

**CRITICAL STRATEGIC FACTORS FOR IMPLEMENTATION OF A  
HARMONISED EAST AFRICAN COMMUNITY CUSTOM UNION**

**BY**

**ANTHONY KIMANI**

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## **DECLARATION**

### **Declaration by Student**

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

Signed..... Date.....

Anthony Kimani

Reg. No. D61/74320/2014

### **Approval by Supervisor**

This research project report has been submitted for presentation with my approval as the University supervisor

Signed..... Date.....

Dr. Kennedy Ogollah

Department of Business Administration

School of Business, University of Nairobi

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Despite all this able assistance, I accept full responsibility for any flaws in the writing of this paper. It has been a joy to craft it and I hope it help to advance the field of strategic planning and management in the context of regional integration.

## **DEDICATION**

I dedicate this project to my parents Mr. and Mrs. Jesse Kimani who have always Encouraged me to achieve the best that I can in life, to my Wife Esther Wambui and Our children Ryan, Paula and Laura who have given me the reason to work hard, you all stood by me throughout this programme and inspired me immensely.

## ABSTRACT

The East African Countries are currently implementing the Common Market phase of integration which should have fully implemented the Common Union by July 2010. The protocol establishing the CU provided for implementation of several instruments some of which are still outstanding. The purpose of the study was to identify critical strategies for successful implementation of harmonized East African Community (EAC) Customs union. The following critical strategies were to assessed: Common External Tariff on goods outside EAC region, intra-trade border custom procedures, multiple memberships to regional blocks among EAC members; application uniform rules of origin on EAC produced products and movement or flow of factor of production across the EAC Partner States. The study adopted a descriptive research design. The design was used to describe the current status of implementation of Customs Union under EAC as well the challenges facing implementation. The target population was 31 administrators and managers, drawn from Ministry of East African Community, Ministry of Trade, Ministry of Finance and Kenya Revenue Authority. Using purposive sampling, a sample size of 31 was drawn from the target population. All the target respondents were covered hence the study achieved 100% response rate. The study used primary data collected using a questionnaire that was administered using structured interviews. Descriptive statistics were used to analysis the data which was presented using the tables and graphs. The study revealed that the implementation of the EAC CU Protocol has been delayed and is not on schedule. The implementation process has experienced both successes and challenges since the inception of CU in 2005. Among the successes that were cited by the respondents include complete harmonization of the tariff codes; simplification and harmonization of trade documents and procedures; establishment of East African bill of entry; development of the rules of origin; and sharing of information among partner states. The respondents indicated that implementation of Custom union will increase intra-EAC trade. Other benefits cited by respondents that are associated implementation of harmonized CU include free movement of people, increase in volume of trade and investment, and increase in employment. The study revealed that certain areas of the CU Protocol continue to pose challenges, however, including introduction of Common External Tariff, particularly the harmonization of rates and exemptions; Elimination of Non-Tariff Barriers; and Application of rules of origin. Unlike elimination of internal tariffs, adoption of a CET is a challenge and has significant revenue implications to Kenya, according to the personnel interviewed. With respect to implementation of the CET, majority of respondents reported that the major difficulty being experienced was reaching consensus on a common external tariff (CET). Other difficulties cited by respondent each are delays due to mistrust, indecision on tariffs, and creation of new documents. Moreover, membership to multiple integration schemes, perceived or real differences in development levels among the countries, and suspicion were reported as the key obstacles to the speedy implementation of the EACCU. In order to maximize the benefits associated with implementation of harmonized CU, the following critical strategies were recommended: non-tariff hindrances should be removed, pace of tariff elimination accelerated, and involvement of private sector increased. However, respondent cited loss of revenue as main concern of implementation of CU. To mitigate loss of revenue associated with harmonized custom union the respondents felt that the EAC countries need to adopt a Common External Tariff, hasten the integration process, and reduce membership in multiple regional groupings.

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## **ABBREVIATIONS AND ACRONYMS**

<b>ACP:</b>	African, Caribbean, Pacific
<b>AU:</b>	African Union
<b>CET:</b>	Common External Tariff
<b>COMESA:</b>	Common Markets for East and Southern Africa
<b>CSFs:</b>	Critical Success Factors
<b>CU:</b>	Common Union
<b>EAC:</b>	East African Community
<b>EACCU:</b>	East African Community Customs Union
<b>EPA:</b>	Economic Partnership Agreements
<b>EU:</b>	European Union
<b>KRA:</b>	Kenya Revenue Authority
<b>NEPAD:</b>	New Partnership for African Development
<b>NIC:</b>	Newly Industrializing Countries
<b>RIA:</b>	Regional Integration Agreements
<b>SACU:</b>	South African Community Common Union
<b>SADC:</b>	Southern African Development Community
<b>SSA:</b>	Sub-Saharan Africa
<b>VAT:</b>	Value Added Tax
<b>WTO:</b>	World Trade Organization



## **CHAPTER ONE: INTRODUCTION**

This chapter lays down the background information to this study. The chapter discusses the concept of strategic management and critical strategic factors for implementation of a harmonized Custom Union under the East Africa Community integration. The problem statement, objective, scope and value of the study are stated in this chapter.

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

Strategic management involves identifying the objectives of an organization, establishing policies and plans aimed at achieving these objectives as well as allocating resources to implement the policies and plans. Thompson & Strickland (2007) says that strategic planning is the management by plans, an analytical process that focuses on making finest or optimal strategic decisions. The concept and practice of making use of critical strategies has been adopted globally, across different sectors in light with its apparent contribution to organizational effectiveness (Thompson & Strickland, 2007). Both public and private organizations have taken seriously the practice of executing critical strategies to direct the level of performance of these organizations. Like minded countries have been forming regional integration which is accepted globally as a major vehicle for political, social and economic transformation of nations worldwide (David, 2005). Regional integration is an agreement in which countries in the region agree to synchronize their trade, fiscal, and monetary policies. Within East Africa Community (EAC) regional integration countries are currently implementing the Common Union (CU) with an aim of increasing trade within the trading bloc.

The objective of EAC customs union includes liberalization of intra-regional trade in goods and services, boosting production efficiency in the society, encouraging local, cross-border and foreign investment and ensuring economic development and industrial diversification (Wangwe, 2001).

This study will be anchored on the arguments of the system theory which Ludwig Von Bertalanffy Littlejohn, a biologist, invented in the year (1983). He explains the interrelation of different sets of objects or entities that collides to form a whole is referred as a system. Relationships of structures and of inter-dependence are vices that affect the system theory, rather than with the regular attributes of object.

The systems theory depicts an organization as a social structure composed of individuals who work together within an official framework drawing people (human resource), money (finance) and resources from their surroundings and returning into that surrounding the goods they generate the services they provide. The supporting theories are the resource based theory, theory of integration, trade theory and customs union theory. The resource-based theory arises from the belief that a firms' competitive advantage is dependent on their in-house resources, in contrast to their positioning in the macro environment. In explaining the determinants of regional concentration of economic activity, the theory of trade indicates that free or open trade is much better than all other policies in trade. The customs union theory in the structure of economic incorporation was more focused on the welfare gains and losses preceding the development of customs union (Longo and Sekkat, 2001).

Since its establishment and subsequent initialization of custom union, the implementation of EAC custom union has faced a number of challenges and it has not been fully implemented. KIPPRA (2010) contends that internal trade tariff disparities between member countries continue to hamper trade and the CET has also increased tariff dispersions from product to product, across the products within sectors and across stages of production. Due to the ever changing regional and international trade agendas, the EAC region remains a fluid operating ground, with member states belonging to different regional groupings. This is a contradiction to the will of co-operation and unity that EAC espouses and it obstructs the establishment of common values. It is on the basis of the issues raised above that the researcher considered it important to carry out this study to identify critical strategies for implementation of harmonized CU in the EAC.

### **1.1.1 Concept of Strategy Implementation**

Strategy implementation is the process of transforming strategic intentions into actions. UNECA (2005) said that implementation of the chosen strategy is by all means one of the most important stage in the decision making process. This is because it embraces all the necessary activities to put the strategy into practice. By themselves, strategies will not lead to action since they are merely statements of intent. The intent is realized by the tasks of implementation. Such tasks can be identified as resource allocation, structures and systems, functional policy formulation, among other tasks. At the implementation phase, management transforms policies and strategies into being by the establishment of programs as well as procedures. One of the driving forces behind regional integration has been economic benefits associated with it.

It has long been seen as a means to “achieving industrialization by freeing trade, liberalizing goods and factor movements, securing economies of scale, harmonizing technological standards and jointly cooperating on economic guidelines to increase efficiency and thereby promote economic development and global welfare” (EABC, 2009).

### **1.1.2 Critical Strategies for Implementation of Custom Union**

The thought of “critical success strategies” was earliest formulated by Rockart and the Sloan School of Management (Jefferies et al., 2002 and Hardcastle et al., 2005). Rockart (1982) defined critical strategies as the few but very important areas of activity where positive results are with no doubt necessary for a certain supervisor to reach their individual goals’. Critical strategies elements are considerably important to help organizations identify the most important factors that they should concentrate on in order to succeed in a project (Rowlinson, 1999). The protocol establishing the CU provided for implementation of several instruments such as the application of Common External Tariff (CET), elimination of all internal tariffs within member states, adoptions of a common EAC customs law, and common rules of origin for products produced within EAC among others.

However the two main measures that enable harmonized trade practices within the community are the abolition of all internal tariffs and other charges of equal impact on trade amongst member states and the application of CET for all import products going into any EAC member state from non-EAC member countries (EAC, 2005). KIPPRA (2010) call for abolition of all trade barriers and open movement of factors production so as to ensure the custom union is achieved.

### **1.1.3 East African Community Custom Union**

East African Community (EAC) is a regional organization composing of six member states that are: Kenya, Tanzania, Uganda, Rwanda, Burundi and the recent entrant, South Sudan, which was admitted into the community in March 2016. The agreement that led to the formation of EAC was signed on November 30<sup>th</sup> 1999 and was implemented on July 7<sup>th</sup> 2001 upon its endorsement by the Republics of Kenya, Uganda and Tanzania. EAC is founded on four pillars called the Pillars of EAC Regional Integration namely Custom Union, Common Market, Political Federation, and Monetary Union and (EAC, 2007). The EAC secretariat is mandated by the governments to spearhead the economic, social and political integration agenda.

