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REGIONAL TRADE AND THE SINGLE WINDOW SYSTEM: A CASE OF THE EAC

KUBAI, JULIE MUKAMI

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SUPERVISOR: DR. ANITA KIAMBA

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DECLARATION

This research project is my original work and has not been presented for a degree award in any other University.

Signature _____ Date _____

Name: Kubai, Julie Mukami

Reg. #: R50/67281/2013

The research project has been submitted for examination with my approval as the university supervisor.

Signature _____ Date _____

Name: Dr. Anita Kiamba

Institute of Diplomacy and International Studies, University of Nairobi

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ABSTRACT

Overtime, there have been noted trends in the expansion of global economies; in fact, the African narrative now is Africa Rising as a result of strengthened economies in the continent and empowerment both from within and without Africa. Experts have identified that, among others, regional and international trade is one of the key drivers of growth and development in the country, regional and continent. With time, there have been efforts made towards efficiency within this sector. In fact, leaps and bounds have been achieved, which have resulted in positive results, in terms of increased efficiencies and towards the overall narrative of a Global Village.

It was with this in mind that this study looked at one such aspect; technology, and to be more specific, the Single Window System. In a nutshell, the system integrates all trade-related government agencies and other private entities such as banks and insurance firms, into a single window, within which the trader can interact with these agencies. This ensures that documentation is done electronically, thus riding the process of manual submission of documents.

Implementation of this idea takes a phased approach; slow integration of the different modules, to deal with change management and anticipated resistance. However, this study is going a step further and examined the viability of the successful implementation of a regional Single Window System in the East African Community (EAC), including making a reference to the Association of South East Asian Nations (ASEAN) due to the existence of the ASEAN Single Window (ASW). This, plus various points of view from the trading community, built on the entire research paper.

Therefore, in conclusion, the study revealed that the region still had a very long way to go, in terms of achieving this goal, but if appropriate pre-requisites are met by the different governments of the member states, the dream can be realized.

LIST OF ABBREVIATIONS

ASEAN	Association of South East Asian Nations
ASW	ASEAN Single Window System
AU	African Union
BPR	Business Process Re-engineering
CEFACT	Center for Trade Facilitation and Electronic Business
CFS	Container Freight Station
CFTA	Continental Free Trade Area
COMESA	Common Market for East and Southern Africa
EAC	East African Community
EAMU	East African Community Monetary Union
ECOWAS	Economic Community of West African States
EXIMs	Exporters and Importers
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
ICT	Information and Communications Technology
KNSWS	Kenya National Single Window System
LDC	Least Developed Countries

MFN	Most Favored Nations
NTBs	Non-Tariff Barriers
OECD	Organization for Economic Co-operation and Development
OSBP	One-Stop Border Posts
OGA/PGA	Other Government Agencies/Partner Government Agencies
PTA	Preferential Trade Area
REC	Regional Economic Community
S&DT	Special & Differential Treatment
SADC	Southern African Development Community
SCT	Single Customs Territory
TMEA	TradeMark East Africa
UCR	Unique Container Reference
UEMOA	West African Economic and Monetary Union
UNECE	United Nations Economic Commission for Europe
UNNEXT	United Nations Network of Experts for the Paperless Trade
WCO	World Customs Organization
WTO	World Trade Organization

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CHAPTER ONE

1.0 INTRODUCTION TO THE STUDY

The Single Window System is, in simple words, an online platform which enables the trading community and the government to exchange all trade-related information. It has been defined, by UNCEFACT, as "a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export and transit-related regulatory requirement"[1]. This system has been implemented by numerous countries in the world and has been taken up by regions such as ASEAN Single Window (ASW).

Trade can easily be said to be the oldest form of diplomacy ever known to mankind, and the most important in an economy. The Ministry of Foreign Affairs and International Trade outline the role of trade in the economy as playing a lead in the growth and development of a country as it links together all sectors of the economy[2]. Trade reduces poverty through creating multiple job opportunities in industries such as agriculture, manufacturing and even service industries such as tourism.

Different communities and groups of people, as they socialized, realized they had different goods from each other. Slowly, individuals started exchanging goods for goods, giving rise to barter trade. As much as this went on for a while, it proved to be cumbersome especially when it came to determining value of different goods for equality. Trade in Africa began in West Africa between 5th-15thCenturies, in famous in the Triangular Trade. Goods such as gold, ivory and slaves were shipped to America through the Atlantic Ocean and exchanged with molasses which

[1]Economic Commission for Europe, United Nations Center for Trade Facilitation and Electronic Business, *Recommendation and Guidelines on establishing a Single Window; To enhance the efficient exchange of information between trade and government- Recommendation No. 33* (United Nations; New York & Geneva, 2005)

[2]Ministry of Foreign Affairs and International Trade, *International Trade Policy*, May 2015.

was used in Europe to make rum. From Europe, traders took firearms, alcohol, metal trinkets and beads to the Gulf of Guinea, and the cycle went on and on[3].

With globalization and opening up of countries in the world, more and more potential is being discovered in terms of exchange of ideas, producing items, including both agricultural and other goods that are necessary for the every day-to-day running of a country.

Major leaps and bounds have been made in the Information and Communications Technology (ICT) industry, which has made trade even much easier and faster. Increase in demand for trade has led to development of means to enhance the entire process which is normally too cumbersome, given the multiplicity of stakeholders in the entire process.

There are quite a number of non-tariff barriers experienced, before an individual was able to gain access to their products. These included having to deal with multiple government agencies for clearance, duplication of the same information as was required by the agencies and multiple lodgment of documents to fulfill the requirements[4]. All these then had a ripple effect, as high transaction costs would be incurred, long lead times experienced in terms of waiting for approvals to be done by the agencies, too much bureaucracies and red tapes within the government and too much corruption, among others

It is in the face of the above that the international organizations, that is, the World Trade Organization (WTO) and the United Nations Economic Commission for Europe (ECE) and Center for Trade Facilitation for Electronic Business (CEFACT) developed guidelines within

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[3]Gascoigne, B., *History of Trade*, *www.historyworld.net/wrldhis/PlainTextHistories.asp?groupid=1916&HistoryID=ab72&gtrack=pthc*, *last updated*

[4]KENTRADE, *Presentation on Single Window System*, *http://intranet.kentrade.go.ke/download/project_presentation/Progress%20of%20the%20Kenya%20Electronic%20Single%20Window%20System%20-Ethiopia%20SWS%2012082014.pdf*, *last updated 2014.*

which countries can use to develop their own Single Window System for trade efficiency. The concept of a Single Window System was developed to simplify the entire process and facilitate trade. Trade facilitation, according to UNECE looks at reduction of costs and uncertainty of transporting goods across borders, including the documentation needed[5]. A wider definition is that it is an improvement of the environment in which transactions occur,

> "including but not limited to the harmonization and simplification of customs procedures, greater transparency of regulations and procedures, usage of information and communication technologies, and reforms and coordination of the agencies that implement trade facilitation matters"[5].

According to WTO, trade facilitation represents: *"the simplification and harmonization of international trade procedures,"* with trade procedures being *"the activities, practices and formalities involved in collecting, presenting, communications and processing data required for the movements of goods in international trade".*[6]

According to the UNCEFACT Recommendation No. 33, the Single Window System ensures a trader of only one interaction with an interface where he or she is able to submit his or her trading documents which are subsequently distributed to all relevant parties[1].

Quite a number of countries have so far, implemented the system and is working to their advantage by reducing corruption and non-tariff barriers experienced transparency and efficiency in revenue collection and efficiency when doing business. These countries include Singapore,

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[5] United Nations Economic Commission for Europe, *The Single Window Concept*, (United Nations; Geneva, April 2003)

[6]World Trade Organization, *Agreement on Trade Facilitation*, *https://www.wto.org/english/thewto_e/minist_e/mc9_e/desci36_e.htm*, last updated December 11th 2013.

Finland, Germany, Malaysia, Japan, China and Mauritius, among others[7]. In Africa Senegal, Madagascar, Ghana, Tunisia and Cameroon have an up and running system[8].

The implementation of both a National and Regional Single Window System, according to UNNEXT, should ideally take a staged approach. This is largely influenced by the good will and system/change uptake of the various government agencies involved in the process. Gradually, the more resistant OGAs would be looped in, and banks also included to cater for payments. Since the whole idea of a NSWS is to harmonize trade documents, all government agencies would eventually be integrated. This, then, would make a Regional SWS more viable and realistic; individual states within the region, would integrate their National SWSs into one Regional one, to build capacity and efficiency in clearance among states.

Within the EAC, development and integration work is ongoing. According to Trade-Mark East Africa, Uganda and Rwanda already have an electronic system in place and Kenya very closely following suit. As a matter of fact, a directive was set by The National Treasury, that from July, 1st 2015 all imports and export documentation shall be done via the Kenya National Single Window System[9] and the same was reiterated during the reading of the National Budget by Treasury Cabinet Secretary, Hon. Henry Rotich[10].

However, the bigger picture is in the development of the Regional Single Window System, within the EAC. As progress is being made towards making the region a political federation,

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[7]World Bank, *Doing Business-Trading Across Borders Report 2011*.

[8]Diagne, I. N. E., *Single Window & Regional Trade Integration: The Challenges, www.unece.org/fileadmin/DAM/cefact/cf_forums/Geneva_2013/PPTs/08_SingleWindowandRegionalTradeIntegration.pdf*, last updated April 2013.

[9] The National Treasury, *Public Notice: Documents to be processed through Kenya National Electronic Single Window System- Kenya TradeNet System*.2015

[10] The National Treasury, *Budget Statement for Fiscal Year 2015-2016 (1st July-30th June)*. June, 11th 2015. Chapter 2- Improving the Business Environment; Page 8:30 (Structural Reforms to facilitate Business and Employment Growth: Improving Good Governance) and Page 9:36 (Efficiency and Effectiveness in Public Service Delivery)

efforts have been made by the tripartite agreement between Kenya, Uganda and Rwanda to form a Single Customs Territory (SCT). This will, among others, enhance inter-regional trade mainly through the use of a Regional Single Window System. It entails, a single point of submitting Customs Declarations at first Point of Entry, paying taxes at the Country of Destination, verifying of goods is done once at the point of entry, eliminating customs bonds for good whose duty is paid, getting a single regional security bond for warehoused goods, electronic cargo monitoring and the elimination of Non-Tariff Barriers (NTBs)[11].

Therefore, this study seeks to deduce how viable the vision of implementing a regional SWS in the EAC is, with the comparison of the ASEAN and UEMOA, which West African countries have made an initiative and have come together under UEMOA on the same concept. Countries in this include Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo[8].

1.2 STATEMENT OF THE RESEARCH PROBLEM

Is the East African Community (EAC) ready for this, in terms of National SWS implementation and legislation? It should be noted that, in as much as this process is not cast in stone and there are various factors to be considered, the study shall compare the EAC Region with ASEAN Region at their point of Single Window integration and implementation.

On December 9th 2005, an agreement was reached by all ASEAN member states to establish and implement the ASEAN Single Window System[12], which is the only regional Single Window System that is a success in the world.

