UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS ADMINISTRATION

CUSTOMS-TO-CUSTOMS PARTNERSHIP STRATEGY IN CROSS LAND BORDER CLEARANCE WITHIN THE EAST AFRICAN COMMUNITY

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DECLARATION

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

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DEDICATION

I dedicate my research project to my beloved daughter and husband. Thank you for your love, inspiration and understanding during my MBA studies. May the Almighty God bless you abundantly.

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ABBREVIATIONS AND ACRONYMS

AEO : Approved Economic Operators

CBM : Coordinated Border Management

COMESA : Common Market for Eastern and Southern Africa

EAC : East African Community

ECOWAS : Economic Community of West African States

HS : Harmonised System

ICT : Information Communication Technology

JBP : Joint Border Post

KRA : Kenya Revenue Authority

OSBP : One Stop Border Post

RECTS : Regional Electronic Cargo Tracking System

SCT : Single Customs Territory

SWS : Single Window System

TMEA : Trademark East Africa

Tz : Tanzania

Ug : Uganda

WCO : World Customs Organization

WCO-SF : World Customs Organisation SAFE Framework

WTO : World Trade Organisation

ABSTRACT

Customs-to-customs partnership is a concept that was introduced by the World Customs Organisation (WCO) in its safe framework of standards. Its key purpose is to facilitate genuine trade. The traditional practice involved a rigorous approach to cargo clearance whereby goods were inspected by national Customs on one side of the border and the same process was replicated on the other side by adjoining Customs administration officials. The approach resulted into significant delays and increased cost of clearance. The WCO therefore viewed that Customs departments on either side of the border must coordinate their efforts to facilitate more effective international trade and enhance compliance to security. Customs-to-customs partnership was adopted and led to the introduction of Customs reforms such as One Stop Border Posts (OSBPs), Coordinated Border management (CBM), Regional Electronic Cargo Tracking System (RECTS), Single Customs Territory (SCT) and Approved Economic Operators (AEOs) among other reforms. Clearance of goods and conveyances of the goods for import and export is the major activity that brings together different governmental bodies and stakeholders in various industries involved in the international cross-border trade. The Chapter 2 of the WCO's General Annex to the Revised Kyoto Convention defines clearance as the accomplishment of the Customs formalities essential to allow goods to enter home use or to be exported and placed under another Customs procedure. The rapid growth of globalization and international trade require cost-effectiveness and timely cross-border clearance as opposed to the traditional procedure where the same cargo clearance processes were replicated on either side. This study therefore adopted explorative research to explore whether cargo clearance has become faster based on the new model; Customs-to-customs partnership vis-à-vis the traditional two-stop border post model. The main aim of the project was to critically assess the clearance of cargo across the border in order to identify factors, which contribute to performance and technical efficiency. To achieve this the objectives of this research assessed the operations of individual Customs administrations in cargo clearance based on the Customs-to-Customs partnership and traditional two-post model to estimate their impact and compare their performance in reducing the cost and time of clearance, reduction of transit time, enhancing trade facilitation and boosting compliance to regional standards and instruments.

CHAPTER ONE: INTRODUCTION

1.1 Background

Customs faces challenges in the present-day border management, such as smuggling of drugs, dangerous and prohibited goods; money laundering; trade in counterfeit goods; tax evasion; terrorism and trans-national related crimes across its borders (Deloitte, 2014). The continuous transformation towards globalization has set in the intricate balance between security and trade facilitation. Economic prosperity has severally been pegged on the free movement of factors of production across our borders. The solution to these therefore would be a coordinated risk management amongst the national Customs and adjoining Customs administrations. The role of Customs is no longer limited to the traditional job of collecting revenue; Customs are the frontier soldiers entrusted with the task of securing the border at the same time facilitating legal trade (Musyoki, 2017).

Customs mandate cuts across all national borders whereby all goods that cross the border are subject to Customs supervision. Customs mission is therefore to primarily develop and implement integrated set of policies and procedures that enhance safety and security and at the same time ensure effective trade facilitation and revenue collection. To achieve these, Customs has adopted the use of technology and intelligence sharing in dealing with cross border trade, conveyances and traders (World Customs Organisation, 2008).

1.1.1 Customs-to-Customs Partnership

Customs-to-customs partnership has also been referred to as Customs-to-customs cooperation, e-Customs, networked Customs and end-to-end supply chain management, by the WCO in its WCO SAFE Framework of Standards (World Customs Organization, 2005). Further, WCO treaties such as the revised Kyoto convention provides both the legal framework and a range of agreed standards that standardize and harmonise Customs

policies and procedures worldwide (World Bank, 2005). These operational environments require optimal allocation of resources to a combined set of facilitation and control activities. The objective of the partnership is to eliminate duplications that lead to delays in international trade, caused by multiple reporting requirements, inspections and strengthening cooperation between Customs administrations. Advantages of this partnership would therefore be real-time exchange of information between the Customs administrations throughout the supply chain.

To achieve the Customs-to-Customs model of operational strategy Kenya through its collaboration with the EAC has adopted the EAC integration agenda defined in the Protocol on the Establishment of the East African Customs Union that came into force in 2005. In its fourth Article the Protocol underpins the necessity for national and joint institutional arrangements as concerns the cooperation by partner states in the field of Customs management and trade. Further, in the fifth Article the Protocol proposes the operation of a Harmonised System (HS) that facilitates the sharing of Customs and trade information (East Africa Community, 2004). These frameworks have guided Customs administrations within the EAC adopt reforms such as the One Stop Border Posts, Coordinated Border Management, Regional Electronic Cargo Tracking System, Single Customs Territory and Approved Economic Operators.

1.1.2 Cross-Border Clearance in East Africa

The cross-border cargo and conveyances clearance of goods for import and export is the major activity that brings together different governmental bodies and stakeholders from the various industries involved in the international cross-border trade. The Chapter 2 of the WCO's General Annex to the Revised Kyoto Convention defines clearance as the accomplishment of the Customs formalities essential to allow goods to enter for home use or to be exported and placed under another Customs procedure (WCO, 2008). The rapid

growth of globalization and international trade require a more cost-effective and timelier cross-border clearance as opposed to the traditional cumbersome duplicative procedures. Goods that move across international borders are sometimes subject to lengthy, complex and rigorous administrative procedures before they can be imported, exported or transported through a Customs territory or country. When these procedures are duplicated by Customs administration officials from both sides of the border, the process becomes even more cumbersome, time consuming and costly. To reduce the problem, the WCO introduced Customs-to-Customs cooperation as a strategy to facilitate coordination between Customs administration officials of the two countries to eliminate the traditional two-stop border post model.

1.1.3 National Land Border Posts in East Africa

The national land border post refers to a border checkpoint on the land between two countries where travellers and goods are inspected by the Customs officials before they are cleared to enter, leave or transit though the country (KRA, 2017). According to Ladley and Simmond, border is central to the concept of statehood and state sovereignty as it demarcates the zone in which a state exercises its jurisdiction, which includes development and application of enforcement policies and laws (Ladley, 2007).

Kenya has several national land border posts where Customs administration officials conduct cross-border and cargo clearance. Those shared between Kenya and Tanzania include Lungalunga, Taveta, Namanga, Loitokitok and Isebania, while those shared between Kenya and Uganda are Busia, Lwakhakha, Suam and Malaba. Kenya shares her border also with Ethiopia at Moyale border post, Somalia at Mandera and Liboi posts and finally with South Sudan at Lokichoggio border posts (EAC, 2016). (East African Community, 2016) See appendix V, the map of East Africa. These land border posts are the major access points between Kenya and the other EAC states.

Several Partner Government Agencies are stationed at the Kenyan border posts. They include Kenya Plant Health Inspectorate Services (KEPHIS), Kenya Bureau of Standards (KEBS), Department of Fisheries, Department of Veterinary Services, Kenya Wildlife Services (KWS) and Ministry of Public health (EAC, 2016). Customs main role is therefore to coordinate all these agencies by ensuring that only legitimate imports, exports and transit goods are cleared through the National border.

In the traditional two-post border, clearance formalities involved compliance with regulatory requirements of multiplicity of state agencies from their independent stations that were marred with cumbersome procedures and requirements, corruption and weak administrative capacity leading to increased costs and massive delays. As a result, the attention of policy makers has recently shifted towards Customs-to-Customs partnership that embraces the new operational environment of a Coordinated Border Management approach, providing optimal allocation of resources and consolidating information from all sources of optimise risk management capabilities (WCO, 2008).
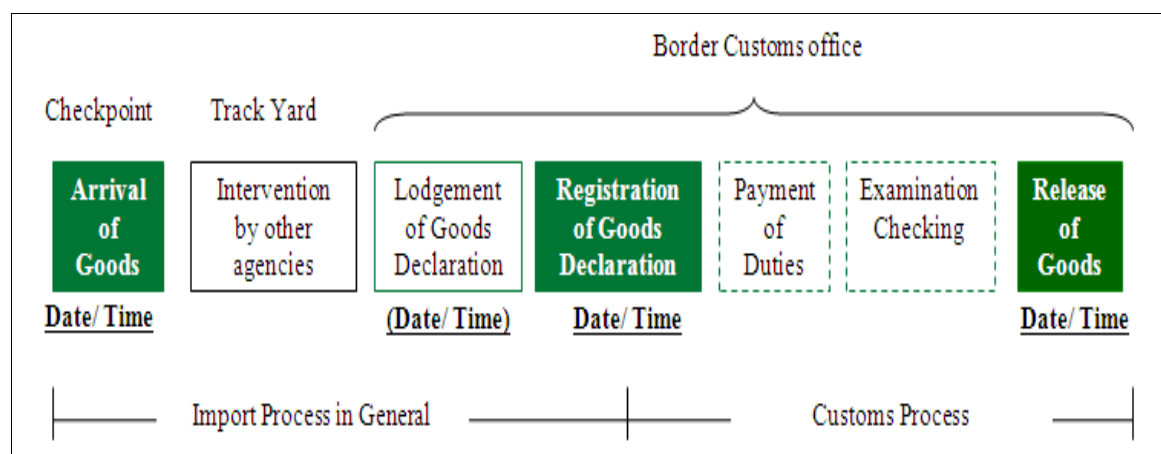
Figure 0.1: *Clearance process based on Time Release Study (TRS) under Customs-to-Customs partnership (KRA, 2017).*

