities people in business operations prioritize, should take and what not to take and other levels of prioritization to achieve the set objectives and aspired goals. Kulish et al (2020) further points that a strategic plan mounds the precise operational activities to be undertaken so as to mitigate the challenges faced in the process of achieving the set goals. Strategy outlines the logical stages to be taken that will lead from the start to the finish line of the preset goals and objectives.

Bamgbade et.al (2017) argues that it is important for all organization to formulate strategies that will drive alignment in the core business as well as simplifying and clarification of decision making. Bamgbade et.al (2017) further points that organizational strategy is essential in all business regardless of the size and structure since it will come in handy to determine accountability and responsibility of different department in resource allocation so as to move to the next level. Therefore, in this study assessment of different policies and strategies will be done which is used from time to time to evaluate its usage in countering new tactics deployed by the culprits regarding contrabands.

### **1.1.2. Contraband Goods**

The term 'Contraband' is a word from Medieval French 'contraband' "smuggling" which refers to any element that, concerning to its nature, is prohibited to be possessed or trade with (Carton, 2004).. It is used to refer to goods that their nature is well-thought-out to be too dangerous or unpleasant according to the legislator labeled contraband as forbidden. Legally, contraband has been defined as goods that are prohibited by law from being exported or imported; illegally imported or exported goods. (Karanja, Mairura, Ombui, 2015) stated that due to the dynamics of the always changing business environment and the deployment of new tactics Smugglers, contraband dealers and other traffickers at the border points there are several theoretical strategies that can be adopted to enable it achieve its objectives. Contraband trade and other illicit trade are additionally hindrances to the financial muscles and economic capabilities of any nation as they lead to huge loss of government income through tax evasion. The relevant authorities need to keep on actualizing and innovating key vital strategies and methods equipped towards battling

contraband trade in the taxable trade sectors, to ensure certifiable dealers and buyers as well as seal income provisions jabbed by deceitful merchants (Karanja, Mairura, Ombui, 2015).

### **1.1.3. Kenya Revenue Authority**

The Kenya Revenue Authority also referred to as 'KRA' is a government institution in charge of collection and management revenues in Kenya. The agency was first established on 1st July 1995 as a Kenyan administration agency in charge of Revenue collection, (KRA Act Cap 469). Its principle task is collection of domestic taxes and custom duties. Commissioner General (CG) was in charge of the KRA as a parastatal whose principle job is oversight, general administration and strategizing of the revenue collection and management body. KRA drafts a corporate strategy every 3 years which is in line with Kenya's Vision 2030 (KRA, 2019).

KRA during the financial year 2019/2020, different products were seized from different dealers in Nairobi and its environs, which were being sold contrary to different guidelines as accommodated under the Excise Duty Act and could, have prompted the loss of over Sh.400 Million in form of government incomes. During the operation KRA announced that the goods seized included a variety of basic consumer products among them; 25,070 jugs of brew, 102,004 jugs of wine spirits stuffed in 82,538 containers, 104,786 jugs of juice, sugar and sacks of maize. The exercise also involved seizure of a variety of hardware utilized in the creation of certain products, 93,670 jugs of water, 60, 000 phony extract stamps and 6, 450 parcels of cigarettes. Different items which incorporate stogies, cigarillos and 'shisha' pressed in 50 parcels were additionally annihilated in the activity

(KRA, 2019). KRA seized the items in association with the different government organizations that comprise the multiagency group mandated to counter contraband goods. The thought of methodology and strategy execution may appear very straight forward on a superficial level yet it is the opposite, changing techniques into activities is undeniably progressively complex, troublesome subsequently not as straightforward as one would imagine

The Customs and Border Control (C&BC) Division, Kenya Revenue Authority appears to be the prevalent division at KRA in terms of personnel, sources of revenue, network of operation countrywide (KRA, 2019). The division was installed in 1978 through parliament legislation and was previously known as Customs and Excise Department. It was primarily mandated to provide a suitable environment for legal business from within the country as well as goods from outside our borders. Other than its financial obligations it is also mandated to collect and account for VAT as well as excise duty on imports (KRA, 2019). The division additionally collects other charges acting as an agent, this includes: Road Transit Toll, Petroleum Development Levy, Import Declaration Fee (IDF), Sugar Levy, Road Maintenance Levy, Air Passenger Service Charge. The division is also in charge of protecting the society from unlawful business practices that may affect the local trades for instance controlling the entry and exit of prohibited goods through the country's borders, as well as managing all the border points.

To guarantee achievement, Customs and Border Control(C&BC) systems strategies must be converted into deliberately executable activities and procedures must be converted into rules for the everyday activities of the association's individual technique (KRA, 2019). The firm should in actualizing the system, the association's administrators should direct and control activities and results against conform to change since usage happens in an evolving situation. In spite of the fact that procedure execution is seen as a necessary piece of key administration process little has been composed or investigated on it. Without a doubt strategies can lack impact until they come to fruition in real life. Such activities take structure in the everyday procedure and connections that exist in associations and these should be overseen, alluringly in accordance with the expected procedure (KRA, 2019).

Strategy development and execution is not only crucially challenging to KRA and its Customs and Border Control Department but to countless other organizations, therefore due to the always changing operating environment and the new tactics frequently deployed by the traffickers and contraband dealers there is need for the organization in this case the KRA to develop an open strategy that can be adjusted and fit the activities and operations at hand. However, for the already existing establishments, capabilities to fit strategies and plans to implementations and processes that are indispensable to certify exceptional productivity is achievable. Evident severe setbacks at the KRA and other establishments are facing challenges making it hard for them to realize the intended objectives, targets and present aims (KRA, 2019).

Conclusively, the line of activities at some organizations like KRA needs them to be very aware and updated on the environment from the angle of what other revenue authorities are doing as well as from the angle of the perpetrators of tax evasion and smugglers tactics and modes of operation (Nestor, 2015). Therefore, the organization needs a dynamic form of strategy that will not be rigid and fixed to routines, procedures and obsolete policies that are no longer effective. The legislative aspect of dependency is whereby the organization is also dependent on what can be affected and approved by the country's legislative body as well as legally abiding to the laws of the Kenyan constitution (Nestor, 2015).

KRA is required to seek approval from other external bodies' which is a legislative body and give enough notices before implementing new operations procedures and policies; this is contrary to the private companies whereby they can change their operational procedures overnight (NDOC, 2018). Deprived transformation of models into actionable plans principally within the larger establishments is usually the paramount inhibition to the realization of strategic set objectives due to the rigidity of the strategy deployed. It is essential that firms internalize the set strategies for their businesses, and clearly understand the phases necessary to achieve them and make sure that the strategy is compatible and practical with the organizations environment. Kenyan coast is also a transit point for merchandise bound for West and Southern Africa therefore, to decide on the sort of strategic system to be set up, the logistical advantage of a certain area is critical so as to enable success of the targeted objective.



## **1.2. Research Problem**

To have a successful strategy implementation a number of variables are in play, these variables need to be well balanced otherwise a good strategy will remain in theory. The ability to convert strategy to effective output, coordination of operations, people as well as plans of action is vital, (Peterman 2008). Previous studies have indicated that most Government Revenue collecting agencies despite having well-articulated strategies in have been unsuccessful in the implementation phase of it. The focal among the external factors that pose as threat to the revenue collection authorities is the resentment that comes with the ever-changing environmental dynamics. These factors are not limited to politics, economy, technology, social and cultural factors as well as new tactics deployed by tax evaders through contraband trade. An economic survey was conducted on government agencies in Ohio state in US and established that within a period of 3 financial years, 57% of the total firms under study had difficulties in execution therefore unsuccessful strategy implementation ( Allio,2009)

Kenya Revenue Authority (KRA) has been innovating and implementing corporate strategic plans for the last 2 decades since 2000 with the main objective of transforming KRA into a modern, fully integrated and client-focused organization. The organization has adopted strategic management processes although, due to operating environmental factors, these processes might be facing a lot of challenges. The Customs and Border Control(C&BC) has been reviewing and updating their strategic operations and policies to be able to be effective in the very dynamic operating environment as well as the innovativeness and smartness deployed by traffickers and contraband dealers. KRA is no exception despite the fact it is the only body established to collect and account for taxes

collected. Although KRA has more or less been improving on revenue collection over time and sometimes surpassing the treasury targets, there is still the revenue shortfall. Therefore, there is still room to take administrative measures to not only surpass the targets to collect sufficient revenue to meet all the government financials needs without relying on external funding. This study therefore seeks to analyze the strategies adopted by organizations to be able to meet their objectives in reference to the dynamic and always changing environments.