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[11]Single Customs Territory, *Single Customs Territory Procedures Manual*, (EAC Secretariat).
[12]Tuyen, T. D (Minister of Trade in the ASEAN) on the *Agreement to Establish and Implement the ASEAN Single Window in Kuala Lampur on 9th December 2005*, *http://www.asean.org/communities/asean-economic-*

1.3 RESEARCH OBJECTIVES

However, the study's objectives are:

1. To identify the non-tariff barriers in the EAC
2. To identify national and regional legislation requirements for the SWS implementation
3. To determine challenges that may hinder implementation of SWS and suggest ways to eliminate/reduce them.
4. To compare EAC region with ASW at the time of its implementation.

1.5 LITERATURE REVIEW

There is literature on trade, that is, national regional and international trade over the years and this section is dedicated to what has been written on the topic, with special emphasis on the Single Window System.

Although this is a fairly new phenomenon, this section shall examine implied and explicit information on the system, which shall strengthen the research in totality.

1.5.1 DEFINITION AND USE OF A SINGLE WINDOW SYSTEM

A Single Window System is defined, by the United Nations Economic Commission for Europe (UNECE) as "a single entry point for traders to submit information to governments so as to fulfill import- or export-related regulatory requirements

As earlier mentioned, and then further reiterated by the UNECE, traders, more often than not, go through rigorous, tiring and time-wasting processes and procedures to conduct international

community/item/agreement-to-establish-and-implement-the-asean-single-window-kuala-lumpur-9-december-2005-2, last updated 2014.

trade. These obstacles, which are also commonly referred to as Non-Trade Barriers[13]vary and include import bans and general or product specific quotas, corrupt and/or lengthy customs procedures, over-valued currency, quality conditions of a country, additional trading documents and inadequate infrastructure among others[13].

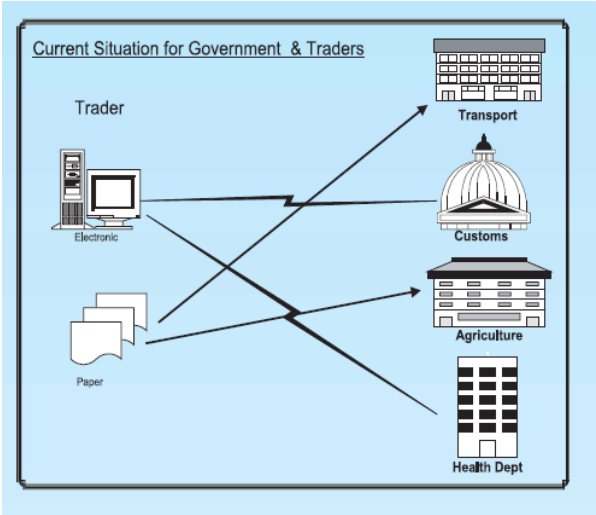
On a national level, various NTBs include preparation and manual submission of documents to various organizations, with almost if not the exact same information and having to go through the different specific automated and paper form procedures[4]. This is, at times, capped by corruption by the various officials in these offices.

The below illustration depicts the situation as is before automation of trading process. A trader would find themselves interacting with different government agencies who have their own procedures which may be both automated and manual. This leads to duplication of information and double-registration of details especially where a government agency required trader to use their system and hardcopy documents.

Below is an illustration given from UNECE report on the same[3]:

Figure 1.0: Trading without Single Window System

[13]According to a report by SADC, EAC and COMESA, NTBs are defined as "restrictions that result from prohibitions, conditions, or specific market requirements that make importation or exportation of products difficult and/or costly". These arise from government policies, laws, regulations or specific regulations and protectionist strategies and/or private sector business practice. Non-Tariff Barriers; Reporting, Monitoring and Eliminating Mechanism, *http://www.tradebarriers.org/ntb/non_tariff_barriers*,



Source: UNECE, Single Window Concept paper, 2003

It is a given that with a reduction of the challenges above, comes higher profit yields due to reduced delay costs, transaction costs, time costs and other costs attributed to factors such as corruption. This will, in turn, benefit both the government and the trading community.

Therefore, as the world evolves, so does industries such as ICT. In light of this, the Single Window System was developed as a way to curb above mentioned trade challenges in countries as well as regions. This would go a long way in giving a country an edge and bargaining power in order for all to benefit in the trading process. The national end result would be as illustrated in Figure 1.3 below[3]:

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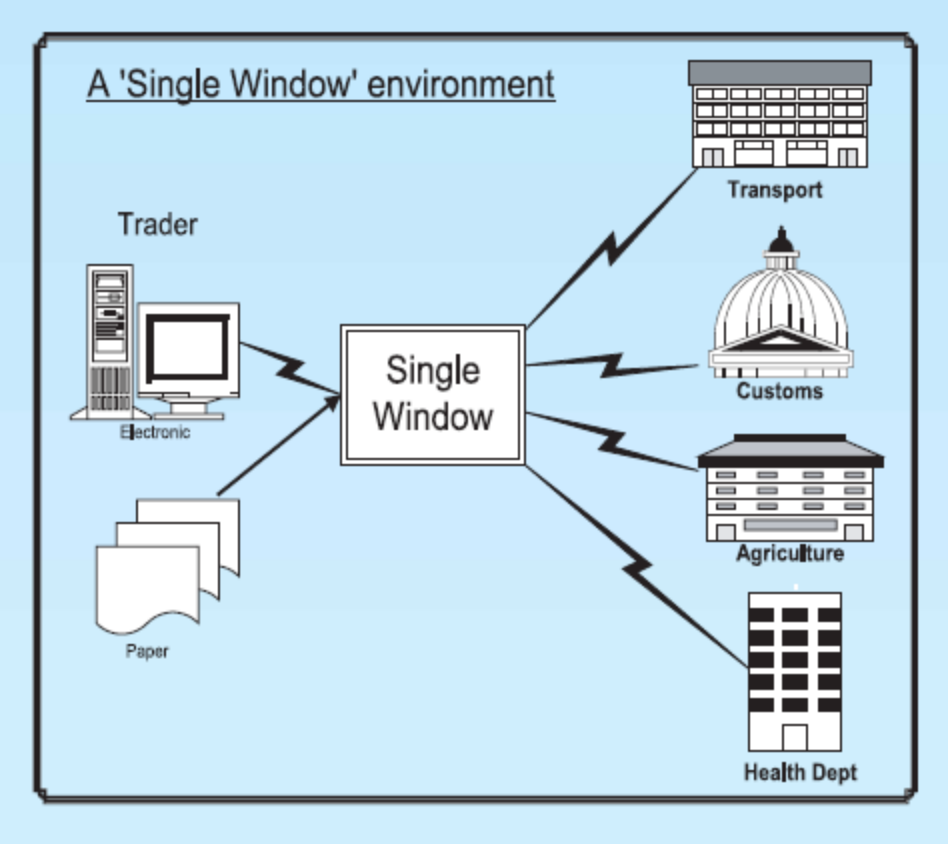
[3] Ibid. pg 2

Figure 1.1: The Single Window System



Source: UNECE, Single Window Concept paper, 2003.

In a nutshell, the trader will be able to communicate with banks, Other Government Agencies and any other stakeholders that are involved in the process through a web service. The institution mandated to implement the system will be required to maintain the system and ensure its availability at any given time. In return, stakeholders then are expected to have systems of their own in place to integrate with the Single Window System. Alternatively, they will be given access to the system so as to transact business with the trade on the system itself.

Certain steps have been made in the continent to further this idea. An expert group workshop held by the African Union gave the role of SWS as that of a platform or medium of exchanging information between trading community and the government. It was also considered a forum for

sharing experiences, challenges and the best practices in its implementation. The workshop concluded that the ultimate objective if SWS is to establish a Continental Free Trade Area (FTA), in the long run[14].

1.5.2 TRADE FACILITATION

In essence, the Single Window System exists to facilitate trade. According to Andrew Grainger, author of the World Customs Journal paper titled "Customs and Trade Facilitation: From Concepts to Implementation" trade facilitation is defined as "harmonization, simplification, standardization and modernization of trade procedures". He goes on further to state that "it seeks to reduce trade transaction costs, at the interface between business and government"[15].

A Policy Brief by the OECD on Trade Facilitation further quotes the WTO's elaboration as "the simplification and harmonization of trade procedures, covering all activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade"[16]. This specific definition brings to light non-tariff barriers that are a major impediment to trade.

According to the 9th Session of the Ministerial Conference held in Bali on 7th December 2013, there was an agreement by all present parties, and to a great extent, all World Trade Organization (WTO) members on the parameters of trade facilitation. In the report, all members agreed on publishing and making easily available information pertaining to import, export and transit procedures and all other port and airport required material, all rates and duties and taxes that are

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[14]African Union, *African Union Expert Group Workshop on Implementation of Single Window System,* March 4th 2015.

[15]Grainger, A., "Trade Facilitation and Supply Chain Management: A Case Study at the Interface between Business and Government, PhD Thesis, 2007.

[16]Organization for Economic Co-operation and Development (OECD), *Policy Brief: The Costs and Benefits of Trade Facilitation, (Secretary General's Office, OECD, 2005)*

attached to imports and exports, fees and any other charges imposed by the government on any trade procedures, laws and legislations related to trade, any import export or transit restrictions, any penalties as a result of any breaches, appeal procedures and any other procedures relating to administration of quotas[17].

The agreement also emphasizes on provision and making available all information online for easy accessibility to anyone with internet connection. This information, in summary is any procedures and processes that pertain to imports, exports and transits including appeal procedures and other practical steps to fulfilling trade, forms and documents that the Member state requires and contact information in case of enquiries on the same. The member is also required to provide any other trade-relevant information, all in a bid to facilitate trade[17].

Given the above parameters, the Single Window System is currently the best and most efficient system that exists and will provide a medium for the required information in order to advance trade facilitation.

According to the Mombasa Port Charter however, there are a few challenges that the process of Trade Facilitation faces. These include lack of cohesion in partner states trade facilitation mandates, lack of capacity, time consuming clearance procedures, insecurity, non-tariff barriers which take up a lot of your time along the Northern Corridor, corruption and other unethical practices, politics and a lack of alignment in legislation[18].

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[17]World Trade Organization, *Ministerial Declaration and Decisions,* (Paper presented in the Ministerial Conference, Ninth Session on 3rd-6th December 2013, Bali).
[18]Mombasa Port Community Charter, *Advancing Trade through the Northern Corridor*, 2014.

1.5.3 The EAC and its challenges

Closer home, the East African Community (EAC) is a Regional Economic Community (REC) that includes countries east of Africa which include Kenya, Uganda, Tanzania, Rwanda and Burundi. The community started as a Preferential Trade Area (PTA) which was formed in 1981. The EAC was formed on 30th November 1999 with Kenya, Uganda and Tanzania signing the Treaty for its establishment, which was enforced on 7th July 2000. Rwanda and Burundi joined later after acceding on 18th June 2007 and consequently, becoming full members on 1st July 2007[19].

According to its official site, the EAC has made major leaps and bounds in its process of integration. Straubhaar outlines 6 major steps to complete integration of a Regional Economic Community (REC).First, the region will form a Preferential Trade Area, within which its trading partners award each other concession on imports of specific commodities. The second stage, which is the Free Trade Area (FTA), deems that partner states abolish any existing trade restrictions on all goods produced within the common economic area whilst each state remains free to impose their own restrictions and devise policies on non-members. The third step is the Customs Union. In this stage, partner nations come together and decide on common and uniform custom duties that shall be imposed on non-member states on the REC. Common Market is the fourth stage. Here, all states remove all trade barriers left among each other and liberalize the migration of factors of production, that is, free trade in goods and services, freedom of movement of capital and of labor[20].