1.1.4 East African Community

The East African Community (EAC) was initially formed in 1967 with the cooperation of three countries, which included the Republic of Kenya, Uganda and Tanzania, it was however, dissolved in 1977. It was not until 1984 that the former EAC members signed an agreement to enhance future co-operation based on concrete agreements. This consecutively led to the signing of the treaty for the establishment of the EAC in Arusha, Tanzania in November 1999 leading to the same treaty entering into force on 7th July 2000. The EAC Summit then signed the protocol for establishment of the EAC Customs Union, which then came into force in 2005 (EAC, 2004). The EAC Customs Union is an agreement by the current six partner states, with the later inclusions of the Republic of Burundi, Rwanda and South Sudan. The aim of the Union is to establish a free trade area. This implies a preferential treatment for goods and services originating from the partner states complemented by a common external tariff for goods and services entering the EAC from countries outside the EAC zone.

To achieve the Customs-to-Customs model of Operational strategy Kenya through its collaboration with the EAC has adopted the EAC integration agenda defined in the Protocol on the Establishment of the East African Customs. In its fourth Article the Protocol underpins the necessity for national and joint institutional arrangements as concerns the cooperation by partner states in the field of Customs management and trade (Kunaka, Raballand & Fitzmaurice, 2016). Further, in the fifth Article the Protocol proposes the operation of a harmonised information system that facilitates the sharing of Customs and trade information (EAC, 2004). These frameworks have guided Customs administrations adopt reforms such as the One Stop Border Posts, Coordinated Border Management, Electronic Cargo Tracking System, Single Customs Territory and Approved Economic Operators.

1.1.5 Other Inter-Governmental Organisations Using Customs-to-Customs Partnership strategies

The European Union (EU) is an agreement between 28 member states. EU embraces the initiative of Approved Economic Operators and Single Administrative Document in its cross-border clearances (Council of the European Union, European Parliament, 2013). The purpose of the Single Administrative Document (SAD) was to standardize Customs documents, harmonize coding and simplify international trade procedures. This document is used for clearing goods across the European Union internal borders and for transit formalities. Customs in the EU has faced numerous security challenges against an increasing demand for trade facilitation of legitimate trade. To achieve the right balance between security and trade facilitation across its borders, European Union (EU) has developed the concept of Integrated Border Management. It is premised on cooperation among all competent authorities working together in an effective and efficient manner. This comprises of both national and adjoining border agencies. Integrated Border Management seeks to address three levels of cooperation and coordination: intra service cooperation, inter-agency cooperation and international cooperation. The EU member states further, endorsed the Union Customs Code that entered into force on 1st of May 2016. The code places a lot of emphasis on a fully electronic communication between Customs Administrations (European Parliament and of the Council , 2008).

The Gulf Cooperation Council (GCC) has a membership of six Middle Eastern countries that have similarly endorsed its Customs Union. This union embraces the initiative of the Single Point of Entry, which is like the Single Customs Territory (SCT) in its Customs cross-border clearances. Its operations are such that upon arrival of goods from external (non-GCC countries), the first point of entry shall be deemed to be the point of entry into the economic bloc and all Customs procedures are to be conducted from this point. Such

procedures include declaration of goods, verification of conformity to documentation, payment of taxes, warehousing and release (Gulf Cooperation Council Secretariat-General, 1999).

1.2 Research Problem

The international trading community has shifted its focus to an operating environment that embraces cost-effective and faster clearance processes that is risk and intelligence based as opposed to the stringent former Customs regulatory processes. This has subsequently led to increased workload for customs administrations and hence the need to employ partnerships and embrace technology in its operations. WCO and other international bodies have responded to this increasing globalisation of trade and revolutionary factors through the development of global standards that recognise the changing nature of border management (WCO, 2005). To this end, this research sought to find out whether Custom-to-Customs partnership strategies have enabled faster and cost effective cross-border and cargo clearance across the Kenyan borders to its EAC partner states.

A time release study conducted by Customs Kenya together with World Bank found out that in 2004 under the traditional two-border post model it took twelve hours to clear imports across the land borders. This was the time between the lodging of the entry to the time the goods were released (United Nations , 2004). In 2017, Kenya Revenue Authority conducted another time-release study that showed the mean arrival to removal time in cargo clearance had reduced to seven hours and sixteen minutes. This was because of implementing reforms under the Customs-to-Customs partnership strategy (KRA, 2017).

Some of the studies done that were found to be significant to this study were, (Ndunda, 2013) who studied the Implementation of the One Stop Border Stop (OSBP) strategy at

Busia border station. This study used a case study approach. From the findings, the study viewed that the implementation of OSBP was ongoing and that its success was pegged on the involvement of various organizations both from the private and government sectors. The study further viewed joint verification by Kenya Revenue Authority (KRA) and Uganda Revenue Authority (URA) would save on time and cost. This study also identified Culture, Organizational Structure and Organizational politics as the major Institutional challenges. Other challenges were Operational in terms of limited human and financial resources and finally external environmental challenges. (Moywaywa, 2015) Assessed the Regional Integration in East Africa its challenges and lessons from the European Union (EU) integration. The study employed a case study research design. The study found that the EAC integration gave its partner states a comparative advantage and bargaining power in the international arena. Likewise, the success of EAC relied mainly on the commitment of its members. The study further explored the similarity in challenges of actualization of both EAC and EU and found to be very similar and thus made EU an appropriate study to adopt lessons learnt. These challenges included imbalances in the political environment of member states.

Not so much research has been conducted on the specific compliance costs and time saved with the introduction of specific strategies under the EAC Custom Union Integration. This study proposes a Customs-to-Customs partnership model designed for border Customs administrations, which contributes to a reduction in the gap between the two-stop border post model expectations and Customs-to-Customs Partnership strategy satisfaction. The studies conducted earlier did not depict the documentary and border compliance against their respective costs and time duration taken under both the Customs-to-Customs partnership as compared to the Traditional two-post border. The Purpose of this study was therefore be to establish the comparison in the compliance costs

between clearance under the Customs-to-Customs strategy with that under the two-post border stop and to measure the time taken by Customs for cross border cargo clearance against the five initiatives under the Customs-to-Customs partnership. This study therefore seeks to answer the main question of whether the Customs-to-Customs partnership strategy reduced the overall time and compliance cost in cross border cargo clearance.

1.3 Research Objectives

The main objective entailed exploring the effects of Customs-to-Customs partnership strategy on time and compliance cost compared to the traditional two-stop border post model. The specific objectives included:

i.   To explore the impact of Customs-to-Customs partnership strategy in enhancing the speed in cargo clearance in comparison to the traditional two-stop border post model

ii.   To establish the effects on cargo clearance compliance costs on adoption of the Customs-to-Customs partnership strategy in comparison to the traditional two-stop border post model

iii.   To investigate the challenges in the adoption of the Customs-to-Customs partnership strategy in comparison to the traditional two-stop border post model

1.4 Value of the Study

The results of this study will be significant to Kenya Revenue Authority, and especially the Customs administration officials. By comparing the traditional two-post model with the Customs-to-Customs partnership, they would create a clear road map regarding which of the two cross-border and cargo clearance strategies to adopt in the international borders which optimises on time and compliance cost. The study will also be significant to the

Ministry of Finance in deployment of resources for the coordinated border management. The study would further provide significant insights for the policymakers, especially the legislatures in developing relevant policies for cross-border and cargo clearance at borders in compliance with the World Customs Organization.

CHAPTER TWO: LITERATURE REVIEW

Introduction

This section analyses the critical review of previous works showing the effects of Customs-to-Customs reforms on time and the compliance cost involved in cross-border and cargo clearance. Generally, this chapter provides sufficient background information to set the ground for the data collection approaches, analysis, discussion and conclusion. Through the literature reviews and theoretical review, the researcher can identify the predicted gaps and set a stage for the study development that would address those gaps effectively.

2.1 Theoretical Review

According to Adom, Kwakwa and Amankwaa (2018), theories and concepts are vital in stimulating the research through the knowledge extension and provision of direction that motivates inquiry into the research problem. The section includes a set of theories carefully chosen and formulated to help in explaining, predicting and understanding the study phenomena. Through the theories and subsequent theoretical review, the researcher can challenge the existing knowledge and extend the knowledge development within the bounds of the study assumptions (Haugh, 2012). In this study, the phenomena of interest are to assess and determine if the Customs-to-Customs partnership strategy based on the relevant strategies significantly reduce time and compliance cost of cross-border and cargo clearance at border posts. Therefore, the following two theories were selected for the study.

2.1.1 Mercantilism Theory

According to Viotti and Kauppi (2013), mercantilism is an economic theory and conceptual practice where the state seeks to regulate the economic activities and trade

with the aim of promoting domestically produced goods at the expense of other countries. The theory of mercantilism is linked to the policies that established the state to control imports and increase stocks of gold to protect the domestic industries (Magnusson, 2015). It involves the restriction on imports of the goods that are produced locally as a way of expanding domestic market for locally manufactured goods through tariff, quotas or non-tariff barriers. The control of imports on certain goods is done at the borders by the Customs authorities (Weingast, 2018). The theory involves the subsidies given by the government on export to provide competitive advances for the local products in the global markets (Viotti & Kauppi, 2013). Thus, mercantilism concept promotes the understanding of the regional integration where countries export certain goods and services; they have production advantages on relative to the partner states. To reduce conflict of interest among the partner countries, coordinated border management between customs administrations on either side is encouraged to ensure effective and efficient control of export and import to serve interests of both countries (WCO, 2005).