Bogaleet *al* (2018) conducted a study on the nature of Cross-Border Contraband Trade across the Main Route of Moyale-Hawassa. The study established that corruption is the biggest challenge in countering contrabands along the route, and hinders all the government initiatives. The gap is that the study focused on challenges of countering contrabands along the MoyaleHawassa route. Another related study was conducted by Karafo (2018) which was titled the effect of Contraband on Government Revenue: Case of Segen Area People's Zone. The study established that the Kenyan government is losing millions of revenues yearly despite formulating mechanisms and legislations to prevent this occurrence. The gap in this study is that it only focused on establishing the revenue losses resulting from contrabands and illegal trade.

Lastly, Chumba, Okoth and Were (2016) did a study on effectiveness of Border Surveillance Strategies in the Management of Transnational Terrorism in Kenya and Somalia. The study established that several strategies employed in the border point have failed to manage the effects and consequences of terrorism. The gap in the study is that it focused on strategies to curb terrorism and its effects along the border point.

A study conducted by Abdimalik (2014) on strategy formulation in KRA concluded that strategy implementation has a vital role when it comes to success of KRA. It was noted that the research was done on KRA general and had not paid attention to specific departments with diverse roles, operations and objectives, hence the need to narrow down to specific departments. Mwai (2017) on the study on the influence of strategy implementation on performance at Customs and Border Control department of KRA concludes that strategy implementation was critical factor in improving the general performance of the organization through employee performance, employee retention and attraction, greater enforcement, reduced smuggling and increased compliance to customs laws and regulations. Evidently the study was conducted broadly on the relation between the strategy implementation and performance therefore focusing on the implementors of the strategy which is only one of the several variables, disregarding the compatibility strategies formulated with the ever-evolving dynamics in the working environment.

It is also evident that improper utilization of resources could result to difficulties in strategy implementation. The failure of a successful implementation of a formulated might have been associated to a rigid strategy and lack of compatibility due to the wrong choice of strategy therefore the suggestion of KRA to adopt an open system of strategy. Most of the local studies have concentrated in the relation between formulation, implementation and rated success through general performance of the employees which is only the human aspect of the whole strategy process. It can therefore be reasoned that strategy is constantly evolving with time as there is need to gain competitive advantage in the current modern times.

Strategies cannot all be uniformly applicable in all environments and cannot applied to

solve general subjects holistically without dissecting the approaches into specific challenges. This is aimed at concentrating and narrowing down on details anti-contraband strategies at the C&BC of the KRA. Presence or absence of Contraband within Kenya Borders can be used to weigh the success of a formulated and implemented strategy as well as the challenges or reasons of the failed anti-contraband strategy. The Ontario Research unit, special Report series (June 2009) concludes that the issue of contraband requires the attention and insight of governmental and non, governmental actors. In providing a concrete analysis of common anti contraband strategies and documenting the diverse contexts in which contraband is found, policy makers, strategists and researchers will have a better scope and sense on how to approach contraband issue. Therefore, there exist a significant knowledge gap to sufficiently understand the anti-contraband strategies and its challenges in the C&BC context. The sole objective of the study is to generate literature and findings that will compliment and expound on the gaps of the previous studies. What are the anti-contraband strategies adopted by the C&BC the KRA?

### **1.3.Objectives of the study**

The main objective of the study is to establish the strategies adopted by KRA in countering contraband goods in Kenya

#### **1.4.Value of the Study**

The study is hoped to assist in policy and legislative development. Commendations and deductions concluded from the Study is hoped to help C&BC department appreciate the significance of strategy in realizing objective development and how to mitigate challenges faced during this strategy implementation. Statistical data evidently suggest that there are some research gaps in relation to strategy execution and enactment. Managers and other policy makers can use the empirical findings to formulate sustainable policies that can be used to manage contraband goods in the country.

The study is hoped to provide empirical evidence is useful in managerial practice this is by availing the right choice of strategy to be implemented in the organization. The implementation will determine the success of the organization and achievement of the objectives with KRA as a case study. The study is hoped to substantiate the contingency theory of strategy as the best strategy to deploy in countering contraband goods by the Customs and Border Control. This study is hoped to be of significance to customs and Border control department and by extension the KRA to address and broaden their view as well as considering other options in the preparation and enactment of strategy is concerned.

The study findings are expected to add knowledge value to theory building on already existing Strategic Management concepts. It expected to be a point of reference for scholars, academicians and future researchers in their works. The academicians and researchers can use the findings to enrich their future studies on the areas of strategic management and decision making process.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews the work of other scholars in regard to the relationship between the strategy adopted and meeting its objectives. It encompasses concepts that the study is embedded, previous empirical research, studies and the theoretical framework.

#### **2.1.1 Overview**

Literature review is fundamental in emergent literature and use of conceptual hypothesis which may be deficient in contextual orientation. Various studies have been conducted in recent times to assess the relationship between the variables in the current study. Majority of the studies are based in the advanced nation's contexts, whose areas of operation and generally the environment of advanced economies and technologies. However, the studies offer pertinent information helpful in understanding the association between the choice of strategy, organizational performance and objective achievement; various gaps in knowledge still prevail. This study is anchored on the hypothesis of contingency theory founded by Fiedler (1964) and choice of strategy theory.

### **2.2 Theoretical Foundation**

Theories are diverse schools of thought which provide an articulate thinking on how events unfold in society. They give meaning and explanations as to how and why occurrences happen the way they do. They are used here to give explanations of how the variables relate. The projections and the anticipated outcome of each theory with respect to the behavior of the study variables, as well as its significant weaknesses, have also been

articulated in this section. The theories that are keystones to this study are Contingency and choice of strategy theories (Karanja, Mairura, Ombui, 2015).

Contingency theory hypothesizes that strategic choices of the decision-making management team of an organization depends on the circumstances surrounding the choices in terms of situational as well as the general environment. Choice of strategy theory, on the other hand, provides an alternative that emphasizes the agency of individuals and groups within organizations to make choices, sometimes serving their own ends, which dynamically influences the development of those organizations and achieve the objectives.

### **2.2.1 Contingency Theory**

The theory was founded by Fiedler (1964) contingency theory argues that the strategic choices of the decision making management team of an organization depends on both the manager's personality and the circumstances surrounding the choices to be made. The variables considered contingent according to this theoretical framework are those that moderate the effect of a specific organizational characteristic with regards to its performance. At the center of contingency theory is concept of the situation, identified by three factors: manager-staff relationship demonstrated by the general overtone of the group and the feelings of loyalty, trust and faith the group has towards the manager; task structure which is related to how clear the tasks are and the means to accomplish them; and the position power which relates to the amount of reward-punishment authority the manager has over the members of staff (Husseina, Mohammad, Noordina, Ishakb, 2014).

Contingency theory has come out over time to be a reliable and most practical approach for effectiveness and efficient in leadership and strategic choices because it has concrete

grounds on empirical research. Researchers who have followed Fiedler (1964) theories have also authenticated contingency theory in their own circumstances and research in different contexts, with studies on strategic choice consistently agreeing that the choices made by top managers are contingent upon situations and the immediate environment. Contingency theory has also been proved to have 'predictive and future projection powers' in establishing different leadership styles, skills and hence strategic choices that can be most efficient and effective in different contexts and environments.

The current study therefore used the postulations of contingency theory to determine the relationship between strategic choices opted by organizations namely KRA and their performance in the context of countering Contraband goods in Kenya. Contingency theory advocates not fully relying on leaders to make choices that would be equally effective and productive in all situations with positive outcomes and therefore organizations should consider leaders in keen situations according to their leadership style. As much as contingency theory is considered as having much strength, it is short of explaining why managers and decision makers with certain leadership styles, skills and choosing certain strategies are effective and productive in some situations and specific operating environments but some are unsuccessful in meeting their intended objectives. Contingency theory also does not sufficiently elaborate, give a solution or a formula on what should be done about a Leader/situation mismatch in the working environment so as to improve performance of organizations (Forsyth, 2006).



### **2.2.2 Theory of Strategic Choice**

Theory of strategic choice refers to the role that leaders, decision makers or leading groups play in influencing an organization through making choices and decisions in a vigorous process. Prior to this concept, it was a shared opinion and majority understanding that institutions were assumed to be structured along the operational and situational necessities as per the peripheral environment. Choice of strategy refers to the decision made by top managers and decision makers which determines the future strategy of an organization. Based on the past records, new variables and analysis the firm is able to forge a path among other alternatives that will successfully achieve the organization's objectives (Kaplan & Norton, 1996).

Kaplan and Norton (1996) points further that the researchers encountered problems during the research. The first problem of the past research was that a significant number of the research used diverse points of reference centers instead of one common one. The other factor is that most scholars concentrated on the choices made and not choices consequences. The reasons why the researchers used the choice of strategy theory in relation to industrial operations was because of the availability of the person during the decision making process, the impending situation and have direct control of what they are handling. This is because the decision maker has to have the ability to decide independently. The other factor is that the conclusion has an impact in relation to other Variables and components of the chosen strategy.