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[19]East African Community, *History of the EAC: Milestones in the EAC Integration process,* http://www.eac.int/index.php?option=com_content&id=44&Itemid=54&limitstart=1, 2015.

[20]Straubhaar, T., "Theoretical Expectations on Economic Integration", *Dialogue on the Regional Integration in East Africa*, (Arusha: EAC Secretariat, 2002).

Supplementary policies should be adopted by the region, such as mutual recognition of diplomas, international transfers of social security rights, technical and licensing conditions to beat concealed trade restrictions, harmonize indirect tax regimes and any other polices that may impede integration. The 5th Stage then is Monetary Union which warrants the states to harmonize their economic policies and go to the extent of developing their own currency which can be used in any state within the economic region. The last and final stage is the Political Federation where all states maintain control over their individual internal affairs but relinquish power to a central government[20].

Given the above stages, the EAC member states signed a protocol to establish its Customs Union on 2nd March 2004, which became operational on 1st January 2005. The region heads then signed the Common Market protocol on 20th November 2009 with its commencement dated 1st July 2010. The Protocol for the establishment of the EAC Monetary Union was then signed on 30thNovember 2013[19]. The region's Single Customs Territory (SCT), which is where the EAC is at its implementation stages, is key to the establishment of a Regional Single Window System. The SCT Manual describes this as "the stage for full attainment of the customs union which is attainable by the removal of duties and other restrictive regulations and/or minimization of internal border customs controls on goods moving between partner states with an ultimate realization of free circulation of goods"[11].

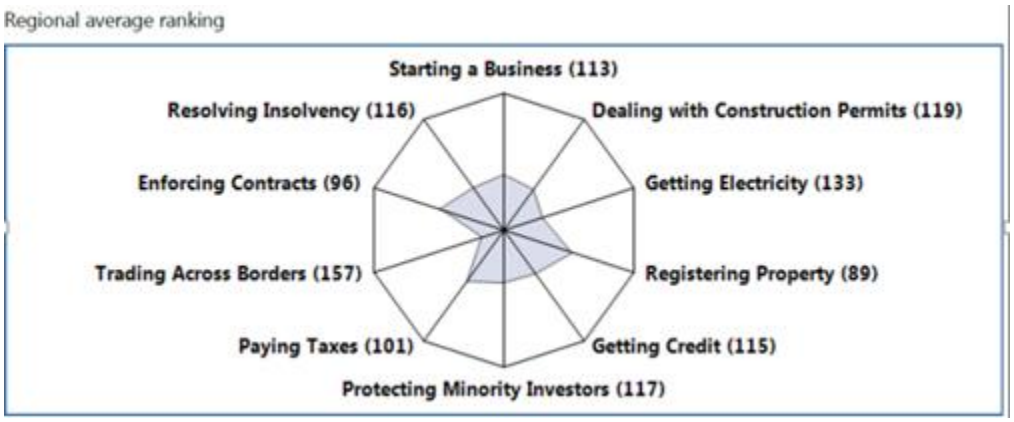
In a report from the EAC Secretariat, more achievements of the region were outlined, which include convertibility of Kenya, Uganda and Tanzanian currencies, capital markets were developed and a cross-listing of stocks done, joint infrastructure development projects started, harmonization of standards for goods produced in the EAC, notable reduction of national trade barriers, an implementation of preferential tariff discount, free movement of stocks,

harmonization of the operations of the Ministry of Finance and the Central Governments during budget preparations and mutual recognition of health certificates issues by national bodies for goods traded within the region[21].For there to be regional SWS, as had been pointed out earlier, each individual state has to adopt a national SWS. A breakdown of the East African Community members' steps shall be highlighted in a subsequent chapter.

1.4 JUSTIFICATION OF THE STUDY

Statistics collected from the Doing Business 2015 report, Regional Profile, have the EAC at position 123rd on the ease of doing business in the area (this study done by the World Bank ranks economic regions from 1 to 189). The below figure shows the individual business areas and their average ranks within the EAC[22]:

Figure 1.2: EAC Doing Business Ranking



Source: Doing Business database, 2015

The above figures show the EAC at low positions, which may be attributed to some challenges as outlined below by Kenya Trade Network Agency (KENTRADE) to justify implementation of the Kenya National Single Window System (KNESWS):

21

[3]Ibid, pg. 2.

[22] Doing Business, *Doing Business 2015: Going Beyond Efficiency*, (World Bank: October, 2014).

1. Multiple stakeholders involved in cargo clearance, that is, customs, ports, air ports, Other Government Agencies (OGAs) and the trading community in general.
2. Stakeholders exchange information and documents amongst themselves
3. These documents, more often than not, contain the same information from one organization to another.
4. Documents are in hard copy and processing of information if done manually.

Given the above, the traders end up incurring high transaction costs, experience long lead times and incorrect processing of information due to manual processes which may lead to fines. The government also suffers from complex regulations put in place by the different agencies and bureaucracies that may exist, there is close to zero transparency, difficulty in monitoring various processes and huge loss of revenues due to heightened corruption.

It is because of the current state of events, that the Single Window System would come in to help all stakeholders involved in the process. Benefits of implementation include better harmonization and sharing of data across government systems hence improved efficiency, improved transparency of official controls, increased revenue collection by the government, reduced costs of doing business for both the government and trading community, increased national competitiveness and a significant reduction in transaction times.

It should be highlighted that during the course of the study, there is little or no academic literature directly related to the Single Window System. In light of this then, this particular study can serve as a basis within which other scholars and academicians can build on, beginning from individuals who contributed to the birth of the idea, states which first implemented the system and their experiences and challenges. Forecasts can also be made on future advances, which can

aid in research of the same to enhance the system and raise it to greater heights, such as realizing a Global SWS, in line with the Global Village narrative.

In addition to this, the study can be built on and used by the EAC as a guide to implementing a regional system. Authorities from the 5 member states can use this paper to gauge themselves towards this vision, in a bid to increase efficiency in the regional and international trade arena.

1.6 THEORETICAL FRAMEWORK

The study will be based on the Advanced Factor Endowment Theory, whose factors include communication, research, skilled labor, education and technology. The main areas of discussion are the investments to be made, competitive advantages over the other countries and its support of the basic factors, which include natural resources such as land, climate and other geographical factors, location and demographics.

The Heckscher-Ohlin Theory, whose proponents are Bertil Ohlin and Eli Heckscher, provided a foundation for this theory. They equated international trade to economic growth and created a link between the structure of the State's factor endowments and trade pattern but with the end result of free trade of a pragmatic distribution of income[30]. In other words, the theory ascertains that trade, international or otherwise, heavily contributes to the growth of a country's economy. A State will, definitely, have certain factors of production, which are labor, capital, land and entrepreneurs. However, more often than not, these basic factors are not sufficient for increased competitiveness with other States in the trading arena. It is for this reason that certain enhancements have to be done to supplement the existing basic factors and in this way, a state or region's income in a free trade area grows.

This theory, then, is relevant to this study as advancements in technology, and in this case the implementation of a Single Window System on a regional level, would enhance trade and curb trade-related inefficiencies. Basic factors in this case include capital, labor and entrepreneurs, which are already heavily involved in regional and international trade processes. However, the introduction and implementation of a system in the already existing process enhances it, acting as an appendage to the aforementioned basic factors. Lead times and clearance, which take a long time and are costly as a result of human intervention, are lessened and thus encouraging more people to use our Kenyan ports. In the long run, and as a ripple effect, our economy is strengthened, given that trade is the main economic driver worldwide.

1.7 HYPOTHESES

1. That improvements on regional trade shall be felt with the implementation on a Single Window System
2. The successful implementation of the system will be possible only if the EAC overcomes its major challenges, which include rows between Nations such as Kenya and Tanzania.

1.8 RESEARCH METHODOLOGY

1.8.1 Research Type

This research type shall be exploratory, that is, the study shall look at the extent and magnitude of the problem at hand, to establish the feasibility of broadening the search and to have an idea of the problem at hand.

1.8.2 Research Design

The study shall use a case study of the EAC to get a feel of the entire region, before narrowing down to trade within the partner states and how a regional SWS would enhance and facilitate intra- and inter-regional trade.

1.8.3 Research Method

The study shall also mainly use a qualitative method to collect data. This shall be through the use of face-to-face interviews with the selected sample, using open and close ended questionnaires and reliance of secondary data.

1.8.4 Sampling

The target population for this research is mainly the trading community, consisting of clearing agents, shipping agents, exporters and importers (EXIMs), which goes through the day-to-day trade activities and experiences the NTBs that a regional system is likely to eliminate. However, sampling of the population is required since the target is too large. The study, therefore, will target management from each of the aforementioned stakeholders, who would be expected to give their expert and learned opinions on whether this process is viable and beneficial or not.

The most probable sampling technique would be the Non-Probability one, and more specific, the study shall use Convenience Sampling, that is, getting a sample that is nearest, close at hand, readily available and most convenient, especially given the time and finance constraints that may arise. The study shall also use Expert Sampling and will target specific individual experts to give their specialized opinions on the region and the feasibility of implementing the system in the EAC.

1.9 SCOPE AND LIMITATIONS OF THE RESEARCH

Essentially, the scope of the study is primarily the Single Window System and its integration, both at a national and regional level. The study first begins with looking at the intricacies involved when it comes to implementation of a national single window with the main focus being the Kenyan process. Then, it further moves into a regional level and at this point, the study will compare the EAC with ASEAN to look at whether the EAC is ready for its own system and what achievements have to be realized for the bigger picture.

The main limitation is that the study is confined to the EAC as the main area of study. It so happens that in Africa, this is the REC with the least number of countries, therefore putting it at a disadvantage when comparisons with ASEAN are made.

1.10 CHAPTER OUTLINE

Chapter 1 – **INTRODUCTION**

In this chapter, the study aims to give the reader an understanding of the project paper, including how he or she intends to carry out the research, his or her objectives and what has been previously written on the variables that make up the entire research problem.

Chapter 2 – **REGIONAL TRADE AND SINGLE WINDOW SYSTEM**

The study will look at regional trade, in relation to both national and regional single window systems; benefits and challenges involved.

Chapter 3 –**COMPARATIVE STUDY: THE EAST AFRICAN COMMUNITY (EAC) vs THE ASSOCIATION OF SOUTH EAST ASIAN NATIONS (ASEAN)**

This study also aims to find out the viability of adopting a Regional SWS within the EAC and, therefore, this chapter will compare the region with ASEAN at the time of ASW implementation and adoption.

Chapter 4 –**CRITICAL ANALYSIS OF COLLECTED DATA**

This chapter will look at the results of data collected, either through primary or secondary methods, and after analysis gaps will be identified as a way to aid the region get to the point of adoption of the system.

Chapter 5 – **CONCLUSION AND RECOMMENDATIONS**

The study will finally give a conclusion and the recommendations will be based on the findings.

CHAPTER TWO

REGIONAL TRADE AND SINGLE WINDOW SYSTEM

2.0 INTRODUCTION

States have gone a step further and divided themselves among trading regions which have, over the years, come to be called Regional Economic Blocs/Communities (RECs). Therefore, this chapter contains the genesis of regional trading communities and the correlation of the same with the Single Window System.