However, the key drawback of mercantilism is that it is a zero-sum game concept where states benefit at the expense of the others (Magnusson, 2015). Thus, the theory does not promote the increase of the global trade growth and reduction of economic problems such as trade barriers and control (Viotti & Kauppi, 2013). Although the coordinated border management and one-stop border post model under mercantilism facilitate faster movement of people and goods, the aspect of control creates conflict of interest as the Customs administration officials from both sides would control what enters their country from the partner state (Weingast, 2018). This can be devastating when the trading partner imports products whose entry is restricted by Customs authorities from the other side. Furthermore, the fact that mercantilism stresses on the implementation of government regulation and monopoly at the border, by so doing it promotes the traditional two-post

border model more than it does to Customs-to-Customs partnership strategy (Magnusson, 2015). This leads to inefficiency and corruption caused by favouritism at the national borders (KRA, 2017).

2.1.2 Theory of Customs Unions

According to Alimbekov, Madumarov & Pech, G. (2017), the theory of Customs unions is a concept used to define the discriminatory aspects of tariff among the regional trade blocks through the formation of Customs unions. In this context, the importation, exportation and transiting of goods within the regions trade block involves the lowering of tariffs through the establishment of a joint outer tariff wall (Riezman, 2013). The theory of Customs unions promotes the idea of combining free trade between countries with protection of cross-border and cargo movements (Alimbekov et al., 2017). The regional trade blocks or economic integration often takes several forms, which represent different degrees of integration. These include free trade area, customs unions, common market, economic union and complete economic integration (Riezman, 2013; Molle, 2017). These forms define the structure of customs administration structure at the border posts between the countries within the block.

As explained in the theory of customs union, a free trade area can either reduce or abolish tariffs and other forms of trade barriers in the constituent countries. However, each of the countries can impose its own tariffs on imported goods from non-member country (Riezman, 2013). In this context, Alimbekov et al. (2017) argue that the theory encourages the use of Customs-to-Customs partnership strategy where Customs administration officials from each country coordinate and create one stop post for clearance of the imported, exported and transited goods. With the reduced tariffs and processes of cross-border and cargo clearance, Molle (2017) explains that there would be faster movement of goods and people. In the milieu of customs unions, the countries

agree to remove or minimise immobility factors such as high tariffs, long and daunting clearing procedures at the borders within the union to enhance faster movement of goods exported and imported to the common markets (Riezman, 2013).

The economic union among the members of a trading block such as EAC is reached when a common market reaches agreement on coordination of national economic policies of the members (KRA, 2017). In this sense, coordinated border management under the Customs-to-Customs cooperation is considered part of the adjoined economic policies of the countries. Finally, the theory of customs unions assert that a complete economic integration involves the unification of monetary, fiscal, social and counter cyclical policies and the establishment of a supra-national authority whose decisions are binding for the member countries (Molle, 2017). Accordingly, the theory supports the Customs-to-Customs partnership and encourages the coordinated customs operations between two countries to enhance faster movement of people and cargo across their borders (Alimbekov et al., 2017). Thus, the adoption of Customs-to-Customs partnership among the customs authorities can be achieved through the development and implementation of binding policies for cross-border and cargo clearance.

2.2 Empirical Literature Review/Summary of Literature review

This section involved the critical and empirical review and analysis of the previous studies that have been conducted regarding the traditional two-post model and Customs-to-Customs partnership model in terms of their effects on time and cost of cross-border and cargo clearance at borders between countries. The empirical review critically assesses the information that has been studied and recorded on the cross-border and cargo clearance strategies based on the national and international policies and laws guiding operations of customs authorities across the world, Africa, in COMESA and EAC

regions. The review is organized into critical discussions of traditional two-post model and Customs-to-Customs partnership strategies in cargo clearance.

2.2.1 Two-Post Model for Cross-border and Cargo Clearance

According to Bhero and Hoffman (2014), the two-post model is a traditional strategy of cross-border and cargo clearance. This model depicts a scenario where two countries trading across the border have their goods undergo duplicative clearance processes on either side of the border (Ruiz-Aguilar, Turias & Jiménez-Come (2015). First, the Customs officials of the domestic country would conduct the clearance procedures based on the national, regional and international policies and legal frameworks (Golub, 2015). Once the goods have been cleared at the border by the local Customs authority for export, Curtis (2009) explains that they then cross the border for another clearance process, which is also based on the local, regional and international policies and Customs laws.

The two-post model had the objective that international trade should serve the interest of a country. Therefore, both exporting and importing countries established Customs authorities at their national borders to ensure that the trade between them and other countries served the economic welfare of their people (Ruiz-Aguilar et al., 2015; Curtis, 2009). To avoid exploitation by countries enjoying monopoly in their production of certain goods and service, Golub (2015) asserts that both exporting and importing countries therefore install their Customs administration officials at the border.

Another reason why two-post model has been used over the years is the need to countercheck the quality of goods and services against their prices, especially for the Customs authority of the importing country (Ruiz-Aguilar et al., 2015; Bhero & Hoffman, 2014). According to Ruiz-Aguilar et al. (2015), the exporting state might take advantage of their high bargaining power to clear goods and services of low quality against high prices from their side. In this case, the Customs officials of the importing country would

want to verify and confirm whether the products meet the required standards stipulated under the domestic, regional and/or international laws of cross-border and cargo clearance (Kunaka et al., 2016). Figure 2.1 below, shows the two-posts border model that promotes counterchecks against regional and international trade agreement.
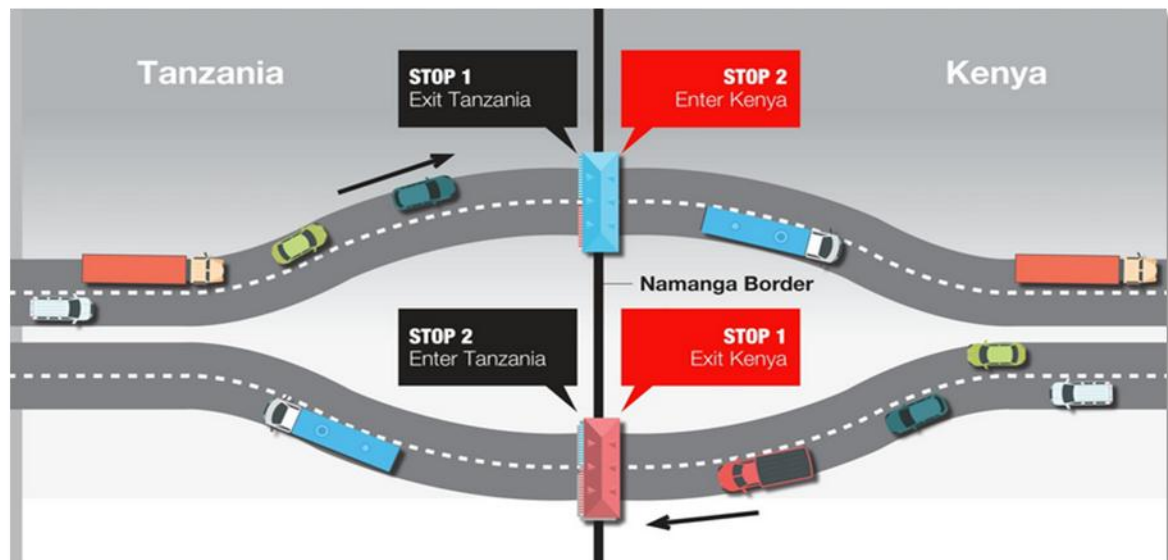
Figure 0.2: *Namanga border showing the traditional two-stop border post model (Kenya Revenue Authority, 2017).*

According to the WCO (2005), security is another key reason why trading nations impose strict Customs laws at their borders. Thus, the two-post model assists in counterchecking the security details of people and cargo moving across their border, especially into the host country. Illegal cross-border and illicit cargo movement cases have proliferated world over, as criminals, traffickers and terrorists evade Customs clearance in their countries to enter a foreign country (Deloitte, 2014). Therefore, establishment of the two-posts on either side is for countermeasures in case of cross-border and cargo clearance security evasion cases.

While looking at it from another angle, Ruiz-Aguilar et al. (2015) asserts that two-post model of cross-border and cargo clearance has some disadvantages. One of the disadvantages is that it is time consuming (Kunaka et al., 2016). In the modern world of

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globalization, regional free trade and increased use of Information Communication Technology (ICT), the flow of goods and people has significantly increased. According to Golub (2015), such rigorous and duplicated clearance processes might slow trade and hence infringe on economic welfare of trading partners. The second disadvantage this model is the high costs of clearance (Titeca, 2009; Kieck, 2010). The exporter would have to pay for cross-border and cargo clearance twice from the home country to the foreign state where the market is located. Such process increases costs of exportation leading to inflated market prices of the imported goods. According to Bhero and Hoffman (2014), when there is competition in the market, stock turnover of such high-priced imported products might be very low leading to poor a comparative advantage.

2.2.2 Customs-to-Customs Partnership Strategies in Cross Border and Cargo clearance

Although other factors of international trade such as control of imported and exported products, security and other policies are important, any process that consumes more time and costs tend to be economically unfriendly to the trading partners (Curtis, 2009; WCO, 2005). In their 2008 review of the customs procedures and regulations, the World Customs Organization introduced Customs-to-Customs partnership, to facilitate the cooperation between Customs authorities of either countries and reduce the time and cost of clearance attached to the rigorous processes at the two posts model. Some of these strategies have been expounded below.