In this study the theory of strategic choice emphasizes on the decision-making top managers and the opinion shaping groups within organizations to make the right choices that dynamically influences the development of the organizations. These strategic choices

form part of an organizational learning process that adapted to the external operating environment as well as the internal political dynamic situation (Karanja, Mairura, Ombui, 2015). The strategy that will best meet the organizations objects has to go through a process that focuses on the available objectives to narrow down the decision to be made on a manageable number of feasible strategies. The strategic options are further analyzed to identify and determine the criteria and basis which the evaluation of the strategic options will take place. Finally, the best strategy choice will have to be evaluated and a blueprint prepare for enlightenment and implementation.

### **2.3. Strategies to Counter Contraband Goods**

A research by Jeff Sweeting, Teela Johnson & Robert Schwartz (2009) on Anti-Contraband Policy Measure for the Ontario Tobacco Research Unit concluded that the type of contraband and the means of distribution will have a great impact on the effectiveness of the several policies, strategies and the outcome of the operationalized actions. The research brought forward the effectiveness of ten anti-contraband policies namely; licensing, enhanced enforcements, tax-markings/stamping, tracking and tracing, record keeping/control measures, tax harmonization, tax agreements/compacts, legally binding agreements with the industries, public awareness campaigns and export taxation.

The World Health Organization (WHO) Intergovernmental Negotiating Body (INB)(2009) created an illicit trade protocol that countries can choose to utilize when addressing the contraband problem. The drafted protocols emphasized on the concentration on three key areas namely; the supply chain, enforcement and international cooperation. To control the supply chain, verification, tracking and identification requirements. To enhance enforcement is to establish a set of comprehensive set of offences, measure to hold large cooperates liable as well as enable seizures and recovery of unpaid taxes. To promote international cooperation, information sharing between jurisdictions is highly encouraged

A study by Nestor (2015) focused on strategic choice, distinctive competence of the top managers, and organizational performance in meeting its objectives. Even though the moderating role of top managers' distinctive competence was included in the analytical model with the Soon and Manning (2018) typology used to operationalize the choice of strategy concept, the study revealed that there were two main trends in the distribution of perceived strategic choices. The Mile and Snow (1978) typology used in the above study to operationalize strategic choice however generated a nominal scale hence regression model could not be used. The analysis was therefore limited to descriptive design with analysis done at the unvaried level. The current study used a framework that is more aligned to the Kenya Revenue Authority context.

A similar determination was arrived at by K'Obonyo and Mugambi (2011) who established that effective strategic choices and action were key antecedents of organizational performance. Nevertheless, neither of the previous schools of thoughts has focused on the relationship between choice of strategy and institutional performance in the Kenyan context. A study conducted by Ruwa, (2015) determined strategy implementation was the main process of which choices of strategy were translated into practical strategic implementable actions to steer the organization in the desired enactment in meeting its objectives.

Kyomugisha, A. (2016) focused on the fit between strategic choice and organizational structure and their Impact on the effectiveness of an organization: Study of a Set of Medium and Large Institutions in Algeria. However, the SMEs main objective is growth and development, quite different from that of revenue collection government organization which is tasked to provide a good conducive environment for businesses within the Kenyan

boundaries. To guarantee achievement, the system must be converted into deliberately executable activities and procedures must be converted into rules for the everyday activities of the association's individual technique.

Carton, (2004) states that the firm should in actualizing the system, the association's administrators should direct and control activities and results against conform to change since usage happens in an evolving situation. In spite of the fact that procedure execution is seen as a necessary piece of key administration process little has been composed or investigated. Therefore, establ

ishment of a well-articulated strategy is paramount to all organizations so as to avoid frustrations by the staff, avoid wastage of time and resources. This leads to the emphasis of taking adequate time during the development of a well-defined strategic plan so as to be able to set priorities and direction as well as to make sure everyone involved is on the same page of the strategy targets and achievements

A study by Ayuya (2018) focused on strategic choice, organizational learning, top management team processes, and firm performance. Being a conceptual review, the study only did a critical review of literature on the two concepts and identified opportunities for further research. By nature, conceptual reviews are not empirical and hence no primary analysis is undertaken. The current study has, therefore, seeks to undertake an empirical review on the two concepts to identify their relationship in the counter contraband activities in the KRA

## **2.5. Summary of Literature Review and Research Gaps**

The study reviewed several scientific studies that are related with the themes of the study. Particular studies reviewed showed notable findings and research gaps to be fulfilled by the study. On the first objective on different strategies used to counter contrabands related studies were as follows; a study by Nestor (2015) focused on strategic choice, distinctive competence of the top managers, and organizational performance in meeting its objectives. Found that strategic choices are important in enhancing organization performance. The gap in this study that it did not focused on strategies that are used to manage the contrabands in which the current study did fulfill. Another study by K'Obonyo and Mugambi (2011) did establish the effective strategic choices and action were key antecedents of organizational performance. The research established a positive association between strategic choices and organization performance. The gap in this study is that it did not address strategies used to counter contrabands.

On the second objective the study established the following knowledge gaps from the various studies reviewed; a study by Tesfaye (2018) found that lack of tracking technologies has been the biggest challenge in managing illegal goods or contrabands in the country. The gap in this study is that it only focused on the gaps of not using new technologies to manage contraband goods. Bamgbade et.al (2017) argues that it is important for all organization to formulate strategies that will drive alignment in the core business as well as simplifying and clarification of decision making. Lack of this alignment poses a biggest challenge in implementing any successful strategy. The study did fulfill the gap in the second objective by addressing general challenges facing implementation of strategies to counter contrabands.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

In this chapter, methodology which was undertaken to make possible the understanding and achievement of the research objectives is elaborated. This methodology includes the research design, data collection and adoption of a theoretical model that assisted in identifying the data to be collected, the data analysis and the mode of presentation. Research design is the general plan or formula that guided the study toward the achievement of the research objective without deviating from what is required. A case study research design was adopted so as to have an in depth study of the of a particular issue or an organization. The chapter entails on how the case study will be essential for conducting the research. Data collection method is the style and manner of which the information was gathered and capture of variables while Data analysis consists of data processing activities adopted during the study. This chapter details the option of an interview as the main Data collection tool while the data analysis will be implemented through the use of content and thematic analysis.

### **3.2. Research Design**

A case study approach was used in this research. Sekaran, (2016), case study refers to a specific in-depth study of one particular organization or institution. This method of study was opted because it is very useful to test hypothetical models by means of them in real world situations. A case study is an in-depth study of a particular issue or a situation and not a sweeping survey. Sekaran, (2016), further states that is a deductive method of approach used to narrow down a broad field of study into an easily researchable item or topic. The study did make use of qualitative data so as to be able to categorize, characterize and also approximate the collected information. Case study is known for having room for

flexibility whereby it might introduce new and anticipated outcomes during the process and lead to research taking new directions (Nunnally, 2018).

The opted research design is one of the best options in the understanding of a complicated issue or object and can increase experience or add up strength to what is already studied through preceding research (Nunnally, 2018). Given that what is being studied is a complex issue that requires contextual analysis as far as organizations are concerned, the case study was a good method to analyze the strategic management processes.

### **3.3 Data Collection**

To fulfill the purpose of this study in the best possible way, a qualitative data collection approach was adopted. A qualitative data collection approach ensures that the relevant information is gathered, categorized and evaluated in a flexible manner and a rich in-depth understanding of the research topic is acquired. The main source of data collected in this study is primary data, which is collected by conducting face to face interviews. Secondary data was also used to supplement the primary data as well as giving direction on the details and gaps that need to be identified from the field in the process of guiding primary data collection. This was collected from the relevant sources which include corporate plans such as the KRA strategic Plan 2018-2021, Realigned Strategic Plan 2019-2022(Anti-Counterfeit Authority), National Action Plan to combat illicit trade as well as annual reports and newsletters. The other available source of collection was secondary data available in the WHO-INB Protocols draft on illicit trade (2009), (NCAJ)Enforcement Manual to combat illicit trade in Kenya(2014) and previous studies done on KRA. The secondary data comes in handy complementing the available primary data as well as giving



leads for further research. The development of the interview guide involved segmentation of the Strategy choice section where the interviewee explains opinion on questions related to choose and adaptation of KRA strategies. The last section was developed with question related to the strategic operations, implementations and challenges. Critical issues on strategy and strategic decision-making process is mandated to the top management of the organization. The use of the interview tool in the interview process is to ensure that the researcher is on a targeted approach, focuses on the study topic and to avoid meandering and collecting unnecessary information. The interview guide had questions that help the researcher to explore the strategies adopted and challenges that KRA faces when executing its strategies. The top management has a clear perception to appreciate the stakeholder implication on the decisions made and as a result of their actions.