Customs Union binds the EAC member states to create free trade. This means that imports from non- EAC members are exposed to the same tariff whenever sold to any EAC Partner State (EAC, 2007). The main aims of the Custom Union, as outlined in the EAC treaty, includes liberalization of intra-regional trade in goods, promoting production efficiency in the Community, improving domestic, cross-border and foreign investment and boosting economic development as well as industrial diversification. There are two wide areas of cooperation focused on in the Customs Union protocol. First is custom management and overall trade matters. Second, developing and taking up of uniform and common trade procedures in the society. The Custom Union is connected by a Common External Tariff and elimination of internal tariff (Wangwe, 2001) with the view of promoting trade among the Partner States.

## **1.2 Research Problem**

In 2005 East African Community member states committed to implement a harmonized Customs Union in order to achieve liberalization of intra-regional trade in goods, promote production effectiveness within the Community, improve domestic, cross-border and foreign investment and encourage economic expansion and industrial diversification (Wangwe,2010). The procedure establishing the Custom Union provided for implementation of several instruments such as the application of Common External Tariff (CET), abolition of all internal tariffs within member states, embracing of a common East African Community customs law, and common rules of origin for products produced within EAC among others. However, these issues are yet to be fully implemented. East Africa Community regional integration is supposed to improve trade among the partners' states. The existing literature has taken a broader view on the successes and failures of regional integration. KIPPRA (2010) researched on regional integration experiences in the region of Eastern Africa. EAC (2008) reviewed progress of execution of the East African Community Council Decisions and Directives that relate to Common Market Operations as at the end of February 2008. Kasekende and Ng'eno (2000) studied regional and economic integration in Eastern and Southern Africa. (Lyakurwa, et al, (1997), Mair (2000), UNECA (2005) and Wangwe (2001) have researched on successes and failures of regional integrations in Africa.

These studies proposed key recommendations to address economic and social disparities in the Africa under the regional integration concept. There is little literature on successful implementation of custom unions. This is a knowledge gap that this study aimed to fill. KIPPRA (2010) said internal trade tariff disparities continue to hamper trade and the Common External Tariff (CET) has also contributed to a growth

in tariff dispersions from product to product, across products within sectors and across phases of production. Despite application of Common External Tariff (CET), each country continues to review its duty rates of some tariff items. These disparities negatively impact on the achievement of harmonized Customs. It is on the basis of the issues raised above that the researcher considers it important to carry out this study to identify critical strategic factors for the implementation of harmonized CU. The study will answer the question: What are critical strategic factors for implementation of harmonized custom union under the EAC integration?

### **1.3 Objective of the Research**

The main objective of this research was to evaluate critical strategic factors for implementation of East Africa Community harmonized custom union.

### **1.4 Scope of the Study**

The East African Community Customs Union Protocol was implemented on 1<sup>st</sup> January, 2005. Customs Union binds the EAC Partner States to set up open trade on products (goods and services) amongst the member states and a common external tariff (CET), where imports coming from those countries that are not in the East African zone will be exposed to the same tariff whenever sold to any of the EAC Partner State (EAC, 2007). The study will only examine critical strategic factors for implementation of EAC harmonized custom union.

Although East African Community custom union is implemented by the six East Africa Community (EAC) countries namely Kenya, Uganda, Burundi, Tanzania, Rwanda, and South Sudan, this study will cover Kenya only. The study will cover the following agencies involved in the implementation of custom union in Kenya; National Treasury, the Ministry of foreign affairs and international trade, Ministry of

trade and East African Community and Kenya Revenue Authority. The study will target senior managers in the four institutions. These are the people who are involved in the implementation of custom union and who are aware of the process and activities required on Kenya to ensure full implementation of custom union.

### **1.5 Value of the Research**

Coming at expiry of CU transition period that ended 2012, the findings helps the policy makers in the Government of Kenya to take stock of what it has done and challenge facing the customs union in the region and take stock of benefit thereof. The findings of the study informs the country and the agencies involved in CU implementation such as Ministries of EAC, EAC Secretariat and trade on CU and what need to be done to ensure full implementation and how to overcome challenges faced.

The finding of the study helps investors in East Africa region as they learn strategies critical for implementation of custom union and understand the challenges facing full implementation of harmonized CU and any effects this has on cross border trade. This assists them make rightful decisions when considering cross- border investment and trade within EAC and outside the EAC.

The findings of the study are of importance to the scholars and academicians since it adds to the existing literature on the regional integration, more so, the implementation of CU and the challenges faced by the partner states. The findings of the study serves as reference material for the further research work. The study also provides areas for further research that scholars and academician can pursue to further their research and knowledge.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter outlines the literature relevant to this particular study. The chapter reviews literature that will help inform the study as well as shed light on issues related to regional integration and implementation of custom union. The chapter covers theoretical, empirical and conceptualization framework for the study.

### **2.2 Theoretical Foundation of the Study**

A theory is defined as a set of interconnected concepts, definitions, and propositions that highlight a gradual or systematic perspective of phenomena by clearly defining relationships between variables targeting the explanation and/or prediction of phenomena (Bull, 1991). This study will relate the theories of management that are core to the execution of plans in any given organization. A management theory underscores the need for managers to endeavour to create an environment whereby everyone is motivated to put in their best (Bhargara, 2003). System theory will be used in this study. The study is also supported by four other theories namely resource-based theory, theory of integration, trade theory and customs union theory.

#### **2.2.1 Systems Theory**

Biologist Ludwig Von Bertalanffy Littlejohn (1983), developed the system theory which states that a system is a set of objects or entities that correlate with each other to come up with a entire system. System theory generally focuses on problems or interaction of structures and inter-dependence, as opposed to the constant characters of object. This theory depicts an organization as a social system made up of persons who work together within an official set up, bringing together resources, people, and

finance from their surroundings and returning into that environment the services they offer or the products they produce. This particular theory is anchored on the belief or notion that managers should focus on the responsibility of each area of an organization; contrary to addressing the parts separately (Hannagan, 2002). The same theory insists that an organization is not only dependent on the environment it is in as is also part and parcel of a wider system an example being a society or the economic system (industry) to which it belongs. This therefore, can conclusively be said that no organization exists in a vacuum. The systems approach lays its focus on interpersonal and group behavioural aspects that lead to a cooperation system.

An EAC harmonised custom union is an advanced system made up of different players that include, staff and other numerous stakeholders. System theory insists on integrity and unity of the firm and puts focus on the relationships among its component parts and the overall interactions its surroundings. It therefore, means that organizations must always be studied wholesome so as to take into consideration the relationships between its parts and its interaction with the external environment. Custom unions are open systems that act in response to the macro influences in their attempt to accomplish their strategic objectives.

### **2.2.2 Resource Based Theory**

Strategic management is the process of specifying the objectives of an organization, coming up with policies and tactics with the aim of achieving and attaining these objectives, and subsequently allocating resources so as to implement the said policies and plans. In relation to regional integration, competitive advantage, David (2005), noted that the applicable theory is the resource-based theory. The resource-based

theory based the principle that the genesis of any firm's competitive advantage is dependent on their in-house resources, contrary to their establishment in the external environment. The resource-based analysis of the firm has in recent years proved a popular theory of competitive advantage. Wernerfelt originally coined the words, "competitive advantage" in 1984 (Fahy, 2000) and the importance of this discovery is evident in its being awarded the Strategic Management Journal best paper prize in 1994 for many reasons among them being "truly seminal" and an "early statement of an important tendency in the field". Its basic argument is a reasonably uncomplicated one.

It starts with the assumption that the required result of managerial efforts within the firm is a sustainable competitive advantage (SCA). The quest for competitive advantage is surely an idea core to the strategic management literature (Barney, 2007). The discovery of sources of constant competitive advantage with time has become a key area of study in strategic management (King, 2007). In strategic management, the most critical sources and drivers to the competitive advantage and superior performance of a firm are essentially related to the attributes of their resources and capabilities that are valued and costly-to-copy.

### **2.2.3 Theory of Economic Integration**

It was founded with the significant contribution of Viner (1950). He differentiated between some two effects; the trade amongst partner countries expands in relation to the international comparative advantage, and trade between countries grows due to the special or unique treatment accorded to imports that originate from within the region as compared to the ones outside the region. Where trade between partner countries

enlarges in relation to the international comparative advantage, he called it trade creation. This is where local products are substituted with imports of lower-cost goods produced by a country's partner. Where trade between countries expands due to the unique treatment given to imports from within the region more than those from the rest of the world, he called it trade diversion which stands for the shift in imports from the least-cost exporter to the more expensive product from the nation's partner.

This research is anchored on the theory of integration. Economic integration is 'any type of arrangement or pact in which countries concur to coordinate their trade, fiscal, and/or monetary policies (KIPPRA, 2010). Integration abolishes trade barriers and establishes links which draw economies closer together creating a greater interdependency or interrelation on other nations. By countries minimizing trade barriers and integrating through regional agreements, capital movements can come into play more freely, leading to greater potential for tax competition and at times, harmonization. In general, a country that adopts a customs union stands a chance to experience a welfare gain or loss that is defined by circumstances in each case (Barreix&Vilella, 2003). This is the case for EAC countries, hence the relevance of this theory to the study.

#### **2.2.4 Trade Theory**

The impetus for regional integration acquires its underlying principle from the average trade theory by Krugman (1991) which says that open or free trade is greater than all the other trade policies there is. The theory ignores the consistent returns to scale and focuses on static gains. As an addition to this basic principle, open trade between two or more countries will boost the welfare of all the partner countries

provided that the arrangement leads to an overall trade conception as per the Vinerian theory of economic integration in 1950. Krugman (1991) argues that although it has been indicated by the theory of second best, regional harmony or agreements do not give an assurance of an enhancement in the welfare of partner countries; they may as well carry on if the trade diversion is little and trade-creation tilts the stability.

Krugman (1991) used the traditional theory of trade to give details on the determinants of regional concentration of economic action or activity. The most important and vital idea of Krugman's proposition is that in relation to the assumption of growing returns to scale, economies of scale and trade cost considerations dictate the position of economic activity and also tradeoffs between costs and optimal quantities to be produced. Fine and Yeo (1997), standard trade theory has failed in guiding how Africa can adequately integrate due to the observed lack of advancement within the integration process and thus there is a need to focus regional integration in the continent and rearrange itself if at all it is to increase economic expansion.

