

**DETERMINANTS OF IMPLEMENTATION OF THE EAST AFRICAN  
COMMUNITY RULES OF ORIGIN, 2015 IN KENYA**

**By**

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## DECLARATION

### Declaration by the Candidate

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## **DEDICATION**

I dedicate this work to Rachael whose love and wisdom are pillars I am still learning to depend on as each day goes. To Waweru and Wanjira who endured many nights without their goodnight kisses so this can come to fruition. To Waithaka who has enjoyed the tail end of this journey.

Asanteni Sana!

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## ABSTRACT

The East African Community (EAC) has taken steps forward by implementing a free trade area, customs union and a common market in its region. The implementation of the former requires the removal of all trade barriers in the intra-regional trade. The purpose of this study was to establish the determinants influencing the implementation of the EAC RoO, 2015 in Kenya. It was guided by three specific objectives namely; To establish the effect of Structure of the EAC RoO on the implementation of RoO, 2015 in Kenya; To evaluate the effect of capacity of customs personnel on the implementation of the EAC RoO, 2015 in Kenya; and To determine the effect of stakeholder awareness on the implementation of the EAC RoO, 2015 in Kenya. Customs union theory and theory of economic integration were used as anchor to this study. The customs union theory focuses more on the welfare gains and losses that go after the structuring of customs union while theory of economic integration assumes perfect competition, and whose major concern is the location of production of different kinds of goods. The study adopted explanatory research design and covered the following agencies involved in the implementation of Rules of Origin 2015 in Kenya; Kenya International Freight Forwarders and Warehouses' Association (KIFFWA), Members of the Kenya Association of Manufacturers (KAM) and Kenya Revenue Authority. Staff in supervisory and management positions in the three agencies were the focus of the study. There are approximately 165 managers in the three agencies that were all studied since the study used census methodology. Federation of East African Freight Forwarders Associations (FEAFFA) was used for pilot testing thus was not included in the final data collection and analysis. It relied on primary data which was collected through a structured questionnaire. Quantitative data was analysed using descriptive and inferential statistics and results presented using figures and tables for easy understanding and interpretation. The study findings indicated that structure of the EAC RoO, capacity of customs officials and stakeholder awareness were key determinants of implementation of RoO, 2015 in Kenya. Regression results showed that 53.9% of the variations in implementation of 2015 East African Community Rules of Origin in Kenya are jointly accounted for by the variations in structure of the EAC RoO, capacity of customs officials and stakeholder awareness. The study concluded that there was improved implementation of EAC Rules of Origin, 2015 in Kenya which was associated with effectiveness of critical success factors hence successful implementation. It also concluded that the structure of the EAC RoO, capacity of customs officials and stakeholder awareness had a positive influence on the implementation of EAC Rules of Origin, 2015 in Kenya. The study recommends that there is a need to sensitize and empower users at border stations and other stakeholders about the changes in procedures that have been brought by the implementation of Rules of Origin. The implementers; Kenya Customs also ought to set practical implementation objectives with regards to timeframes, the clarity of their action plans and the allocation of resources both human and financial. It also recommends that stakeholders should be included in all pre-implementation and inception phases as well in the execution of agreed upon strategies. This will increase the acceptability, and create a bridging social investment for the strategy implementation, as well as enriching the process with more ideas.

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## OPERATIONAL DEFINITIONS OF TERMS

**Customs:** an authority or agency in a country responsible for collecting tariffs and for controlling the flow of goods, including animals, transports, personal, and hazardous items, into and out of a country

**Customs duty** is a tariff or tax on the importation (usually) or exportation (unusually) of goods

**Customs union,** a trade agreement by which a group of countries charges a common set of tariffs to the rest of the world while granting free trade among themselves

**Rules of Origin:** The specific provisions, developed from principles established by national legislation or international agreements applied by a country to determine the national source of goods, in international trade;

**Stakeholder Involvement** This is the process by which an organisation involves people who may be affected by the decisions it makes or can influence the implementation of its decisions.

**ACRYONMS AND ABBREVIATIONS**

<b>CET</b>	Common Eternal Tariff
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>CoO</b>	Certificates of Origin
<b>CU</b>	Customs Union
<b>EAC</b>	East Africa Community
<b>EACU</b>	East African Custom Union
<b>EU</b>	European Union
<b>FEAFFA</b>	Federation of East African Freight Forwarders Associations
<b>GDP</b>	Gross Domestic Product
<b>KAM</b>	Kenya Association of Manufacturers
<b>KIFWA</b>	Kenya International Freight and Warehousing Association
<b>KRA</b>	Kenya Revenue Authority
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>RoO</b>	Rules of Origin
<b>SPSS</b>	Statistical Package for Social Sciences
<b>UNECA</b>	United Nations Economic Commission for Africa
<b>WCO</b>	World Customs Organization

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter gives the overview of the East African Community customs union and the rules of origin. It also presents the background of the study, the statement of the problem, the study objectives, the research questions, the scope and significance of the study.

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

The East Africa Community (EAC) was first established in 1967 comprising of Kenya, Tanzania and Uganda. It collapsed in 1977 as a result of several factors including political differences, but was re-established formerly in 2000. This happened after the treaty for establishment of the East African Community was signed on 30th November 1999 and entered into force on 7th July 2000 following its ratification by the Original 3 Partner States – Kenya, Uganda and Tanzania (EAC, 1999). This is to say, East African states were now enthusiastic to join and be joined to the community. Also, it demonstrated that, the new co-operation had new institutional framework to ensure that agreements, policies and programmes are initiated and executed effectively and efficiently to foster the co-operation and integration.

##### **1.1.1 Global Perspective of Rules of Origin**

Demonstrating this in 2005, “the East African Custom Union” (“the EACU”) was established by all member states agreeing to establish a single customs territory to facilitate free movement of goods within the region (EAC, 2013; Mwapachu, 2012). In 2007, Rwanda and Burundi joined the Community. With the same motives, “the

Protocol on the Establishment of the EAC Common Market” (“the Protocol/CMP”) was signed by the Heads of States on November 20th, 2009, coinciding with the 10th Anniversary celebrations of the revived Community (EAC, 2012). The Protocol entered into force on July 1st, 2010 following ratification from all Partner States: Burundi, Kenya, Rwanda, Tanzania and Uganda (EAC, 2012; Mwapachu, 2012; Mangachi, 2011; World Bank (WB), 2013). Likewise, on November 30th, 2013, the summit Heads of States approved and signed the “Protocol on the Establishment of the East African Monetary Union” in which PSs agreed to conclude the ratification process by July, 2014.

Thus, the signing of the Treaty and Protocols has been greeted with optimism and high expectations, but its implementation needs a critical look. It is of worth to note that the full implementation of the Common Market Protocol has not been achieved owing to many country based reasons. Although some achievements have been seen, regional predicaments and challenges are enormous. As a result the implementation of the Common Market and the Monetary Union Protocols remains a mirage (EAC, 2012). Partner States are crawling in the implementation process than walking their talks. Instead, they have continued anchoring in compromise politics in the region thus, favour in national interest over supranational interest.

The East African Community (EAC) has existed as a Customs Union (CU) since 2004. The treaty establishing the EAC (referred to as the *Treaty*) set out in Article 7 (1) (c) as one of its objectives “the establishment of an export oriented economy for the Partner States in which there shall be free movement of goods, persons, labour, services, capital, information and technology”( EAC, 2004). It is generally accepted that persons (in the form of traders) and goods (they are trading in) form the first step

of any meaningful regional integration pillars. Toward attainment of this objective the EAC set out in Article 14 of the Protocol on the Establishment of the Customs Union (referred to as the *Protocol*) that goods shall be accepted as eligible for Community tariff treatment if they originate in the Partner States and that such goods shall be considered to originate in the Partner States if they meet the criteria set out in the Rules of Origin adopted under the Article (EAC, 2012). The Rules of Origin (Referred to as RoO) were then adopted as Annex III to the Protocol.

The first version of the EAC RoO came into force in January 2005 and were heavily modelled on the Protocol on Rules of Origin of the Common Market for Eastern and Southern Africa (COMESA). They provided for four alternate criteria of origin; these were wholly produced, material content (where the value of imported material was not to exceed 60% of the total material cost of a commodity), value addition (where the value of local value added was to be at least 35% of the ex-factory cost of a product) and change in tariff heading which was guided by the first schedule to the rules (EAC, 2012).

In 2015, in an attempt to align itself with the other Regional Economic Communities (RECs) and in order to spur growth per sector specific needs, the EAC revised the Rules of Origin to what is commonly referred to as product specific RoO. The revised rules came into force on the 26<sup>th</sup> of January, 2015 but their implementation took effect later on in the same year to allow for sensitization of the Customs officers and other stakeholders on the amendments that had been made (EAC, 2015).

The purpose of the rules was to implement provisions of Article 14 of the Customs Union Protocol and to ensure that there is uniformity among Partner States in the treatment of goods (EAC, 2015). The key provisions of the revised RoO are the two

criteria under Rule 4 which provides that goods shall be accepted as originating in the Partner State where goods are wholly produced in the Partner State as read with Rule 5; or produced in the Partner State incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the Partner State as read with Rule 6. Partner States issue Certificates of Origin (CoO) to certify that the goods are eligible for Community Preferential Tariff Treatment.

Annex K to the Revised Kyoto Convention defines RoO as “The specific provisions, developed from principles established by national legislation or international agreements applied by a country to determine the origin of goods.” There are two types of Rules of Origin; preferential and non-preferential. The Agreement on Rules of Origin (Annex 1A to the Marrakech Agreement establishing the World Trade Organization in 1995) provides a useful definition these two types of RoO.

Non-Preferential Rules of Originate defined as those laws, regulations and administrative determinations of general application applied by any Member to determine the country of origin of goods. Preferential Rules of Originate defined as those laws, regulations and administrative determinations of general application applied by any Member to determine whether goods qualify for preferential treatment under contractual or autonomous trade regimes leading to the granting of tariff preferences going beyond the application of paragraph a of Article 1 of GATT 1994. The EAC RoO are preferential Rules of Origin are preferential RoO that have come into force under a contractual trade regime.

### **1.1.2 Implementation of Rules of Origin**

Rules of Origin are established under article 14 of the Protocol establishing the East African Community Customs Union. Rules of origin are procedures meant to distinguish goods produced within the EAC Customs Union and eligible to the community preferential EAC tariff rates from those produced outside the EAC Customs Union territory that attract the Common External Tariff (CET) rates (EAC Secretariat, 2006). In addition to the main regulations, the protocol also provided simplified ROO which allowed exporters of goods whose value did not exceed USD500 (EAC RoO 2005) and 2000USD (as per EAC RoO 2015), to process simplified certificates of origin at the border posts in the respective countries.