2.1 DEVELOPMENT OF REGIONAL TRADE

Regional trade is understood as the exchange of goods and services for, either, other goods and services or for equivalent monetary value among states within the same defined area in terms of geography.

During the World War II period, and as countries experienced the Great Depression, United Kingdom (U.K) and United States of America (U.S.A) came together in a bid to curb the depression's effects on their economies. This would be achieved through easing of trade restrictions they had put on each other and reduction of trade barriers. States, at this point, had developed measures within which their industries would be protected during the trading period, and the more the depression took effect, the more the restraints of protectionist clauses. Therefore, the U.K and the U.S aimed to come to a middle ground and on February, 23rd 1942, the two signed the Mutual Aid Agreement which promoted economic relations between the two sovereign states and relations between the 2 states and the rest of the world[23].

[23]Irwin, D.A., Mavroidis, P.C & Sykes, A.O, *The Genesis of GATT*, draft version December, 19th 2007.

However, with time, there arose disparities which caused differences among nations, in the agreement. This, eventually, led to the formation of the General Agreement on Tariffs and Trade (GATT) in October 1947[30]. This international organization had 8 basic principles:

1. Non-discrimination of signatories
2. Prohibition of quantitative restrictions and acceptance of tariffs.
3. Principle of National Treatment, that is, internal laws would not be used to regulate external trade
4. Principle of Reciprocity, that is, reciprocity in trade agreements.
5. Retaliation on sanctions that would be used after constitution, investigation and adjudication measures were exhausted.
6. International Trade as a GATT design
7. Safeguard mechanism on trade that threatened domestic industries.
8. Voting rights which saw each signatory having one vote and decisions would be made based on majority, except where specific procedures were provided.

GATT then adopted the Most Favored Nation (MFN) clause, which, loosely defined, considered equality among all Sovereign states in terms of economic sovereignty. However, this concept was not viable as colonized countries were gaining independence and lagged behind economically as compared to their colonial masters. This led to the development of the principle of Special and Differential Treatment (S&DT) clause which included Least Developed Countries (LDCs) and Developing States. These were accorded affirmative action in areas such as uptake and implementation of GATT rules. In due time, however, the LDCs and Developing Countries realized that they had been short-changed by GATT and that the more developed countries still had the upper hand when it came to trade matters[24].

[31] World Trade Organization, *Principles of the Trading System*, *https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm*, last updated 2015.

After a while, GATT saw an increase in membership as more countries got decolonized. Gradually, issues emerged within the international organization including those of expansion. More developing countries also became key in the markets, including oil rigs, and this saw aggressive campaigns from these states for a new international economic order. Eventually, GATT could not cope and in 1994, the organization collapsed.

However, there was no gap in the international trading system because the World Trade Organization (WTO) was formed during the Uruguay Round that ran between 1986 and 1994. The difference between the 2 organizations was that the WTO now looked at both trade in goods and services as services had emerged and was spreading rapidly. Trade Rounds continued under the new WTO and the Doha Development Round was of utmost importance as it concentrated on developing countries and LDCs. In the 2001 Doha Ministerial conference, it was concluded that the committee set would look at mandatory special and differential provisions for this group of countries and figure out ways in which the same would be incorporated in the system[25].

Developing States and LCDs were encouraged to recognize the role of trade in development. These countries, on their own, had no voice, especially when in the same trade negotiation forums with hegemonies such as the UK and USA. Slowly by slowly, nation states became established, each realizing their own sovereignty and that of others. Each of these states then naturally favored some neighboring states over others, when it came to trade[26].

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[25] World Trade Organization, *Doha WTO Ministerial 2001: Ministerial Declarations and Concerns (9-14th Nov. 2001) on Implementation-Related Issues and Concerns*, *https://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.pdf*, last updated 2015.

[26] Das, U. R., Edvisuriya, P. & Swarup, A., *Regional Trade and Economic Integration: Analytical Insights and Policy Options*, World Scientific, (2012).

Therefore, WTO encouraged these countries to come together and form blocs which would strengthen their position in the trading system. In this regard, states came to a consensus on non-discriminatory trade polices (Most Favored Nations), which advocated for all countries t5o extend the same courtesies to other states, as have been extended to those they favor. Post World War II, however, saw the failure of this principle as the world was divided into blocs[27].

GATT later on, incorporated Article XXIV, which provided for the formation of regional trading arrangements, that is, a group of countries were allowed to come together and form free trade areas[26]. Therefore, it is at this point that Regional Trade Blocs and Economic Communities emerged such as Association of South East Asian Nations (ASEAN), North African Free Trade Area (NAFTA) and Arab Maghreb Union, among others.

The United Nations Economic Commission for Africa lists the main RECs in the continent, which include, Arab Maghreb Union (AMU), Community of Sahel-Saharan States (CEN-SAD), Common Market of East and Southern Africa (COMESA), East African Community (EAC), Economic Community of Central African States (CEEAC), Economic Community of West African States (ECOWAS), Inter-Governmental Authority on Development (IGAD) and Southern African Development Community (SADC)[28].Slowly by slowly, these RECs became and still continue to become a force to reckon with in the international arena.

The African Union (AU) has been in the forefront in fighting the International Criminal Court (ICC) against their indictment and prosecution of sitting leaders, especially during Kenya's cases against President Uhuru Kenyatta and Deputy President William Ruto concerning the 2007/2008

[27] Frankel, J. A., *Regional Trading Blocs in the New World Economic System*, Institute for International Economics, Washington D.C (1997)
[28] United Nations Economic Commission for Africa, *African Union (AU) and Regional Economic Communities (RECs) in Africa*, last updated 2015.

Post Elections Violence which saw more than 1,000 Kenyans killed and hundreds of thousands others displaced. In the end, though not explicitly, the Union seems to have won over the ICC. In fact, there has been an arrest warrant for the Sudan president Omar Al Bashir for crimes in Sudan, yet he has been in and out of countries within Africa and none has arrested and extradited to The Hague.

2.2SINGLE WINDOW SYSTEM

As has been earlier mentioned, the Single Window System is a platform whereby importers and exporters are able to lodge trade-related documents and applications which are routed, electronically, to government agencies for approvals; the system is developed from efforts made to simplify border formalities for traders and other economic operators[29]. Further, the World Bank reiterates this point in their 2011 report by highlighting that the system would be useful in linking traders to customs and other government agencies, allowing them to make applications online and approvals to be done via the same channels. The system also goes a step further and connects to the private sector through institutions such as banks and insurance companies, thus ensuring that the trader gets a cyclical process, as is in manual submission of the same documents[30]. Studies have shown that trade is an economic mover, especially exports, which bring in foreign income to exporting countries. Therefore, it is only logical for a country to want to increase its trade and make its trading activities and processes more efficient and effective.

The implementation and realization of the system in both national and regional capacities has been made possible, according to the World Customs Survey, as a result of major leaps and

[29] Choi, J. Y., *A survey of the Single Window Implementation* which was done in August 2011under the World Customs Organization (WCO). The entire survey can be found in the following link: *http://www.wcoomd.org/en/topics/research/activities-and-programmes/~/media/2DF5A36D3ECA46CCB7B17BDF77ACC021.ashx*

[30] World Bank and International Finance Corporation, *Doing Business 2010: Making a Difference for Entrepreneurs*, 2010, Washington D.C.

bounds in the Information and Communications Technology (ICT) and the will of political leaders and the entire trading and trade-related community within the scope of said system.

According to the World Customs Organization (WCO) survey, this computerized system has been a huge advantage for the trading community. It has speeded up the processing of trade information, has enabled risk management especially for concerned Government agencies, has enhanced compliance in the private sector and provides better service to businesses due to efficiencies[34].

It should be noted that, in as much as the process seems clear cut and simple, complexities arise during the system's implementation especially where multiple agencies are involved, that is, multiplication of the number of stakeholders, each with their different requirements and needs and some having their own working system. The World Bank, therefore, outlines a few pre-requisites required before its successful implementation is realized. There has to be a strong business case with a foundation of the practical assessment of risk challenges and capabilities, a clear and unambiguous mandate from the government and political will, a realistic vision of the system that is owned by all stakeholders, unanimous agreement on government structures including the lead agency and clearly outlined roles and responsibilities for all stakeholders and a practical project plan commensurate to both human and financial resources available[31].

Closer to home, a task force under the African Alliance for e-Commerce (AACE) came up with a manual on the Guidelines of Single Window Implementation in Africa. According to the manual, the prosperity of the African economic system is based on markets, technology, labor and logistics. This is integrated under the system as all global standardized documents and tools

[31]McLinden, G. on the Lao People's Democratic Republic's Single Window System through the World Bank, *Single Window System: What we have learnt (2013)*. Article can be accessed through *http://blogs.worldbank.org/trade/single-window-systems-what-we-have-learned*, 2013.

outlined by WTO and UNCEFACT are incorporated with other State-specific needs being met. Interested countries also have to invest in technology in order to build/increase their capacity in the provision of this service. After some research, the study revealed that most African countries adopted the Single Window for Clearance Formalities, which includes the implementation and integration of processes of various agencies, involved in pre-clearance, clearance and post-clearance, with diverse and complex interests into a single platform[32].

Management of the system, therefore, is done by an autonomous entity in charge of implementing and operating it. The most prudent decision would be to establish the entity at the onset of the project which will ensure successful and progressive integration of stakeholders and the inclusion of all resources in all project implementation activities[36].

The intricacies and details of the S.W.S are diverse and majorly complex and are tailor-made depending on the individual State, their national legislations and their government agencies varied needs and demands. Therefore, each nation that has a vision of system implementation should conduct due diligence and ensure all set pre-requisites are met, and could go a step further and benchmark with those countries that have the system up and running.

2.3 REGIONAL TRADE AND SINGLE WINDOW SYSTEM

The culmination of a trade system is the success in implementation of a regional single window, which integrates all national systems within a defined Regional Economic Community (RECs). According to Ibrahim N. E. Diagne, General Manager of GAINDE 2000, Regional SWS results into "flawless information and document exchange at a national, regional and international level

[32] African Alliance for e-Commerce Task Force, *Guidelines for Single Widow Implementation in Africa*, April 2013.

between Business-to-Business (B2B), Business-to-Government (B2G) and Government to Government (G2G)"[33].

He puts emphasis on a country's ability to build capacity in terms of Business Process Re-engineering (BPR) versus simple automation, use of already existing solutions versus developments of new solutions and most crucial, is to look at people resource. He ends by emphasizing that the end goal should be a strong regional system such that all Nations within that REC are able to exchange trade-related documents and information flawlessly. Mr. Diagne gives the case of a UEMOA (Economic Community of West African States) Regional Single Window, that is, a common e-Certificate of Origin and a portal for information exchange. The REC includes Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Republic of Senegal and Republic of Togo[37].

The theory that the study is based on, that is, Advanced Factor Endowment Theory comes into play. For regional trade to work absolutely, all factors of production have to be in place. Political stability and will, entrepreneurial skills and freedoms, social & democratic issues, economy and technology are required from the individual state and the region, as a whole, for the system to work. These factors, in as much as they may be available in the country, may need enhancements based on the level within which the country is in, in terms of its capability versus the demands of system implementation.