### **2.2.5 Customs Union Theory**

In the economic integration, the customs union theory focuses more on the welfare gains and losses that go after the structuring of customs union (Lipsey, 1987). Lipsey's argument is that such gains and losses may arise from different sources that include economies of scale, change in conditions of trade, specialization, mandatory variations in efficiency due to increasing competition and finally, the change in speed of economic expansion.

Based on this a custom union is the integration or integration of a number of customs territories into a one big customs territory with the aim of consolidating the free and open movement of goods, irrespective of origin, as long as the goods are cleared in any of the member states. This therefore means that a custom union is an economic integration objective.

### **2.3 Empirical Review**

McKay et al., (1998) discloses that the major contributors to the disintegration and eventual collapse of the EAC were, political and economic. The centralisation of the managerial and/or administrative facilities in Kenya and the constant hostility between the partners nations were key political determinants that led to the RIA collapse. Considering that harmonization mechanisms predicted in the treaty then failed to achieve regional stability amongst the members, the treaty on the one side led to soaring inflation and very big trade deficits in Tanzania and Uganda whereas Kenya gained industrial domination. The conflicting economic structures in each country additionally multiplied the momentum to the ultimate breakdown of the EAC.

Martín (1999) analyzed the relations of aims and instruments during his examination of the function of “soft law” in the European Union’s (EU) tax harmonization instruments’ scheme, but his intention was not to come up with a categorization of tax harmonization or stages of action. Nor did he focus on how to investigate the connection between phases of integration, extents of harmonization and the most commonly used instruments in the attainment of every level. Martin argues that in an integrated environment like that one, policy makers take up either a policy competition or co-ordination approach.

Even as harmonizing tax rates would translate into making them more comparable or aligned to other systems there is a difference in the literature as to whether this means making them completely identical or co-ordination at some level. UNECA (2004) indicates that African countries have always hunted for regional alignment to rise above the primary development limitations common to African economies, i.e., little economic size; poor structural complementarities as demonstrated in the slim set of generic low-value basic export products and essential minerals produced; and, high reliance on imported intermediate and final goods. Further to this, UNECA (2004) maintains that the major leading factor for growing number of RIAs on the African sub-continent, there is actually the need to grow regional cooperation by establishing a united economic bloc. African states also foresee that RIAs will act as the building blocks for a more strengthened integration between countries that will lead to the ultimate creation of a strong African Economic Community (UNECA, 2004).

Shafaeddin (2000) indicates that all the countries that have enjoyed success in export-oriented growth, including the already developed countries and the newly industrializing countries (NICs), first laid their foundation of industrial capability before entering into foreign markets. This can rationalize protection as a strategy for targeted industrialization but cannot do so in continuous protection. This therefore means, in the world of non-reciprocal trade liberalization that East Africa Cooperation member states face as developing countries, modest protection and unrestricted entrance to markets of the developed countries can create desirable circumstances and strengthened bargaining power for industrial growth. This will allow the benefits from industrial growth to compensate the costs that the consumer must bear because of protection arising from a CET.

Nathan (2003) talks about three major factors which, by obstructing the establishment of the Organ, have barred EAC from contributing a crucial peacemaking role. The first and most vital factor, “there is an absence of common values among member states, between democratic and authoritarian states and between pacifist and militarist foreign policy orientated states”. Second one states that EAC members despise giving way to a measure of sovereignty to a security system that includes binding rules and the likelihood of involvement in domestic affairs. The third factor is that the region is distinguished with having small economies, poor development and weak organizational capacity which weaken the success of all EAC’s forums and programmes.

Regional integration schemes are also related to the costs including loss of revenue from removal of taxes related to trade, trade diversion and delimitation of industries in well-matched locations that may lead to accelerated transport costs for all the markets in the periphery (World Bank, 2000). This means that, one; politically it is much easier to liberalize trade on a regional basis than unilaterally or through the multilateral process. Secondly, regional integration has political profit which unilateral trade liberalization lacks. Finally, on consideration of the comparative advantage of Kenya over her East African partners, the country would not have lost as much as it has lost through unilateral liberalization had been liberalized under the EAC context.

#### **2.4 Summary of Literature**

Generally, the literature review demonstrates that integration schemes cannot be achieved without utilization of the competitive advantage. Mazzarol and Soutar (1999) analysis of structure, strategy (marketing & entry) and competitive advantage



outline a model of the aspects that are the most key to the development and protection of sustainable competitive advantage for regional integration in international markets. The variables are viewed as industry & foreign market set up; superior image, information technology, partnership formation, forward integration, market profile, know-how, and culture. While, the study by Burden and Proctor (2000) on training and competitive advantage unearthed that ability to timely meet customer needs, is a major way to achieve and maintain competitive advantage, and therefore it (training) is a tool that organizations must aspire to always use in order for them to be successful in this.

Study by Gupta and McDaniel (2002) on knowledge management (KM) and competitive advantage researches on the key relationship that exists in the management of knowledge in modern firms and then the establishment of a sustainable competitive advantage. In the study of strategic attention or focus and competitive advantage in integration by Cousins (2005), it is discovered that regional blocks that define their competitive advantage as being cost-centred will usually regard free movement of factors of production, trade, harmonisation of taxation, and supply as playing simply a cost-reduction role. The critical success factors /variables are weighed in relation to market share, development of relationships, business development, focus on cost, differentiation and partnership.

## **2.5 Research and Knowledge Gaps**

Previous literature has evaluated the successes and failures for regional integration in Africa (Chua et al., 1999; Chan et al., 2004; and Saqib et al., 2008, Jefferies et al., 2002). The authors, in their findings, acknowledged and assessed 15 success factors applicable to the project. The major noteworthy factors include:

‘compatibility/complimentary skills amongst the most crucial parties’, ‘efficient approval process’, and ‘technical innovation in overcoming project complexity’. Other important success factors include ‘existing strategic alliances’, ‘environmental impact’ ‘advanced legal/economic framework’, ‘good resource management’, ‘feasibility study’, ‘political stability’, ‘selecting the right project’, ‘trust’, ‘community support’, ‘financial capability’, ‘transfer of technology’, and ‘capital mobility’.

However, there is little literature or knowledge on successful implementation of a customs union. Therefore, the debate has frequently been brought up with a more general one on the advantages of integration and inconclusive to uncover strategies required to implement the custom union. Other studies have more often than not focused on general integration rather than being specific on customs unions. This study aims to bridge the existing gap by examining critical strategic factors for implementation of East African Community harmonised Custom Union.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter specifies the methodology to be used to carry out this research project. The research methodology was used to identify examine critical success strategies for successful implementation of the custom union in EAC. The chapter outlines the research design, target population, sample size, data collection methods and data analysis techniques.

### **3.2 Research Design**

A research design is an arrangement of conditions for the gathering and subsequent analysis of data in a way that targets to merge significance to the research purpose with economy in procedure” (Kothari, 2010). Therefore, the study design includes an outline of exactly what the researcher does from writing hypotheses and their practical outcomes to the ultimate analysis of data. We can therefore say that a research design is a plan used during the collection and utilization of data so as to obtain the required information with adequate accuracy or so that a hypothesis is tested in a proper manner. It is a structure that directs the gathering and analysis of data.

The research design used in this study was descriptive research design. Descriptive approach was used to accomplish the objectives of this study. In this study, description of the current status of implementation of custom union under EAC was carried out. Descriptive analysis attempted to examine what success factors are for the implementation of the Custom Union.

### **3.3 Population of the Study**

A population is defined as a whole group of persons, events or objects bearing familiar traits that conform to or match a given specification (Mugenda and Mugenda, 2003). A similar view is articulated by Chandran (2004). He says that a population is the study’s

universe made up of entire collection of aspects about which one seeks to draw deductions from. An element is a single member of the population. They concluded that the population is the full set of cases from which a sample is taken.

A sample is a division or a subset of the population that under study. Conclusions from the sample are generalized to the population of interest. The study targeted Government Ministries and Authorities namely National Treasury, Ministry of foreign affairs and international trade, Ministry of trade and East African Community and Kenya Revenue Authority. The senior employees of these organizations were target population. According to Government Integrated Personnel Payroll Data, there are 31 administrators and managers in the four organizations who were the target population. Since the target population is 31 employees there was no need for sampling.

#### **3.4 Data Collection Procedures**

Data collection is the process of gathering practical or empirical evidence in order to attain new insights relating to a situation and address questions that led to the undertaking of the research (Chandran, 2004). Primary data is firsthand information obtained from a respondent. On the other hand secondary data is the type of data that has been already collected and subjected to the statistical process.

The study used questionnaire to collect primary data. According to Chandran (2004), a questionnaire is a data collection tool that is defined as a series of written questions on a topic on which the respondents' opinions are sought. Questionnaire provides a high measure of data standardization and approval of the generalized information amongst any population. Questionnaires were administered through drop and pick, and emails, as per preference of each respondent.

### **3.5 Pilot study**

Mugenda and Mugenda (2003) states that pre-testing is the administration of the data collection instrument with a small set of respondents from the population for the complete scale survey. If challenges are encountered in the pre-test, it is highly probable that similar challenges will come up in full-scale administration. The main reason for pre-testing was to discover problems with the data collection instrument and subsequently address them by providing the possible solutions.

### **3.6 Data Analysis**

Data analysis is the whole process that starts right after data collection and concludes at the point of interpretation and processing of data (Chandran, 2004). Therefore, editing, coding, classifying and tabulating are the processing steps to be used to process the collected data for a better and efficient analysis. Quantitative data collected was analysed by descriptive statistics, and presented through tables, charts and in prose. This was achieved through frequency distributions, means, modes, percentages and standard deviations.