Annex iii of the protocol establishing the EAC Custom's Union (2005) outlined characteristics of goods that would qualify for preferential treatment under the EAC internal tariff regime namely (Rule 4), goods wholly produced or obtained from a partner state; goods produced in the partner states and the CIF value of any foreign material used does not exceed 60 per cent of the total cost of all materials used in their production (material content criterion); goods produced in the partner states whose value addition resulting from the process of production account for at least 35 per cent of the ex-factory cost of the goods (value added criterion); and goods produced in the partner states classified in a tariff heading different from the one in which they were imported (change in tariff heading criterion) – (Mukiibi, 2010).

The effective implementation of the EAC Rules of Origin by the Partner States requires an efficient national system responsible for the administration and enforcement of the EAC Rules of Origin. To achieve this, Partner States should meet several organizational requirements. It is desirable for the effective implementation of

the EAC Rules of Origin that Partner States ensure that they have the following units in the administrative structures of Competent Authorities. The competent authorities should be organized in such a way that there is Headquarters as well as Zonal/Regional/local Offices responsible for the administration and enforcement of the EAC Rules of Origin (Inama, 2009).

The implementation process is influenced by an interaction of all the players in the production and export chain in Kenya. These include manufacturers and clearing agency fraternity (which we refer as stakeholders) and Customs who are vested with the implementation of the RoO. Traders need to understand the provisions of the RoO so that they can modify and /or adapt their production processes to align them to the rules for preferential access to the markets of the Partner States for their products (KIPPRA, 2010). The clearing agents' fraternity on the other hand act is the bridge between the Customs and exporters. Their understanding of the rules as well as other customs procedures eases the export and import processes of their clients. The Kenya Association of Manufacturers (KAM) has organized several sensitization forums for their members but the numbers sensitized are not significant in comparison to the number of manufactures in the country. Kenya International Freight and Warehousing Association (KIFWA) the clearing agency association in Kenya in conjunction with the Federation of East African Freight Forwarders Associations (FEAFFA) conducted trainings for their members as well. Even for those sensitized, the need for time to time training stand largely unfulfilled. This study therefore intended to fill this gap by establishing the factors influencing implementation of 2015 EAC Rules of Origin in Kenya.

### **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 republic of South Sudan is yet to be admitted into the Customs Union. The Treaty on the Establishment of the EAC was signed on November 30th 1999 and was implemented on July 7th 2001 upon ratification 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 tariffs (Wangwe, 2010) with the view of promoting trade among the Partner States. 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 based on the principle of asymmetry (EAC

Customs Union Protocol; Article 11), adoption of a common EAC customs law, and common rules of origin for products produced within EAC among others.

According to the Kieck (2010) many countries are realizing the benefits of less restriction to cross border trade and thus are pushing for less restrictive borders as a mechanism to improve the movement of goods and services across shared international borders. Where implemented, this has been found to have both economic and customs law enforcement benefits. However, to succeed its implementation requires the support of all border management stakeholders. Factor mobility across the borders and the coordination of policies would facilitate economic growth and greater welfare for participating countries thereby reducing poverty and solving unemployment (Kieck, 2010). Member states are to initiate measures for trade facilitation programmes such as promoting, developing and adopting common solutions to problems in trade facilitation and establishing joint programmes among member states for easier movement of goods and people. Thus, the implementation of trade facilitation measures poses multiple demands on limited resources of developing countries. The major costs associated with implementing trade facilitation reforms include institutional costs, regulatory costs, training and education costs, equipment and infrastructure costs (World Bank, 2014). This study therefore sought to establish the factors affecting the implementation of the East African Community Rules of Origin, 2015 in Kenya.

## **1.2 Statement of the Problem**

Since 2015 Kenya has taken several steps toward full implementation of the EAC RoO (EAC, 2015). By implementing this policy it would facilitate economic growth and greater welfare for participating countries thereby reducing poverty and solving unemployment. The implementation process is influenced by an interaction of all the

players in the production and export chain in Kenya. These include manufacturers and clearing agency fraternity (which we refer as stakeholders) and Customs who are vested with the implementation of the RoO.

Customs has conducted very little sensitization on the Rules to its Officers leading to a situation where implementers of the rules are not aware of the changes brought by the 2015 Rules. This coupled with the structure of the rules which is a paradigm shift from the 2005 version of the Rules has only served to complicate customs ability to fully and correctly interpret and implement the rules. This study sought to look into the factors that have affected the implementation of the 2015 Rules which at inception were projected to encourage investment and boost the manufacturing sector in the region (New Times, New EAC rules of origin 'will spur' regional manufacturing industry, Rwanda 3.10.2016)

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. Gichuru (2006) did research on trade related barriers to Kenya's export of fruits and vegetables to the European Union and found out that both the tariff and non-tariff barriers affected the export of fruits and vegetables to the EU market; Oduor (2007) researched on difficulties faced by Eastern and Southern African trade development bank in implementing the strategy of capital resource mobilization. There is limited existing literature on

successful implementation of custom unions since the existing studies have looked at the broader perspective of regional integration but not on the implementation of 2015 East African Community Rules of Origin, in Kenya. This was a knowledge gap that this study aimed to fill. It was on the basis of the issues raised above that the researcher considered it important to carry out this study to establish the determinants of the implementation of 2015 East African Community Rules of Origin, in Kenya.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The general objective of the study was to establish the determinants of the implementation of 2015 East African Community Rules of Origin in Kenya.

#### **1.3.2 Specific Objectives**

- i. To establish the effect of the structure of the EAC RoO on the implementation of the 2015 RoO, in Kenya;
- ii. To evaluate the effect of capacity of customs officials on the implementation of the 2015 EAC RoO, in Kenya;
- iii. To determine the effect of stakeholder awareness on the implementation of the 2015 EAC RoO, in Kenya.

### **1.4 Research Hypothesis**

The study was guided by the following null hypothesis:

**H<sub>01</sub>:** There is no significant relationship between structure of the EAC RoO and implementation of the 2015 RoO in Kenya

**H<sub>02</sub>:** There is no significant relationship between capacity of Customs Officials and implementation of the 2015EAC RoO, in Kenya

**H<sub>03</sub>:** There is no significant relationship between stakeholder awareness and implementation of the 2015EAC RoO, in Kenya

### **1.5 Significance of the Study**

The study findings can be of importance to various stakeholders such as the policy makers, investors and academicians. The findings can help the policy makers in the Government of Kenya to take stock of what it has done and challenges facing the rules of origin in the region and take stock of benefit thereof. The findings of the study informs the country and the agencies involved in East African Community Rules of Origin,2015 implementation such as Ministries of EAC, EAC Secretariat and trade on Customs Union and what needs to be done to ensure full implementation and how to overcome challenges faced.

The finding of the study can help investors in East Africa region as they learn the critical factors for implementation of EAC Rules of Origin and understand the challenges facing its full implementation and any effects this has on cross border trade from a Kenyan perspective. 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 EAC Rules of Origin and the challenges faced by the Partner States. The findings of this study can serve as reference material for future research work. The study can

also provide areas for further research that scholars and academician can pursue to further their research and knowledge.

### **1.6 Scope of the Study**

The study sought to establish the factors affecting implementation of 2015 East African Community Rules of Origin, in Kenya. The study was limited to three variables namely; structure of EAC RoO, capacity of customs officials and stakeholder awareness in relation to implementation of rule of origin 2015. The study was carried out in 2019 from January to November.

Although East African Community Rules of Origin is implemented by five of the six East Africa Community (EAC) Partner States namely Kenya, Uganda, Burundi, Tanzania, Rwanda (South Sudan being the exception), this study covered Kenya only. The study covered the following agencies involved in the implementation of EAC Rules of Origin, 2015 in Kenya; Kenya International Freight Forwarders and Warehouses' Association(KIFFWA), Federation of East African Freight Forwarders Associations (FEAFFA), Kenya Association of Manufacturers' (KAM)and Kenya Revenue Authority. The study targeted managers in the four institutions. These are the people who are involved in the implementation of East African Community Rules of Origin and who are aware of the process and activities required in Kenya to ensure full implementation of East African Community Rules of Origin.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter covers the various studies carried out on the area of interest that is factors influencing implementation of EAC Rules of Origin, 2015. It highlights the literature that has been done by other scholars on customs union, rules of origin and stakeholder awareness. The chapter also highlights the relevant theories and the conceptual framework.

##### **2.1.1 Implementation of East African Community Rules**

The East African Community (EAC) continues to consolidate key regional integration achievements particularly the implementation of the EAC Single Customs Territory, and the application of the revised EAC Rules of Origin, 2015. The operationalization of the revised EAC Rules of Origin, 2015 has eased doing business in the region. The removal of several tariff and non-tariff trade barriers has promoted the movement of goods and services across borders and tremendously spurred intra-EAC Trade. Available statistics show that trade within the EAC increased from US\$4.5 billion in 2011 to US\$5.1 billion in 2015 (EAC Statistics, 2017).

The EAC Customs Union RoO, 2015 came into force in January 2015 replacing the EAC Customs Union RoO that had been in force since January 2005 (EAC, 2015). The purpose of the rules was to implement provisions of Article 14 of the Customs Union Protocol and to ensure that there is uniformity among Partner States in the treatment of goods. The key provisions of the revised RoO are the two criteria under Rule 4 which provides that goods shall be accepted as originating in the Partner State where goods are wholly produced in the Partner State as read with Rule 5; or

produced in the Partner State incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the Partner State as read with Rule 6. Partner States issue Certificates of Origin (CoO) to certify that the goods are eligible for Community Preferential Tariff Treatment.

Article 14 of the protocol required partner states to set up structures to regulate and apply the policies related to rules of origin. Similarly to Uganda, Kenya was required under article 14 to issue goods originating from the country with a certificate of origin. The Council of ministers meeting of 2006 (EAC Secretariat) designated the Kenya revenue authority (KRA) with the duty of implementing the provisions on rules of origin (Mugisa et al., 2009).