In this case then, there shall be successful implementation and integration of the system in totality. A good case study of this success is in the ASW (ASEAN Single Window) which shall

[33]Ibrahin Nour Eddine Diagne, GM GAINDE 2000 is the UNEFACT Raporteur for Africa and the Chairman of the African Alliance for E-Commerce. His piece is on Single Window &Regional Trade Integration: The Challenges which was presented in Geneva on April 2013. Link for the same is *www.unece.org/fileadmin/DAM/Cefact/Cf_forums/Geneva_2013/PPTs/08_SingleWindowandRegionalTradeIntegration.pdf*

be used as a benchmark by the study to determine the viability of the realization of a regional EAC Single Window System. However, this comparison shall be made in a subsequent chapter and a conclusion drawn, based on the two.

CHAPTER THREE

COMPARATIVE STUDY OF THE EAST AFRICAN COMMUNITY (EAC) & ASSOCIATION OF SOUTH EAST ASIAN NATIONS (ASEAN)

This chapter will delve into specifics and shall compare the East African Community regions with the Association of South East Asian Nations (ASEAN), with the main reason being the ASEAN region has, so far, been most successful in implementing a regional SWS, which is

known as the ASEAN Single Window (ASW). Therefore, in-depth information on the steps taken by ASEAN shall be highlighted and compared with the level in which developments in regional integration of the EAC is at and this will assist in coming up with a conclusion on the viability of implementation of the system.

3.0 Association of South East Asian Nations (ASEAN)

The chapter will compare the East African Community (EAC) with ASEAN in the implementation of the Regional Single Window System because this is the only Regional Economic Community that has successfully implemented it, that is, the ASEAN Single Window (ASW).

3.0.1 Background of Region

The Association of South East Asian Nations (ASEAN) was formed on August 8th 1967 and, currently, has 10 member states which are Brunei Darussalam, Cambodia, Lao PDR, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam[34]. According to the Secretariat based in Jakarta, Indonesia the association's main aims are to facilitate free movement of goods, services, investments, labor across borders and capital, increase connectivity between people, and institutions to lower costs of doing business and to narrow the development gap both within and between member states through certain cohesive programs[35].

3.0.2 ASEAN milestones: inception, successes and challenges encountered

According to the Chairperson of the ASEAN Single Window Ms. Marianne Wong, the idea of an ASEAN Single Window began with the declaration of the ASEAN Concord II, which is also

[34] Plummer, G.M. & Yui, C.S, *Realising the ASEAN Economic Community: A comprehensive assessment*, Institute of South East Asian Studies, 2009.
[35] ASEAN Secretariat, *Factsheet: ASEAN Economic Community (ASC)*, 2013.

known as the Bali Concord II[36]. In this declaration, and with Heads of States and Governments of all ASEAN member states present, the ASEAN Economic Community (AEC) was adopted which encompassed, *inter alia*, to

> "institute new mechanisms and measures to strengthen the implementation of its existing economic initiatives including the ASEAN Free Trade Area (AFTA), ASEAN Framework Agreement on Services (AFAS) and ASEAN Investment Area (AIA); accelerate regional integration in the priority sectors; facilitate movement of business persons, skilled labor and talents; and strengthen the institutional mechanisms of ASEAN, including the improvement of the existing ASEAN Dispute Settlement Mechanism to ensure expeditious and legally binding resolution of any economic disputes"[37]:

An inter-agency task force was then formed in 2004 which would design, develop and implement the ASW across the region. An agreement that would effect and cement the decision reached upon by the different National Economic Ministers was signed on December 12th 2005 during the 11th ASEAN Summit that was held in Kuala Lampur. The Chairman, during the Summit, talked of efforts and progress made towards ASEAN Integration and Community Building[38], which included a unanimous agreement towards establishment of ASW. Same time the following year, a protocol was signed that would see the establishment and implementation of the ASW and the first ever ASW Steering Committee meeting was held in March 2007[34]thus marking the beginning of the process.

ASW was defined as a secure environment within which National Single Windows in the ASEAN region integrate and operate. The system will constitute a regional facility to facilitate "seamless, standardized and harmonized routing and communication of trade and customs-related information and data for customs clearance and release to and from NSWs"[34]. However, it

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[36]Presentation done by Ms. Marianne Wong Mee Wan who was the Senior Assistant Director of Customs in Malaysia and the Chairperson of ASEAN Single Window in August 2014. She is also a member on UNNExT Advisory Committee.

[37]ASEAN Secretariat, *Declaration of the ASEAN Concord II (Bali Concord II)*, 2014. The Secretariat is based in Jakarta, Indonesia.

[38] Document with the ASEAN Secretariat, titled Chairman's Statement of the 11th ASEAN Summit "One Vision, One Identity, One Community"

was pointed out that this data and information shall be owned, and will be within the control and ambits of the respective States.

Speakers during a CAREC (Central Asia Regional Economic Cooperation) workshop outlined the main objectives of ASW as achieving average customs and release times of, at least, 30 minutes at every entry point, enhancing the region's economic competitiveness and, finally, processing electronically, all trade and trade-related documents. Implementation of the system was designed to take a Phased Approach, that is, on Phase 1 all ASEAN member states would form working groups within the individual states and combine all documents and procedures involved in the trade process. Phase 2 involved formation of an Inter-Agency task force that would critically analyze work-flows and processes as-is and re-engineer them to incorporate the technological aspect as required by the system. In the 3rd Phase, a draft proposal would be prepared that would incorporate all technical documents and an ASW prototype would be developed. The 4th and final Phase involved coming up with an implementation plan and to present all collected documents and the model to ASEAN Economic Ministers for their official endorsements[39].

Yet again, it would be of use to emphasize the choice of the Advanced Factor Endowment theory as the main theory of the study. It is evident that the region by itself and with the use of its already existing resources is capable of sustaining itself. However, from the study, there seems to be apparent shortcomings if at all, that the region had which were leading to economic inefficiencies. It is because of these that, in a bid to build capacity on its existing factors of production, the region made a unanimous decision to include technology in its trade processes.

[39] Seng, F.C. &Choon, T. who presented a paper during the CAREC workshop on the Single Electronic Window Development. The paper, titled *The ASEAN Experience* was presented on July 16th 2009.

Most certainly this process, inasmuch as it is easy in theory, is quite complex in practice. A few concerns were raised then, by the different member states that would either negatively or positively impact depending on set agreements. According to Seng and Choon, concerns arose on possibility of system failure, then is there a Plan B since there is only one access point? There was also the issue of security or trade data and its ownership and the duplicity of technological modules features and functionalities between the National and Regional systems. Therefore, according to the 2 presenters, a region should conclude on who shall operate and own the centralized SWS, cost sharing schemes among the different member states, potential conflict among states, ensuring equal and fair services among states and impartiality of the central system's ownership was also questioned[37].

An ASEAN paper outlined some challenges that the region went through during their implementation process, which should be considered by the EAC during the first phases, and, where possible, should be mitigated. Firstly, decision making took too long as consultations had to be made and, furthermore, there had to be consensus reached and compromises made. Given

that individual states have different bureaucracies and decision making procedures, then the process would lag behind and there would be little noted developments[40].

Secondly, each state has its own national laws and legislations that govern their day-to-day processes, which may interfere with regional implementation. They may also be at different national single window automation levels and subsequently causing delays. Financial constraints also arise, including dependencies on external funding. Sustainable income is also needed after implementation to maintain the entire system, and states may differ on contributions to be made

[40] Presentation done by the Director General of Customs in April 2013 and the paper titled *ASEAN Single Window: The ASEAN Connectivity Towards ASEAN Economic Community*

towards this. Coming up with laws that would govern entire system may also prove to be a complex and rigorous process. Challenges emerging from the system at a national level, are likely to have ripple effects on the entire region's system and finally, depending on the scope, business process re-engineering may require efforts and resources beyond the capability of the region[38].

However, so far, there have been some successes such as implementation and evaluation of the ASW architecture as had been drawn up, finalization of the region's legal framework, establishment of an effective governance structure and business model of the system's operation and sustainability, continuous collaboration with other ASEAN groups on related work and finalization of business processes with pertinent documents and information that would be used in development of ASW[38].

3.1 THE EAST AFRICAN COMMUNITY (EAC)

The EAC is the main area of this study and therefore, it is very important to include a profile of the region and all its efforts insofar as national and regional trade integration is concerned. Therefore, this section will address these sub-topics and at the end, will compare steps made with those followed by ASEAN.

3.1.1 Background of region

According to the German Co-operation, the East African Community's roots can be traced back to between 1897 and 1901, during the building of the railway line, which ran across Kenya, Uganda and Tanganyika, moves which opened up the region to colonialists and developments. Goods then became easier to transport to the mainland of Uganda and soon, a full customs union

was established[41]. The period between 1905 and 1977 had various activities which gave the region its EAC identity. These include formation of an E.A Currency Board, Postal Union, the Court of Appeal for Eastern Africa, the East African Tax Board and a Joint Economic Council. In 1948, the East African High Commission was formed to deal with customs union, common external tariff, currency & postage and common services such as transport, education, research and communications[42].

Post-independence EAC saw many having envisioned that the region would work towards a political federation. However, differences in political and fiscal policies and Kenya's prevailing economic might were identified to having been a hindrance of this. In 1967, the 3 states signed the Treaty for East African Co-operation with the aims of forming a common market, common customs tariffs, and establishing multiple public services. At this point, there were a few successes, that is, monetary union (equal currency, that is, 1Ksh. =1 Tsh. =1 Ush.), common public organizations (East African Railways & Harbors, East African Airways and the East African Development Bank), harmonized education programs (same syllabus, University of East Africa with colleges in all states) and free movement of citizens[39].

In 1967, the then Tanzanian President Mwalimu Julius Nyerere enforced the Arusha Declaration which outlined and enforced the principles on Ujamaa. In the same year, the E.A Currency Board broke up into 3 different central banks for each country, thus breaking the monetary union. In 1971, the EAC was hit with another blow when Idi Amin Dada successfully led a coup and ousted Milton Obote. After this, Mwalimu Nyerere refused to hold discussions with Idi Amin,

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[41] German Co-operation, *The History of the East African Community*, http://eacgermany.org/eac-history/ last updated

[42] EAC Corporate Communications and Public Affairs, *Treaty Establishing the East African Community*, 2010

which drove EAC developments to halt. Eventually, in 1977, the EAC completely broke due to reasons outlines in the preamble of the Treaty of the EAC as

> "lack of strong political will, lack of strong participation of the private sector and civil society in the co-operation activities, the continued disproportionate sharing of benefits of the Community among the Partner States due to their differences in their levels of development and lack of adequate policies to address this situation"[40]

The 3 states, still determined to ensure peace and harmony within the region, signed a Mediation Agreement for Division of Liabilities 1984 to have a mutual agreement of exploring possible future co-operation among them. On November 30th 1993, the 3 heads of State signed the Agreement of the Establishment of Permanent Tripartite Commission for East African Co-operation and in 1996, the commission's secretariat was launched with its headquarters at Arusha[43]. In 1997, the Heads of State upgraded to Agreement to a Treaty and on November 30th 1999, the Treaty for the Establishment of E.A.C was signed. July, 7th 2000 saw the ratification and enforcement of the treaty, including deposition of Instruments of Ratification with the EAC Secretary General and consequently, the EAC came into being. In 2001, the 1st EAC Summit was

[43] EAC Corporate Communications & Public Affairs Department, *History of the EAC, http://www.eac.int/index.php?option=com_content&id=44&itemid=54*, last updated 2015.

held and various protocols reached. Later on, in 2007, the Republics of Rwanda and Burundi accede to the EAC treaty and finally, become full members on July 1st 2007[43].