To identify critical strategies factors for implementation of harmonized CU critical index was used to rank the factors. The importance rating for each factor was scored on a scale of 1 to 5 with 1 having the lowest importance and 5 the highest. The factors were scored using respondents' opinion of each factor were then rated is five likert scale, where strongly agree = 5, agree = 4, indifferent = 3, disagree= 2 and strongly disagree = 1. For each factor, respondents' opinion on importance rating of that factor, a mean (average) and modal values of responses for that option was calculated. To identify the criticality index for each factor, the factor criticality was defined as follows;

**Table 3.1: Criticality Index**

<b>Mean Factor Score Range</b>	<b>Critical Index</b>	<b>Criticality level</b>
1 - 2	1	Least significant towards project success implementation of harmonized custom union
>2 - 3	2	Mildly significant towards project success implementation of harmonized custom union
>3 - 4	3	Moderately significant towards project success implementation of harmonized custom union
>4 - 5	4	Most significant towards project success implementation of harmonized custom union

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

### **4.1 Introduction**

This chapter discusses the finding of data analysis and presents the results. This chapter is sub-divided into three main divisions. The first part deals with general information describing the characteristics of the respondents in relation to study objectives. The second part discussed the findings on the implementation of harmonized customs union as the envisioned outcomes. The other part relates to the objective examination of critical strategic factors for implementation of East Africa Community harmonized custom union. These critical strategic factors are common external tariff on goods outside EAC region, intra-trade custom procedures, multiple memberships to regional blocks among EAC members, and application uniform rules of origin on EAC produced products, highlighting how each effect on the implementation of harmonized CU.

### **4.2 Response rate**

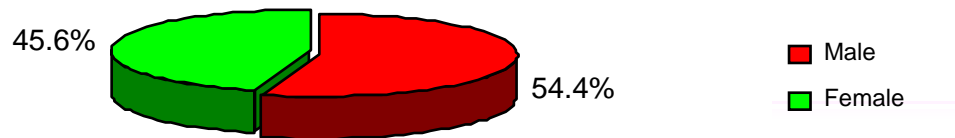
The questionnaires were administered to 31 sampled respondents. This translated to a 100% response rate. The response rate, therefore, clearly indicates that the results are reliable.

### **4.3 Characteristics of Respondents**

#### **4.3.1 Gender of Respondent**

Gender is known to have an impact on business ownership and increased trade which is outcomes harmonized custom union. The gender of the respondents was not proportionally distributed with male respondents being 54.4% and 45.6% female respondents.

Figure 4.1 summarizes the findings. However, this statistic can not affect findings of this study since gender may not influence process of implementation of customs union.

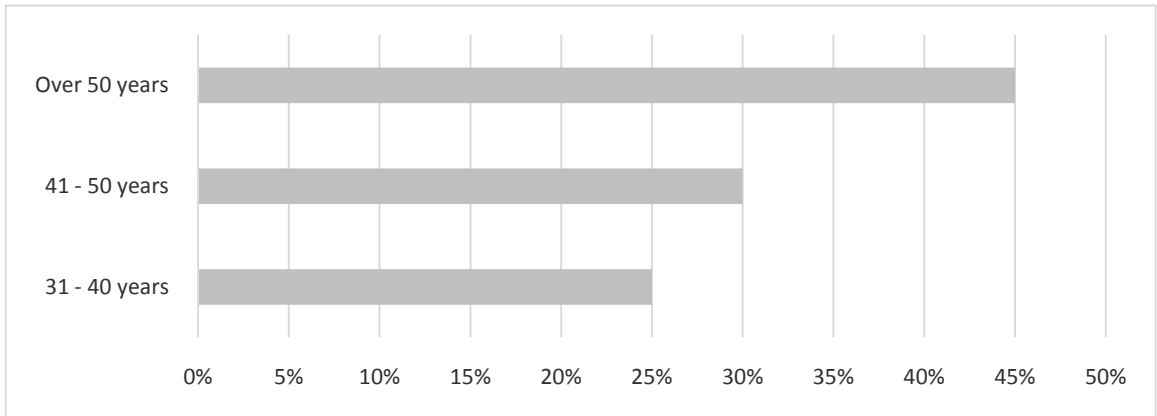


**Figure 4.1: Gender of the Respondents**

#### **4.3.2 Age of Respondents**

Age groups, divided into age associates can allow policy makers to forecast the future attitudes of an age group, values and behaviors. Different generations are most likely to exhibit different business and trade behaviors from the preceding one. The findings of this study show that respondents that were aged between 31 -40 years were 25% and between 41 -50 years accounting for 30%. The most percentage of respondents was aged above 50 years and represented 45% of the total sampled population as show in figure 4.2. This statistics show that given that most respondents are over 50 years they have knowledge on custom union being investigated and therefore results can be relied on.

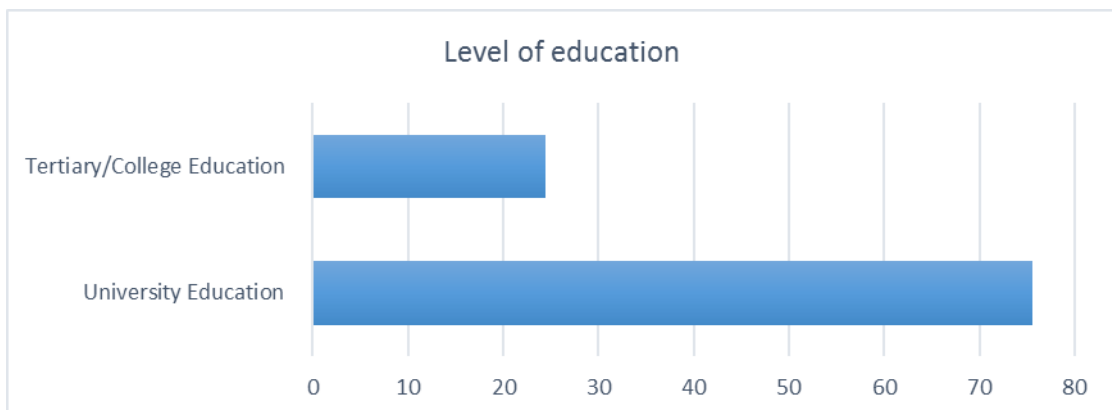




**Figure 4.2: Age of Respondents**

### 4.3.3 Education of Respondents

The findings show that the education background of the respondents was found to be varied. Of all the respondents, 75.6% had university education and 24.4% had tertiary/college education. Refer to figure 4.3.



**Figure 4.3: Level of education**

### 4.4.4 Experience of Respondents

Table 4.1 indicates that 17.3% of the respondents that have been sampled worked for their organization for a period less than five years, 24% worked for 5- 10 years while 58.9% have worked for over 10 years. It is true to say that over three quarters of the respondents (82.7%) have adequate experiences as to understand the issues under investigation by this study.

**Table 4.1: Summary of respondents according to experiences**

<b>Year</b>	<b>Percentage</b>
Less than 5 years	17.3
5-10years	24
Over 10 years	58.7
Total	100

#### **4.4 Implementation of Harmonized Custom Union**

Respondents were asked their opinion on the success in the implementation of custom union. 17.1% of the respondents reported that implementation has been very successful while 82.2% reported that implementation is successful. This means that the level of technology used is not up to date and requires improvement.

**Table 4.2: Respondents opinion on the success in the implementation of custom union**

<b>Respondents' Opinion</b>	<b>Valid Percent</b>
Very successful	17.1
Successful	82.2
Moderate	0.8
Failure	0.0
Total	100.0

About 65.9 percent of the respondents interviewed consider implementation of CU in East Africa to be useful for the region and they feel the process of implementation need to hasten. Only 18.5 per cent of the respondents surveyed indicated that their expectations with respect the custom union implementation in EAC had not been met. The unimplemented expectations include elimination of travel as well as other trade

barriers, decrease and harmonization of documentation, EA passport, development of a customs union with a single currency, inter-country consultations before implementation of EAC, and creation of widespread awareness of the contents of the CU protocol.

Respondents were asked statements to find out the benefits of a harmonized EAC Customs Union (CU) to the country. The opinions of the respondents were rated using a likert scale: 1= No extent, 2= little extent, 3= Moderate extent, 4 Great extent, and 5= Large extent. Percentages of the responses were calculated. Table 4.3 shows results of the responses. According to the mean of the responses the benefits considered were found to be influenced by implementation of custom union.

**Table 4.3: Benefits of a harmonized EAC Customs Union**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Contributed to the growth in intra- EAC trade	3.94	1.424
Contributed to increased trade and foreign direct investment from outside EAC	3.90	1.447
Increased employment opportunities	3.80	1.335
Increase in revenue collection	3.62	1.189

Respondents interviewed ranked expansion of trade, increase in investment and easier movement as the benefits expected from the CU, in that order. Increase in employment and revenue collection was other expected benefits but ranked lower in importance. Respondents reported that it is mainly manufactured goods but also foodstuffs and services like banking and insurance that are expected to benefit from the elimination of tariffs on intra-EAC trade. The same ranking applied more or less

in the benefits already accruing from the EAC after implementation of CU. The following were ranked as the most crucial ways of maximizing benefits from the implementation: Acceleration of elimination of tariffs on intra-EAC trade reported by 84% of respondents, Removal of non-tariff barriers (78%), higher integration beyond a customs union (72%), elimination of domestic production barriers (56%) and introduction of a CET at 15% which was reported by 46% of respondents.

Other benefits that were reported by majority of respondents (90%) related to increased business, reduced documentation, faster clearance of goods across the borders, and reduction of freight and handling costs are reportedly being enjoyed by some firms. To increase the benefits, transport and clearing and forwarding firms recommend the measures reported.

#### **4.5 Factors influencing Implementation of a Harmonized East African Customs Union**

The researcher sought to understand the critical strategic factors for implementation of harmonised custom union. The critical strategic factors are presented in the following section. Each table organizes each category of factors (Application of common external tariff, intra-trade border custom procedures, multiple memberships to regional blocs and application uniform rules of origin) rated on a scale of 1 to 5. The importance rating for each factor was scored on a scale of 1 to 5 with 1 having the lowest importance and 5 the highest. The factors were scored using respondents' opinion of each factor were then rated is five likert scale, where strongly agree = 5, agree = 4, indifferent = 3, disagree= 2 and strongly disagree = 1. For each opinion, mean score was calculated are reported on the Table 4.2.

The mean is defined as a measure of central tendency, and provides a mathematical average for the distribution of scores. Standard deviation is a measure of variability that is calculated as the square root of the variance. A calculated mean of about 5 indicate that the respondent is agreeing. The attribute is then considered while a mean close to 1 indicates their disagreement. Table 4.4 presents various attributes regarding implementation of EAC Custom Union, mean score of respondent opinions and corresponding standard deviations.