The interview targeted the heads of the departments from the Customs and Border Control department at KRA Nairobi headquarters, Eldoret regional office, Malaba and Busia Borders as well as Jomo Kenyatta international Airport(JKIA). The total number of interviewees was 7 staff from the Customs and Border Control department at Nairobi Headquarters, Eldoret regional office, Malaba, Busia Borders and JKIA. The process of collecting data began by seeking permits and authorization from relevant organization and institutions. Pre-visits were done in order to book interview dates. The actual face to face interview was done between 15 to 20 minutes within the interviewees' working stations. The responses by the interviewees were recorded in hand written answers on the interview guide while some responded through typing answers for clarity. Records of the answered question did facilitate collection of data for easy and digital storage of the documents and decoding later.

### **3.4. Data Analysis**

The process of data analysis exploits analytical and logical perceptives to advance information from the available data. The main objective of data analysis is to establish gist in data so that the derived knowledge can be used to make well informed decisions. This is implemented through the use of content and thematic analysis. Content analysis is a research method used to study an issue that is difficult to analyze such as business strategy, policy and organizational theory (Kothari, 2004). The main stages involved in content analysis process are; defining clear questions to be asked, setting up a well-defined collection priority, collection of data, analysis of data and finally interpretation of data.

The interview results were structured based on various themes as per the objectives of the study and were analyzed using thematic analysis. Sekaran, (2016) states that thematic investigation is exactly grounded strategy devolving in its establishment the absence of tangible observational proof. The interview outcome is translated and utilized the subjective substance strategy and the vital discoveries are analyzed. The feedback from the interviewees provided sufficient data for analysis and interpretation so as to come up with substantiated conclusion. The findings from qualitative data were presented in form of logical statements.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS**

### **4.1. Introduction**

The chapter introduces the demographic information of the KRA as a case study as well as the entitlement of Customs and Border Control (CB&C) as the main department countering contraband goods. The chapter also analyzes data on strategies deployed by KRA in countering contraband goods qualitatively from interviewees from Customs and Border Control department of the KRA which sought to provide answers to the purpose of the study. The aim of the study was to determine strategies adopted by Kenya's revenue authority in countering contraband goods. During the data collection interview process, the study interviewed 7 interviewees who gave their opinions and responses based on their point views and experiences. The section provides the responses provided by the interviewees during the interview and further discuss the findings.

### **4.2. Demographic information**

The study interviewed officers in charge of operation at Customs and Border Control across the entire KRA organization. These set of targeted interviewees were important in assessing the respondent's knowledge of strategies employed in countering contraband goods in their respective departments. The study established that KRA has entitled Customs and Border Control Department(C&BC) on the issue of contraband and anti-Contraband strategies. C&BC has all along been trying the adoption of participatory techniques in their anti-contraband strategy implementation that allow employees to be involved in strategy adaptation in various departments and designations. The findings show that majority of the employees are involved in strategic adaptation in the organization since

the inclusivity is a basic fundamental element in a successful implementation of strategies. The study established that all the department and entry points mentioned above have main and overall strategies that are adopted in countering contraband goods.

### **4.3. Strategies for Countering Contraband Goods**

The objective of the study sought to establish the strategies adaptation and choice employed by KRA in countering contraband goods. The study interviewees were to establish strategies used in KRA to counter contraband goods. The findings to the question was analyzed qualitatively and presented logically as follows;

The first interviewee was one of the C&BC heads he was asked on the strategies laid down by the organization. He said that:

The CB&C has a broader view of the strategies being implemented by KRA, while JKIA, Wilson Airport, Eldoret international Airport, Kilindini Port, Malaba and Busia borders customized the operationalization of the strategies based on the working environment. The organization is implementing tax agreements enhanced enforcement, tax harmonization, legal binding acts with industries, excisable goods management system, export taxation, licensing as well as Public awareness and Market surveillance.

The interviewee was asked on the most practical and frequently used strategies he said:

The KRA has early detection through market surveillance and mock purchases, inspection for license excise stamps and inspection stamps, and utilization of Multi-agency approach to counter contraband goods.

The interviewee was asked on the most and least effective strategies among the aforementioned, he stated that:

The most effective strategy is the use of multi-agency approach whereby officers from different enforcement agencies come together and share information in an operation. Mock purchase is also very effective with instant results and ability to spot the source of contrabands. The least effective strategy is the legally binding agreement with industries whereby implementation of the proposed guidelines is rarely put into practice.

The interviewee was asked on how the KRA organization is implementing its anti-contraband strategy, he stated that:

A fully pledged department has been set up to deal with monitoring, licensing, organizing and coordinating anti- contraband enforcement activities.

On the key factors when implementing anti- contraband strategies, the interviewee stated that:

From the high level to the last staff on the ground, training on the ability to detect, deter and disrupt contraband activities is very critical in implementing the strategy across the board.

The interviewee was asked on initiatives taken by the management in creating a sustaining a climate within the organization that motivates employee in their implementation role, he stated that:

Reward on stellar performance is the only currently applicable within the organization but there is need to come up with other motivating avenues so as not give room of officers being compromised by smugglers

Conclusively, the interviewee was asked if the Anti- Contraband strategy has been successfully adapted by the organization, he stated that:

It has been partly successful about 65% but there is still a long way to go.KRA employs a two-dimensional method to implement the strategies proposed and approved using key performance indicators which is part of the corporate plan that is reviewed after 3 years' period as well inclusiveness and synergy by all stakeholders in achieving its strategies.

The second interviewee was one of the heads at the Regional CB&C Departments in the KRA Organization, the officer provided the following explanations to the interview. On the strategies laid down by the organization to counter contraband goods he stated that:

The organization is implementing several anti-contraband strategies based on the working environment. The regional office has been making inspections and market surveillance on goods that escaped taxes mainly by conducting inspections after visiting business premises or entry points of the goods as well as reinspection of exempted goods. This the main strategy being implement within the region.

The interviewee was asked on the most practical and frequently used strategies within his jurisdiction, he said:

Early detection through market surveillance and inspection for license excise stamps and inspection stamps, and utilization of Multi-agency approach to counter contraband goods. This enables officer to detect if any products have slipped the border inspection.

The interviewee was asked on the most and least effective strategies among the aforementioned, he stated that:

Multi-agency approach has proved to be the most effective approach whereby officer from different enforcement agencies come together and share information in an operation. Market surveillance has also been very effective with instant results whereby the presence of goods without inspection stamps can easily be detected in the market as well as track the source of contrabands. The least effective strategy is the use of informants whereby some report cases due to business rivalry and in some after failing to extort.

The interviewee was asked on how the KRA organization is implementing its anti-contraband strategy, he stated that:

The Customs and Border Control(C&BC) department has regional operational offices in every strategic position in the country to coordinate the anti-contraband enforcement activities, this has helped in reduction of bureaucracy processes whereby action has to be taken after authorization from Nairobi.

On the key factors when implementing anti- contraband strategies, the interviewee stated that:

Training of staff on the ground, to detect, deter and disrupt contraband activities is very critical in implementing the strategy as well as emphasizing on integrity to avoid officers being compromised

The interviewee was asked on initiatives taken by the management in creating a sustaining a climate within the organization that motivates employee in their implementation role, he stated that:

Commendation letters, promotion and reward on performance have sometimes been awarded so as to boost motivation of officers, however not frequently

Lastly, the interviewee was asked if the Anti-Contraband strategy has been successfully adapted by the organization, he stated that:

The strategies have not been fully successful and actualized due to external interference by influential people in some cases.

The other interviewee was an officer in charge of inspection and verification exercise who responded to the strategies laid down by the organization to counter contraband goods question stating that:

Thorough inspection of imported goods by the multi-agency with the use of 'Excisable' goods management system is done so as to make sure all standards and requirement are met before release of the goods.

The interviewee was asked on the most practical and frequently used strategies within his jurisdiction, he said:

The use of digital system and presences of multiagency as well as inspection and verification exercise leaves a very limited possibility for compromise and corruption loopholes.

The interviewee was asked on the most and least effective strategies among the aforementioned, he stated that:

The most effective strategy is the thorough inspection and the verification exercise whereby the officers confirm the goods declared are the same and of the stated value. However, sometimes manual varication can be less effective and tiresome yielding unsatisfactory results.

The interviewee was asked on how the KRA organization is implementing its anti-contraband strategy, he stated that:

The organization has deployed a 24 hours' inspection and verification exercise at the Cargo and passenger terminals of all international arrivals manually and sometimes with scanners and detectors.