From then on, multiple developments have been made towards achieving a Political Federation, with the region having borrowed the 6 major phases plan as had been outlined in the earlier section by Straubhaar. These shall be discussed in the next section.

[43]EAC Corporate Communications & Public Affairs Department, *History of the EAC, http://www.eac.int/index.php?option=com_content&id=44&itemid=54*, last updated 2015.

3.1.2 Milestones towards an integrated EAC

In 2004, an East African Community road map was drawn which included establishment of a Customs Union, followed by a Common Market, a Monetary Union and finally a Political Federation.

3.1.2.1 Customs Union

On March 2nd2004, the EAC Customs Union protocol was drawn and became operational from January 1st 2005[39] with an aim to pursue provisions of Article 75 of the Treaty for the Establishment of the EAC, which provides for the establishment of a Customs Union. According to the treaty, this would look into non-tariff trade barriers, internal tariffs, common external tariffs, competition, dumping and the simplification and coordination of trade-related documents[40].

It was to this effect that the Single Customs Territory (SCT) came to being, whose main objective is to reduce the costs of doing business within the area, and to enhance trade within EAC states through integration of Customs clearance processes and reducing stringent border controls. Development of a framework to guide the implementation of the SCT was done during Heads of State summit held in April 2012, which spells out its pillars as Free Circulation of Goods, Revenue Management and Legal and Institutional Frameworks[44]. The treaty goes ahead to define the SCT as,

> "the stage for full attainment of the customs union which is attainable by the removal of duties and other restrictive regulations and/or minimization of internal border customs controls on goods moving between partner states with an ultimate realization of free circulation of goods"[42]

[44] EAC Secretariat, *Framework for the Attainment of the EAC Single Customs Territory*¸ November 2013.

TradeMark East Africa (TMEA) reported that in October 2013, presidents of Uganda, Rwanda and Kenya got into an agreement to implement the SCT, withy Tanzania and Burundi joining in November of the same year. This then, saw the removal of weigh bridges, police and customs checks along the Mombasa-Kampala-Kigali highway. They also implemented a computerized clearance and electronic tracking of cargo, which led to efforts towards elimination of non-trade barriers[45]. Implementation efforts are on-going and are involving Customs from all states, that is, Kenya Revenue Authority (KRA), Ugandan Revenue Authority (URA), Tanzania Revenue Authority (TRA), Rwandan Revenue Authority (RRA) and *Office Burundias des Recettes*.

3.1.2.2 Common Market

The Common Market protocol was signed on November 30th 2009 and its official launch in all partner countries was on July, 1st 2010. The main objective of its formation is to "widen and deepen cooperation among partner states in the economic and social fields for the sole benefit of the partner states and their citizens"[46].

Mr. Jean Claude Nsengiyumva, Deputy Secretary General, Productive & Social Sectors in the EAC outlined steps towards successful realisation of the Common Market through, *inter alia*, a review of existing immigration policies and laws, harmonization of policies and work towards recognition and standardization of academic. He also went ahead and reported on some achievements and steps that have been done so far, in realising this dream. Some of them include increased intra-EAC trade, signing of the Double Taxation Avoidance Agreement, relaxation of

[45]TradeMark East Africa, *Single Customs Territory-What is it all about?*,*https://www.trademarkea.com/blog/single-customs-territory/*, article done May 2014.
[46] East African Community, *Objectives of the EAC Common Market*, *http://www.eac.int/commonmarket/index.php?option=com_content&view=article&id=81&Itemid=106*, 2015.

travel and work permit requirements, recognition of EA citizens as residents, 24-hour operations at various border posts and priorities given to infrastructural developments within the area[47].

In light of this, the region has begun moves towards development and adaptation of the One-Stop Border Posts (OSBP). The Business Daily, on April 29th 2013, ran an article on OSBPs which informed EAC member states that the East African Legislative Assemble (EALA) had passed the One-Stop-Border-Posts Bill 2012 and the same had been sent to the various heads of states for adoption[48].

Mr. Alfred Kitolo, the current Director with the State Department of East African Affairs reported that 15 posts were being set-up, with government agencies' representatives from all states sharing work spaces and providing services from central points. Some of these posts include Malaba, Namanga, Isebania, Kabanja, Kobero, Lungalunga, Busia, Gasenyi, among others[49].

One of the aspects of this phase is the freedom of movement of the difference factors of production. Notably the EAC signed off the East African single tourist visa which allows a tourist to move within Kenya, Rwanda and Uganda for a given period of time.

3.1.2.3 Monetary Union

The EAC Monetary Union (EAMU) protocol was signed on November 30th 2013, as a fulfillment of Article 5, 2 of the Treaty Establishing the East African Community, which states that formation of a Monetary Union was one of the objectives of the EAC[40]. However, Dr. Enos

[47]Nsengiyumya, J. C., *EAC Integration Process: Achievements & Challenges in the Implementation of the Common Market* (paper presented during the Lake Tanganyika Basin Development Conference from 27th-29thNovember 2011 in Bujumbura).
[48]Allan Odhiambo, "EAC passes law on One Stop Border Posts, *Business Daily*, April 29th 2013.
[49]My Gov, *One Stop Shop for EAC border posts being rolled out*, mygov.go.ke/one-stop-shop-for-eac-border-posts-being-rolled-out, June 10th 2015.

Bukuku pointed out that for this stage to be successfully, the customs union has to be fully implemented. However, his report mentioned various pre-requisites that have been done so far towards an EAMU. Some of these included harmonizing monetary and exchange rate policies, fiscal policies and the financial sector (Capital Markets, Insurance and Pensions) among member states. Frameworks have been developed for these and others including banking, information technology, accounts and financial markets and currencies (notes and coins)[50].He emphasized that only after the region has fulfilled total and complete market integration would a Monetary Union be realized.

However, achievement of an EAMU may be a tall order, especially if the European Union (EU) is to be used as an example. The world has seen, for example, Greece almost at the brink of collapse due to reliance of common currency and rates. Then again, the African Business magazine points out that, different states within the EU have individual currencies, for example, the British Pound, French Franc and the Italian Euro. In the same article, some of the pros include providing a stable currency in terms of purchasing power and minimal currency fluctuations, elimination or great reduction of transaction costs, hastening of cross-border payments and viability of investments and free movement of people[51].

However, the in the same article, Mr. Duale points out that there may be challenges that would arise. States would have to give up autonomy over an individual state's monetary policy as there has to be central institutions to control the central bank. The regional central bank would also be responsible over implementing a common interest rate that may not be favorable for all. Also, management of the financial convergence would be important given dependencies on aid even

[50]Dr. EnosBukuku is the Deputy Secretary General of Planning and Infrastructure in the EAC. He compiled a report on the progress made on the EAC Monetary Union.
[51]Abdirashid Duale is the Chief Executive Officer of the Dahbshiil Group. He has contributed to the discussions through his article on the African Business Magazine, titles "The Pros and Cons of EAC Monetary Union.

though levels are different and the loss of political power would be felt because governments would have to give up control over their nations' exchange rates that manage short-term political goals such as lowering costs of living[49].

However, it should be noted that EAMU is still work in progress, and at the same time many doubt its coming to fruition and being a success story due to the Eurozone. Either way, a huge chunk of the set-out pre-requisites are yet to be met, for this to move on.

3.1.2.4 Political Federation

A political federation is the last and final step that a region (read EAC) would need to get to in order to realize full integration. It should be noted that the other phases are pre-requisites of this and therefore, have to be in place and working very well, in order for developments of a Political Federation to begin.

Since the EAC is still grappling with challenges that are slowing down continuation of the process such as the Kenya-Tanzania struggle for might, then it would be safe to say that the EAC has not got to this point and there is no telling when the same would be finalized.

3.1.3 EAC Single Window System

As had been expounded earlier, a regional Single Window System cannot exist without the implementation of individual national systems. Therefore, EAC is slowly adopting this and progress of the same is as follows:

Kenya National Single Window System (KNSWS): The country is in the process of implementing the Kenya National Single Window System (KNSWS) through the Kenya Trade Network Agency (KENTRADE), a State Corporation established under Legal Notice #6 of 2011.

It is charged with the implementation of KNSWS and trade facilitation in Kenya. The system went live on October 31st 2013 and on May 2nd 2014, the organization was launched by H.E President Uhuru Kenyatta, with the Ugandan and Rwandan Heads of State in attendance. According to KENTRADE, the main objective of SWS is to "facilitate international trade by reducing delays and lowering costs associated with clearance of goods at the Kenyan borders while maintaining the requisite controls and collection of levies, free duties and taxes where applicable on imports and exports"[3]. Establishment of SWS is in line with Kenya's Vision 2030 under the Economic Pillar, which is expected to "maintain a sustained economic growth of at least 10% p.a from 2012 and beyond"[52].

Rwanda Single Window System: The Rwandan Government officially announced, on February 8th 2012, the launch of the Rwandan Electronic Single Window through an MOU between Rwanda Revenue Authority (RRA), Rwanda Bureau of Standards, Rwanda Bonded Warehouses (MAGERWA), Rwanda Development Board and Ministry of Health[53].

Tanzania Single Window System: In an EAC summit, it was reported that the Tanzania Port Authority was working towards the establishment of a Port Community System, its Electronic Single Window System (eSWS). Its Director General acknowledged the improvement of the Tanzanian port partly due to the "use of Container Freight Stations (CFS) in a bid towards the establishment of the Port Community System, that is, Electronic Single Window System[54].

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[52] Kenya Vision 2030, Economic Pillar, http://www.vision2030.go.ke/index.php/pillars, 2015.
[53] Rwanda Revenue Authority: Customs Services, *Rwanda Electronic Single Window launched*, *http://www.rra.gov.rw/spip.php?article926*, Last updated February, 8th 2012