Research analysis revealed that in order to comply with the provisions of article 14 of the protocol, KRA established a liaison office at the Nairobi KRA office to coordinate all matters related to rules of origin in Kenya. Second, all staff at the ROO office were provided with necessary training and skills to ensure that all applications for certificates of origin were verified adequately (Okumu and Nyankori 2010). The analysis revealed that the provisions on the rules of origin were adequately applied in Kenya. This is evidenced by fewer queries raised by the customs authorities in the partner states regarding the authenticity of exports of goods issued with certificates of origin from Kenya compared to those from other partner states. This may be attributed to the fact that KRA had capacity to analyse the composition of the products and ascertain whether they meet the criteria of „wholly and exclusive“ criteria in the protocol (Jensen 2010). In addition, respondents revealed that it was easier for the KRA to address any queries raised on certificates of origin since they were the issuing

agency. This was not the case in other partner states where the COOs were issued by other organisations but queries were directed to the customs authority.

The research revealed that provisions on simplification of customs processes and implementation of rules of origin in the EAC customs union in order to enhance movement of goods were inadequately undertaken. Previous literature argues that implementing rules of origin from a single integration arrangement does not lead to complications. However, overlapping membership in other integration arrangements implies that various regulations have to be applied. The application of different rules of origin is cumbersome and leads to delays in the movement of goods within a regional integration bloc (Chacha 2008; Razeen 2006).

### **2.1.2 Structure of East Africa Community Rules of Origin**

The East African Community (EAC) is a regional intergovernmental organisation of 6 Partner States: the Republics of Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania, and the Republic of Uganda, with its headquarters in Arusha, Tanzania (EAC, 2017). The EAC is home to 172 million citizens, of which over 22% is urban population. With a land area of 2.5 million square kilometres and a combined Gross Domestic Product of US\$ 172 billion (EAC Statistics for 2017), its realisation bears great strategic and geopolitical significance and prospects for the renewed and reinvigorated EAC.

The work of the EAC is guided by its Treaty which established the Community. It was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three Partner States - Kenya, Tanzania and Uganda. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on 18 June 2007 and became full Members of the Community with effect from 1 July 2007.

The Republic of South Sudan acceded to the Treaty on 15 April 2016 and became a full Member on 15 August 2016.

As one of the fastest growing regional economic blocs in the world, the EAC is widening and deepening co-operation among the Partner States in various key spheres for their mutual benefit. These spheres include political, economic and social. At the moment, the regional integration process is in full swing as reflected by the encouraging progress of the East African Customs Union, the establishment of the Common Market in 2010 and the implementation of the East African Monetary Union Protocol. The main Organs of the EAC are the Summit, the Council of Ministers, the Coordinating Committee, the Sectoral Committees, the East African Court of Justice, the East African Legislative Assembly and the Secretariat.

The key provisions of the revised RoO are the two criteria under Rule 4 which provides that goods shall be accepted as originating in the Partner State where goods are wholly produced in the Partner State as read with Rule 5; or produced in the Partner State incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the Partner State as read with Rule 6. Partner States issue Certificates of Origin (CoO) to certify that the goods are eligible for Community Preferential Tariff Treatment. This was a complete departure from the 2005 Rules that had four alternate criteria.

### **2.1.3 Capacity of Customs Officials**

In any organization, the staff are the ones charged with the mandate of implementation of the strategy as such this section will give an in-depth analysis into employee competences and strategy implementation, challenges facing staff competences and the benefits of employee competences in strategy implementation

(Elwak, 2014). The failure of a strategy may affect an organization negatively and these may include loss of external benefits such as proposed funds for strategy implementation, or internal benefits such as staff demotivation, and loss of competitive advantage or eventual failure of the organization (Elwak, 2014).

Many of today's organizations may be characterized as distributed, matrix, and global, with functions that usually operate autonomously within the absence of governance. These factors create economical and effective identification, utilization, and implementation of competencies. In fact, 69 % of organizations surveyed their competency management was not as effective as it should be (Drucker, 2013). A spotlight on leadership competencies and talent development promotes higher leadership. However, skills required for a specific position could be modified based on the precise leadership level within the organization.

Most organizations are so guilty of ignoring worker competence and consistent with Bossidy and Charan, (2012) most managers overlook this necessary issue as they're too busy puzzling over the opposite underpinning factors, for example, the way to increase earnings and company growth, coping with surroundings dynamics among different problems. Thus, this means very little attention is given to worker competence. This is consistent with Armstrong, Ittner, and Larcker, (2014) where they assert standards as being the minimum acceptable level of performance. Bossidy and Charan (2012), highlight that competence has more than simply information and skills. This can be due to it involving the flexibility to fulfill complicated demands, by drawing on and mobilizing psychosocial resources, as well as skills and attitudes, in an exceedingly specific context (Morril, 2010).

If a company should achieve success, it's to make sure that it possesses the proper employees for the task and this can be chiefly a result of their judgment and experiences since these aspects have got a protracted means in driving the organization's performance (Bossidy and Charan, 2012). Michlitsch (2010) notes that when there is lack of competencies, either on the highest or within the bottom of the firm's structure, even the simplest strategy with the simplest environmental factors can have restricted possibilities of success. The shortage of competencies isn't alone attributive to lower level managers or staff but also the chief officers who may fail in their attempt to execute a new strategy (Wheelen, Hunger, Hoffman & Bamford, 2015).

While staff competence is vital, failures are experienced due to many organizations failing to acknowledge human capital as a factor necessary for successful strategy implementation (Chapman, 2015). This is so as a result of low level managers and employees being the last group to identify with company strategy. As a result, Michlitsch (2010) attributes the obvious lack of human factor as the sole impediment to strategy implementation failure. This Michlitsch attributes to the lack of awareness by managers that employees play a vital role in strategy success. Thus, the absence of employees on board would definitely result into strategy failure (Hitt, Ireland & Hoskisson, 2015).

By employing a competence approach, organizations will establish what positions at that level need specific competencies (Daft, 2014). Boukendour and Hughes (2014) additionally elaborate that after choosing and developing leaders, human resource professionals ought to think about the competencies that the individual possesses and

compare them to those that require additional development for fulfillment in particular leadership role.

There is need to educate the customs officials at all the border points to enable them to exercise the policies within the EACCU effectively and efficiently, partner states should adopt a common educational programme for educating all the customs officials. EAC secretariat should also increase sensitization training sessions for their officials as well as the partner states' revenue authorities' officials to ensure a harmonized informative system is in place to facilitate the sharing of trade information. The EAC partner states should work on the computerization of procedures and processes which are vital in faster cross border services to ensure faster efficient and more effective services (UNCTAD, 2015).

#### **2.1.4 Stakeholder Awareness**

Organizations have to deal with not only the needs of their shareholders, but also various other groups including employees, suppliers, public interest groups like environmental organizations, customers, strategic partners, media people, public monitoring bodies, financial institutions, governmental bodies, competitors, intermediaries, and unions (Yilmaz & Gunel, 2008). Therefore, the first step of strategic stakeholder management is to determine the important stakeholders of the organization which can influence the organization and be influenced by the organization. Stakeholders are involved in the change process in different levels depending on the type of effect the change will have on them or depending on the contributions that they can have on the change.

According to Ad-esse Consulting (2008), the following process can be applied in stakeholder management: The first step is to identify all stakeholders; secondly,

categorise stakeholders by interest and influence; thirdly, Consider whether stakeholder is positive or negative; fourthly, define engagement or communication scope for each stakeholder; fifth step is to develop plan for managing each stakeholder, including measures of success; seventh step is to deliver plan, and lastly, review success and refine plan. The only way to effectively manage your stakeholders is to know and understand them. Stakeholders are categorised to ensure that resources are spent effectively in managing them the right way.

Adesse consulting (2008), further posits that stakeholders are categorised as a basis for planning how to manage them through change. The strategy is to satisfy high interest and low influence stakeholders; engage high interest, high influence stakeholders; keep briefed high influence, low interest stakeholders and give simple messages to low interest, low influence stakeholders (Donaldson & Preston, 1995) as cited in Mwikuyu (2009).

A stakeholder's significance and support depends on the situation and the issues continuing and support cannot be assumed, stakeholder classification strategies have been developed to attempt to understand each stakeholder's importance to the project and define the most appropriate relationship in management. A stakeholder can be a consumer or a buyer. One model categories stakeholders based on assessing the stakeholder relationship with the project and the urgency of stakeholders claim on the project leading to a specific managerial action (Mitchell, et al, 1997).

Chikati (2009) says that involving stakeholders in a participatory analysis and decision making around community and project development issues is an important operational method. Stakeholders may have varied level of interest, involvement, and

influence on the project. It is extremely important to identify all the stakeholders and manage them as they can have negative and positive influence on the project.

There is a need for member countries to sensitize on the EAC activities and it's important. Leaders need to influence citizens on their decision and benefits of EAC. To energize people towards a goal, make people to do things significantly that they might not otherwise do. The EAC Treaty is built on the basis of being a people-centered (not people-driven as it is market driven), without establishing the modalities of citizenry participation (Odhiambo, 2010).

## **2.2 Theoretical Framework**

This section reviews the theoretical frameworks deemed of much importance to the current study, in particular, the study reviews the customs union theory and theory of economic integration.

### **2.2.1 Customs Union Theory**

The customs union theory was advanced by Jacob Viner who defines a Custom Union as the process of elimination of intra-trade barriers and the equalization of tariffs on imports from non-member countries (Josic & Josic, 2014). Customs Union has two types of economic effects; static effects and dynamic effects. Static effects include trade creation effect and trade diversion effect. Trade creation occurs when the domestic production of a good in a member country is replaced by the imports of the same good from another member country within the customs union because of the lower cost production. Trade diversion occurs when the imports from a non-member country are replaced by the imports of a member country because of the removal of tariffs between members and the application of common customs tariffs to non-member countries. Balassa advances that a custom union theory mostly focuses on

markets, goods and services within a region in relation to the discrimination in the integrating areas (Balassa, 1967).