**Table 4.4: Summary of respondents’ opinions on achievements of the implementation of custom union**

Attribute	Mean	Std. Deviation
Implementation of the CU Protocol is on schedule	4.040	1.019
Documentation on rules of origin of products is incomplete	3.838	1.112
Reaching consensus on a common external tariff (CET)	3.577	1.608
Implementation of CU can be accelerated through removal of custom procedures at border point.	3.817	1.304
Belonging to different regional blocks is barrier to CU implementation	3.047	1.402
Dishonest among members state on intra-EAC trade procedures and negotiations adversely affect CU implementation	1.047	1.402
Belonging to only one regional block could have made realization of harmonized CU easier	2.274	1.263
Custom procedures barriers are affecting CU	3.104	1.392
EAC integration can’t be realized without achievement of harmonized CU	2.816	1.363

The mean scores for the above attributes ranged from 1.047 and 4.040, with an average score of 3.09. This means that respondents were in agreement with the attributes asked. The mean of whether implementation of the CU Protocol is on schedule was the highest at 4.04. Respondents felt that implementation of the CU Protocol was on schedule. All the respondents have a responsibility in the implementation of the Protocol, most of them in the actual negotiations and development of the customs union and trade protocol. The actions respondents had already completed by the time of the interview include formulation of the customs union protocol and initiation of negotiations, and training of personnel.

It was reported that most aspects of the negotiations had been completed with consensus being reached easily in cases where gains were anticipated, consultations with the relevant authorities were regular, and that implementation is fast. Two respondents, however, complained that negotiations were taking too long to complete, because some partners were dragging their feet. 24 respondents out of the 31 reported that the major difficulty being experienced was reaching consensus on a common external tariff (CET) and also the fear that its implementation may lead to loss of revenue to some of the member states.

Other difficulties cited by one respondent each are delays due to mistrust, indecision on tariffs, and creation of new documents. Moreover, membership to multiple integration schemes, perceived or real differences in development levels among the countries, and suspicion were reported as the key obstacles to the speedy implementation of the CU.

#### 4.6 Critical Strategic Factors for Implementation of a Harmonized East African Customs Union

The critical strategic factors are presented in the following section. Each table organizes each category of factors (Application of common external tariff, intra-trade border custom procedures, multiple memberships to regional blocs and application uniform rules of origin) rated on a scale of 1 to 5. The importance rating for each factor was scored on a scale of 1 to 5 with 1 having the lowest importance and 5 the highest. The factors were scored using respondents' opinion of each factor were then rated is five likert scale, where strongly agree = 5, agree = 4, indifferent = 3, disagree= 2 and strongly disagree = 1. For each factors, respondents opinion on importance rating of that factor, a mean (average) and modal values of responses for that option was calculated. To identify the criticality index for each factor, the factor criticality was defined as in Table 4.4

**Table 4.4: Criticality level**

<b>Mean Factor Score Range</b>	<b>Critical Index</b>	<b>Criticality level</b>
1 - 2	1	Least significant towards project success implementation of harmonized custom union
>2 - 3	2	Mildly significant towards project success implementation of harmonized custom union
>3 - 4	3	Moderately significant towards project success implementation of harmonized custom union
>4 - 5	4	Most significant towards project success implementation of harmonized custom union

##### 4.6.1 Common External Tariff

Respondents were requested to rate their opinion concerning various Common external tariff using a likert scale: 1 = No extent, 2 = little extent, 3 = Moderate extent, 4 = Great extent, and 5 = Large extent. Percentages of the responses were

calculated. Table 4.5 shows the results respondents' opinions analyzed in percentages and reported below. Over 65% disagreed that all members' countries are using a common external tariff on imports outside EAC, with 68% indicating some products are still accepted without Common external tariff.

**Table 4.5: Respondents' opinion on Common external tariff**

<b>Statement</b>	<b>Mean</b>	<b>Modal</b>	<b>Critical Index</b>
All members countries are using a common external tariff on imports outside EAC	4.58	22	4
Some products are not exempted from Common external tariff	2.86	44	2
Application of common external tariff has free movement of goods into country	2.73	18	2
Implementation of common external tariff will increase trade into the country	3.52	19	3
Implementation of common external tariff will reduce revenue collection	3.04	17	3
It is impossible to achieve a common external tariff	2.45	16	2

On the issue of a common external tariff, about 79 per cent of the respondents felt that a CET would have a significant impact mainly in the form of benefits, the most important of which are increase in trade and investment, increase in production, and possible retaliation by affected third countries.



#### **4.6.2 Effectiveness of Applying Common External Tariff (CET) to non-EAC member countries.**

The study findings showed that 53.1% of the respondents reported that Kenya has been very effective, 28% effective, 10.2 neutral, 7.8 ineffective and 0.9 very ineffective.

**Table 4.6: Respondents Opinions on Effectiveness of applying Common External Tariff (CET)**

	<b>Frequency</b>	<b>Valid Percent</b>
Very Effective	17	53.1
Effective	8	28.0
Neutral	3	10.2
Ineffective	2	7.8
Very Ineffective	1	0.9
<b>Total</b>	<b>31</b>	<b>100.0</b>

**Source: Field data (2016)**

All respondents interviewed supported a CET on goods from outside EAC. There was no strong consensus over the appropriate common external tariff. However, at least half of the respondents felt that the five East African countries needed to adopt the same CET with 45% recommended the maximum level of 25 per cent. They felt that this level was justifiable because of the need to protect local infant industries. Other reasons provided for recommending that level of CET are revenue protection, encouragement of intra-EAC trade, and its common application as the maximum rate in the EAC currently.

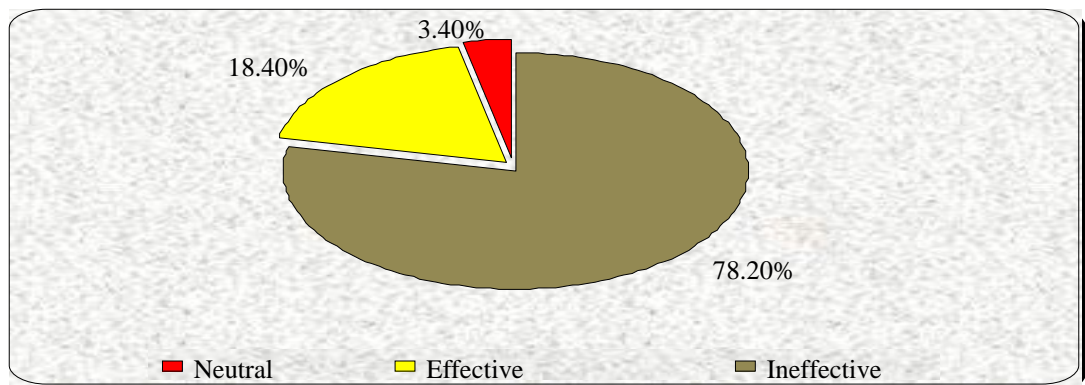
**Table 4.7: Respondents Opinions on benefits of applying Common External Tariff (CET)**

<b>Statement</b>	<b>Frequency</b>	<b>Percentage</b>
Application of CET combines economic power of member states by enacting favourable tariffs towards non- EAC member states	27	87%
Application of CET improves trade and revenue collection of member state	24	77%

According to the Table 4.7, 87% of respondents said application of CET combines economic power of member states by enacting favourable tariffs towards non- EAC member states, while 77% reported that CET improves trade and revenue collection of member state. The said CET is expected to benefit the country by improving efficiency and market availability, and preventing revenue loss.

#### **4.6.3 Custom Procedures**

Increased trade and revenue collection are both outcomes of harmonized CU. The effectiveness of customs procedures on facilitating trade and revenue collection within EAC was reflected at 78.9% of the respondents observing that the procedures are ineffective. 18.4% of the respondents did not share the same enthusiasm and responded that the custom procedures were effective in facilitating trade and revenue collection. Only 3.4% of the respondents responded that the procedures are neutral in facilitating trade and revenue collection. The figure 4.3 summarizes the findings.



**Figure 4.3: respondents Opinion on effects of custom procedures on facilitating trade and revenue collection**

#### **4.6.4 Effects of Elimination of Custom Procedures Barriers**

Respondents rated the degree to which the elimination of custom procedures barriers has contributed towards the realization of custom union at its benefits. The opinions of the respondents were rated using a likert scale: 1= No extent, 2= Moderate extent, 3 Great extent, and 4= Large extent. Table 4.8 shows the results. The respondents agree that elimination of custom procedures barriers has moderate extent to increased competition in the home market for locally produced goods, increase in the amount of cross border trade and foreign direct investment, growth in employment opportunities and increase in revenue collection.

**Table 4.8: Respondents Opinions on benefits of elimination of custom procedures barriers**

<b>Statement considered</b>	<b>Mean</b>	<b>Modal</b>	<b>Critical Index</b>
Increase competition in the home market for locally produced goods	3.28	22	3
Increase in volume of cross border trade and foreign direct investment	2.41	13	2
Increase in employment opportunities	4.89	28	4
Increase in revenue collection	1.72	12	1
Achievements of a harmonized EAC Customs Union (CU)	3.83	20	3

They agreed that elimination of custom procedures barriers and establishment of one stop border points, to great extent have contributed to the achievements of a harmonized EAC Customs Union (CU). Accordingly 45% of respondents said that elimination of such barriers would have substantial benefits to them in form of increased turnover and incomes, higher capacity utilization, reduction in costs, and reduction in paperwork.

#### **4.6.5 Multiple Memberships to Regional Blocs**

Respondents expressed their level of satisfaction with EAC member state belonging to different regional blocks. 91.3% of respondents reported that they are unsatisfied while 8.7% reported that they are satisfactory. This means that the majority are dissatisfied with EAC members belonging to different regional groupings.