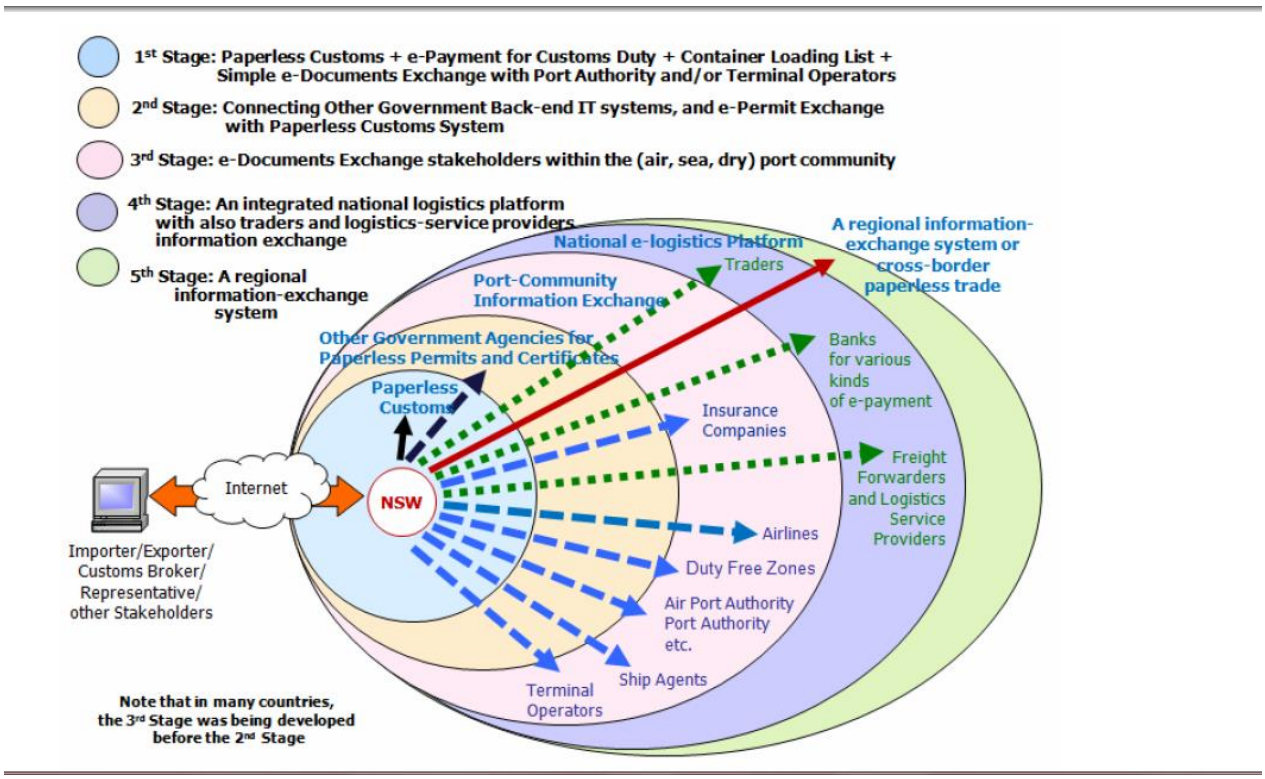
[54]Othieno, R. O, *EAC Ministers visit Dar and Mombasa Ports, http://www.eac.int/index.php?option=com_content&view=article&id=942:ministers-visit-dar-and-mombasa-ports&catid=146:press-releases&Itemid=194, last updated 2015.*

Ugandan Single Window System: Trade Mark East Africa gave a brief on the concept developed by Ugandan Government of their steps towards implementation of their National Single Window System. The Ugandan Revenue Authority (URA) together with Ministry of Trade Industry and Cooperatives would implement this system with the aim of reducing trade transaction costs and time taken to process documents. However, there are no indications that the process of implementation has commenced.

After all member states have adopted national SWS, the next step is the Regional SWS. During the Global Trade Facilitation in 2011, Jonathan Koh Tat Tsen gave an illustration of the achievement of this, borrowed from the UN Network of Experts for the Paperless Trade (UNNEXT) as follows[55]:

Figure 1.3: Staged Approach to developing a Single Window

[55]Tsen, J. T., *Ten Years of Singe Window Implementation: Lessons learnt for the Future*, (Paper presented in a workshop on Global Trade Facilitation 2011, Connecting International Trade)



SOURCE: Global Trade Facilitation Conference, 2011

The above is a summary of a phased implementation of the system, both at national and regional levels. In the first stage, the government ensures that traders and customs have direct contact, given that this entity is primary in collection of duties and taxes from imports. The second stage entails integration with government agencies involved in issuance of permits during the import/export process. The third stage looks at transport avenues that actually bring in these products, that is, through air, sea, road and rail, and ensure that these stakeholders are also provided for within the system. The fourth stage brings in each and every other stakeholder involved within the state, such as banks, insurance companies and intelligence-related institutions (anti-corruption, police and intelligence services). The fifth, and final stage looks into integration of the individual states' SWSs into one regional SWS.

However, the EAC is not without challenges. Some of these, as outlined by Amb. Francis Muthaura[56], include:

1. The need to sustain political will and public support of equal flow of benefits for all member states.
2. A need to marry EAC Customs Union with other regional bodies to which the member states belong. These include COMESA, ECOWAS and SADC.
3. The provision of necessary resources to finance community organs, institutions, programs and projects.
4. Prioritization of activities within the EAC, that is, consider those with the highest impact on integration, which should take precedence.
5. Harmonizing national and regional policies.
6. Implementing decisions on time.
7. A need to achieve and maintain high and sustainable growth in all states to give morale to governments. Low incomes may diminish government choices which may lead to unpredictable fiscal policies which will, in turn, clash with community policies.
8. Need to boost competitiveness in the economies of partner states and of the EAC in general.
9. Maintenance of regional peace and security.

Notably, the main EAC states in conflict are Kenya and Tanzania, whose underlying issue is which State is the hegemony in the region. Recently, a Nation Correspondent on 24th March 2015, reported on the emerging issue on tourism. A 1985 bilateral agreement agreed upon by the

[56] Muthaura, F. "The Process for the EAC Regional Integration", *Dialogue on the Regional Integration in East Africa, (Arusha: East African Secretariat 2002).*

two states held that tour vans should drop off visitors at convenient points in their respective countries as opposed to them being left at the borders. The C.S for E.A Affairs and Commerce and Tourism, Mrs. Phyllis Kandie then banned all Tanzanian tour vans from gaining access into Kenyan parks and airports. In a retaliatory bid, Tanzania announced a reduction in Kenya Airways (KQ) flights from 42 to 14. It was this that led to Kenyan President Uhuru Kenyatta and Tanzanian President Jakaya Kikwete's meeting in Namibia and an agreement of maintaining status quo was reached. A future meeting shall be held between government representatives of the two Nations to iron out all other issues[57].

This discussion would not be complete without an identification of some Non-Tariff Barriers within the EAC, Northern Corridor[58]. They include:

1. Reduction of grace period for transit cargo
2. Congestion in the ports thus delays in cargo clearance
3. Non-harmonized road user charges and road tolls
4. Delays in bonds issuance at the Kenyan border with Uganda
5. Cash bonds introduced by Kenya on used clothes, shoes and other high-valued items which restricts business transactions
6. Introduction of Customs warehouse rent by Kenya which increases costs of doing business
7. Lack of a simplifies Certificate of Origin issued by Tanzania which amounts to loss of business
8. Cut-flowers from Tanzania for re-exports to Europe and Russia blocked by Kenya, which is a loss of business to Europe and Russia.
9. Kenyan trucks charged a levy of USD 200 on entry into Tanzania.
10. Kenyan tourist vans not allowed to enter into Tanzania; required to off-load tourists into Tanzanian registered vans.

[57]Nation Correspondent, "Team to iron out Kenya, Tanzania row", *Daily Nation,* Nairobi, 24th March 2015, pg. 36.
[58]EAC Secretariat, *EAC mechanism for the elimination of non-tariff barriers*, 2006.

However, among key decisions made in an EAC heads Meeting held on 14th March 2012 in Mombasa, the delegation made a decision to get rid of all road blocks and to replace them with electronic cargo tracking systems.

3.2 IS EAC MOVING TOWARDS RIGHT DIRECTION?

Some challenges had been pointed out during ASEAN implementation and, using the region as a benchmark, the EAC economic heads would be prudent to ensure that these are arrested in good time, to reduce the number of issues that would arise in their implementation. This is because characteristics of states within a region are almost similar, and similar issues are sure to crop up; difference would be in the scope and magnitude of the issues, depending on economic might and other factors.

As have been pointed out, the ASEAN as a region had been in existence for quite a long time, almost 38 years, before talks of an ASEAN Single Window System began in 2005. The region had also gone through the various phases, including establishment of an ASEAN Economic Community which had stabilized by the time of ASW inception.

EAC is still at its teething stage. Although multiple efforts have been made up to the point of establishing a Monetary Union, the region is still curbed with major challenges such as reluctance of member states to be fully integrated into the EAC, for example Tanzania's multiplicity of membership In SADC and EAC may lead to conflict in policies. Also, issues such as Tanzania and Kenya's tassel for recognition as the region's hegemony and even agreements between countries within the region, such as the Coalition of the Willing (C.O.W) among Kenya, Uganda and Rwanda, is a clear indication that the EAC still has a long way to go.

Also, it is fundamental for all States to have implemented National Single Windows for the same to be integrated into a central system. However, from the study, only Kenya, Tanzania and Rwanda have made efforts towards implementation of NSWSs. This alone then disqualifies the region from getting a regional trade system.

CHAPTER FOUR

CRITICAL ANALYSES OF COLLECTED DATA

4.0 INTRODUCTION

In this chapter, data was collected through distribution of questionnaires and other means of data collection, which included phone calls. 20 questionnaires were sent to management of the different stakeholders, which include clearing agents, shipping agents, other government agencies and traders themselves. However, 12 resources were not available to fill in their questionnaires as their offices are outside Nairobi and others were held up. Therefore, interviews were done via telephone calls made to the individuals and with guidance from the questionnaire.

Given that most of the questions were open ended, the factor ranking method is going to be used in analyzing the raw data. This method includes looking at all the responses from the various respondents, and ranking them in terms of their occurrences, that is, the number of times that that particular answer has appeared in the different questionnaires.

The findings, on the basis of collected data, are as presented below:

4.1 BENEFITS OF THE KENYA NATIONAL SINGLE WINDOW SYSTEM (KNSWS)

The stakeholders, including traders, shipping agents, clearing agents and representatives from the government agencies, were asked to identify notable benefits of the Kenya National Single Window System since its implementation and roll-out. Some of their responses included reduced lead times, faster approvals, reduced transaction costs and enhanced transparency. Elaborate responses were as shown in Table 4.1.1 below:

Table 4.1.1: Benefits of KNSWS Implementation

STAKEHOLDERS	BENEFITS
Traders (Exporters/Importers)	➢ Reduced lead times ➢ Reduced transaction costs ➢ Online applications which can be done from anywhere ➢ Reduced manual processes ➢ Reduced human intervention that would lead to corruption. ➢ Minimal physical submission of applications ➢ Reduced demurrage costs ➢ Easy tracking of cargo through use of the Unique Consignment Reference (UCR) number
Clearing Agents	➢ Easier to maneuver than Kenya

	Revenue Authority (KRA) system ➢ Faster approval process ➢ Reduced corruption instances ➢ Accountability ➢ Efficiency in the process ➢ Increased revenue ➢ No physical submission of permit applications
Shipping Agents	➢ Reduced delays of approvals ➢ Easier upload of files ➢ Faster data capture ➢ Enhanced transparency
Government agencies	➢ Increased transparency ➢ Greater efficiency and accountability ➢ Increased co-ordination between government agencies ➢ Reduced red tape in approvals ➢ Increase in revenue collected

Source: Author 2015

4.2 CHALLENGES FACED DURING IMPLEMENTATION OF KNSWS

The stakeholders were, then, asked to express the challenges that they have faced during the implementation of the system. System downtime, delays in certain processes and lack of systems

were cited as the most common among the different stakeholder group. Other responses are as shown in the below table:

Table 4.1.2: Challenges faced during the implementation of KNSWS

STAKEHOLDERS	CHALLENGES
Traders (Exporters/Importers)	➢ System downtime ➢ Delays in approval ➢ Missing records
Shipping agents	➢ System downtime ➢ Delays in certain processes such as CFS nominations. ➢ Issues arising are not dealt with immediately ➢ Absence of certain provisions for in the system that deal with process as is
Clearing agents	➢ System down times ➢ Slow approvals ➢ Slow bank transactions ➢ Hostility from clearing agents ➢ Insecurity when it comes to bulk payments (bank don't accept cheques from other banks)
Government agencies	➢ Integration issues ➢ Bureaucracies ➢ Most agencies have no internal systems for easier

	integration ➢ High costs incurred in capacity building process such as Business Process Re-engineering (BPR), purchase of hardware and outsourcing of systems developers skills.