2.2.3 One Stop Border Posts

In 2018, the presidents of Uganda and Kenya jointly launched OSBP at Busia border marking the most significant achievement in the regional integration and trade among the EAC states (Musyoki, 2018). The high-profile interest in the OSBP project is a depiction

of its importance in the cross-border and cargo clearance. The OSBP is a new concept and a welcome departure from the two-stop border post model, which was characterised by bulky paperwork, longer time for clearance processes, and duplication of the exit and entry procedures that consequently caused delays and increased costs of business operations (KRA, 2017). According to Rentier and Parent (2012), traditional two-stop border post model compelled importers, exporters and travellers to obtain exit clearance from one side of the border before moving to the other side of the border for entry clearance. These conventional crossing procedures demonstrated a glaring disconnection among the EAC member countries in cross-border and cargo clearance (Musyoki, 2018). The concept of OSBP was adopted to alleviate the situation by improving the speed and efficiency of crossing the border. OSBP combines the cross-border government administrations of the adjoining countries into one facility enhancing efficiencies at the border. It has consequently reduced barriers to trade and led to improvement of business competitiveness (Kirimi, 2015) as shown in the Figure 2.2 below.
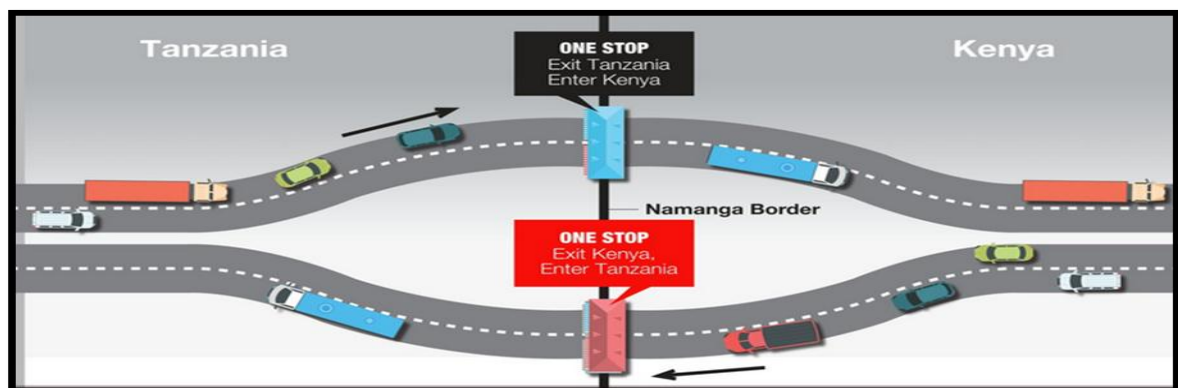
Figure 0.3: *Namanga border after introduction of OSBP model (Kenya Revenue Authority, 2017).*

According to Musyoki (2018), the OSBP model was established in the East African Community with the desire to improve the infrastructure and logistics at the border to reduce the transportation time and hence reduction of the trade cost in East Africa. As

observed by the Trade Mark East Africa, Busia border is among the busiest in the entire East Africa with an average of about 890 vehicles crossing the border with people and goods every day (TMEA, 2011). Delays across the border for few hours or days lead to delays of goods to reach the market at the right time. At the same time, it increases the cost of clearance, thus the introduction of OSBP model was inevitably important in reversing those economic impediments (KRA, 2017). Thus, construction of OSBPs in the six national borders had the three key mandates: improving the ICT infrastructure at the border; harmonising the work procedures on both sides of the border, and training the Customs administration officials at the border, freight forwarders and traders on how to use the modern technology in clearance processes (Musyoki, 2018; TMEA, 2011). It was reported in the KRA 6th Corporate Plan- Annual Monitoring and Evaluation report, that 80% of cargo was jointly verified at the OSBPs with other partner Customs agencies (KRA, 2017).

2.2.4 Single Customs Territory

The Single Customs Territory (SCT) is a step towards achieving customs unions, especially in the northern corridor involving all Eastern African countries. The SCT was developed as part of the Customs-to-Customs reforms to remove the restrictive regulations and reduce internal border controls on goods and people moving between the partner states of the northern corridor (Musyoki, 2018). According to the Kunaka, Single Customs Territory (SCT) is an initiative under the East African Community Customs Union that advocates for interconnectivity of Customs systems to facilitate information sharing between Customs stations and manage payment systems. SCT enables the completion of Customs procedures at the first point of entry into the partner states. The introduction of SCT allowed for the seamless flow of goods to improve trade among the EAC states and lower the costs of clearance of goods and services (Kunaka et al., 2016).

The SCT shifted the border control from physical to electronic processes and improve coordination between the agencies responsible for the cross-border and cargo clearance (Kieck, 2010). It makes it possible to achieve regional compliance and build a foundation for the EAC market and International Single Market structure of the partner states (NCIP, 2019). Through those objectives, Ruiz-Aguilar et al. (2015) explain that SCT helps the partner states realise economies of scale and optimal use of resource in the cross-border and cargo clearance. It was further reported in the KRA 6th Corporate Plan- Annual Monitoring and Evaluation report that the implementation of the SCT was at 70% by 2017 (KRA, 2017).

2.2.5 Approved Economic Operators

The Approved Economic Operators (AEOs) is a Customs Business model and part of the WCO Best Practice designed in 2005 whose aim is to reward players that are involved in the international supply chain and to help in demonstrating reliable Customs relations among partner states (Isaac & Lilian, 2010; Fossat & Bua, 2012). The eligibility of the state to join the AEO programme is currently open under two categories, which are clearing agents, importer and exporter category and manufacturer category. According to the WCO (2008)'s SAFE Framework, Approved Economic Operators (AEOs) are the individuals and resources involved in the international trade. They include inter alia manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors (Fossat & Bua, 2012; Gutierrez, 2018). The concept is based on the Customs-to-business partnership introduced by the WCO in its SAFE Framework of standards and in the WTO Trade Facilitation Agreement Article 7.7. For organisations to be accredited, they are vetted based on four criteria: Compliance; Safety and security; Financial solvency; and management of commercial records. The AEO program was first piloted in Kenya in the

year 2007-2009 and rolled out in 2010. At the regional level the program was piloted in 2011 and rolled out in 2015 (KRA, 2019). Its success therefore involves the mutual recognition of AEOs by the various Customs administrations located on internal borders of the EAC partner states. For this initiative to be effective, it needs to be complemented with post clearance audits (WCO, 2005).

2.2.6 Regional Electronic Cargo Tracking System

The Regional Electronic Cargo Tracking System (RECTS) is an initiative that was started by the Kenya Revenue Authority in partnership with the revenue administration departments of Uganda and Rwanda as an automated system to facilitate fast, smooth and secure movement of people and goods across their borders (KRA, 2007). The RECTS system was developed with the objective of integrating all EAC countries into the system. The system allows for real-time tracking of cargo on transit from the main ports to their destination through an Internet based digital platform. The implementation of the cargo tracking and security system was done as part of the KRA's response to the Kenyan government's interest in improving the tax collection processes and enforcement of new regulations for cargo handling (Syong'o, 2018). It was also part of the wider efforts by the KRA to promote Kenya as the most preferred trade route within the EAC region. The initiative effectively promoted the trade between Kenya and EAC states. It is also part of the efforts of KRA to comply with WCO (2008)'s new technology-based Customs-to-Customs cooperation strategy.

The RECTS system constitutes a monitoring centre, satellites, and special electronic seals fitted on the cargo containers and trucks to facilitate the tracking of transit goods and determining their real time locations. The RECTS system monitors movement of goods on transit from Mombasa Port to Free zones in Kenya, as well as from the port through the main transit routes in Kenya to the neighbouring landlocked states such as Uganda

and Rwanda (KRA, 2017). According to Syong'o (2018), the introduction of the RECTS by KRA was timely because it has improved Customs administration and significantly reduced the rampant illegal dumping of foreign goods in the country, which resulted into unfair trade practice and losses duties and taxes. Since the introduction of the RECTS system, KRA has recorded a significant improvement in the transit time of cargo from approximately 11 days to 4 days (Syong'o, 2018). Furthermore, Syong'o (2018) explains that the RECTS is supported by the rapid response units that are strategically placed along the major trade routes in Kenya. By adopting the RECTS system, KRA wanted to align Kenya with the universal industry best practices promoted by WCO (2005)'s Kyoto Convention to facilitate fair and secure trade environment with partner states. It also enhances the capacity of KRA in ensuring that regulations of revenue collection are enforced in a manner that creates a positive impact in the economic development of the country. As at June 2017, 75 percent of all transit/exports were under full electronic control from entry/origin to destinations within the partner states as reported in the KRA 6th Corporate Plan- Annual Monitoring and Evaluation report (KRA, 2017).

2.2.7 Coordinated Border Management

When talking about coordinated border management, what comes to the mind are fundamental challenges that have been witnessed that impede movement of people and cargo between trading states. According to Montagnat-Rentier and Parent (2012), they include volumes of goods awaiting clearance at borders, duplication of inspection, silo mentality, limited resources and technology. These challenges lead to slow clearance times, delays, increased non-compliance and increased costs to trade. The solution to these problems is the Coordinated Border Management (WCO, 2005). The modern CBM strategy is aimed at offloading those challenges faced in cross-border and cargo clearance at the border (Fossat & Bua, 2012). According to the Kenya School of Revenue

Management (KESRA), the coordinated border management is currently recognised by the Customs fraternity around the world as the potential solution for the challenges in the 21st century, regarding efficient and effective management of the border posts.