Customs union theory builds on relatively strict assumptions such as perfect competition in commodity and factor markets and hence it is often referred to as orthodox customs union theory. It also only deals with the static welfare effects of a customs union. It has both positive and negative welfare effects, compared to a situation in which every member state practices protectionism (Balassa, 1950). It is also assumed that the supply from the producers in the rest of the world is fully elastic at price level. The consequences of creating a custom union will differ depending on whether the initial situation was protectionism or free trade. If protection was the initial situation of country A, a new trade flow would occur between partners originating a trade creation effect. By contrast, if free trade was the initial situation of country A, a negative development will occur. There would be then, a reduction of trade on the producer side and on the consumer side. Additionally, trade would be diverted from the lower-cost world producer to the high-cost partner country

The EAC CU Protocol was ratified in March 2004 by Partner States Kenya, Tanzania and Uganda and later by Rwanda and Burundi in 2008, but came into effect throughout the EAC territory on January 1<sup>st</sup> 2005. In an ideal economic integration situation, a Customs Union should be the third stage of integration after a Preferential Trade Area and a Free Trade Area, but the EAC chose to deviate from this structure such that the Customs Union is the first stage in the four-step economic integration process (Mushega, 2002). Tindyebwa (2011) further argues that the implementation of Customs Union has resulted in harmonization and uniform application of community customs laws by all partner states, that is, the uniform application of the

common external tariff and ongoing process of asymmetrical reduction of internal tariff. In support of the above, Kenya charges Value Added Tax at the rate of 16% while the rest of the EAC countries charges 18 %. In addition, the Exercise Duty is charged at the rate of 4% in Rwanda and 5% in other EAC countries. In the region there is a standard income corporate tax rate of 30%, except in Burundi where it is 35%. Moreover, the EAC partner states have reached considerable harmonization in corporate income tax (Namara, 2014). The reduction of intra-EAC tariffs was reduced gradually to 0% by the year 2010 due the principle of asymmetry.

Customs Unions become effective when the output of inefficient producers are replaced after the elimination of tariffs within the region with cheaper imports of more efficient producers within the region to the benefit of both producers and consumers (Anadi, 2005). When all the trade aspects have been harmonized the CU creates a really big market that would be highly attractive to investors. There are several challenges that should be dealt with before concrete results are realized. These include national sovereignty, non-tariff barriers to trade, language barriers, and inaccurate trade data due to unrecorded cross-border trade. The EAC has a weak dispute settlement mechanism and the overlapping membership by the EAC members to other regional bodies is something that the Community has to deal with (Irungu, 2011). The transformation of the growth realized from trade expansion to tangible and sustainable development of the citizens can also be a problem. The presence of inequities in factors of production with ownership skewed negatively to the very wealthy pose a great economic challenge but the growth in trade is intended to be for the good of the local person in every country.

The EAC is yet to come up with policy solutions that will enable all countries to reap substantial benefits from the growth and opportunities that will arise as a result of the integration, a factor which led to the break up of the first EAC. 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. The Customs Union theory has a better chance of interpreting integration in the region without making several modifications as it is submitted on a tariff regime which is in control of member states. It will also ensure that the structure set for implementation supports the benefits of all the stakeholders since they will be involved in setting the rules. This theory is relevant to the study since it helped in predicting the effects of customs union namely trade creation and trade diverting. This therefore implies that customs unions do not always enhance welfare. They can promote trade creation, by eliminating obstacles to free trade among member countries. As a result, the world welfare would increase. However, if they lead to take trade away from efficient outside suppliers and giving it to inefficient member countries, they would be "trade diverting" integration schemes. Welfare would diminish in this sort of customs unions. As states are assumed to be utility maximisers intending to enhance their economic welfare, then, integration would aim to expand trade exchange. In other words, states should promote "trade creating" customs unions. Thus, by examining the implementation of Rules of Origin, the researcher aims to confirm if there has been trade creation or otherwise

### **2.2.2 Theory of Economic Integration**

This theory was originally developed from traditional trade theory, which assumes perfect competition, and whose major concern is the location of production of different kinds of goods (Imbriani and Reganati 1994). Biswaro (2003) points out that the earliest theoretical work on regional economic integration emanated from the theory of comparative advantage in international trade, and the interests of liberal economists in promoting the reduction of tariff and nontariff barriers to trade. The basics of the theory were summarized by the Hungarian economist Béla Balassa in the 1960s. As economic integration increases, the barriers of trade between markets diminish. Balassa believed that supranational common markets, with their free movement of economic factors across national borders, naturally generate demand for further integration, not only economically (via monetary unions) but also politically—and, thus, that economic communities naturally evolve into political unions over time. The main ingredients of regional economic integration, as indicated by theories, include the removal of tariff and non-tariff barriers among member states, having a common external trade policy which initiates common external trade restrictions against non-members, initiating free movement of goods and services, as well as free movement of factors of production across national borders, harmonization of policies, unification of national monetary policies, and acceptance of a common currency (Biswaro, 2003). These happen in stages which include free trade area, customs union, common market, economic union and complete regional integration. Regional economic integration is pursued for a variety of reasons. The main motivation for all regional integration schemes has been the prospect of enhanced economic growth and development. With regard to the welfare impact of regional economic integration, theory delineate it from two perspectives, i.e. static effects of economic integration,

which is in terms of productive efficiency and consumer welfare, and dynamic effects of economic integration, which relates to member states' long-term rates of growth.

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 & Villela, 2003). This theory is relevant in this study since it highlights the need for the EAC countries to form an integration that will suit the structure, involve all the stakeholders to set the rules and also ensure that the capacity of customs unions employees to make the implementation successful. Theory of economic integration thus combines markets, making it possible to reduce monopoly power, as more firms from different member countries are brought into more intense competition with each other. The benefits associated with a customs union's dynamic gains may more than offset any unfavourable static effects. This theory predicts that free trade will improve welfare by enabling citizens to procure goods and services from the cheapest source, leading to the reallocation of resources based on comparative advantage. It is thus reasonable to conclude that regional integration agreements in East Africa will generate welfare gains. This will occur only when trade creation dominates trade diversion in East Africa.

### **2.3 Empirical Literature Review**

All customs administrations serve similar objectives of controlling goods crossing frontiers (imports, exports and transits), in order to collect duties and taxes,

implement trade policy, combat smuggling and protect the public (Crotty, 2015). The precise priority of the mandates of customs administrations vary from one country to another, as other actors — commercial banks, private control agencies as well as other government departments, for example the Ministry of Finance may participate in some tasks. These mandates also differ with the level of development of the country concerned, as well as the tools and resources at its disposal.

In most customs, documentary and physical verification is selective rather than comprehensive (DeRosa, Obwona & Roningen, 2012). Selection may have a random basis but modern practice is to use risk assessment criteria. Where verification is necessary, there may be an examination of supporting documents, for example certificate of origin, followed, on occasions by physical inspection on the goods by reference to samples or total consignments. If customs note inaccuracies, these may be the subject of dispute and appeal or may lead to penalties and litigation.

According to Crotty (2015), the responsibilities of Customs administrations vary from country to country, and are often the subject of regular review and modification to ensure their ongoing relevance in a constantly changing world. Traditionally, however, Customs has been responsible for implementing a wide range of government policies, spanning areas as diverse as revenue collection, trade compliance and facilitation, interdiction of prohibited substances, protection of cultural heritage and enforcement of intellectual property laws. This breadth of responsibility, reflects the fact that Customs authorities have long been entrusted with administering matters for which other government ministries and agencies have policy responsibility, such as health, agriculture, environment, trade statistics and in some cases, immigration. This is generally achieved through the implementation of a

diverse range of service level agreements, with Customs having regulatory responsibilities stem from the more traditional Customs role of collecting duties on internationally traded commodities, a common extension of which is the collection other forms of tax, such as value added tax (VAT) and excise duties (Biswaro, 2003).

In many developing and least developed countries, import duties and related taxes represent a significant proportion of the national revenue. Because of this, the focus for their Customs authority is, understandably, revenue collection. In developed countries in the other hand, with relatively little reliance on imports as a source of government revenue, there is an increasing focus on border protection, with particular emphasis on the enforcement of import and export prohibition and restrictions, including those arising from free trade agreements. Nevertheless, the current trade towards global free trade and the recent heightening of international terrorism concerns have seen border security emerge as a priority across all economies (Widdowson, 2011).

According to WCO and UNCTAD (2015), post-clearance audit means audit-based Customs control performed subsequent to the release of the cargo from Customs' custody. The purpose of such audits is to verify the accuracy and authenticity of declarations and cover the control of traders' commercial data, business systems, records and books. Such an audit can take place at the premises of the trader, and may take into account individual transactions, so-called "transaction-based" audit, or cover imports and/or exports undertaken over a certain period of time, so-called "company based" audit. Implementation of post-clearance audit is part of the risk management strategy. Post-clearance audits are often introduced in conjunction with the

implementation of automated procedures in Customs operations. However, audit-based control can also be applied in a manual or semi-automated environment.

According to World Bank (2008), several sessions, forums and meetings have been undertaken by the EAC Council of Ministers with the aim of simplifying and synchronizing customs documentation, formalities and procedures at the border posts. Little of this has been translated into action. Many member states are undertaking donor-funded customs modernization programs, but the focus and content of such national efforts remain largely uncoordinated across the EAC. Planned improvements in administering border posts have been slow, mostly bilateral, and with somewhat varying results to date. Duplication of processes continues to add to monetary costs and loss of time. Unequal treatment according to the country of origin of the goods and/or truck and opportunities for fraudulent behavior is frequent, as are the allegations of such “unfair” treatment and corruption (World Bank, 2008).

Stakeholders’ participation is mentioned in relation to the private sector and organized civil society. Article 127 (1b) of the Treaty states that “... the partner states agree to provide opportunities for entrepreneurs to participate actively in improving the policies and activities of the institutions of the Community that affect them.” Furthermore, Article 127 (3) of the same 1999 EAC Treaty states that the partner states agree to promote an enabling environment for the participation of civil society in the development activities within the Community. Also, according to Article 127(4), the Community “... shall provide the forum for consultations between the private sector, civil society organizations and other interest groups and appropriate institutions of the Community.”

To cap it all, Article 7 (1d) states that the Community “... shall operate on the principle of subsidiarity, with emphasis on multi-level participation and the involvement of a wide range of stakeholders in the process of integration.” Further, the EAC Treaty recognizes the role of CSOs in promoting EAC activities. Yet, the rules regulating CSOs activities limit them only to an observer status. Moreover, the rules set stringent requirements for CSOs to be recognized as partners in the framework of the EAC and, as a result, only a few organizations have been granted the observer status (Odhiambo, 2010).

It is also important to involve Media and civil Societies as they are the watch dogs and they play a very important role to inform the community and advice the governments on what should be done well. It is very important that the CSOs (Civil society organizations), media and other stakeholders to increase awareness to the citizens in EAC community for economic integration to move forward, efforts have been made by the EAC secretariat to abide to the proviso of Article 127 (4) of the treaty for the establishment of the East African Community, which requires the Secretary General to provide “a forum for consultations between the private sector, civil society organizations, other interest groups and appropriate institutions of the community.” By involving and organizing meetings and events to discuss and share with them while taking their input (EAC, 2012).