**Table 4.9: Respondents' level of satisfaction with EAC member state belonging to different regional blocs**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Satisfactory	11	8.7
Unsatisfactory	115	91.3
<b>Total</b>	126	100.0

**Source: Field data (2016)**

To understand the influence of EAC member state belonging to different regional blocs on achievement of harmonized CU, respondents were asked several aspects of regional blocs. Respondents opinion were then rated on five likert scale, where strongly agree = 5, agree = 4, indifferent = 3, disagree= 2 and strongly disagree = 1. For each opinion, mean score was calculated and reported on the table 4.10;

**Table 4.10: Respondents’ Opinion on Effects on Multiple memberships to different regional blocs on realization of harmonized CU**

<b>Statement</b>	<b>Mean</b>	<b>Modal</b>	<b>Critical Index</b>
Belonging to different regional blocs among member states hinders the achievement of harmonized customs union	4.138	22	4
Membership to COMESA by Kenya, Uganda, Rwanda and Burundi has enhanced the implementation of harmonized EAC customs union	3.277	16	1
Tanzania’s membership to SADC is a challenge in the implementation of harmonized EAC customs union	2.417	18	2
It is not possible to achieve a harmonized Customs union with member states having multiple memberships to regional groupings	1.047	14	1
Each Members state should belong to only one CU despite being member of different regional grouping	4.147	28	4

The mean scores for the above attributes ranged from 1.047 and 4.147, the average mean being 3.0052. This, therefore, means that respondents disagree with the attributes of multiple membership to regional groupings. These results indicate that belonging to different regional blocks among member states hinders the achievement of a harmonized customs union. It is not possible to achieve a harmonized Customs union with member states having multiple memberships to regional groupings. Tanzania's membership to SADC is a challenge in the implementation of a harmonized EAC customs union, and membership to COMESA by Kenya, Uganda, Rwanda and Burundi has not enhanced the implementation of a harmonized EAC customs union. However, respondents agreed that each Member state should belong to only one CU despite being a member of a different regional grouping.

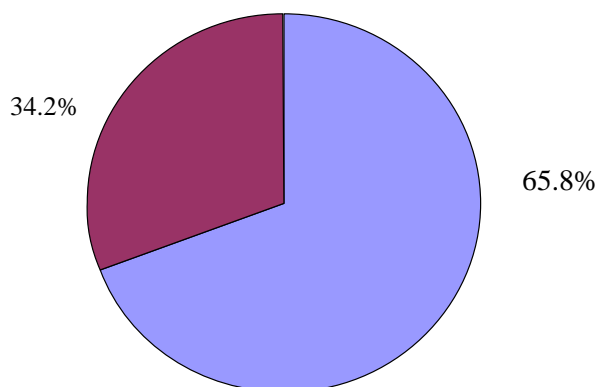
#### **4.6.6 Implications of Memberships to Multiple Regional Blocs on the Implementation of EAC Customs Union.**

The majority of respondents (78%) reported that a cost-benefit analysis of membership to multiple integration schemes has not been done and that such membership has affected the implementation of EAC protocols through divided loyalties and commitment and inability and hesitance of some partner states to implement some of the protocols. Almost all the respondents, moreover, reported that membership to many regional integration schemes creates conflicts through conflicting policies of different schemes, and interruption of already agreed-upon processes. To address the issue, the following suggestions were made; merging of EAC, SADC and COMESA (30%), membership to only one scheme for each country (56%) and making EAC protocols compatible with existing trade blocks (52%).

This finding is support earlier work of Alemayehu (1998) and Aryeetey and Oduro (1996) who said that membership to multiple integration schemes is also a major characteristic for East African countries. Therefore, Tanzania was a member of EAC, CBI, COMESA and SADC until recently before quitting COMESA. Both Kenya and Uganda are members of CBI, EAC, IGAD and COMESA. According to them membership to multiple schemes obstructs integration due to duplication of effort, human and financial costs, lack of harmony in policies like rules of origin and customs procedures, gaps in information, and altering political positions. This finding reinforces similar to Alemayehu (1998) and Aryeetey and Oduro (1996).

#### **4.6.7 Uniform Rules of Origin**

Respondent were asked to state if Kenya has established of rules of origin. 65.8% of the respondents that reported that Kenya has established and documented rules of origin, while 34.2% reported it haven't.



**Figure 4.4: Respondents' response on whether Kenya has established and documented rules of origin**

**Source: Field data (2016)**

#### 4.6.8 Application of Uniform Rules of Origin

To understand the influence of application of uniform rules of origin on achievement CU respondents were asked several statements on the uniform rules of origin in Kenya. Respondents opinion were then rated on five likert scale, where Very great extent = 5, Great extent = 4, Moderate = 3, little extent = 2 and No effect = 1. For each opinion, mean score was calculated and reported on the table 4.11. Documentation of rules of origin will affect CU harmonization scored 3.038 indicating that to moderately the documentation and application of uniform rules of origin have influenced achievement CU. The mean score of uniform application rules of origin prevents re-exportation of cheap imports within the customs union was 3.27. This implies application of uniform rules of origin have contributed to achievement CU

**Table 4.11: Respondents’ opinion on application of uniform rules of origin**

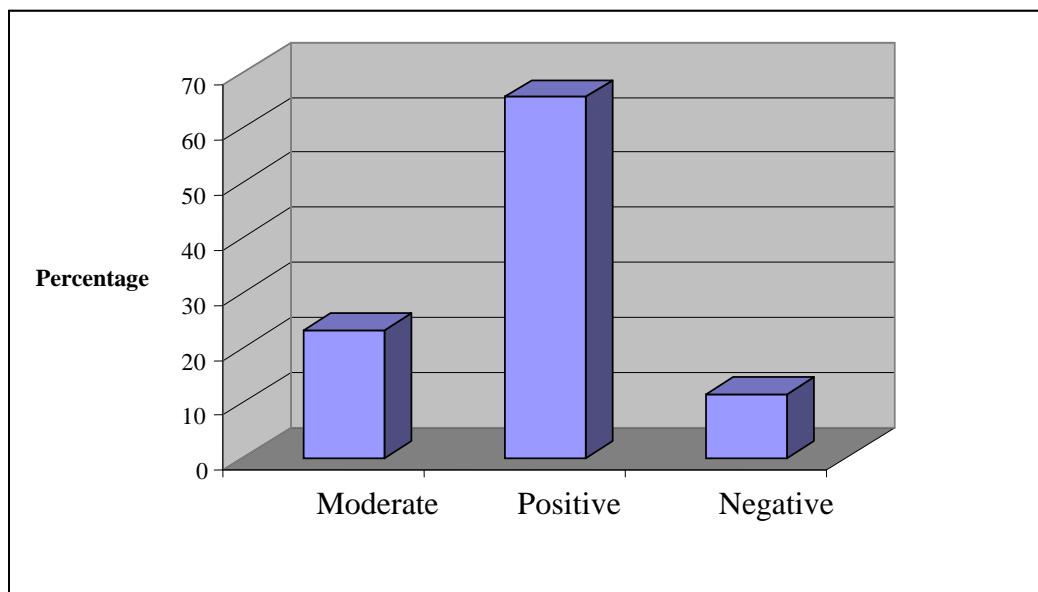
Statement	Mean	Modal	Critical Index
Documentation of rules of origin will affect CU harmonization	3.038	12	3
Uniform application rules of origin prevents re-exportation of cheap imports within the customs union	3.277	16	3

**Source: Field data (2016)**



#### 4.6.9 Effects of the establishment of rules of origin on products produced on realization of harmonized CU

Respondents were asked whether establishment of rules of origin on products produced within the partner states has an effect on realization of harmonized CU. 65.4% of respondents reported that establishment of rules of origin on products produced has positively affected the realization of harmonized CU, 23.1% said moderately while 11.5% reported negatively.



**Figure 4.5: Respondents view on Effects of the establishment of rules of origin on products produced on realization of harmonized CU**

**Source: Field data (2016)**

#### 4.7 Discussion of findings

The study established that the implementation of the EAC CU Protocol is on schedule. The implementation process however, has experienced both successes and challenges since the inception of CU in 2005. After analyzing factors the top critical strategic factors (with respect to their mean criticality indices), ranked in descending order of criticality, and are shown in Table 4.12. Note that critical index of 3 =

moderately significant towards project success implementation of harmonized custom union and 4 = Most significant towards project success implementation of harmonized custom union were used. This table provides category and criticality ranking for these critical success factors.

**Table 4.12: Category and Criticality Ranking for the Critical Success Factors.**

Statement	Critical Strategic factor	Critical level
Custom procedures leads to increase in employment opportunities as it influences harmonized custom union	Custom procedures	4
Belonging to different regional blocks among member states hinders the achievement of harmonized customs union	Multiple membership to regional bloc	4
Each Members state should belong to only one CU despite being member of different regional grouping	Multiple membership to regional bloc	4
All members countries are using a common external tariff on imports outside EAC	Common external tariff	4
Implementation of common external tariff will increase trade into the country	Common external tariff	3
Implementation of common external tariff will reduce revenue collection	Common external tariff	3
Documentation of rules of origin will affect CU harmonization	Uniform rules of origin	3
Uniform application rules of origin prevents re-exportation of cheap imports within the customs union	Uniform rules of origin	3
Increase competition in the home market for locally produced goods	Custom procedures	3
Achievements of a harmonized EAC Customs Union (CU) is a result of streamlined custom procedures	Custom procedures	3

Further assessment of Table 4.12 to identify success factor criticality ranking of various categories of factors (based on a value of mean criticality index for each category) – results were tabulated in Table 4.13. The table has been arranged in descending order of criticality.

**Table 4.13: Mean Criticality Index for each Factor.**

<b>Category of Critical Success Factor</b>	<b>Mean</b>	<b>Rank</b>
Common external tariff	3.894	1
Multiple membership to regional bloc	3.664	2
Custom procedures	3.512	3
Uniform rules of origin	3.423	4

Mean criticality index for a category = sum of mean of factors in each category/ total number of factors in each category.

Among the successes that were cited by the respondents include complete harmonization of the tariff codes; simplification and harmonization of trade documents and procedures; establishment of East African bill of entry; development of the rules of origin; and sharing of information among partner states. This finding supports World Bank (2000) who found that regional integration might lead to either negative or positive impacts depending on which products are tariff exempted or eliminated their importance to the country revenue and trade base.

According to respondents certain areas of the CU Protocol continue to pose challenges, however, including establishment of Common External Tariff, particularly the harmonization of rates and exemptions. The same integration issues were identified by World Bank (2000) and Venables (1999) who said failure to agree on these issues among countries forming trade blocks is more likely to lead to divergence rather than convergence. Interviews conducted among respondents identified four key roles, their organization plays towards implementation of CU. These are exemptions and drawbacks regimes management, Rules of origin application, Supervision of manufacturing Under Bonds (MUB), Export Processing Zones (EPZ) and Export Promotion Programs (EPPO), Application of Restriction and Prohibition provisions of

the Treaty, and Collection of statistics for economic planning and decision making. With respect to the above roles, these agencies have seconded technical officers to various EAC committees and Attends Quarterly Meetings of Technical Officers of the EAC.