The CBM gives prominence to the key principle of coordinating policies, programmes and delivery of services in cross-border and cargo clearance based on regulations laid out rather than favouritism that had been taking toll in the past (WCO, 2008). According to KESRA (2018), the major aspect of CBM constitutes communication and coordination between Customs administration officials and other agencies at the border and within the trading community. The introduction of the CBM was intended to encourage states and individual border agencies to engage each other more actively as a way of ensuring that better and smarter management of national borders is achieved (Montagnat-Rentier & Parent, 2012).

2.3 Conceptual Framework

According to Pettit et al. (2010), it sets the stage for the presentation of the research questions that drive the investigations being reported based on the problem statement as shown in the figure 2.3 below.
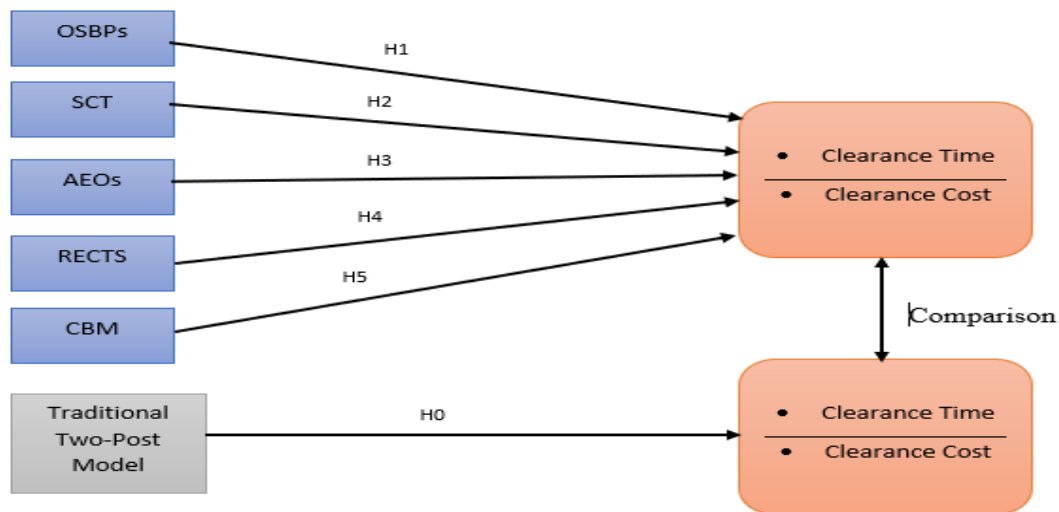
Figure 0.4: *Conceptual framework of the study (Author, 2019)*

<u>**KEY**</u>
OSBPs- One Stop Border Posts
SCT- Single Customs Territory
AEOs- Approved Economic Operators
RECTS- Regional Electronic Cargo Tracking System
CBM- Coordinated Border Management

From figure 2.3 above, the variables of the research are precise in the conceptual framework shown in figure 2.3 above. The two variables are easy to measure based on given hypotheses. Clearance time and cost implications directly affects the operations at the border posts and they constitute dependent variables of the study in the model above. Traditional two-post model is the independent variable and comparing the two variables shows that customs-to-customs operation is achievable and will have a greater impact in business operations within a region.

CHAPTER THREE: METHODOLOGY

Introduction

The chapter provides an elaborate presentation of methodology adopted for this study. According to Creswell and Clark (2017), research methodology refers to the specific techniques and methods that researcher adopts in the collection and evaluation of data as well as presentation of the evaluated or analysed data. Methodology defines the specific tools that the researcher will use to gather information and analyse them to achieve the study objectives.

3.1 Research Design

The study adopted cross-sectional survey design and explorative research to establish priorities by gathering and analysing data to create foundational knowledge-based findings in this field (Creswell et al., 2003). The explorative research was used to determine the nature of the problem: effects of Customs-to-Customs partnership strategy on time and cost incurred in cross border and cargo clearance in comparison to the two-stop border post model. The explorative research applied here would not provide conclusive evidence but it would help in having a better understanding of the problem (Hunter, McCallum & Howes (2018). As Creswell et al. (2003) explains, explorative study requires the researcher to change direction of study because of the revelations of new data and insights found during data collection processes in the field.

3.2 Study Site

The site selection was influenced by the research questions (Creswell et al., 2003). The site ensured that the findings of the study were relevant to the scope of the research questions. Kenya has 13 official land border points as depicted in appendix VI. The

research was carried out on those particular National land borders posts shared between Kenya and the Republic of Tanzania, which comprised of Lungalunga/Horohoro, Taveta/ Holili, Namanga/Namanga and Isibania/Sirari, and the Republic of Uganda, which included Busia/Busia and Malaba/Malaba (COMESA Secretariat, 2017). These were selected as they comprised those borders that have fully operationalised the One Stop Border Post concept. They also handle a substantial amount of cargo as compared to the other national borders shared between Kenya and Ethiopia, South Sudan and Somali.

3.3 Study Population

The study population refers to the entire population from where the researcher intended to draw the study participants. It refers to the total number of individuals who have relevant information that the researcher needs to develop the study (Creswell et al., 2003). The study population consisted of the Customs administration officials working at those national land border posts. However, as the study population was very large and the researcher used non-probability sampling techniques to select a portion of the population to participate in the study (Creswell & Creswell 2017).

3.4 Sampling Technique

Selection was based on purposive sampling criteria of participants and snowballing technique based on the necessary knowledge and conceptual generalisability of the Customs operations, challenges, newly adopted strategies of clearance, disadvantages and advantages in comparison to the traditional strategies of clearance. The researcher sought to establish the number of staff at the national Customs administrations so as to select the target respondents who were further determined by their official work positions.

3.5 Sample Size

Sample size refers to the number of participants that took part in the survey research. According to Creswell et al. (2003), a sample size of 30 and above was suitable for collecting data to help in developing a Master's Thesis research study. Considering the size of the study population, this study targeted to have a sample size of 100 participants.

3.6 Data Collection

The research employed a mixed research method approach to collect primary data, secondary data and data analysis. Research Methods are separated into quantitative and qualitative methodology (Creswell & Creswell 2017). The mixed methods approach was considered appropriate because it enabled the researcher to understand the phenomena under investigation comprehensively. For the study to provide an accurate and useful evaluation of the impact of the Customs-to-Customs partnership on time and compliance cost of clearance in comparison to the traditional two-stop border post model, it was deemed essential to rely on both numerical and narrative data (Tashakkori & Teddlie, 2008; Creswell et al., 2003).

Secondary data was collected from research articles, books, policy documents and legal documents regarding crossborder and cargo clearance. Data triangulation was employed as a qualitative approach for data analysis to integrate the findings of the study with multiple approaches (Creswell et al., 2003). The involvement of different participants in the study provided a self-checking mechanism for evaluating the validity of the information that was given by each group (Malamatidou, 2018). The secondary data was used to develop narratives that explore and support the findings from the study population. The questionnaire was designed to conduct the study and collect the primary data from the target population. Simple questions were designed that could be tested for

the relevancy and accuracy (Kothari, 2004). Several questions were designed based on the 5-point Likert Scale with the measurement ranging from strongly agree to strongly disagree for quantitative data collection (Likert, 1967; Allen & Seaman, 2007), and open-ended questions in semi-structured questionnaires for qualitative data collection from Customs officials.

3.7 Data Analysis

Descriptive statistics was used to analyse demographic data of the participants. Construct validity and reliability was carried out using Cronbach's Alpha test (Cronbach, 1951). After the data was tested for validity, linear regression to test the impact of Customs-to-Customs partnership on clearance cost and time, and the independent samples t-test analysis was used to compare Customs-to-Customs partnership strategy with traditional two-post model in terms of their effects on reducing time and cost on cross-border and cargo clearance. The regression model and t-test analysis were used to meet the first and second objectives of the study. Content analysis was used as a qualitative approach to meet the third objective of the study. Because it is an explorative research, I made conclusions based on the findings as policy statements and not analysis of relationships in graphs. Thus, the study took an approach, which focussed more on stating and summarising the findings, as well as making recommendations that would lead future exploration of the research problem.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

Introduction

This chapter presents the analysis of the results based on the data collected from the respondents who are Customs officials working at the national border posts. It also includes discussions based on the results obtained from the data analysis. Thus, the chapter is arranged into various sections. In the first section, this chapter discussed the response rate of the participants in which we assessed the number of people who participated against the target sample size. The second section involved the Cronbach's Alpha analysis to determine the internal consistency of the questionnaire scale, the reliability and validity of the data collected from the participants. In the third section, data analysis focused on achieving objectives developed for the study. The first and the second objectives were addressed by conducting regression model analysis and t-test analysis to assess the impact of Customs-to-Customs partnership on clearance time and costs. The third objective was addressed using content analysis based on qualitative data collected from the participants and secondary data.

4.1. Response Rate

The target respondents for the study were 100 individuals working as Customs officials at the borders. However, the number of respondents who returned their questionnaires were 75 people. Out of this number, there were 4 respondents who returned the questionnaire forms but did not fill any data. Only 71 questionnaires out of the 75 that were returned to the researcher contained the data. Thus, the response rate for the study was 71% as depicted in the following table 4.1. According to Hamilton et al. (2003), a response rate of 60 percent through the email and an average of 30 percent through other platforms are

recommended. It implies that 71% response rate was enough data to help in conducting analysis.