Source: Author 2015

4.3 LEVEL OF RESISTANCE

The stakeholders were also asked, from their own personal opinions, what they thought about the trading community's acceptance of the system. In this case then, highly resistant means negative responses towards introduction of the system due to increased transparency and elaborate duty collection. Neutral level, in this case, looks at those stakeholders who are indifferent to the introduction of the system, mainly because their mandates are not directly impacted by its introduction. Quick uptake, finally, indicates those who were, and are still, appreciative of the implementation of the system due to the various benefits it has. Traders, for example, are able to track their cargo and do not have to pay extra to lodge certain documents. Government agencies such as Customs, is able to track duties to be paid, which would be otherwise evaded due to scrupulous ways.

The ratings collected in this section are as below:

Table 4.1.3: Stakeholder Resistance

STAKEHOLDERS	HIGHLY RESISTANT	NEUTRAL	QUICK UPTAKE

Traders (Exporters/ Importers)	2	4	14
Clearing Agents	10	8	2
Shipping agents	0	7	12
Government agencies	5	2	13

Source: Author 2015

4.4 EAST AFRICAN COMMUNITY (EAC) BENEFITS FROM REGIONAL SWS IMPLEMENTATION

The stakeholders were then required to comment, based on their experiences so far, whether the implementation of a regional SWS within the EAC would benefit the region as a whole. Most responded in the affirmative, with the few who had a negative response sighting reasons such as increased integration expenses and taking on a project that the EAC would not manage.

The specific numbers were as below:

Table 4.1.4: Regional SWS implementation in the EAC

RESPONSE	n=20
Yes	16
No	4

Source: Author 2015

The stakeholders, who gave a positive response, were then asked to identify the potential benefits that the EAC would enjoy with the implementation of the system. Similar responses to this

question were easy tracking of cargo, increased clearance times and transparency. The rest of their responses were as below:

Table 4.1.5: Benefits of regional SWS

STAKEHOLDERS	BENEFITS
Traders (Exporters/Importers)	➢ Easy tracking of cargo on transit ➢ Transaction costs will reduce as a result of reduced delays at the border posts ➢ Reduced lead times due to faster clearance of goods ➢ Increased transparency ➢ Reduction of opportunities for corruption
Clearing agents	➢ Faster movement of goods ➢ Ability to better plan for cargo clearance ➢ Better reporting ➢ Reliable information on movement of cargo and levels of clearance
Shipping agents	➢ Easier reporting and end-to-end audits ➢ Easier transmission and communication of transit documents
Government agencies	➢ Enhanced regional integration ➢ Reduced disputes between and among the EAC states ➢ Increase in the effective use of regional resources ➢ Improved collection of duties, fees and other charges

	as required ➢ Improved security and risk analysis ➢ Reduction in corruption and illegal trade ➢ Increased transparency and accountability of government processes ➢ Developments in infrastructure within the states in the region ➢ Provision of superior reports and audits

Source: Author 2015

4.5 POTENTIAL CHALLENGES REGIONAL SWS IMPLEMENTATION MAY FACE

The stakeholders were then asked, to give challenges that would be faced during the implementation of an EAC SWS, while making reference to the challenges being faced with the process of introduction of the national system. Most of them mentioned that government political will and teething problems would be the most difficult to get through.

Other opinions on these challenges include:

Table 4.1.6: Regional SWS Implementation Challenges

CHALLENGES	n RESPONSES
Governments' political will	15
Dispute over ownership of the regional system among the member states	2
Variances in economic might of countries within the region	5

Different individual national legislations	6
Data harmonization	3
Existing EAC integration challenges such as multiple REC membership which may lead to conflicting requirements and maintaining peace and security within the region	7
Resistance from stakeholders of individual states	5
Teething issue of new systems	10
Period taken by some member states in implementing individual National SWS	4

Source: Author 2015

4.6 STEPS KENYAN GOVERNMENT NEEDS TO TAKE TO IMPROVE PROCESS OF IMPLEMENTATION OF REGIONAL SWS

Finally then, the stakeholders were asked to give recommendations on what the Kenyan government, as the presumed hegemony of the EAC, could do to boost implementation of the Regional SWS within the EAC. The main recommendation was to eradicate corruption both in the country and to take steps towards ending the same within the region. Others were as below:

Table 4.1.7: Recommendations to the Kenyan government on implementation of EAC SWS.

STEPS	n RESPONSES
Encourage member states to begin the process of implementation or expedite on-going national system process	5
Take steps to eradicate corruption in the government	18

Fast track full roll-out of KNSWS	6
Curb non-tariff barriers on the Kenyan side	12
Initiate process of harmonizing legislation that would govern day-to-day running of the Regional SWS	2

Source: Author 2015

4.7 CONCLUSION

In conclusion, therefore, this chapter relied solely on raw information as collected from the trading community. Inasmuch as there have been teething problems experienced between Go-Live of the Kenyan National Single Window System (KNSWS) on October 2013 to date, benefits realized outweigh challenges faced.

Increase in revenue and lead times, reduction of transaction costs and generally, the ease of the entire process are the pros that the system has brought into the trade industry.

However, a regional SWS is on a higher scale and, if the KNSWS is anything to go by, then the process shall definitely not be as smooth as it appears theoretically. That said, if the region was to work as a whole, then some, if not all, of the views given as benefits of having an EAC SWS shall be realized.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This final chapter of the project paper will have a summary of the data collected, a conclusion as derived from this data to prove the main research objective and recommendations for the gaps identified.

The main objective of the study was to determine the viability of implementation of a regional Single Window System within the East African Community (EAC). All questions guiding both the oral and written responses were geared towards determining whether the trading community thought this would be a feasible goal or not. The main areas of the questions benefits of the national Kenyan SWS, potential benefits and challenges of a regional SWS and efforts that the Kenyan government could make in order to further developments of the same.

It is worth noting that as a guiding factor, the Advanced Factors Endowment Theory comes into play. The country, and to a large extent the entire EAC region, has its own basic, albeit scarce resources to carry out trade with other states and regions. However, accelerated growth and

dynamism of the sector forced changes in the World Economic Order, in terms of efficiencies in practices that will lead to notable increase in competitiveness.

In this case then, the Single Window System (SWS) comes as an addition, to support the Kenyan trade processes through technological enhancements. This has been noted to work positively, evidenced by data collected from the trading community.

The below narrative is an elaboration of benefits and challenges of the process.

5.0.1 Benefits and challenges of KNSWS

The study noted benefits of the national SWS are reduced clearance and lead times, reduction of transaction costs and demurrages emanating from delays and reduced manual applications and hardcopies submissions.

Other benefits include easy access of the system from anywhere as long as there is internet, ease of cargo tracking through the introduction of the Unique Consignment Reference number (UCR) and an increase in transparency of the processes.

Overall, there is an increase in revenue collected through efficiencies of the system and transparency of the process.

However, as it is with all other systems, there have been challenges experienced. The most notable one has been system downtimes and delays in approvals in some areas. Other stakeholders have experienced instances of missing data in the system.

Government agencies have unique challenges as well, during this process. These are integration issues and costs related to this, lack of systems and bureaucracies within agencies.

5.0.2 Potential benefits and challenges of implementing a Regional SWS

A regional system would, from the sample population, be beneficial for trade within the region. All agreed that there would be faster movement of cargo and easy clearance at the different border posts. There is also the feeling that the system would enhance reporting and audits of statistics and transactions within the stated.

The governments would also greatly benefit as such a move would build up on regional integration efforts, reduced disputes among the states, improved collection of duties and fees due to increased transparency, reduced corruption levels, developments in infrastructure and an increase in effective use of regional resources.

However, challenges were also identified; with the most noted one being political will from the different national government. Others include dispute over the system ownership, different economic levels of the countries, initial teething issues of a new system and delays in implementation of nations SWS.

5.0.3 Efforts of Kenyan government towards development of EAC SWS

Most of the respondents were in agreement that the Kenyan government should take measures in reducing corruption levels within government processes. Other steps include coming up with legislature to get rid of non-tariff barriers within the country and to fast track complete implementation of KNSWS.

5.2 CONCLUSION

This study has compiled bits and pieces of experiences from various individuals, organizations, regions and any other stakeholders involved in the implementation of both national and regional Single Window Systems.

Chapter 3 highlighted the various levels within which ASEAN went through before full implementation of ASW and indicated where exactly EAC is, currently. Different views were also given by stakeholders on the ground, who are using the National Single Window System and who would, eventually, use the regional system. Benefits given by the sample population vis-à-vis benefits expected from the system have been realized, thus giving a positive report on the end goal of implementation of such a system. However, the entire process is not without challenges.

At this point, it would be notable to mention and highlight the theory guiding this research. The Advanced Factors theory is clearly brought out after all the basics have been covered and real-time information gathered from the actual users of the system. It denotes that, inasmuch as there are already existing trade processes and procedures, including factors that support them, there is a need for enhancements which would increase efficiency of trade and consequently, build the economy of the state and overall region. Therefore, the Single Window System comes in, which is a huge step towards technological advancements.

It would be wise to make reference to the earlier hypotheses made, and to endorse both statements as the study clearly agrees with the assumptions made. It is indeed one of the conclusions that there shall be improvements in the EAC trade sector, with the implementation of the regional Single Window System. Also, the study does conclude and agree with the fact that implementation of the same shall be a success if, among others, the EAC is able to overcome its major integration challenges.

It is with these insights and information that the study concludes that successful implementation and full roll-out of a regional Single Window System in the EAC is viable and can be realized.

However, it should be noted that this is not going to be an easy process, given the steps taken to do the same on a National level. Joint efforts among the 5 member states of the EAC to streamline legislations and other pre-requisites pegged on political will may be a hurdle, which can be overcome.

Leaders of the various governments need to use the bottom-up approach, that is, deal with their internal housekeeping issues and sort out factors on a national level then consolidate on a regional level with harmonized and streamlined policies for the regional system to be implemented.

In all honesty, a time limit of the same cannot be identified at this time; all that the regional heads can do is fast track full implementation of national SWS, then the region can talk.

5.3 RECOMMENDATION

A major recommendation is for the experts and professionals in this sector to come up with more academic papers with in-depth research on the Single Window System, seeing as it is a new system being developed and, thus, needs to be made aware to individuals in all sectors, including the academic world.

On the ground, the Kenyan government should compel all government agencies to fast track the uptake and implementation of the National Single Window System (KNSWS). The country, being the presumed hegemony of the region, would then be at a better position to influence implementation of the same system in the other four member states in the region.

In addition to that, the governments of the member states should work towards ironing out of major challenges that are affecting and impeding complete integration of the region. With this in

place then, implementation of a Regional SWS shall be a smooth sailing affair, with minimal challenges, if the bigger problems are dealt with.

Finally, as a recommendation and when the time comes, the EAC should identify an implementation team and facilitate their physical visit and interaction with the Association of South East Asian Nations (ASEAN) regional heads, to get a clearer picture of their experiences during their own implementation. Such can also offer lessons learnt, which are key in the step-by-step process.

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