On another hand Civil society organizations have in the past played a major role in advocating for the enactment of legislation at the regional level, such as the EAC HIV/Aids Prevention and Management Bill 2012, and the EAC Gender Equality Bill 2013. They have also participated in the development of the EAC Youth Policy; provided input into the Fourth EAC Development Strategy (2012/2016), the EAC Health Strategic Plan, and the EAC Policy on Persons with Disabilities; promoted

cross-border legal practice; advocated for the extended Jurisdiction of the East African Court of Justice; contributed to the development of the East African Bribery Index 2013; and taken part in sensitization and awareness creation on the integration process (EAC, 2015). However the EAC Treaty is weak in addressing the engagement of civil society organizations (CSOs) in any effective way. Whilst many CSOs have indeed mushroomed in the region some weak, some strong (one could refer to organizations such as the East African Business Council and the East African Law Society as being very strong) the EAC lacks an institutional framework for engaging these bodies, and arriving at mutually determined decisions.

The private sector, on the other hand, has contributed to implementation commitments enshrined within the EAC Common Market Protocol (OECD, 2012). This has been crucial in the areas of harmonization of product standards, free movement of labour and services, and addressing trade barriers faced businesses owner. Further, the sector has contributed towards monitoring and elimination of non-tariff barriers and enhancing the competitiveness of firms in intra- and extra-EAC trade. These efforts have contributed towards improved cross-border trade, increased intra-national trade, ease of movement across the region's borders, and removal of a number of non-tariff barriers (Khanguli, 2013).

Other benefits have been the harmonization of standards and participation of citizens especially the youth in the EAC integration process (Odhiambo, 2010). There are challenges that are still hampering effective engagement and involvement of the private sector, civil society and other interest groups in the EAC integration process.

These include the slow pace of implementation of the commitments made by EAC partner states, lack of enforcement mechanisms for the removal of non-tariff barriers,

inadequate sensitization and awareness creation among the citizenry, and wavering political will in advancing regional integration. The integration process has not succeeded in ensuring that economic growth helps to uplift the welfare of the Community's citizens, as manifested by increasing inequality in income levels.

Despite the enormous benefits likely to accrue from the EACU, there are a number of issues that may challenge the implementation of the protocol. When they signed the EAC treaty, the three partner states undertook to ease the flow of goods and people among them; however, little progress has been made in this respect. Travelers, including traders, are still being harassed at border points, and the free movement of labour is still not permitted (EAC, 2012). Also crucial for the efficient functioning of a customs union is the harmonization of macroeconomic and trade policies. For example, tax competition among members of a custom union can hamper trade, and frustrate integration efforts. Other areas that need to be harmonized are the rules, and regulations governing the re-exportation of goods, monetary and financial regulations, and standards. Whereas the treaty recognized the need for harmonization, this still has to happen in numerous areas, among them taxation. This is likely to affect the operation of the customs union. Equally important is the co-ordination of macroeconomic policy, which has received very little attention.

The slow implementation of protocols (especially the Common Market and the Monetary Union Protocols) and their resolutions has been attributed to the lack of strong institutions capable of enforcing laws and obligations under the treaty (EAC, 2012). At present, the EAC does not have adequate powers to ensure that its decisions are effectively implemented, and its objectives realized. It should have the power to issue directives, which the legislatures in the partner states would be obliged to

implement within a stipulated time frame. Such directives would need to be backed by a regime of sanctions to ensure that they are not simply ignored; this is the kind of control that Brussels exercises on European Union Members.

Davies (1996) notes a number of factors that present considerable challenges to the quest for regional integration and common action in East Africa. KIPPRA (2010) argues that membership to multiple RI schemes is likely to adversely affect implementation of EAC Treaty through contradictory obligations, increase in complexity that may adversely affect decision-making by the private sector and therefore affect investment, and through diversion of the energy and commitment that is required to pursue depth and width of EAC integration. “Rules of Origin” are the criteria used to define where a product was made. Determining where a product comes from is no longer easy when raw materials and parts crisscross the globe to be used as inputs in scattered manufacturing plants. Rules of origin are important in implementing such trade policy instruments as anti-dumping and countervailing duties, origin marking, and safeguard measures. They are an essential part of trade rules because a number of policies discriminate between exporting countries: quotas, preferential tariffs, anti-dumping actions, countervailing duty (charged to counter export subsidies), and more. Rules of origin are also used to compile trade statistics, and for “made in ...” labels that are attached to products. This is complicated by globalization and the way a product can be processed in several countries before it is ready for the market (WTO, 2005).

In SADC, the rules of origin are product specific in response to levels of value addition and complexity of processing and are restrictive in order to protect domestic SADC industries such as textiles and garments, sugar, wheat flour & food products,

coffee, tea, motor vehicles & components and certain products in chapter 90. Work on rules of origin is not complete in number of areas (IMF, 2007). The sustainability of the East African Community and the achievement of a harmonized CU will depend on how well the instruments proposed such as rules of origin and customs law are implemented and how well the challenges are amicably solved. The implementation of the EAC treaty requires successful negotiation of a number of protocols. In order for negotiations to succeed quickly, good structures, common laws and uniform rule of origin are essential. It is a good thing to note that currently all three partner states believe in market-driven policies, good governance and rule of law. These factors help to shape common market ground that will help in shaping regional trade (Ikiara, 2010). According to KRA the implementation of the EAC CU Protocol is on schedule. The Authority, however, has experienced both successes and challenges since the inception of EAC. Among the challenges associated with application of uniform rule of origin are harmonization of the Tariff Codes, simplification and harmonization of trade documents and procedures due to rule of origin rules and development of the rules of origin (KIPPRA, 2010).

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 maker’s take up either a policy competition or co-ordination approach.

Khanguli (2013) studied the impact of trade facilitation on eight border posts of the EAC countries, concluded that the implementation of trade facilitation measures in the EAC has seen the region being able to increase trade flows and boost economic growth. The OECD (2013) indicates that in some African countries revenue losses from inefficient border procedures are estimated to exceed 5% of GDP. These losses are associated largely with trade costs due to complex customs procedures. Automation is reported as one measure of reducing this cost and has a potential to reduce trade costs by as much as 2.9%. TF contributes to the overall trade and development strategy by optimizing the use of trade infrastructure and complimenting the trade promotion efforts by improving a country’s capacity to trade in a timely and cost-effective manner. It also facilitates the development and management of trade relations by making trade regulations and procedures more transparent and consistent with internationally accepted measures and standards.

According to Lesser and Moisé-Leeman (2009) customs levels of effectiveness and efficiency can be measured by comparing the customs administrative costs of delivering services and traders’ costs of complying with procedures against the

benefits obtained by both customs and traders. He cited revenue generation, trade facilitation, security and compliance as the major indicators of customs effectiveness and efficiency. Hence customs administrations should strike a balance between trade facilitation and control in order to ensure the seamless flow of goods across the borders at the same time securing the supply chain.

Gikonyo (2009) examined the effect of East African community customs union on cross border at Malaba border and pointed out that lack of awareness and participations by small scale traders, Non Trade Barriers and scanty knowledge of the EAC protocols hinders implementations of customs union. Further, purchasing power parity theory used to explain the cost of freight and taxes paid between two countries did not give the direct effect on cross border business.

Ohemeng (2009) conducted a study on the Constraints in the implementation of performance management systems in developing countries. A case study of Ghana was taken. The author noted that Social cultural norms influence public management practices and organizational decision making. In addition, the role of political authorities, as well as of administrative leadership, is also vital to the success of performance management. The author reckons that such leaders should be seen at the forefront of any reforms. The shortage of experienced staff, inadequate remuneration, the poor morale of the public service, and unwieldy administrative systems has weakened the capacity of institutions to carry out any meaningful reform agenda.

Munene (2017) conducted a study on factors affecting the implementation of harmonized East African Community (EAC) Customs Union in Kenya. The study sought to assess the effects of Common External Tariff (CET) on goods outside EAC region on the achievement of harmonized Customs Union (CU), examine whether

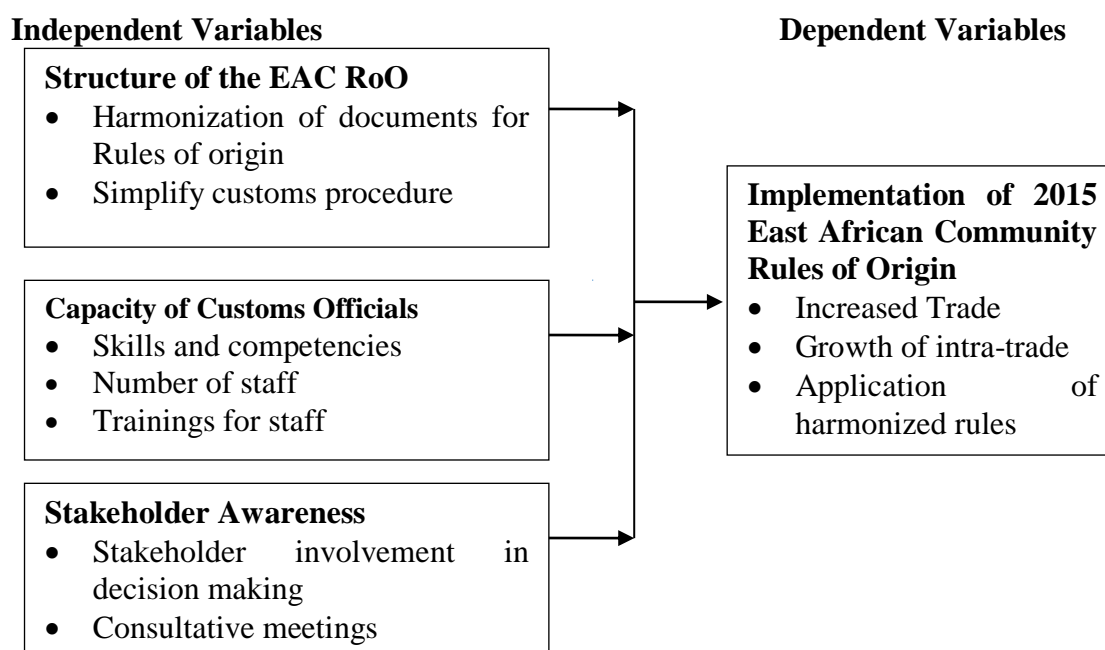
intra-trade border custom procedures had an effect on realization of harmonized CU, determine the implications of multiple memberships on regional blocks among EAC members on implementation of CU, and establish whether application of uniform rules of origin on EAC produced products had an effect on the implementation of harmonized CU. The implementation processes however, had experienced both successes and challenges since the inception of CU in 2005. Among the successes that were cited by the respondents were complete harmonization of the tariff codes; simplification and harmonization of trade documents and procedures; development of the rules of origin; and sharing of information among partner states. The respondents indicated that implementation of CU would increase intra-EAC trade, volume of trade and investment, and employment. It also emerged that implementation would have insignificant effect on Kenya's tariff revenue base, as the revenue arising from such trade was currently low in relative terms. To mitigate loss of revenue associated with harmonized CU the respondents felt that the EAC countries needed to adopt a CET on all sensitive products, hasten the integration process, and reduce membership in multiple regional groupings.