Table 0.1: *Response rate*

	Frequency	Percentage (%)
Responded	71	71
Non-respondent	29	29
Total	100	**100**

4.2 Reliability Test

Reliability test for the data was conducted using IBM SPSS software. The approach adopted was based on the criteria developed by Cronbach (1951). The validity and reliability of the expected responses to the questionnaire must be assessed to establish whether there is an internal consistency in terms of measurements. A data that provides a Cronbach alpha of more than 0.7 is considered to have a high degree of reliability (Cooper & Schindler, 2014). However, the degree of reliability becomes acceptable when the value of Cronbach alpha (α) is between 0.35 and 0.7. A value below 0.35 is not reliable and therefore such data cannot be accepted for the analysis. For the purposes of this study research, a value of Cronbach alpha, which is more than 0.35, will be considered sufficiently reliable (Tabachnick et al., 2007). As demonstrated in the table 4.2 below, all values of Cronbach's Alpha for the key variables are more than 0.35, which shows strong internal consistency and hence reliability and validity of data. Thus, we can use the data to conduct both regression model to assess the impact of Customs-to-Customs partnership on clearance cost and time, and independent samples t-test analysis to compare performance of Customs-to-Customs partnership and Traditional Two-Post model in reducing clearance time and cost.

Table 0.2: *Cronbach's Alpha results for key variables*

Variable	Items	Cronbach's Alpha (α)	Verdict
One Stop Border Post Model (OSBP)	3	0.576	Reliable
Single Customs Territory (SCT)	3	0.483	Reliable
Approved Economic Operators (AEOs)	3	0.482	Reliable
Regional Electronic Cargo Tracking System (RECTS)	3	0.619	Reliable
Coordinated Border Management (CBM)	3	0.555	Reliable
Two-Post Model	3	0.488	Reliable

4.3. Impact of Customs-to-Customs on Time and Comparison with Two-Posts Model

This section intends to achieve the first objective proposed for this study by conducting inferential statistics analysis on the data collected from the Customs officials. The analysis involved two steps: the first step was to conduct regression analysis to determine if the Customs-to-Customs partnership strategy has a significant impact on increasing the speed of clearance of imports, exports and transit cargo at the border and the second step is to conduct independent samples t-test analysis.

4.3.1. Regression Analysis – Impact of Customs-to-Customs on Clearance Time

According to Tabachnick et al. (2010), regression analysis is an inferential statistical method used to estimate the value of dependent variable based on one or more independent variables. In other words, it estimates the extent to which one or more independent variables have effects on the dependent variable. When the estimation of the effects involves more than one independent variables against one dependent variable, a

multiple regression analysis is conducted (Tabachnick et al., 2007). Multiple regression approach is an essential statistical tool applied for quantitative analysis involving management and behavioural research works.

As explained by researchers such as Cooper and Schindler (2014), there are numerous situations where multiple regression approach can be used in order to use the result for informed decision-making processes. During multiple regression analysis, the efficiency of estimation measured as R-Squared is essential because it is the square of multiple correlations. Other important outputs are ANOVA tables showing the significant impact and coefficients table showing the effects of independent variables on the dependent ones (Cooper & Schindler, 2014). Customs-to-Customs partnership strategy has five independent variables: 1) OSBP, 2) SCT, 3) AEOs, 4) RECTS and 5) CBM while the dependent variable is Customs-to-Customs effectiveness in clearance time. The regression analysis results were as follows.

The ANOVA table 4.3 generated to determine the significance of the Customs-to-Customs aspects' effects on reducing clearance time. The significant p-value (Sig.) was compared with the alpha value of .05. From the results in table 4.3 below, adopting OSBP, SCT, AEOs, RECTS and CBM as the aspects of Customs-to-Customs partnership strategy have statistically significant impact on reduction of clearance time at the national border posts, $F(5,29) = 14.236$, p(Sig.) <.001. The results contribute to the study positively by showing that adopting OSBP, SCT, AEOs, RECTS and CBM as the aspects of Customs-to-Customs partnership strategy at the border post would lead to significant reduction in time taken to clear goods.

Table 0.3: *ANOVA table for the clearance time regression*

ANOVAᵃ

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.917	5	6.983	14.236	.000ᵇ
	Residual	14.226	29	.491		
	Total	49.143	34			

a. Dependent Variable: Effectiveness of Clearance Time

b. Predictors: (Constant), Rate in percentage of the effect of CBM in reducing clearance time, Rate in percentage effectiveness of OSBP in reducing clearance time, Rate in percentage effectiveness of AEOs in reducing clearance time, Rate in percentage effectiveness of SCT in reducing clearance time, Rate in percentage effectiveness of RECTS in reducing clearance time

4.3.2. Independent Samples t-test analysis for Comparison

The independent samples t-test was run to determine how the performance of the five aspects of Customs-to-Customs partnership strategy (OSBP, SCT, AEOs, RECTS and CBM) in reducing clearance time compares to the performance of traditional two-posts model. As demonstrated in the following table 4.4, Levene's test of equality of covariances for OSBP, SCT, AEOs, RECTS and CBM were all statistically insignificant, $p>.05$. Thus, the "Equal variance assumed" row was considered for the t-test results. The five aspects of Customs-to-Customs partnership strategy had significantly higher average impact in the reduction of clearance time compared to the impact of the two-post border model. The t-test results were $t(68) = -17.173$, $p(\text{Sig.}) <.001$ for OSBP, $t(68) = -10.704$, $p(\text{Sig.}) <.001$ for SCT, and $t(68) = -16.731$, $p(\text{Sig.}) <.001$ for AEOs, $t(68) = -18.138$, $p(\text{Sig.}) <.001$ for RECTS, $t(68) = -10.909$, $p(\text{Sig.}) <.001$ for CBM as illustrated in the table 4.4 below. First, the results show that the average impact of Customs-to-Customs partnership model clearly and significantly differ from the average impact of two-posts model on cross-border and cargo clearance time. Second, it shows that Customs-to-Customs partnership model has higher average impact on clearance time than two-posts

model, which suggests that Customs-to-Customs model should adopted to reduce clearance time.

Table 0.4: *Independent samples t-test for clearance time*

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
OSBP	Equal variances assumed	.058	.810	-17.173	68	.000	-2.672	.156
	Equal variances not assumed			-17.035	63.877	.000	-2.672	.157
SCT	Equal variances assumed	1.597	.211	-10.704	68	.000	-2.506	.234
	Equal variances not assumed			-10.512	57.692	.000	-2.506	.238
AEOs	Equal variances assumed	1.435	.235	-16.731	68	.000	-2.766	.165
	Equal variances not assumed			-16.491	60.153	.000	-2.766	.168
RECTS	Equal variances assumed	.667	.417	-18.138	68	.000	-2.948	.163
	Equal variances not assumed			-17.907	61.157	.000	-2.948	.165
CBM	Equal variances assumed	.998	.321	-10.909	68	.000	-2.557	.234
	Equal variances not assumed			-10.727	58.581	.000	-2.557	.238

4.4. Impact of Customs-to-Customs on Cost and Comparison with Two-Post Model

This section intends to achieve the second objective proposed for this study by conducting inferential statistics analysis on the data collected from the Customs officials. Again, the analysis involved two steps: the first step was to conduct regression analysis to determine if the Customs-to-Customs partnership strategy has a significant impact on reducing cost of clearance of imports, exports and transit cargo at the border, and the second step is to conduct independent samples t-test analysis to compare the average impact of Customs-to-Customs strategy to average impact of traditional two-post model.

4.4.1. Regression Analysis – Impact of Customs-to-Customs on Clearance Cost

Customs-to-Customs partnership strategy had five independent variables or predictors: 1) OSBP, 2) SCT, 3) AEOs, 4) RECTS and 5) CBM while the dependent variable is effectiveness in clearance cost. The ANOVA table 4.5 for the regression model was generated to determine the significant level of the impact of Customs-to-Customs aspects' on reducing clearance cost. The significant *p*-value (Sig.) was compared with the alpha value of .05. From the results in table 4.5 below, adopting OSBP, SCT, AEOs, RECTS and CBM as the aspects of Customs-to-Customs partnership strategy did not have statistically significant impact on reduction of clearance cost for imports, exports and transits at the national border posts, $F(5,51) = .504$, p(Sig.) =.772. The results contribute to the study negatively by showing that adopting OSBP, SCT, AEOs, RECTS and CBM as the aspects of Customs-to-Customs partnership strategy at the border post would not lead to any significant reduction in the cost of clearing goods at the border.

Table 0.5: *ANOVA table for the clearance cost regression*

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.108	5	.622	.504	.772[b]
	Residual	62.927	51	1.234		
	Total	66.035	56			

a. Dependent Variable: Effectiveness of Clearance Cost
b. Predictors: (Constant), Rate in percentage effectiveness of RECTS in reducing clearance cost, Rate in percentage effectiveness of OSBP in reducing clearance cost, Rate in percentage effectiveness of SCT in reducing clearance cost, Rate in percentage effectiveness of AEOs in reducing clearance cost, Rate in percentage effectiveness of RECTS in reducing clearance cost

4.4.2. Independent Samples t-test analysis for Comparison

The independent samples t-test was run to determine how the performance of the five aspects of Customs-to-Customs partnership strategy (OSBP, SCT, AEOs, RECTS and CBM) in reducing clearance cost compares to the performance of traditional two-posts model. As presented in the following table 4.6, Levene's test of equality of covariances for OSBP, SCT, and AEOs were statistically insignificant, $p>.05$. Therefore, "Equal variance assumed" row was considered for the t-test results. There was a significance difference in the mean performance between Customs-to-Customs partnership and Traditional two-post model in reducing clearance cost. The five aspects of Customs-to-Customs partnership strategy had significantly higher average impact in the reducing clearance time compared to the performance of two-post model. The *t*-test results were $t(55) = -2.023$, p(Sig.) $<.05$ for OSBP, $t(68) = -16.739$, p(Sig.) $<.001$ for SCT, and $t(68) = -11.898$, p(Sig.) $<.001$ for AEOs, $t(68) = -17.291$, p(Sig.)$<.001$ for RECTS, $t(68) = -5.663$, p(Sig.)$<.001$ for CBM as illustrated in the table 4.6 below. First, the results show that the average impact of Customs-to-Customs partnership model clearly and significantly differ from the average impact of two-posts model on cross-border and cargo clearance cost. Second, it shows that Customs-to-Customs partnership model has higher average impact on clearance time than two-posts model, which suggests that Customs-to-Customs model should adopted to reduce clearance cost.