The interviewee was asked on the key factors when implementing anti- contraband strategies, he stated that:

Continuous assessment of the systems and constant improvements is fundamental so as to monitor progress and effectiveness of the laid procedures so as to yield maximum results.

The interviewee was asked on initiatives taken by the management in creating a sustaining a climate within the organization that motivates employee in their implementation role, he stated that:

The reward system is centralized from the headquarters therefore it rarely impacts individuals from the ground. However, promotions have played some significant role in motivation.

The interviewee was asked if the Anti-Contraband strategy has been successfully adapted by the organization, he stated that:

From the ground level they have managed to implement the little they are able to, with significant results however there is still more work to be done.

At the other field offices of KRA dealing with contraband monitoring, interviewees in charge of Customs and Border Control Operations who were interviewed responded to the strategies laid down by the organization to counter contraband goods question stating that:

With assistance and supervision from the western Regional headquarters office in Eldoret, the Customs and border Control(C&BC) team conduct several operations and activities independently and in most cases incorporation with other agencies forming a task oriented multi agency. However, they heavily depend on documentation of declared items entering the country.

The interviewee was asked on the most practical and frequently used strategies within his jurisdiction, he said:

The main operational strategy deployed is the use of multi-agency so as to minimize compromise of staff from one organization, this will give a hard time for the smugglers to bring the whole multi agency team on board trying to compromise them. The team conducts inspection of goods entering the country, evaluating the types value of the goods as well as calculating the estimated custom and excise duty to be paid on the goods.

During the exit of transit goods destined for the neighboring countries, an inspection is conducted to confirm that the goods that left the port of Mombasa is the same in quantity and the container seal has not been tampered with. This is to reaffirm that goods on transit destined for the neighboring countries are not dumped in the Kenya market



The interviewee was asked on the most and least effective strategies among the aforementioned, he stated that:

The team conducts inspection of goods entering the country, evaluating the types value of the goods as well as calculating the estimated custom and excise duty to be paid on the goods. An inspection to confirm that the goods are legally allowed in Kenya, a confirmation of the standard and qualities requirements are met before allowing them in is mandatory. This involves the use of Excisable goods management system whereby licensing verification and excise stamps processes have to be completed and confirmed before entering the Country.

On the least effective, the border team have their patrols and informers so as to monitor supply chain as one of their strategies. This has not been very fruitful due to lack of objectivity by some informants as well being compromised

The interviewee was asked on how the KRA organization is implementing its anti-contraband strategy, he stated that:

KRA as an institution is taking a lead in disposing of condemned illicit goods, and undertaking continuous risk assessments and profiling. This mostly entails the use of tracking and tracing systems whereby containers are sealed after inspection so as to deny un authorized access or tampering with the goods. A categorical form of tracking products through the supply chain led to the innovation of the 'SOMA LABEL' mobile phone application whereby consumers would enter the reference numbers of the products and get instant information on the legality and the authenticity of the product as part of the Anti-contraband strategies. The lack of willingness by the public in participating has greatly affected the effectiveness of these strategies.

The interviewee was asked on the key factors when implementing anti- contraband strategies, he stated that:

The key factors suitable for implementing strategies in KRA include; employee engagement and motivation, availability of resources, and suitable KRA policies and guidelines. Other key factors are; management commitment, the synergy of all stakeholders, and governmental support

The interviewee was asked on initiatives taken by the management in creating a sustaining a climate within the organization that motivates employee in their implementation role, he stated that:

The reward system is centralized from the headquarters, therefore rarely impacts the officers on the ground due to lack of effort recognition demoralizes officers. How ever promotions pegged on performance and achievement of targets set has partly boosted effectiveness.

The interviewee was asked if the Anti-Contraband strategy has been successfully adapted by the organization, he stated that:

Kenya is developing rapidly, and the current strategies keeping getting obsolete and less effective very fast, there is need to deeply study the anti-contraband strategies of the developed countries and customize it to fit the Kenyan context. There is still a long way to go on the implementation and the choice of strategy.

On the secondary available data, chapter 4 of the Seventh Cooperate Plan(2020/2021) indicates that there are several strategies to combat illicit trade supply reviewed under the ‘improved border management’ section, (Appendix III). The need to have a multi-agency strategy that covers the activities of the lead agency in order to achieve its effectiveness and efficiency in this case KRA is given the authority as a lead agency.

The strategic action plan 2019-2022 hints that; the organization ensures that other lead agencies work hand in hand with KRA ensuring that contrabands goods are eliminated along the supply chain (Appendix V & VI). Therefore, the multi-agency approach strategy appears to be the main operational tool C&BC department in countering contraband Goods. In the ‘revenue collection’ of the KRA overall strategy, improvement of Border Management systems is key in reducing the level of identified contrabands/illicit trade through multi-agency approach. This includes robust operationalization of National Inter-

agency framework, integrating international and regional Customs system: implementation of Real Time Monitoring System (RTMS) as well as Custom Enforcement network (CEN). The KRA strategic plan outlines that those that are involved with strategy implementation in the organization are every employee working with other stakeholders from different agencies.

On the initiatives that are taken by management in creating and sustaining a climate within the organization that motivates employees in their implementation role, employees are given better remunerations that include: salaries, allowances which are useful in creating a suitable environment for employing suitable strategies to counter contraband goods. Furthermore, suitable mechanisms are in place that enables staff to have the necessary resources and systems that make strategic implementation effective and efficient. Suitable pieces of integrity Programs, training and forums are also conducted to every CB&C KRA staff relating to strategy development and implementation in their respective designations and sections.

The study tried to establish whether strategies adopted in the organization have been successful in countering contrabands. The data from the KRA 7<sup>th</sup> Cooperate Plan 20221 indicated that from the financial year 2015/16, 2016/17 and 2018/19 there has been a significant improvement of revenue collection from customs department; 386. billion, 443.5 billion and 469.97 billion respectively. (Appendix IV)

#### **4.5. Discussion of Findings**

The findings showed that various employees in different jobs descriptions have more experience after working with the organization for a relatively long time therefore playing a very critical role in the implementation and the success of the proposed strategy. This

confirms the contingency theory of strategy whereby the proposed strategy is dependent on the personality, characteristics and qualities of the implementer of the strategy.

The employees of C&BC of KRA mostly the decision makers and the heads of units are sufficiently knowledgeable and have the capacity and capability as well as vast knowledgeable with implementation of strategy in the organization. Soon and Manning (2018) conforms the outlined findings by stating that experience and skills are useful ingredients in strategy development and implementation.

The study also established that KRA is implementing several strategies in different areas of operation depending on the surrounding environmental dynamics. For instance, multi-agency approach if applicable in all points of entry, use informants, market surveillance and patrols can mostly be used at the Malaba and Busia Borders while not very practical and effective at the JKIA Cargo section. This dependency on the surrounding dynamics environment for the practicability, applicability and effectiveness of strategy confirms the contingency theory of strategy. The ever-changing dynamics and innovation of new tactics by the contrabandists to beat the system therefore forcing the strategist and implementors of strategies to always revise their strategies and upgrade to match up the activities. A strategy that has not been revised for a very long time in a very dynamic and ever-changing environment will very fast become very obsolete and not effective in meeting stipulated objectives.

The study established that KRA ensures that other lead agencies work hand in hand in ensuring that contrabands goods are eliminated along the supply chain. This means that part of the KRA strategy is participatory involvement with other public agencies. These findings of the multi-Agency approach by the KRA justifies the theory of strategic choice

whereby the leaders of Anti- contraband strategy at the KRA opted to incorporate other agencies so as to maximize the probability of effectiveness and success of the strategy.

Christensen, Raynor, and McDonald (2015) confirm the validity of the findings by stating that it important for any strategic implementation process to take a participatory approach with different stakeholders to bring out desired results. Kulish et al (2020) confirm the findings by stating that it is important for support to be provided to the strategic implementation process to make it successful and effective. The study established that suitable mechanisms that enable staff to have the necessary resources and systems that make strategic implementation effective and efficient and suitable pieces of training and forums are conducted to every KRA staff to enhance strategy implementations. The right choice of strategy with adequate resources, personnel and training has significantly impacted on the effectiveness of the strategies. Soon and Manning (2018) are in line with the finding by stating that suitable strategies are easily implemented if suitable working environments and conditions are provided to the various lead agencies and stakeholders.