Ogaga (2017) examined the factors influencing implementation of customs union in East African countries. This study was conducted in the period between June and September, 2007 and had the objective of determining the factors that influence implementation of customs union in East African countries. To achieve this objective, data was collected from the five East African countries through a semi-structured questionnaire sent to government officials in government offices and embassies and to traders in the five countries. Secondary data was also collected from the government offices. From this study, most of the organizations are involved in the integration process with Kenya having the highest number of organizations involved in the

integration (87%). Tanzanian firms are the most pessimistic ones with 17% of the respondents citing that they were not involved in the integration process. One of the major factors that influence implementation of EA customs union is the language where it was found that English is most preferred for integration. One of the challenges facing the East African integration is the fact that the local citizens have the least awareness on issues revolving around integration. Not many of them are involved, hence the lack of interest. It can also be said that the long time the integration is taking has made some of the citizens lose track of issues and therefore the interest too.

## **2.4 Conceptual Framework**

A conceptual framework is viewed by Castillo (2009) as a hypothesized model that identifies all the concepts under study and how they relate to each other. The independent variables of the study are structure of the EAC RoO, capacity of customs administration and stakeholder awareness while the dependent variable is implementation of East African Community Rules of Origin, 2015. Figure 2.1 shows the figurative conceptual framework adopted by this study.



**Figure 2.1: Conceptual Framework**

## 2.5 Operationalization of the Variables

**Table 2.1: Operationalization of the Variables**

<b>Variable</b>	<b>Type of Variable</b>	<b>Operationalization/Measurement</b>
Implementation of EAC RoO 2015	Dependent	Increased Trade Growth of intra-trade Application of harmonized rules
Structure of the 2015 EAC RoO	Independent	Harmonization of documents for Rules of origin Simplify customs procedure
Capacity of personnel	Independent	Skills and competencies Number of staff Trainings for staff
Stakeholder Awareness	Independent	Stakeholder involvement in decision making Consultative meetings

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the type of research design, population, and target population, sampling frame, sample, sample size, sampling technique, instruments to be used, pilot test and data analysis.

#### **3.2 Research Design**

An explanatory design utilized in this study. According to Kombo and Tromp (2006), research design can be thought of as the structure of research. According to Yin (2003) explanatory case studies seek to link an event with its effects and are suitable for investigating causality. Kothari (2004) defines explanatory design as one which examines the cause and effect relationship between the dependent and independent variables. Explanatory research design was appropriate for the study since it sought to explain the relationship between implementation of 2015 EAC RoO and structure of EAC, capacity of customs union, stakeholder awareness. The research design enabled the researcher to establish the determinants of implementation of 2015 EAC RoO and generalize the findings to all the East African Customs States.

#### **3.3 Target Population**

Target population as described by Borg and Crall (2009) is a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator generalized the result. This study covered Kenya only. The study covered the following agencies involved in the implementation of rules of origin 2015 in Kenya; Kenya International Freight Forwarders and Warehouse Association (KIFFWA), Kenya Association of Manufacturers (KAM) and Kenya Revenue

Authority. The study targeted senior managers in the three institutions. There are approximately 165 managers in the three institutions. These are the people who are involved in the implementation of East African Community Rules of Origin and are also aware of the process and activities required in Kenya to ensure full implementation of East African Community Rules of Origin, 2015, hence the appropriate group to use as the population since they have the necessary information that the researcher is interested in.

Kenya customs administration officers enabled the researcher to gather data on the structure of the Rules as well as the knowledge and capacity to implement them. Stakeholders fall into two categories, the producers of the goods affected by the Rules and the clearing agents who assist them when it comes to exportation of the goods. These are the stakeholders that the study targeted in the third objective.

**Table 3.1: Target Population**

<b>Agencies</b>	<b>Population</b>
KIFFWA	55
KAM	42
KRA	68
<b>Total</b>	<b>165</b>

### **3.4 Sampling and Sampling Technique**

Sampling is done to some elements of a population so that conclusions about the entire population can be drawn. The ultimate test of a sample design is how well it represents the characteristics of the population it purposes to (Kothari, 2004). According to Polit and Beck (2003), a sample is a proportion of population to be researched.

This study used census methodology since managers were studied. The managers included directors, head of departments or operational units, senior managers and managers and supervisory staff as these are the people involved in developing and implementing strategies East African Community Rules of Origin and who are aware of the process and activities required in Kenya to ensure full implementation of East African Community Rules of Origin. The sample size therefore was 165 potential respondents from the three institutions in the senior management cadre.

### **3.5 Data Collection Instruments**

In this study primary data was collected using a structured questionnaire, since it is easier to administer, analyze and economical in terms of time and money. The researcher used a questionnaire as a data collection tool. The questionnaire comprised of closed ended questions. The use of structured questionnaire ensured consistency of questions and answers from the respondents. A questionnaire was more preferred by respondents due to anonymity. In the current study, the questionnaire was based on a 5-point Likert scale. This scale was used to quantify responses on items in the questionnaires. This scale was selected so as to ensure that respondents make a definite choice rather than an inclination to a neutral response. The questionnaire was divided into three sections where section A presents the general information (Bio Data) of the respondents, section B: factors influencing implementation of EAC Rules of Origin 2015 which was divided into three parts to look at the variables namely; structure of EAC Rules of Origin, capacity of customs officers and stakeholder awareness and section C: focuses on implementation of EAC Rules of Origin 2015.

### **3.6 Data Collection Procedure**

The researcher contacted the institutions management to book for an appointment so as to seek approval and clearance with the institution to collect data from their employees. The researcher then contacted the respondents by visiting the agencies in person, explain the reason for his visit where allowed present the questionnaires. The questionnaires were delivered to the respondents by the researcher with an introduction letter from the University, clearance from the government agencies' administration and management was granted. The researcher made follow ups to pick the fully completed questionnaires from the respondents in the event that respondents would not fill immediately.

### **3.7 Pilot Test**

Pilot study has been described by various authors as an exercise that ensures that errors are restricted at a very little cost. Kothari (2004) describes a pilot survey as a replica and a rehearsal of the main survey. Newing (2011) states that the importance of field pilot cannot be over emphasized; you will always find that there are questions that people fail to understand or interpret in different ways, place in the questionnaire where they are not sure where to go next, and questions that turn out simply not to elicit useful information. The subjects participating in the pilot study were not included in the final study to avoid survey fatigue. For the purpose of this study, pilot study was conducted in Federation of East African Freight Forwarders Associations (FEAFFA) and was not included in the final data collection and analysis. A pilot study was conducted in order to establish the reliability of data collection instruments.

### 3.7.1 Reliability Test

Reliability refers to the repeatability, stability or internal consistency of a questionnaire (Jack & Clarke, 1998). Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the repeatability of measurement. A measure is considered reliable if a person's score on the same test given twice is similar. Cronbach's alpha was used to test the reliability of the measures in the questionnaire (Cronbach, 1951). According to Sekaran and Bougie (2011), Cooper and Schindler (2011), Cronbach's alpha has the most utility for multi-item scales at the interval level of measurement, requires only a single administration and provides a unique, quantitative estimate of the internal consistency of a scale.

For the purpose of this study, sixteen questionnaires, which constituted 10% of the accessible population, were piloted by issuing them to employees from Federation of East African Freight Forwarders Associations (FEAFFA) who was not included in the final study sample. The sixteen questionnaires were then coded and responses input into SPSS Statistics 20 which was used to generate the reliability coefficient. The researcher used the most common internal consistency measure known as Cronbach's Alpha ( $\alpha$ ) which was generated by SPSS. It indicates the extent to which a set of test items can be treated as measuring a single latent variable. The closer Cronbach's alpha coefficient is to 1, the higher the internal consistency reliability (Sekaran, 2003). A coefficient of 0.7 was recommended for a newly developed questionnaire. The recommended Cronbach's Alpha value of 0.7 was used as a cut-off of reliability for this study. All the variables had a coefficient of more than 0.7. The reliability results are presented in Table 3.2 below.

**Table 3.2: Reliability Test Results**

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>No. of Items</b>
Structure of EAC RoO	0.759	4
Capacity of Customs Officials	0.843	4
Stakeholder Awareness	0.781	4
Implementation of RoO	0.744	4

### **3.7.2 Validity Test**

According to Saunders, Thornhill and Lewis (2009), validity is the accuracy and meaningfulness of inferences, which are based on the research results. In other words validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. Validity exists if the data measures what they are supposed to measure. This study used both construct validity and content validity. For construct validity, the questionnaire was divided into several sections to ensure that each section assesses information for a specific objective, and also ensures that the same closely ties to the conceptual framework for this study. To ensure content validity, the questionnaire was subjected to thorough examination by two independent resource persons (Patten, 2004). The resource persons were asked to evaluate the statements in the questionnaire for relevance and whether they are meaningful, clear and loaded or offensive. Their review comments were used to ensure that content validity was enhanced. The project supervisor also reviewed the questionnaire for its content and construct validity. On the basis of the evaluation, the questionnaire was adjusted appropriately before subjecting it to the final data collection exercise.

### **3.8 Data Analysis and Presentation**

Data analysis is the processing of data collected to make meaningful information out of them (Sounders, Lewis and Thornhill, 2009). De Vos (2002) further describes data

analysis as a challenging and creative process characterized by an intimate relationship of the researcher with the participants and data generated. This is necessary as raw data convey little meaning to most people. Data collected was purely quantitative in nature.

For quantitative data the researcher used Statistical Package for Social Sciences (SPSS) Version 22 to generate the descriptive statistics and also to generate inferential statistics. Descriptive statistics is the term given to the analysis of data that helps describe, show or summarize data in a meaningful way such that, for example, patterns might emerge from the data. Descriptive statistics do not, however, allow us to make conclusions beyond the data we have analysed or reach conclusions regarding any hypotheses we might have made. They are simply a way to describe our data. Descriptive analysis includes use of frequencies, trends and percentages (Adejimi, Oyediran and Ogunsanmi, 2010).