The respondents indicated that elimination of tariff on intra-EAC trade would have insignificant effect on Kenya's tariff revenue base, as the revenue arising from such trade is currently low in relative terms. This finding are in line with Alemayehu and Kibret, (2000) who said loss of revenue from integration for COMESA member states, for instance, is insignificant and may be compensated for by dynamic gains from growth. This may be true also for the EAC since three member countries were in COMESA until Tanzania's recent withdrawal. Moreover, if the EAC tariff is eliminated Kenya will compensate for the loss in revenue by: Identifying other tax potential sectors such as the informal sector; adjusting domestic tax rates upwards; and enhancing tax administration capacity to improve compliance and reduce evasion.

Other benefits cited by respondents that are associated implementation of harmonized CU include free movement of people, increase in volume of trade and investment, and increase in employment and consumer welfare arising from lower prices in that order of importance. So far, the only benefit being enjoyed is the free movement of people. In order to maximize the benefits associated with the trade, the respondents felt that non-tariff barriers need to be removed, the pace of tariff elimination accelerated, and involvement of private sector increased. Besides the loss of revenue, other perceived costs of tariff elimination include increase in crime as well as collapse of some industries.

To mitigate such losses; the respondents felt that the Kenya needs to adopt a Common External Tariff, hasten the integration process, and reduce membership in multiple regional groupings. On the issue of compensation of revenue losses associated with CET, KRA respondents believe that mutual concession on tariff on specific products should be adopted. Moreover, revenue loss from tariff elimination should only be addressed when a country proves that there is no revenue leakage due to evasion and corruption and that the country optimally collects all the potential tariff revenue. The same findings were echoed by Baldwin (1997) who argues experience with regional integration demonstrate that the outcome of integration will be influenced substantially by the nature of the participating economies. Unlike elimination of internal tariffs, adoption of a CET is a challenge and has significant revenue implications to Kenya, according to the personnel interviewed. With respect to implementation of the CET, majority of respondents reported that the major difficulty being experienced was reaching consensus on a common external tariff (CET).

The same challenges were found by McCarthy (2001) when commenting on EU integration. Other difficulties cited by respondents are delays due to mistrust, indecision on tariffs, and creation of new documents. Moreover, membership to multiple integration schemes, perceived or real differences in development levels among the countries, and suspicion were reported as the key obstacles to the speedy implementation of the EACCU. Respondents interviewed ranked expansion of trade, increase in investment, and easier movement as the benefits expected from implementation of harmonized CU in the EAC, in that order.

This finding reinforces KIPPRA (2010) arguments that burdensome custom procedures at border points are a threat to implementation CU protocol. They impose barriers that include (administrative delays, inadequate information at border points or difficulties and delays in getting it, requirements of pre-shipment, technical and standardization requirements, and bureaucratic execution of rules of origin) and are a considerable blockage to the successful or triumphant implementation of the EAC Treaty. The most important means of maximizing benefits from the EACCU were ranked as follows: speeding up of elimination of tariffs on intra-EAC trade, elimination of non-tariff barriers, more integration beyond a customs union, scrapping off of domestic production constraints and wholesome implementation of CET. The others with relatively lesser importance include greater participation of the private sector, increased efficiency of border clearance, and abolition of transport problems. This argument was stated in favour of integration between eastern European countries as a complement to their free trade with the European Union by Elbadawi (1997). Respondents from ministry of trade reported the following perceived costs of the EACCU: conflict with other integration schemes and loss of revenue.

Other relatively less important costs cited are loss of employment and loss of sovereignty. The costs reportedly already affecting the country include conflict with other regional schemes, loss of revenue, loss of employment, and collapse of industries. Fortunately, most of these costs (with the exception of revenue loss) are expected to decrease with elimination of intra- EAC trade tariff. There were no clear opinions on how the costs associated with the EACCU could be ameliorated although a few respondents suggested a slower integration pace and compensation of losers. Yet, we are informed through experience that RI between low income countries tends

to end up in divergence in place of convergence in incomes, trade diversion instead of trade creation, and to draw “tariff jumping” foreign direct investment (FDI) (Venables, 1999; World Bank, 2000), factors that lead to a reduction in the economic and political feasibility of these RIs.

#### **4.8 Chapter Summary**

It is in this chapter, that the researcher provided the findings in relations to the information produced by the respondents. The first section deals with general information describing the characteristics of the respondents in relation to study objectives. The second part discussed the findings on the implementation of harmonized of customs union as the envisioned outcomes. The other part presented findings on critical success factors for implementation of harmonized custom union.

These are common external tariff on goods outside EAC region, intra-trade custom procedures, multiple memberships to regional blocks among EAC members, and application of uniform rules of origin on EAC produced products, highlighting how each affect the implementation of harmonized CU.

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

### **5.1 Introduction**

This chapter presents summary of the findings of the study and conclusions, and then suggests some policy implications. Areas for further research have been provided towards the end of this chapter.

### **5.2 Summary of Findings**

All the government officials interviewed strongly believes that the implementation of the EAC CU Protocol is on schedule. The implementation processes, however, has experienced both successes and challenges since the inception of CU in 2005. Among the successes that were cited by the respondents include complete harmonization of the tariff codes; simplification and harmonization of trade documents and procedures; establishment of East African bill of entry; development of the rules of origin; and sharing of information among partner states. This finding supports World Bank (2000) who found that regional integration might lead to either negative or positive impacts depending on which products are tariff exempted or eliminated their importance to the country revenue and trade base.

According to respondents certain areas of the CU Protocol continue to pose challenges, however, including establishment of Common External Tariff, particularly the harmonization of rates and exemptions. The same integration issues were identified by World Bank (2000) and Venables (1999) who said failure to agree on these issues among countries forming trade blocks is more likely to lead to divergence rather than convergence. Interviews conducted among respondents identified four key roles, their organization plays towards implementation of CU. These are exemptions



and drawbacks regimes management, Rules of origin application, Supervision of manufacturing Under Bonds (MUB), Export Processing Zones (EPZ) and Export Promotion Programs (EPPO), Application of Restriction and Prohibition provisions of the Treaty, and Collection of statistics for economic planning and decision making. With respect to the above roles, these agencies have seconded technical officers to various EAC committees and Attends Quarterly Meetings of Technical Officers of the EAC.

The respondents indicated that elimination of tariff on intra-EAC trade would have insignificant effect on Kenya's tariff revenue base, as the revenue arising from such trade is currently low in relative terms. This finding are in line with Alemayehu and Kibret, (2000) who said loss of revenue from integration for COMESA member states, for instance, is insignificant and may be compensated for by dynamic gains from growth This may be true also for the EAC since all the three member countries were in COMESA until Tanzania's recent withdrawal. Moreover, if the EAC tariff is eliminated Kenya will compensate for the loss in revenue by: Identifying other tax potential sectors such as the informal sector; adjusting domestic tax rates upwards; and enhancing tax administration capacity to improve compliance and reduce evasion.

Other benefits cited by respondents that are associated implementation of harmonized CU include free movement of people, increase in volume of trade and investment, and increase in employment and consumer welfare arising from lower prices in that order of importance. So far, the only benefit being enjoyed is the free movement of people.

In order to maximize the benefits associated with the trade, the respondents felt that non-tariff barriers need to be removed, the pace of tariff elimination accelerated, and involvement of private sector increased. Besides the loss of revenue, other perceived costs of tariff elimination include increase in crime as well as collapse of some industries.

To mitigate such losses; the respondents felt that the Kenya needs to adopt a Common External Tariff, hasten the integration process, and reduce membership in multiple regional groupings. On the issue of compensation of revenue losses associated with CET, KRA respondents believe that mutual concession on tariff on specific products should be adopted. Moreover, revenue loss from tariff elimination should only be addressed when a country proves that there is no revenue leakage due to evasion and corruption and that the country optimally collects all the potential tariff revenue. The same findings were echoed by Baldwin (1997) who argues experience with regional integration demonstrate that the outcome of integration will be influenced substantially by the nature of the participating economies, and hence benefits and cost should be assessed based on each country's level implementation of agreed integration instruments.

Unlike elimination of internal tariffs, adoption of a CET is a challenge and has significant revenue implications to Kenya, according to the personnel interviewed. With respect to implementation of the CET, majority of respondents reported that the major difficulty being experienced was reaching consensus on a common external tariff (CET). The same challenges were found by McCarthy (2001) when commenting on EU integration.

Other difficulties cited by respondent each are delays due to mistrust, indecision on tariffs, and creation of new documents. Moreover, membership to multiple integration schemes, perceived or real differences in development levels among the countries, and suspicion were reported as the key obstacles to the speedy implementation of the EACCU. Respondents interviewed ranked expansion of trade, increase in investment, and easier movement as the benefits expected from implementation of harmonized CU in the EAC, in that order. This finding reinforces KIPPRA (2010) arguments that burdensome custom procedures at boarder points are threat to implementation CU protocol. They impose obstructions (such as administrative delays, lack of adequate information at border points and/or delays in obtaining it, pre-shipment requirements, technical and standardization requirements, and bureaucratic administration of rules of origin) and are a serious bottleneck to the successful implementation of the EAC Treaty.

The following were ranked as the most important means of maximizing benefits from the EACCU: Acceleration of elimination of tariffs on intra-EAC trade, Removal of non-tariff barriers, higher integration beyond a customs union, Removal of domestic production constraints and complete implementation of CET. Other relatively less important are greater participation of the private sector, improved efficiency of border clearance, and removal of transport problems. This argument was put forward in favour of integration between eastern European countries as a complement to their free trade with the European Union by Elbadawi (1997). Respondents from ministry of trade reported the following perceived costs of the EACCU: conflict with other integration schemes and loss of revenue.

Other relatively less important costs cited are loss of employment and loss of sovereignty. The costs reportedly already affecting the country include conflict with other regional schemes, loss of revenue, loss of employment, and collapse of industries. Fortunately, most of these costs (with the exception of revenue loss) are expected to decrease with elimination of intra- EAC trade tariff. There were no clear opinions on how the costs associated with the EACCU could be ameliorated although a few respondents suggested a slower integration pace and compensation of losers. Yet, we are informed by experience that RI between low income countries tends to result in divergence rather than convergence in incomes, trade diversion rather than trade creation, and to attract “tariff jumping” foreign direct investment (FDI) (Venables, 1999; World Bank, 2000), factors that reduce the economic and political viability of such RIs.