On-site inspection strategies, it was noted that; KRA is not conducting much market surveillance and dependent on random patrols, which means its performance with respect to this strategy is low, and site inspections to the markets are done on a need basis even though the organization performs well in terms of site inspections. This is contingent to the personality of the lead officers whereby integrity plays a key role. Lack of loyalty, professionalism and low integrity will adversely affect the effectiveness of the strategy. On the reward system of employee performance, the study established that lack of acknowledgment and reward is significantly affecting the overall success of the strategy, whereby the morale and loyalty of the employee is vital in ensuring that they are not

compromised or recruited by the contrabandists. The study established that performance several strategies among them; Tax harmonization within the region, Public awareness campaigns of the “SOMA LABEL” as well as legal binding agreements with industries are yet to be implemented. The strategies might be very successful and effective but dependent on the will and choice of the leaders on what strategies to implement therefore affirming both the contingency theory as well as the theory of strategic choice. Conclusively, findings show that certain strategies have been successful with respect to performance while they are others that have been not been successful in mitigating or countering illicit or Contrabands in Kenya.

## **CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATIONS**

### **5.1. Introduction**

The chapter relooks at the key findings obtained in chapter four that sought to answer the study objective; strategies employed by KRA to counter contrabands in Kenya. The chapter provides a summary of the key findings, provides the conclusions, and recommendations to various stakeholders. In addition, the study outlines the limitation of and suggestions for future studies.

### **5.2. Summary**

The study entailed the introduction of the strategy, Contraband concept as well as the KRA's role of countering contraband goods in the first chapter. The chapter further gives a review of the research Problem as well as the objective of the study. The chapter concludes with the value of the study and the areas to benefit from the study. The second chapter highlighted the literature review on the contraband concept inclusive of the theoretical foundation for studying the concepts of strategizing to counter contraband goods. These entailed the review of anti-contraband strategies in the broader view of the Contraband concept. The subsequent chapter detailed the research methodology where by the study research method is reviewed. The in depth elaboration on the adoption of case study as the research design, the use of face to face Interview as the collection tool as well as the content and thematic data analysis.

The fourth chapter recorded the findings from collection, analysis of the findings as well as the discussion of the findings. The findings from interviews showed that a large number

of employees working in the customs and Border Control department are knowledgeable on the strategies proposed for implementation and are taking part in the operationalization process of the strategies. The success of the strategies is greatly dependable on the leadership and the implementers of strategies as well as the right choice of strategy to be implemented in analyzed environment. This means they understand several aspects of the drafted strategy in the organization. The interviewees agreed that their work or designation contributes significantly towards strategic plan development, implementation, and reporting. The objective of the study sought to establish the strategies adaptation and choice employed by KRA in countering contraband goods. During this period the KRA developed several strategies that they are using to counter contraband goods which are part of illicit trade. They include: multiagency Approach, Market surveillance, site inspection, use of informants, excisable goods management system, public awareness campaigns as well as tax harmonization within the region. It is evident from the study that strategies are applicable depending on the operating environment and some strategies have been emphasized while some partly implemented. The strategies involve the following activities; making inspections and market surveillance on goods that escaped taxes, investigation of cases reported regarding contrabands, partnership with different agencies along the supply chain beginning from source, transit, and destinations, taking a lead in disposing of condemned illicit goods, and undertaking continuous risk assessments and profiling. The majority of the employees stated that the organization employs a two-dimensional method to implement the strategies and these include; using key performance indicators which is part of the corporate plan reviewed after 3 years' period, and inclusiveness and synergy by all stakeholders.



The findings further showed that the key factors suitable for implementing strategies in KRA include; employee engagement and motivation, availability of resources, and suitable KRA policies and guidelines. Other key factors included; management commitment, the synergy of all stakeholders, governmental support, and suitable mechanisms that enables staff to have the necessary resources and systems to enable strategic implementation. Some of the interviewees disagreed that KRA is not conducting market surveillance which means its performance with respect to this strategy is low and has not performed proactively with respect to risk assessment and profiling. Some of the interviewees stated that KRA has performed well in investigating contrabands, and disposing of condemned illicit or contraband goods in the country.

Conclusively, it is evident from the study that the anti-contraband strategies are yet to be fully implemented and still facing some challenges or what is sometimes referred to 'Teething Problems' which are yet to be corrected for maximum effectiveness. The internal challenges identified by the employees included; changes in leadership and management at KRA, inadequate resources, and budgetary inefficiencies, poor communication channels, lack of engagement of junior employees in the implementation process, conflict of interests among the leaders, and IT systemic problems. The external challenges identified included; changes in government policies and regulations, lack of citizens awareness of quality goods, and non-functional multiagency collaborations, differences in the cross-border co-operations, political influence, and corruption that is prevalent in the country.

### **5.3. Conclusion**

The study conclusion is that there are several strategies that have been fully deployed, emphasized and implemented while others have been left un attempted and others partly attempted by C&BC of KRA. The decision on the choice of strategy to be implemented was upon the strategist and the decision makers. This confirms and explains the Theory Of choice of strategy whereby it is dictated by leader on what strategy to be implemented to counter contrabands in the country in which some have been operationalized fully while others have not. The strategies the institution has operationalized well include; Multi agency approach, exercise management system and site inspection when need arises, which later lead to several consequent activities namely; investigation of cases or prosecution of contrabands, and taking a lead in disposing of condemned illicit goods. While those strategies in which the organization has not operationalized well include; market surveillance, Tax harmonization within the region, public awareness such as ‘SOMA LABEL’ mobile application, use of informants and legal binding agreements with industries. The strategies are contingent to the environment which has obstacle and challenges hindering effectiveness and success of the outcome. However, it is also dependent on the efforts and emphasis invested on the strategy by the leadership or the strategist as well as the head of operations employees. There is still need for enhancement and emphasis on market surveillance on goods, partnership with more agencies along the supply chain beginning from source, transit, and destinations, not only the security agencies,as well as undertaking continuous risk assessments and profiling.

The study further concludes that there are certain challenges that affect the strategic adaptation and implementation to counter contraband goods. The internal challenges

include; poor communication channels, changes in leadership/management, budgeting and resource challenges, conflict of interests, and delays due to centralized systems. The external challenges include changes in governmental policies and legislations, inadequate customer capacity, and inadequate multiagency collaborations. The challenges are found to hinder effective countering of contrabands in the country.

#### **5.4. Recommendations for Policy and Practice**

The scientific findings obtained from the study enables the researcher to make the following recommendations to various stakeholders and institutions to inform policy and managerial practice. Recommendations for policy and decision making are addressed towards the Government of Kenya and its lead agencies to enhance the strategies to combat contraband goods in Kenya. The study established that there are a number of strategies formulated and adopted by the C&BC of KRA, however due to the rapidness and ever-changing contraband business environment, it is recommended that the government should increase the frequency of conducting their ground study of the effectiveness of the anti-contraband strategies and have it done yearly. This will enable the organization be at par in the countering contraband activities rather than playing catch up, implementing counter strategies when the contrabandists have already moved to a new strategy. On time formulation of the right policies will empower and boost KRA's effectiveness of countering contraband activities in the rapid changing environment. They need to capitalize by formulating suitable policies on proactive strategies like marketing intelligence and inspections and develop risk assessment as well as profiling mechanisms. The government should also provide international benchmarking exercises whereby the anti-contraband

mechanisms & systems of the developed countries are studied and later customized and implement on Kenya's dynamics. Kenya is a rapidly developing country whereby the level of technology and conduct of activities is changing very fast toward the developed countries.

Recommendations on managerial practice addressed to KRA as a leading agency which needs to enhance its operation and practices used to combat contrabands in the country. The most important element that was established in the study is the lack of implementation and utilization of all strategies formulated. Therefore, it is recommended that before formulating and implementing new strategies the under-utilized or strategies that have now been implement should first be attempted. The well implemented such as multi-agency approach, exercise management systems as well as site inspection should be enhanced and upgraded technologically. The under-utilized strategies such as harmonization of custom tariffs, legal binding with the industries, market surveillance as well as intelligence collection strategies should be revised and customized based on the operating dynamics then attempted with close monitoring. There is need of improvement communication channels, lessening changes in management/leadership, and ensuring adequate budgeting as well as considering a proper reward mechanism to cater for the morale of the employees involved. They need to conduct awareness campaigns to educate consumers on the importance of avoiding contrabands. The researchers and scholars need to utilize findings from this study to supplement their studies or research on areas of strategic management and contraband management.

### **5.5. Limitations of the Study**

The study encountered certain limitations during the research process due to the nature of the organization, the operating environment as well as the current dynamics whereby the KRA has been on the limelight under whereby several fraud and corruption cases have been aired by the media.

The contextual limitation of the study was encountered whereby the public bureaucratic process, access of the right office as well as the right personnel to take part in the interview. These slowed down the process of collecting data. Several authorizations, permission, and permits were needed to be obtained before the commencement of the data collection process.