Inferential statistics is mathematical methods that employ probability for deducing (inferring) the properties of a population from the analysis of the properties of a data sample drawn from it (Field, 2009). It is concerned also with the precision and reliability of the inferences it helps to draw. The bio data results were presented using pie charts and descriptive and inferential results were presented using tables to give a clear picture of the research findings at a glance.

Regression analysis was used to demonstrate effect of independent variables on dependent variable. According to Faraway (2002), the regression technique is used to analyze the degree of relationship between two variables. Regression analysis was used to determine the relationship between the dependent variable and the

independent variables. A multivariate regression model was used to link the independent variables to the dependent variable as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where;

$Y$  = Implementation of East African Community Rules of Origin, 2015 in Kenya

$X_1$  = Structure of the EAC RoO

$X_2$  = capacity of Customs Officials to implement the Rules of Origin

$X_3$  = Stakeholder awareness of the Rules of Origin

$\beta_0$  = the constant term

$\beta_i = 1 \dots 3$  measure of the sensitivity of the dependent variable ( $Y$ ) to unit change in the predictor variables  $X_1$ ,  $X_2$ , and  $X_3$ .

$\varepsilon$  = is the error term which captures the unexplained variations in the model.

### **3.9 Diagnostics Tests**

This study used regression analysis. The data was, therefore, checked for violations of assumptions of normality, multicollinearity and homoscedasticity.

#### **3.9.1 Normality Test**

Normally distributed data is distributed symmetrically around the centre of all scores and is characterized by a bell shaped curve (Field, 2009). Non-normal data has characteristics of skewness and kurtosis. Normality was determined through assessment of skewness and kurtosis. According to Grissom and Kim (2012), skewness level with absolute values greater than 3 are regarded as extreme and a kurtosis level with absolute values greater than 8 are described as extreme. Violation of the acceptable level of skewness (3) and that of kurtosis (8) suggests a problem

that should be addressed before performing any inferential statistical analysis. Multiple linear regressions can only precisely approximate the relationship between dependent and independent variables if the relationships are linear in nature (Osborne and Waters, 2002).

### **3.9.2 Multicollinearity**

Multicollinearity was the linear inter-correlation among variables in the study which examined the level of correlation between independent variables as well as correlation coefficient among variables, displayed in SPSS regression output. Multicollinearity increases the standard errors of the coefficients and thus makes some variables statistically not significant while they should otherwise be significant (Osborne and Waters, 2002). Multicollinearity was present when the VIF for at least one of the independent variables is large or more than 10.

### **3.9.3 Homoscedasticity Test**

Homoscedasticity (Homogeneity of variance) refers to the assumption that the dependent variable exhibits similar amounts of variance across the range of values for an independent variable (Hair, 2010). The presence of unequal variances (Heteroscedasticity) of variables across different groups causes the prediction of the dependent variable to be better at some levels of the independent variable than at others (Hair et al., 2010). It is this variability that affects the standard error and makes hypothesis testing insensitive. Homoscedasticity was thus tested in this study by applying Levene's (1960) test in which the equality of variance was assumed if the F-statistic was not significant ( $P > .05$ ).

### **3.10 Ethical Considerations**

This study ensured that issues concerning confidentiality, honesty among respondents/participants and data collections are observed. To observe confidentiality, respondents were protected through non-disclosure of their identity and from those whose interests conflict with those of the interviewee (DiCicco-Bloom & Crabtree, 2006). Moreover, since the respondents may not want their identities disclosed, care was taken to guarantee anonymity of the research participants. On the academic perspective, the researcher presented the introduction letter from Kenya School of Revenue Administration and the research permit from NACOSTI to the respondents to assure them of the academic nature of the data to be collected. In terms of data collection, the researcher sought permission from the Agencies Management as well as notified all potential respondents beforehand regarding the nature and objective of the study.

## CHAPTER FOUR

### DATA ANALYSIS AND DISCUSSION

#### 4.1 Introduction

The study aimed at establishing the determinants of the implementation of 2015 East African Community Rules of Origin in Kenya. The specific objectives were to establish the effect of the structure of the EAC RoO, capacity of customs officials and stakeholder awareness on the implementation of 2015 RoO, in Kenya. The chapter presents the empirical findings and results of the application of the variables using techniques mentioned in chapter three. Specifically, the data analysis was based on specific objectives where patterns were investigated, interpreted and implications drawn on them. The chapter starts with a preliminary analysis of the data before analyzing the study variables.

#### 4.2 Response Rate

Out of the 165 questionnaires administered, 133 were filled and returned. Results indicate that the majority (81%) of the questionnaires were returned while (19%) were unreturned. This response rate was considered adequate for further statistical analysis because it was over 60% which is recommended and indicated as good by Mugenda & Mugenda (2003). Willimack (2002) suggested that response rate ranges between 50% and 65% is adequate for analysis. This study took cognizance of the above scholars' recommendations. Response rate of the study is presented in Table 4.1

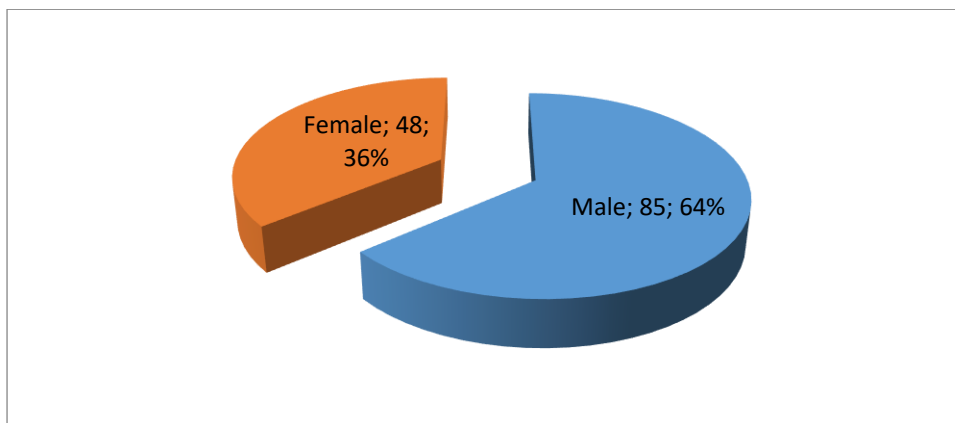
**Table 4.1: Response Rate**

<b>Response rate</b>	<b>Frequency</b>	<b>Percent</b>
Returned	133	81%
Unreturned	32	19%
Total	165	100%

### 4.3 Demographic Information

#### 4.3.1 Gender of the Respondents

The study sought to establish the gender of the respondents. Results shown in Figure 4.1 indicate that the majority (64%) were male while (36%) were female. The findings support that public sector is a male dominated field. According to Kenya National Bureau of Statistics (2019) data there are 9.89 million working women, which is about 100,000 more than the 9.79 million men employed. However, in urban areas, however, there are more men in labour force than women. Data shows that of the 5.8 million that were in employment across different urban areas in Kenya, 3.16 million (54.4 per cent) were men while 2.64 million (45.6 per cent) were women.



**Figure 4.1: Gender of the Respondents**

#### 4.3.2 Age of the Respondents

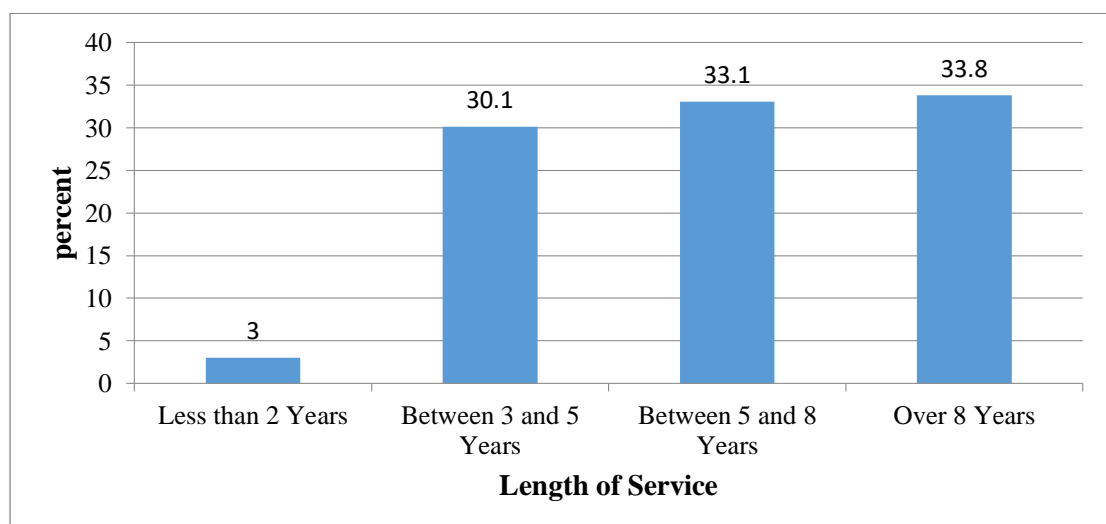
The respondents were asked to indicate their age brackets. Results in Table 4.2 revealed that 48.1% of the respondents were between 41 to 50 years, 22.6% of the respondents were between 31 to 40 years while 18% were over 50 years and 11.3% were between 21-30 years.

**Table 4.2: Age of the Respondents**

Age Bracket	Frequency	Percent
21-30	15	11.3
31-40	30	22.6
41-50	64	48.1
Over 50	24	18
Total	133	100

### 4.3.3 Length of Service

The study sought to find out the years the respondents had worked in the organizations. Figure 4.2 shows that 33.8% of the respondents indicated they had worked for their organizations for over 8 years while 33.1% indicated between 5 and 8 years and 30.1% indicated between 3 and 5 years. The findings imply that the respondents had worked long enough in the firms and hence had knowledge about the issues that the researcher was looking for about implementation of EAC Rules of Origin.

**Figure 4.2: Length of Service**

#### **4.4 Descriptive Statistics**

This section presents the descriptive statistics for the study variables.

##### **4.4.1 Structure of EAC RoO**

The first objective of the study was to establish the effect of the structure of the 2015 EAC RoO on the implementation of 2015RoO, in Kenya. Table 4.3 shows that 58.6% of the respondents agreed that the 2015 rules were product specific as compared to 2005 rules which had 4 alternatives to choose from, and the change in structure had eased the application of the rules. In addition, 65.4% of the respondents agreed that they fully understood the application of the substantial transformation criteria (Rule 4(1) (b) of the EAC Rules 2015, while 73.7% agreed that the conditions and procedures that have been put in place are effective and manageable to fully implement the EAC Rules of Origin, 2015. Finally, 74.4% of the respondents agreed that there was uniform and fair application of the EAC Rules of Origin in terms of the standard of Service by KRA. The aggregate mean for responses for this section was 3.70 and a standard deviation of 1.206 which indicates that majority of the respondents agreed that structure of the EAC RoO was a key determinant of EAC rules of origin implementation in Kenya. The findings imply that structure had made implementation of the 2015 Rules of Origin successful since all the countries were well aligned to the goals and objectives of the 2015 Rules of Origin and therefore their support was vital.