Table 0.6: *Independent samples t-test results for clearance cost*

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
OSBP	Equal variances assumed	7.565	.081	-2.023	55	.048	-.492	.243
	Equal variances not assumed			-1.862	34.085	.071	-.492	.264
SCT	Equal variances assumed	.894	.348	-16.739	68	.000	-2.880	.172
	Equal variances not assumed			-16.556	62.275	.000	-2.880	.174
AEOs	Equal variances assumed	.419	.520	-11.898	68	.000	-2.645	.222
	Equal variances not assumed			-11.760	61.875	.000	-2.645	.225
RECTS	Equal variances assumed	1.712	.195	-17.281	68	.000	-2.877	.166
	Equal variances not assumed			-17.032	60.096	.000	-2.877	.169
CBM	Equal variances assumed	.839	.363	-5.663	67	.000	-1.649	.291
	Equal variances not assumed			-5.628	63.751	.000	-1.649	.293

4.5. Challenges of Adopting Customs-to-Customs Partnership

In this context, the aim of the study was to assess the current challenges that face the adoption of Customs-to-Customs in comparison to the traditional two post-models. However, there was no primary data related to this objective, apart from procedures involved in clearances of export, imports and transit goods. The questions were open ended to allow the participants to provide illustrative descriptions of the procedure. However, none of the respondents provided a clear answer on the procedural steps taken to clear imports, exports and transits at the border posts. There was no meaningful results and significant lack of consistency in the responses was evident, which can be alluded to two things.

First, it means that the Customs officials who filed the questionnaire do not have a proper understanding of how the Customs-to-Customs partnership operates, especially under the modern IT and other technological platforms. This can be a challenge in realizing the optimal benefits of Customs-to-Customs partnership strategy in terms of its impact in reducing clearance time and cost. The second challenge that emanated from inconsistency of responses was poor understanding the modern clearance procedure, which is technology intensive, is the inadequate skills of the employees in handling the modern Customs-to-Customs partnership operations and procedures at the border post.

4.5.1. Inadequate Regional Cooperation and Integration

Although African continent has been experiencing rapid growth in terms of trade over the last decade, trade within African countries has been slower compared to other continents because of low level regional cooperation and integration (Cheruiyot & Rotich, 2013). Thus, the level of trade facilitation and industrialization of the African countries are significantly slowing down because poor cooperation and integration hinders the adoption of Customs-to-Customs partnership strategy with fully operational one-stop border posts. These are coupled with several impediments to growth and competition of trade in Africa. As a result, a lot of time is lost at the port border and border posts where clearance of imports, exports and transits take place. As a result, trade within African states only form approximately 10% of the total world trade compared to approximated 22% of the America's trade, and 50% of the Asian trade (Cheruiyot & Rotich, 2013).

4.5.2. Poor Infrastructure

Kenya and many other African countries are prone to poor infrastructure development, which minimize the benefits of Customs-to-Customs partnership strategy in leveraging clearance speed and cost. The report by the World Bank 2016 stated that 25% of the

border posts in Africa delay clearance because of poor infrastructure. On the other hand, poor infrastructure leads to poor trade facilitation and consequently cause 75% of delayed clearances at the ports (Cheruiyot & Rotich, 2013). For instance, poor network would impair the functionality of IT systems used in the border posts for clearance. Power outages in remote areas where the national borders are located is another contributing factor. Furthermore, poor road access to the border posts also cause delays, especially after clearance (Ndunda, 2013).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

Introduction

This research adopted an explorative study approach because the area of Customs-to-Customs partnership strategy is a new field that has not been clearly studies. Thus, the intention of this study was to establish priorities and develop a clear definition for the Customs-to-Customs partnership strategy and how it influences the clearance costs and clearance time in borders where it has been adopted in the national borders of Kenya. The adoption of explorative research design essentially helps in determining the best research design, data collection and analysis methods to explore new aspects of the field.

5.1. Summary of the Study

The key objective of this study was to explore the application and implementation of Customs-to-Customs partnership as a clearance strategy for imports, exports and transits in East Africa. The specific focus of the study was on the borders between Kenya and Tanzania, which included Taita-Taveta, Lunga-Lunga, Namanga and Isebania; and borders between Kenya and Uganda, which included Busia and Malaba border posts. Compared to other borders posts shared between Kenya and other countries such as Somalia and Ethiopia, the targeted Kenya-Tanzania and Kenya-Ugandan borders are the busiest in the regions. In order to explore the effectiveness of the Customs-to-Customs partnership strategy, which was proposed by the World Customs Organization in 2005, in reducing clearance costs and clearance time, this study developed three objectives to guide research development. The first objective was to examine the impact of Customs-to-Customs partnership strategy on speed of clearance and compare the effect with that of the traditional two-model. The second objective was to assess the impact of Customs-to-

Customs partnership strategy on the cost of clearance at border posts and compare the impact with that of the traditional two-post model.

In order to develop measurable aspects of the Customs-to-Customs partnership strategy, we considered five factors such as One-Stop Border Post (OSBP), Single Customs Territory (SCT), Approved Economic Operators (AEOs), Regional Electronic Cargo Tracking Systems (RECTS) and Coordinated Border Management (CBM). The primary data collected from the Customs officials at the six border posts: four border posts between Kenya and Tanzania and two border posts between Kenya and Uganda, used the five factors to measure the impact of Customs-to-Customs partnership strategy on speed and cost of clearance and compare with the impact of traditional two-post model. In order to achieve the first and second objectives of the study, inferential statistical analysis for cause and effects were used. Two regression models were used to assess if there was a significant impact of Customs-to-Customs on speed of clearance and cost of clearance respectively. Two independent samples-t test analyses were also conducted to compare the average impact of Customs-to-Customs partnership strategy and average impact of traditional two-post model on speed and cost of clearance at the border posts.

The first linear regression model results showed that Customs-to-Customs partnership strategy based on factors such as OSBP, SCT, AEOs, RECTS and CBM had significant impact on reduction of clearance time at the border post. Furthermore, the first independent samples t-test analysis showed a significant difference in the average impact of Customs-to-Customs partnership strategy and average impact of the two-posts model on reducing the time taken to clear cargo at the border. The Customs-to-Customs partnership strategy showed higher average impact based on the mean in the group statistics tables than average impact of the traditional two-post model. The second linear regression showed that Customs-to-Customs partnership model did not have significant

impact on clearance cost at the border posts. The second independent t-test analysis showed that Customs-to-Customs partnership model has a significant difference in average impact on reducing the cost of clearance from the average impact of the traditional two-posts models with Customs-to-Customs model having the higher average impact based on the group statistic table.

The third objective sought to assess the key challenges hindering the adoption of Customs-to-Customs strategy at the border posts. In this context, the qualitative data collected using the questionnaire did not have consistent and clear information to help achieve the objective. This depicted a key challenge that Customs officials have not fully acquainted themselves with the modern clearance procedures. However, the key challenges depicted from the secondary resources are inadequate regional cooperation and integration and poor infrastructure in many African countries.

5.2. Conclusion

There are four major conclusions of this study. First, the study has shown that adopting Customs-to-Customs partnership model significantly reduces the time taken for cross-border and cargo clearance. This means that border posts that have fully adopted the model and included factors such as OSBP, SCT, AEOs, RECTS and CBM would reduce the long queues and delays that were common with the traditional two-post models. The second conclusion drawn from the study is that adopting Customs-to-Customs partnership model does not reduce the cost of clearance in a significant way as expected. The third conclusion is that Customs-to-Customs model has significantly higher performance in reducing the clearance time and clearance costs at the border posts compared to the traditional two-post models. The fourth conclusion drawn from the results is that major challenges that impair effective adoption of Customs-to-Customs model in East African region and Africa are inadequate regional cooperation and integration, and poor

infrastructure development. Apart from adopting Customs-to-Customs partnership model at the border posts, this study concluded that the regional cooperation and integration as well as infrastructure development would lead to significant reduction of cross border and cargo clearance time and cost as a way of boosting trade in the East African Community.

5.3. Recommendations for Policy and Practice

Based on the four implications of the study, we have developed the following recommendations for policy development. The study showed that Customs-to-Customs partnership model has a greater potential of reducing the waiting time for clearance. The government in collaboration with the Kenya Revenue Authority and partner states should develop implementation policies that would ensure that the model effectively reduces waiting time at border posts for imports, exports, transits and travellers. One of the reasons for adopting modern clearance model is to reduce cost of operations and cost incurred by traders in clearance. Thus, relevant policymakers and government agencies from partner states should work together to implement a more cost-effective Customs-to-Customs strategy. KRA in collaboration with the equivalent organization in the partner states should equip their employees with relevant skills to help them understand the modern Customs-to-Customs partnership model as a way of improving quality of human resources undertaking clearance processes at the border posts. Lastly, the regional government through relevant institutions should improve their cooperation and integration to improve effectiveness of Customs-to-Customs partnership.