The conceptual limitation whereby the interviewees were initially reluctant to provide detailed information due to the sensitivity of the contraband issue in Kenya. It is with difficulties that a researcher is able to sufficiently get adequate information on the mode of operation on the contraband issues so as to have an informed decision or recommendation. This is due to the fact that contraband issue is a complex network with stakeholder within and outside KRA.

The third limitation was methodological in nature that involved use of interviews to collect data it is time consuming, expensive due to the demographic location of the strategic areas of Anti-Contraband activities, as well as analyzing qualitative responses while getting back to the interviewees for further elaboration of their statements. But the researcher was patient with the data collection process using the instrument.

## **5.6. Suggestions of Further Research**

The research gaps obtained from the current study can be used to formulate future research topics and studies. One of the research gaps outlined on too much bureaucratic is that future studies can be done in other lead agencies dealing with countering contraband goods to ascertain their strategies' validity and effectiveness. This involves the study of how the other multi agencies concurrently tackle the contraband in their own capacity.

On the conceptual gap there is need for research is on the challenges which are the reason for the ineffectiveness of some of the Anti-contraband strategies. There seem to be a bulk of challenges on the anti-contraband strategies, the process of formulation, implementation as well as the monitoring mechanism challenges that need to be address for the success of the whole system. The further studies need to be emphasized on other organizations in the multi agencies that take part collectively in the anti-contraband strategies so as to be able to grasp and recommend on the on the issue considering all te players input in the strategy.

On the gap of making the interviewees to consent future studies should use other methods to collect data like use of mails or head of sections from the areas that have not been studied in the current study such as; Port of Mombasa, Nairobi Inland Terminal Namanga border as well Eldoret International Airport. This will enable future policy makers and strategies make a well informed wholistic approach on the subject matter as well as into help in data collection. Another research gap based on the use of using interview to collect data future researchers can use other research methodologies especially a different research design, data collection instruments, and analysis methods to empirically ascertain the study findings.



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## APPENDIX I: INTERVIEW GUIDE

### SECTION A: STRATEGY CHOICES

1. Which are the strategies that have been laid down by your organization to counter contrabands goods?
2. The following are some of the anti- contraband measures used in other countries, which among them are applied and utilized in your area of operations?

ITEM	COMMENT
Licensing	
Enhanced enforcements	
Tax-markings/stamping	
Tracking and tracing	
Record keeping/control measures	
Tax harmonization,	
Tax agreements/compacts,	
Legally binding agreements with the industries,	
Public awareness campaigns	
Export taxation.	

2. Among the aforementioned strategies which are the most practically utilized strategies in countering contraband goods?
3. Which are the Most effective anti- contraband strategies in your area of jurisdiction?
4. Which are the strategies that are least used least effective in your area of jurisdiction?
5. How does the organization implement its strategy on contraband goods?
6. What are the key factors when implementing these strategies in your organization?
7. What initiatives are taken by management in creating and sustaining a climate within the organization that motivates employees in their implementation role?
8. Has strategic adaptation in the organization been successfully in countering contrabands?

## APPENDIX II: SECONDARY DATA CAPTURE FORM

Source document	Nature of information collected
KRA strategic plan 2018-2021(7 <sup>th</sup> cooperate plan)	Types of strategies employed for countering contrabands
	Activities involved in implementation of contrabands
	Role of KRA as a lead agency in countering contrabands
	Ingredients employed to enhance implementation of the strategy
National action plan to combat illicit trade supply	Role of KRA as leading agency in countering contrabands
	Challenges facing the process of countering contrabands in the country.
W.H.O. Intergovernmental Negotiating Body (INB) 2009 protocol on illicit trade (Chapter 3)	Protocols on illicit trade/countering Contraband and Counterfeit goods along the supply chain

## APPENDIX III: KRA 7<sup>TH</sup> COOPERATE PLAN 2021

- i) Addressing issues arising from the enterprise survey through a Customer Service Improvement Framework,
- ii) Improving border management to reduce the level of illicit trade,
- iii) Implementing a Paying Taxes programme focusing on automation and the transformation,
- iv) Implementing a Trading Across Borders programme,
- v) Restructuring VAT refunds management along best practice lines, and
- vi) Reducing uncertainty by ensuring clarity and simplicity in rules and minimizing scope for arbitrary behaviour.

### 4.2.3.1 Customer Service Improvement Framework

The attainment of Customer Service Improvement framework initiatives is centred on four (4) themes, namely Service Access Expansion Strategy, Customer Intimacy, Business Value and Operational Excellence.

#### Key initiatives:

- i) *Service Access Expansion Strategy:* Over the Plan period, we intend to avail services to all counties and sub-counties through service centres, customer care desks, alternate contact centres and Huduma Centres.
- ii) *Customer Intimacy:* To gain unique value proposition edge in building ever-lasting relationships, we will have the following key initiatives:
  - Designing and implementing a Customer Engagement Framework and Tax Awareness Strategy for different taxpayer segments,
  - Establishing and implementing an Interactive Communication Strategy which is customer oriented and adapted to customer sentiments, and

approach to customer service delivery.

### 4.2.3.2 Improved Border Management

This intervention is aimed at improving security at the border stations and reducing the level of identified contrabands/illicit trade through a multi-agency approach. To achieve this, we shall implement the following:

#### Key initiatives:

- Undertaking baseline survey to estimate the current level of illicit flows,
- Robust operationalization of the National Inter-Agency framework,
- Strengthening the PVoC programme,
- Operationalizing three (3) One-Stop Border Posts (OSBPs),
- Introducing non-intrusive verification tools – scanners, K9s and Activation of Risk Profiling (APIs) tools,
- Integrating international and regional Customs system: implementation of Real Time Monitoring System (RTMS) and Manifest Management System (MMS) in all stations and interlink with other enforcement networks; i.e. Customs Enforcement Network (CEN), Interpol, and National Customs Enforcement Network (NCEN),
- Operationalizing three (3) Joint Operation Centres at JKIA, Kilindini and Namanga,
- Establishing strategic inland roadblocks and carrying out of patrols, and
- Acquiring and operationalizing mobile command units and body worn cameras.

## APPENDIX IV: KRA 7<sup>TH</sup> COOPERATE PLAN 2021

### 4.2 Strategic Objectives

#### 4.2.1 Revenue perspective

**STRATEGIC OUTCOME:** *Enhanced revenue through improved compliance*

**OVERARCHING GOAL:** *Meeting the Government's revenue targets through a risk-based compliance framework in an equitable, efficient and effective manner*

Over the Plan period, we are expected to collect **Kshs 6,105,697** million. The core revenues are the Exchequer Revenues, Railway Development Levy (RDL) and the Road Maintenance Levy Fund (RMLF). The revenues are expected to grow by an average of **17.2 per cent** over the Plan period compared to **12.9 per cent** projected for nominal GDP. The revenue forecasts are shown in Table 4.1.

**Over the Plan period, we are expected to collect Kshs 6,105,697 million.**

Table 4.1: Revenue forecasts for 2018/19 - 2020/21 (In Kshs mn)

Tax Heads	2018 Estimates of revenue				
	2017/18 (Actual)	2018/19	2019/20	2020/21	2018/19-2020/21
Import Duty	93,713	119,352	132,098	150,035	401,485
Income Tax	659,021	841,938	941,635	1,098,035	2,881,608
Value Added Tax	356,777	464,215	508,825	585,980	1,559,020
Excise Duty	167,958	218,960	241,131	276,304	736,395
Other Taxes	15,705	17,947	18,816	21,167	57,930
Import Declaration Fees	26,189	29,967	33,662	37,752	101,381
Railway Development Levy	20,780	24,719	25,629	28,366	78,714
Road Maintenance Levy	73,668	68,446	71,872	75,468	215,786
Other Agency	21,427	24,455	23,730	25,192	73,378
Treasury Revenue	161				
<b>TOTAL CORE REVENUES</b>	<b>1,435,399</b>	<b>1,809,999</b>	<b>1,997,399</b>	<b>2,298,299</b>	<b>6,105,697</b>
REQUIRED GROWTH (%)		26.1	10.4	15.1	17.2
FORECAST NOMINAL GDP GROWTH (%)		12.7	12.8	13.1	12.9

## APPENDIX V: NATIONAL ACTION PLAN 2019-2022

### 2.1. Agencies responsible for Combating Illicit Trade

The responsibility of promoting fair trade practices is currently shared by the following institutions as defined in their respective legal instruments.