### **5.3 Conclusions and Recommendations**

In general, most of the respondents felt that the execution of CU is good for the Country and recommended hastening of its implementation process. Respondents cited benefits of implementation of CU to include expansion of trade, increase in investment, and easier movement of people. Others include increase in employment and productivity. In order to maximize the benefits associated with implementation of harmonized CU, the respondents felt that the following strategies are important: non-tariff barriers need to be removed, the pace of tariff elimination accelerated, and involvement of private sector increased. However, respondent cited loss of revenue as main concern of implementation of CU. To mitigate loss of revenue associated with harmonized custom union the respondents felt that the EAC countries need to adopt a Common External Tariff, hasten the integration process, and reduce membership in multiple regional groupings.

In addition, respondents recommended harmonization and reduction or elimination of tariffs on intra-EAC trade. Other relatively less important recommendations include increase in political will, greater transparency and improved dissemination of information about future EACCU plans, elimination of corruption at border points, improvement of infrastructure, and encouragement of other landlocked countries to join the EACCU. Membership to multiple RI arrangements has been identified as a critical strategy to successful CU implementation. Such membership will require excessively expensive policing of rules of origin, interfere with the “fast-track” objective of the EAC, engender complexity and therefore affect private sector decision-making, and divert official attention from crucial and difficult issues of depth and width of integration within EAC. Respondent interviewed recommended (i) the three East African countries relinquishing membership to all RIAs except EAC, and (ii) making EAC protocols compatible with existing trade blocs. This research supports these two recommendations and urges the EAC secretariat, other EAC institutions, and the governments of the three countries to make this an important issue for negotiation and agreement.

Establishment of Common External Tariff, particularly the harmonization of rates and exemptions has been identified as major critical strategy in implementation of harmonized CU. This is because application CET has significant revenue implications to the country. Currently, the following CET structure is being applied: 0 per cent for primary products, 5-10 per cent for intermediate products, and 20 per cent for final goods. A recommendation is that implantation of the CET structure be fast tracked, and the government facilitate its negotiations with the other partner states for this to be effected.

#### **5.4 Areas for further Research**

More research is also required to facilitate integration within East Africa, especially implementation of CU. Issues of revenue loss with implementation of CU is a thorny one and the issue of compensation of losers from integration is critical for the socioeconomic and political sustainability of RI arrangements. To inform Kenya position in relation to these issues, more research is needed. Some of the issues that need further research include (i) dynamic analysis of the costs and benefits of integration to the country, and (ii) analysis of trade-off between revenue loss and industrial development with different CETs for intermediate goods. Recommendation is made that research institutions and academia can take such studies. The Government and EAC secretariat should provide funding to research institution to carry the recommended research.

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# APPENDICES

## Appendices I: Introduction letter



### UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS

Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE 6/9/2016.....

#### TO WHOM IT MAY CONCERN

The bearer of this letter KIMANI ANTHONY NJORGE.....

Registration No. DG1/74320/2014.....

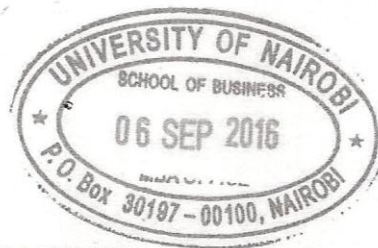
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

  
**PATRICK NYABUTO**  
SENIOR ADMINISTRATIVE ASSISTANT  
SCHOOL OF BUSINESS



## **Appendix II: Questionnaire**

### **Part one: Introductory letter**

Dear respondent.....

REF: Critical success strategies for the implementation of the East Africa Community Custom Union

My name is Anthony Kimani, a final year MBA student at University of Nairobi. As part of the course requirements, I am conducting a study that aims at examining critical strategic factors for the implementation of the East Africa Community Custom Union. The study will cover agencies involved in implementation EAC customs union and revenue collection, namely National Treasury, Ministry of trade and East Africa Community, and Ministry of Foreign Affairs and international trade and Kenya Revenue Authority. As the manager you have been selected to participate in this study.

I hereby invite you to participate in this study by providing the necessary data as per attached research tool. Please note that all the information provided will be used solely for academic purposes.

Thank you in Advance.

Yours sincerely;

Anthony Kimani

## Part Two: Questionnaire for the Respondents

### Section A: General Information

Kindly answer by ticking on the brackets provided or by writing a brief statement on the provided spaces

1. Gender of respondent

Male  Female

2. Age category

Below 30 years  31 – 40 years   
41 – 50 years  Above 50 years

3 Name of your organization

KRA  Ministry of Finance   
Ministry of EAC  Ministry of Trade

4 Indicate years of work experience

Up to 1 year  6 - 10 years   
1 -5 years  over 10 years

5 Indicate number of years in current position

Up to 1 year  6 - 10 years   
6 1 -5 years  over 10 years

**Section B: Critical success strategies for implementation of harmonized EAC custom union**

**A. Application of common external tariff on goods outside EAC region by member states and achievement of harmonized EAC CU**

7 To what extent has Kenya been effective in applying Common External Tariff ( CET) to non-EAC member countries

Very effective [ ] Neutral [ ] Very ineffective [ ]  
 Effective [ ] Ineffective [ ]

8 What is your level of agreement to the following statements on the implementation of common external tariff

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
All members countries are using a common external tariff on imports outside EAC					
Some products are still excepted from Common external traffic					
Application of common external tariff has free movement of goods into country					
Implementation of common external tariff will increase trade into the country					
Implementation of common external tariff will reduce revenue collection					
It is impossible to achieve a common external tariff					
Application of CET combines economic power of member states by enacting favourable tariffs towards non- EAC					



member states					
Application of CET improves trade and revenue collection of member state					

**Intra-trade border custom procedures and realization of harmonized EAC CU**

9 How effective has been the intra EAC trade border custom procedures on facilitating trade and revenue collection within EAC

Very effective [ ] Neutral [ ] very ineffective [ ]  
 Effective [ ] ineffective [ ]

To what extent has elimination of custom procedures barriers has contributed towards the following statements (rate your opinion below)

Statement	Very great extent	great extent	moderate	little extent	Very little extent	no effect
Increase competition in the home market for locally produced goods						
Increase in volume of cross border trade and foreign direct investment						
Increase in employment opportunities						
Increase in revenue collection						
Achievements of a harmonized EAC Customs Union (CU)						

**Multiple memberships to regional trade blocs among EAC members and realization of harmonized EAC CU**

10 Please give your level of agreement to the following statements on the EAC member state belonging to different regional blocs:

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Belonging to different regional blocs among member states hinders the achievement of harmonized customs					

union					
Membership to COMESA by Kenya, Uganda, Rwanda and Burundi has enhanced the implementation of harmonized EAC customs union					
Tanzania's membership to SADC is a challenge in the implementation of harmonized EAC customs union					
It is not possible to achieve a harmonized Customs union with member states having multiple memberships to regional groupings					
Each Members state should belong to only one CU despite being member of different regional grouping					

- 11 Give three most significant implications of memberships to multiple regional blocs on the implementation of EAC customs union?

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**Application uniform rules of origin on EAC produced products and implementation of harmonized CU**

- 12 What is your level of agreement to the following statements on the uniform rules of origin in Kenya

Statement	Very great extent	Great extent	Moderate	Little extent	Very little extent	No effect
Documentation of rules of origin is yet to completed						
Uniform application rules of origin prevents re-exportation of cheap imports within the customs union						

13 What has the establishment of rules of origin on products produced in EAC affected local industries?

Positively [ ] Moderate [ ] Negatively [ ]

14 Has Kenya established of rules of origin? Yes [ ] No [ ]

15 What has been Kenya experience on harmonization of the Tariff Codes and simplification and harmonization of trade documents and procedures;

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**B. General**

The statements below seek to find out challenges facing achievements of a harmonized EAC Customs Union by Kenya. Kindly give your opinion in terms of the extent to which you agree or disagree with them:

Statement	Very great extent	Great extent	Mode-rate	Little extent	No effect
Custom procedures has enhanced intra- EAC trade					
Belong to multiple regional grouping affect cross border trade and foreign direct investment					
Local industries have been affected by establishment of rules of origin on products produced in EAC					
Lack of agreement on custom procedures and rules has effected revenue collection					
Existence of rules of origin hindered the harmonization EACCU					
Existence of inter border controls/procedures has hindered the harmonization EACCU					
Member countries having varying domestic tariff regimes contribute to dis-harmonization of EAC					

CU					
Harmonized EAC CU is a result of uniform rules of origin					
Custom procedures at border point are burdensome					

16 Which are the challenges that are most prevalent in the implementations of harmonized EAC customs union in Kenya?

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17 How can the challenges listed above be resolved?

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### Section C: Information on Implementation of Harmonized Custom Union

18 The table below presents various attributes regarding implementation of EAC Custom Union. Indicate the extent to which you agree (or disagree) by ticking appropriately in the table;

Attribute	Strongly agree	Agree	Not Sure	Disagree	Strongly Disagree
Implementation of the CU Protocol is on schedule.					
Documentation on rules of origin of products is incomplete, because some partners are dragging their feet.					
There is difficulty in reaching consensus on a common external tariff (CET).					
Implementation of CU can be accelerated through removal of custom procedures at border point.					
Belonging to different regional blocks is barrier to CU implementation					
Dishonest among members state on intra-EAC trade procedures and					

negotiations adversely affect CU implementation					
Belonging to only one regional block could have made realization of harmonized CU easier					
Custom procedures barriers are affecting CU					
EAC integration can't be realized without achievement of harmonized CU					

19 How do you rate the implementation of harmonized East African Community (EAC) Customs Union

Very successful [ ] Successful [ ] Moderate [ ] Failure [ ]

20 The statements below seek to find out the achievements of a harmonized EAC Customs Union (CU) in Kenya. Kindly give your opinion in terms of the extent to which you agree or disagree with them:

Statement	Very great extent	Great extent	Mode-rate	Little extent	No effect
The harmonization of CU has contributed to the growth in intra- EAC trade					
The CU has contributed to increased trade and foreign direct investment from outside EAC					
Employment opportunities have increased due to the harmonization of CU in Kenya					
The harmonization of CU has lead to increase in revenue collection					

————— **END** —————