5.4. Limitations of the Study

Although the respondents cooperated well during data collection, there were several limitations. The study was limited by the time allocated to collect data from the six national border posts, and therefore only brief responses were preferred to achieve the

study objectives. The data collection was limited to the Customs officials working at the national border, thus significant data from other sources could not be accessed. Furthermore, they were not been willing to share the confidential information with the researcher. Adjoining Customs counterparts were completely reluctant in filling out the questionnaire until cleared from their respective headquarters. The data collected through questionnaire forms were brief and done under a control context, which means some important data were left out. Customs officials are government employees and they were careful when giving data not to be involved in violating the code of conduct and best practices as employees. There were limited research studies and relevant resources because the topic was in a new field that has not been researched on by many scholars.

5.5. Suggestion for Future Research

On the other hand, further studies should be conducted to assess factors that influence cost-effectiveness of Customs-to-Customs partnership. Further studies should also be conducted in this context to explore the level of skills among the Customs' officials and how these contribute to implementation of the modern Customs-to-Customs model at the border posts. At the same time, studies should be conducted to determine the level of commitment of regional government in adopting and implementing the new model of cross-border and cargo clearance at their borders.

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APPENDICES

Appendix I: Consent Letter to Target Participants

IMPACT OF CUSTOMS-TO-CUSTOMS PARTNERSHIP STRATEGY ON CROSSBORDER CLEARANCE

Dear Respondent,

This is a request to you to participate in a research study entitled "**Impact of Customs-to-Customs Partnership Strategy on Cross-border Clearance**". The purpose of this study is to assess the influence of the Customs-to-Customs partnership strategy introduced by the World Customs Organization (WCO) on time and costs involved the cross-border and cargo clearance. The study targets Customs administration officials working at the national borders of Kenya. You will not be penalised if you refuse to participate or decide to withdraw from the study after you have agreed to participate. Your participation will involve answering questions that will take a maximum of 25 minutes only. A questionnaire and semi-structured interviews will be used to collect information from you as the respondent. The information you provide will be kept confidential and you will not be identified as the person from whom the information was obtained. Your participation will help the researcher to get the necessary information to achieve the study objective, which is to determine the influence of Customs-to-Customs partnership on the time and cost of cross-border and cargo clearance processes. The information you provide will also help researcher to make recommendations that can improve the government policy on cross-border clearance.

Appendix II: Questionnaire Form for Customs administration staff

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RESEARCH TOPIC:

IMPACT OF CUSTOMS-TO-CUSTOMS PARTNERSHIP STRATEGY ON CROSSBORDER CLEARANCE

SECTION 1: PRECAUTION STATEMENT

1. The respondent should be a Customs administration staff working at the national borders
2. The information given will be treated with confidentiality.
3. Tick the applicable responses in the spaces.
4. Do not give your name.
5. The questionnaire is meant for academic purposes only.
6. Please be as accurate and honest as possible.

SECTION 2: DEMOGRAPHIC INFORMATION

1. Gender of respondent.
1) Male
2) Female

2. Age of respondent.
1) 18 – 24 years
2) 25 – 34 years
3) 35 – 44 years
4) 45 – 54 years
5) Over 54 years

3. How long have you worked at the border?
1) < 1 years
2) 1-3 years
3) 4-6 years
4) 7–10 years
5) Over 10 years

4. In which department do you work in?
1) Document receiving & rotation
2) Head verification officer

3) Verification officer
4) Releasing officer
5) Enforcement

SECTION 3: Impact of One Stop Border Post Model
(*The following questions have been included to determine the influence of OSBP on time and cost of clearance*)

5. Have you adopted One Stop Border Post Model in your work station? (*Tick the appropriate box*)
☐ Yes
☐ No

(*If your answer to question 4 is "No" or "Not aware", please skip question 5*)

6. Rate in percentage the effect of OSBP in reduction of clearance time (*Tick the appropriate box*)
☐ 0- 20 %
☐ 21 – 40 %
☐ 41 – 60 %
☐ 61 – 80 %
☐ 81 – 100 %

7. Rate in percentage the effect of OSBP in reduction of clearance cost (*Tick the appropriate box*)
☐ 0- 20 %
☐ 21 – 40 %
☐ 41 – 60 %
☐ 61 – 80 %
☐ 81 – 100 %

8. Number of staff (*fill in the box*)

9. Number of staff per shift (*fill in the box*)

SECTION 4: Impact of Single Customs Territory
(*The following questions have been included to determine the influence of SCT on time and cost of clearance*)

10. Have you adopted Single Customs Territory (SCT) in your work station? (*Tick the appropriate box*)
☐ Yes
☐ No
☐ Not aware

(If your answer to question 4 is "No" or "Not aware", please skip question 5).

11. Rate in percentage the effect of SCT in reduction of clearance time (*Tick the appropriate box*)

- ☐ 0- 20 %
- ☐ 21 – 40 %
- ☐ 41 – 60 %
- ☐ 61 – 80 %
- ☐ 81 – 100 %

12. Rate in percentage the effect of SCT in reduction of clearance cost (*Tick the appropriate box*)

- ☐ 0- 20 %
- ☐ 21 – 40 %
- ☐ 41 – 60 %
- ☐ 61 – 80 %
- ☐ 81 – 100 %

SECTION 5: Impact of Approved Economic Operators

*(**The following questions have been included to determine the influence of AEOs on time and cost of clearance**)*

13. Have you adopted Approved Economic Operators (AEOs) in your work station? (*Tick the appropriate box*)

- ☐ Yes
- ☐ No
- ☐ Not aware

(If your answer to question 4 is "No" or "Not aware", please skip question 5)

14. Rate in percentage the effect of AEOs in reduction of clearance time (*Tick the appropriate box*)

- ☐ 0- 20 %
- ☐ 21 – 40 %
- ☐ 41 – 60 %
- ☐ 61 – 80 %
- ☐ 81 – 100 %

15. Rate in percentage the effect of AEOs in reduction of clearance cost (*Tick the appropriate box*)

- ☐ 0- 20 %
- ☐ 21 – 40 %
- ☐ 41 – 60 %
- ☐ 61 – 80 %
- ☐ 81 – 100 %

SECTION 6: Impact of Regional Electronic Cargo Tracking System

(*The following questions have been included to determine the influence of RECTS on time and cost of clearance*)

16. Have you adopted Regional Electronic Cargo Tracking System (RECTS) in your work station? (*Tick the appropriate box*)

☐ Yes
☐ No

(*If your answer to question 4 is "No" or "Not aware", please skip question 5).*

17. Rate in percentage the effect of RECTS in reduction of clearance time (*Tick the appropriate box*)

☐ 0- 20 %
☐ 21 – 40 %
☐ 41 – 60 %
☐ 61 – 80 %
☐ 81 – 100 %

18. Rate in percentage the effect of RECTS in reduction of clearance cost (*Tick the appropriate box*)

☐ 0- 20 %
☐ 21 – 40 %
☐ 41 – 60 %
☐ 61 – 80 %
☐ 81 – 100 %

SECTION 7: Impact of Coordinated Border Management

(*The following questions have been included to determine the influence of CBM on time and cost of clearance*)

19. Have you adopted Coordinated Border Management (CBM) in your work station? (*Tick the appropriate box*)

☐ Yes
☐ No

(*If your answer to question 4 is "No" or "Not aware", please skip question 5*)

20. Rate in percentage the effect of CBM in reduction of clearance time (*Tick the appropriate box*)

☐ 0- 20 %
☐ 21 – 40 %
☐ 41 – 60 %
☐ 61 – 80 %
☐ 81 – 100 %

21. Rate in percentage the effect of CBM in reduction of clearance cost (*Tick the appropriate box*)

☐ 0- 20 %

☐ 21 – 40 %
☐ 41 – 60 %
☐ 61 – 80 %
☐ 81 – 100 %

SECTION 7: Impact of Traditional Two-Post Border Model

(***The following questions have been included to determine the influence of two-post border model on time and cost of clearance***)

22. Have you adopted two-post border model in your work station? (*Tick the appropriate box*)
☐ Yes ☐ No

(*If your answer to question 4 is "No" or "Not aware", please skip question 5*).

23. Rate in percentage the effect of two-post border model in reduction of clearance time (*Tick the appropriate box*)
☐ 0- 20 % ☐ 21 – 40 % ☐ 41 – 60 % ☐ 61 – 80 % ☐ 81 – 100 %
24. Rate in percentage the effect of two-post border model in reduction of clearance cost (*Tick the appropriate box*)
☐ 0- 20 % ☐ 21 – 40 % ☐ 41 – 60 % ☐ 61 – 80 % ☐ 81 – 100 %
25. Would you say clearance under Customs-to-Customs partnership has been faster? (*Tick the appropriate box*)
☐ Yes ☐ No

Appendix IV: Definition of Terms

Adjoining partner state: A partner state whose customs officers perform border controls within the control zone in the host partner state

Border control: Any border related control measures, checks and authorizations, without limitation, provided for in the national laws and regulations of the Partner States.

Control zone: The territory of the host Partner State within which officers of the adjoining Partner States effect border controls, including the exclusive use area

Host partner state: The Partner State in whose territory the border controls of the adjoining Partner State are affected.

Officer: A person responsible for conducting border controls in accordance with the national laws of the Partner States or the laws of the Community

Partner state: The Republic of Burundi, the Republic of Kenya, the Republic of Rwanda, the Republic of Uganda, the United Republic of Tanzania, and any other country granted membership to the Community under Article 3 of the Treaty

Single Window System: 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 requirements

Appendix V: Map of East Africa showing the borders

Source: UN maps

Appendix VI: Land Border Entry Points

Kenya/Somalia

- Mandera
- Liboi

Kenya/Ethiopia

- Moyale

Kenya/Sudan

- Lokichoggio

Kenya/Uganda

- Malaba
- Busia
- Lwakhakha
- Suam

Kenya/Tanzania

- Isebania
- Namanga
- Taveta
- Oloitokitok
- Lunga Lunga

Source WFP (World Food Program)
Theme Border Crossings and Customs