### 2.2. Ministry of Industry Trade and Cooperatives, State Department of Trade

The State Department of Trade was established in 2016 with a mandate that transcends domestic and international trade. The Department performs the following functions:-

- i) Oversee implementation of Trade Policy
- ii) Oversee implementation of Buy Kenya Build Kenya Policy
- iii) Promotion of Retail and wholesale Markets
- iv) Export Promotion
- v) Fair Trade Practices
- vi) Coordination of Regional Trade matters – COMESA, AGOA, IOR-ARC & IGAD
- vii) Trade Negotiations and Advisory Services
- viii) Enforcement of International Trade Laws, Regulations and Agreements

With regard to implementation of the Action Plan on Combat Illicit Trade, the core functions of the Ministry of Industry, Trade and Cooperatives are:

- i) Strategy formulation and development of the implementation plan;
- ii) Provision of policy guidance to inter-agency institutions in respect of the strategy;
- iii) Coordination and spearheading of implementation of all aspects of the Action Plan; and
- iv) Ensuring that the Action Plan is an integral component of national trade development plans.

### 2.3. Anti-Counterfeit Authority (ACA)

The Anti-Counterfeit Authority (ACA) was established under Section 3 of the Anti-Counterfeit Act, 2008 and has been in operation since 2010, under the State Department for Trade, Ministry of Industry, Trade and Cooperatives.

The Authority is mandated to:-

- i) Enlighten and inform the public on matters relating to counterfeiting;
- ii) Combat counterfeiting, trade and other dealings in counterfeit goods in Kenya in accordance with the Anti-Counterfeit Act No. 13 of 2008 or under any other written law;
- iii) Devise and promote training programs to combat counterfeiting;
- iv) Co-ordinate with national, regional or international organizations involved in combating counterfeiting;
- v) Advise the government through the Cabinet Secretary on policies and measures concerning the necessary support, promotion and protection of intellectual property rights as well as the extent of counterfeiting;
- vi) Carry out inquiries, studies and research into matters relating to counterfeiting and the protection of intellectual property rights;
- vii) Carry out any other functions prescribed for it under any of the provisions of the Act or under any other written law; and
- viii) Perform any other duty that may directly or indirectly contribute to the attainment of the foregoing.

### 2.4. Kenya Copyright Board (KeCoBo)

The Kenya Copyright Board is a State Corporation that was established under Section 3 of the Copyright Act Cap 130 of the Laws of Kenya to administer and enforce copyright and related rights in Kenya. The Board is mandated to :-

- i) Implement copyright laws including the provisions of international treaties



## APPENDIX VI: NATIONAL ACTION PLAN 2019-2022

- ii) License and supervise the activities of Collective Management Organizations
- iii) Facilitate training and awareness creation on copyright and related rights in Kenya
- iv) Update copyright legislation
- v) Maintain an effective database on authors and their works
- vi) Liaise with national, regional and international organizations on matters of copyright and related rights
- vii) Advise the government on matters of copyright and related rights
- viii) Facilitate the implementation of the antipiracy security device (APSD)

### 2.5. Kenya Revenue Authority (KRA)

The Kenya Revenue Authority (KRA) was established by an Act of Parliament, Chapter 469 of the laws of Kenya, and became effective in 1995. The Authority is charged with the responsibility of collecting revenue on behalf of the Government of Kenya.

KRA's core mandate is to:-

- i) enhance efficiency and effectiveness in tax administration by increasing the rate of compliance;
- ii) ensure protection of local industries and facilitating economic growth through effective administration of tax laws relating to trade;
- iii) control exit and entry points to the country to ensure that prohibited and illegal goods do not pass through Kenya's borders, among other roles.

### 2.6. The Kenya Bureau of Standards (KEBS)

The Kenya Bureau of Standards (KEBS) is a statutory body established by the Standards Act (Cap 496). Its mandate includes:-

- i) Development of standards relating to products, measurements, materials, and processes
- ii) Certification of industrial products; assistance in quality controls;
- iii) Metrology and calibration services
- iv) Testing services
- v) Compliance Assessment (Market Surveillance)
- vi) System certification
- vii) Training on standards (dissemination of information relating to standards)

### 2.7. Pharmacy and Poisons Board (PPB)

The Pharmacy and Poisons Board is the drug regulatory authority established under the Pharmacy and Poisons Act, Chapter 244 of the Laws of Kenya. The Board's main mandate is to:-

- i) Regulates the practice of pharmacy
- ii) Regulate manufacture and trade in drugs and poisons
- iii) Implement appropriate regulatory measures to achieve the highest standards of safety, efficacy and quality for all drugs, chemical substances and medical devices, locally manufactured, imported, exported, distributed, sold, or used, to ensure the protection of the consumer as envisaged by the laws regulating drugs in force in Kenya.

### 2.8. Department of Weights and Measures (W&M)

The Department of Weights and Measures (Legal metrology) falls under the Ministry of Industry, Trade and Cooperatives. The department administers two Acts of Parliament namely, the Weights and Measures Act, Cap. 513, and the Trade Descriptions Act, Cap. 505. Its mandate is to facilitate fair trade by ensuring use of accurate weighing and measuring equipment, promoting fair business practices and protecting the consumer against exploitation in the sale of goods and services.

The functions of the department include:-

- i) Establishment of a uniform system of measurement in trade,
- ii) Control of weighing and measuring equipment in use for trade,
- iii) Control of the sale of goods, and
- iv) Protecting the consumer against cheating through the use of falsehood in the sale of goods and in the provision of services in the course of trade.

### 2.9. Kenya Plant Health Inspectorate Service

Kenya Plant Health Inspectorate Service (KEPHIS) is a regulatory body established under the State Corporations Act (Cap 446) pursuant to Legal Notice No. 305 of 18th October 1996. Its responsibility is to assure the quality of agricultural inputs and produce to prevent adverse impact on the economy, the environment and human health. The mandate of KEPHIS is to provide:-



## **APPENDIX VII: NATIONAL ACTION PLAN 2019-2022**

### **PART III: SUPPLY CHAIN CONTROL**

#### **ARTICLE 6**

##### **Licence, equivalent approval or control system**

1. To achieve the objectives of the WHO Framework Convention on Tobacco Control and with a view to eliminating illicit trade in tobacco products and manufacturing equipment, each Party shall prohibit the conduct of any of the following activities by any natural or legal person except pursuant to a licence or equivalent approval (hereafter "licence") granted, or control system implemented, by a competent authority in accordance with national law:
  - (a) manufacture of tobacco products and manufacturing equipment; and
  - (b) import or export of tobacco products and manufacturing equipment.
2. Each Party shall endeavour to license, to the extent considered appropriate, and when the following activities are not prohibited by national law, any natural or legal person engaged in:
  - (a) retailing of tobacco products;
  - (b) growing of tobacco, except for traditional small-scale growers, farmers and producers;
  - (c) transporting commercial quantities of tobacco products or manufacturing equipment; and
  - (d) wholesaling, brokering, warehousing or distribution of tobacco and tobacco products or manufacturing equipment.
3. With a view to ensuring an effective licensing system, each Party shall:
  - (a) establish or designate a competent authority or authorities to issue, renew, suspend, revoke and/or cancel licences, subject to the provisions of this Protocol, and in accordance with its national law, to conduct the activities specified in paragraph 1;
  - (b) require that each application for a licence contains all the requisite information about the applicant, which should include, where applicable:
    - (i) where the applicant is a natural person, information regarding his or her identity, including full name, trade name, business registration number (if any), applicable tax registration numbers (if any) and any other information to allow identification to take place;

- (ii) when the applicant is a legal person, information regarding its identity, including full legal name, trade name, business registration number, date and place of incorporation, location of corporate headquarters and principal place of business, applicable tax registration numbers, copies of articles of incorporation or equivalent documents, its corporate affiliates, names of its directors and of any designated legal representatives, including any other information to allow identification to take place;
  - (iii) precise business location of the manufacturing unit(s), warehouse location and production capacity of the business run by the applicant;
  - (iv) details of the tobacco products and manufacturing equipment covered by the application, such as product description, name, registered trade mark if any, design, brand, model or make and serial number of the manufacturing equipment;
  - (v) description of where manufacturing equipment will be installed and used;
  - (vi) documentation or a declaration regarding any criminal records;
  - (vii) complete identification of the bank accounts intended to be used in the relevant transactions and other relevant payment details; and
  - (viii) a description of the intended use and intended market of sale of the tobacco products, with particular attention to ensuring that tobacco product production or supply is commensurate with reasonably anticipated demand;
- (c) monitor and collect, where applicable, any licence fees that may be levied and consider using them in effective administration and enforcement of the licensing system or for public health or any other related activity in accordance with national law;
  - (d) take appropriate measures to prevent, detect and investigate any irregular or fraudulent practices in the operation of the licensing system;
  - (e) undertake measures such as periodic review, renewal, inspection or audit of licences where appropriate;
  - (f) establish, where appropriate, a time frame for expiration of licences and subsequent requisite reapplication or updating of application information;