**Table 4.3: Responses on EAC Structure of the EAC RoO**

Statement	Strongly disagree	Disagree	Don't Know	Agree	Strongly agree	Mean	Std. Dev
The 2015 rules are product specific as compared to 2005 rules which had 4 alternatives to choose from. Has the change in structure eased the application of the rules	3.0%	18.0%	20.3%	32.3%	26.3%	3.61	1.147
I fully understand the application of the substantial transformation criteria(Rule 4(1)(b) of the EAC Rules 2015	8.3%	6.8%	19.5%	45.9%	19.5%	3.62	1.126
The conditions and procedures that have been put in place are effective and manageable to fully implement the EAC Rules of Origin, 2015	6.8%	10.5%	9.0%	43.6%	30.1%	3.8	1.179
There is uniform and fair application of the EAC Rules of Origin in terms of the standard of Service by KRA	13.5%	6.8%	5.3%	36.8%	37.6%	3.78	1.373
Aggregate Mean	7.9%	10.5%	13.5%	39.7%	28.4%	3.70	1.206

#### 4.4.2 Capacity of Customs Officials

The second objective of the study was to evaluate the effect of capacity of customs officials on the implementation of 2015EAC RoO, in Kenya. Table 4.4 shows that 62.4% of the respondents agreed that the customs administrators were well trained on the RoO to issue the Certificates of Origin within the law, while 50.3% agreed that

RoO implementation required skilled officers of border agencies with adequate expertise and behavior for proper management of the processes of clearance of goods and 71.9% agreed that the employees were motivated well so as to embrace the new procedures and eliminate resistance. Finally, 66.2% of the respondents agreed that there were enough resources and adequate involvement for the implementation of the EAC Rules of Origin. The study findings indicate that most of the respondents agreed that capacity of customs officials had an influence on the implementation of 2015EAC RoO, in Kenya. This was supported by the mean aggregate mean of 3.66 and standard deviation of 1.222.

This implies that on average the respondents agreed that competence of customs officials affects implementation of 2015 rules of origin greatly.

**Table 4.4: Responses on Capacity of Customs Officials**

Statement	strongly disagree	disagree	don't Know	agree	strongly agree	Mean	Std. Dev
The customs administrators are well trained on the RoO to issue the Certificates of Origin within the law	6.8%	16.5%	14.3%	28.6%	33.8%	3.66	1.284
RoO implementation requires skilled officers of border agencies with adequate expertise and behavior for proper management of the processes of clearance of goods.	9.8%	21.1%	18.8%	18.0%	32.3%	3.42	1.383
The employees are motivated well so as to embrace the new procedures and eliminate resistance	2.3%	9.8%	15.9%	38.6%	33.3%	3.91	1.044
There are enough resources and adequate involvement for the implementation of the EAC Rules of Origin	9.0%	6.8%	18.0%	42.9%	23.3%	3.65	1.175
Aggregate Mean	7.0%	13.6%	16.8%	32.0%	30.7%	3.66	1.222

#### 4.4.3 Stakeholder Awareness

The third objective of the study was to determine the effect of stakeholder awareness on the implementation of 2015EAC RoO, in Kenya. The study findings on Table 4.5 indicates that 56.3% of the respondents agreed that stakeholder awareness promoted shared responsibility and mobilization of resources, while 56.4% agreed that the Clearing agency fraternity was well versed with the provisions of the EAC Rules of

Origin, 2015 and 68.9% agreed that manufacturers were well versed with the provisions of the EAC Rules of Origin, 2015. Finally, 65.4% of the respondents agreed that there was sufficient information sharing among agencies enhancing inter-agency collaboration and coordination in implementation of the EAC Rules of Origin, 2015. The aggregate mean for this section was 3.68 which indicates that on average the respondents agreed that stakeholder awareness was a key determinant of implementation of 2015EAC RoO, in Kenya.

**Table 4.5: Responses on Stakeholder Awareness**

<b>Statement</b>	<b>strongly disagree</b>	<b>disagree</b>	<b>don't Know</b>	<b>agree</b>	<b>strongly agree</b>	<b>Mean</b>	<b>Std. Dev</b>
Stakeholder awareness promotes shared responsibility and mobilization of resources	10.5%	14.3%	18.8%	36.8%	19.5%	3.41	1.249
The Clearing agency fraternity is well versed with the provisions of the EAC Rules of Origin, 2015	6.8%	14.3%	22.6%	24.8%	31.6%	3.6	1.255
Manufacturers are well versed with the provisions of the EAC Rules of Origin, 2015	3.0%	13.6%	14.4%	40.9%	28.0%	3.77	1.095
There is sufficient Information sharing among agencies enhances inter-agency collaboration and coordination in implementation of the EAC Rules of Origin, 2015	3.8%	6.0%	24.8%	24.8%	40.6%	3.92	1.112
<b>Aggregate Mean</b>	<b>6.0%</b>	<b>12.1%</b>	<b>20.2%</b>	<b>31.8%</b>	<b>29.9%</b>	<b>3.68</b>	<b>1.178</b>

#### **4.4.4 Implementation of Rules of Origin**

The study sought to determine the level of agreement in regards to implementation of 2015 rules of origin in Kenya. Table 4.6 shows that 71.1% of the respondents agreed that there was increased acceptability by the Kenyan traders of EAC Rules of Origin 2015, 66.9% agreed that the implementation of Rules of Origin 2015 had created a sense of ownership of the rules by the community and 67.6% agreed that the rules of origin 2015 had contributed and increased trade between Kenya and other EAC Partner States. In addition, 69.9% of the respondents agreed that the rules of origin 2015 were operational and had been embraced fully by all the agencies and stakeholders. The aggregate mean score for EAC 2015 rules of origin implementation stands at 3.83 which imply that the respondents agreed to a large extent in regards to the implementation of rules of origin in Kenya. This further implies that the 2015 Rules of origin were implemented on time, and had effectively changed the internal processes thus achieving the intended results, goals and objectives.

**Table 4.6: Responses on Implementation of Rules of Origin**

Statement	strongly disagree	disagree	don't Know	agree	strongly agree	Mean	Std. Dev
There is increased acceptability by the Kenyan traders of EAC rules of origin	7.6%	5.3%	15.9%	40.2%	31.1%	3.82	1.158
The implementation of rules of origin 2015 has created a sense of ownership of the rules by the community	7.5%	6.0%	19.5%	28.6%	38.3%	3.84	1.218
The rules of origin 2015 have contributed increased trade between Kenya and other EAC Partner States	6.0%	9.8%	16.5%	35.3%	32.3%	3.78	1.176
The rules of origin 2015 are operational and have been embraced fully by all the agencies and stakeholders	3.0%	12.0%	15.0%	33.1%	36.8%	3.89	1.126
Aggregate Score	6.0%	8.3%	16.7%	34.3%	34.6%	3.83	1.170

#### 4.5 Diagnostic Tests

This study used regression analysis. The data was, therefore, checked for violations of assumptions of normality, multicollinearity and homoscedasticity. The following diagnostic tests were conducted

##### 4.5.1 Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by (Grissom & Kim, 2012). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a

measure of the peakedness of a distribution. According to (Grissom & Kim, 2012), skewness level with absolute values greater than 3 are regarded as extreme and a kurtosis level with absolute values greater than 8 are described as extreme. The results presented in Table 4.7 show that all the variables had values between -3 and +3. Based on these, it was concluded that all the variables were normally distributed since they lie within the  $\pm 3$  range recommended by (George & Mallery, 2010) and hence further tests can be carried out on the data.

**Table 4.7: Normality Test**

<b>Variable</b>		<b>Statistic</b>	<b>Std. Error</b>	<b>Conclusion</b>
Structure of EAC RoO	Skewness	-0.857	0.210	Normally Distributed
	Kurtosis	0.558	0.417	
Capacity of Customs Officials	Skewness	-0.417	0.210	Normally Distributed
	Kurtosis	-0.618	0.417	
Stakeholder Awareness	Skewness	-0.284	0.210	Normally Distributed
	Kurtosis	0.065	0.417	
Implementation of RoO	Skewness	-0.687	0.210	Normally Distributed
	Kurtosis	0.221	0.417	

#### **4.5.2 Multicollinearity**

To determine whether multicollinearity existed, collinearity test was conducted using, tolerance, and variance correlation analysis. Table 4.8 shows that the VIF for structure of EAC RoO = 1.278, capacity of customs officials = 1.577, stakeholder awareness = 1.742. Table 4.8 shows that the variables have a VIF that is less than 10 and tolerance value more than 0.1 ruling out the possibility of multicollinearity. Therefore, the results imply that there was no multicollinearity problem among the variables and hence the level of multicollinearity in the model can be endured.

**Table 4.8: Results of Multicollinearity Test**

	<b>Collinearity Statistics</b>	
	<b>Tolerance</b>	<b>VIF</b>
Structure of EAC RoO	0.782	1.278
Capacity of Customs Officials	0.634	1.577
Stakeholder Awareness	0.574	1.742

### 4.5.3 Homoscedasticity Test

To test for homoscedasticity, Levene test (1960) for equality of variance was computed using one way Anova procedure. This test was used to assess variance homogeneity, which is a precondition for parametric tests such as the t-test and ANOVA. If the Levene test is statistically significant, the hypothesis of homogeneous variances should be rejected. The results therefore in table 4.9 indicated that the Levene statistic for structure of the EAC RoO was 1.535, and insignificant (p-value=0.115), capacity of customs officials (Levene statistic = 2.967 p-value=0.245), and stakeholder awareness (Levene statistic = 2.017 p-value=0.315), all the variables were insignificant. This therefore implies that the null hypothesis is not rejected and thus the variances are said to be homogeneous. To this end, it is important to conduct regression analysis in order to estimate causal relationship between the variables.

**Table 4.9: Results of Homoscedasticity Test**

<b>Variable</b>	<b>Levene Statistic</b>	<b>Sig.</b>
Structure of the EAC RoO	1.535	0.115
Capacity of Customs Officials	2.967	0.245
Stakeholder Awareness	2.017	0.315

### 4.6 Inferential Statistics

This section presented the correlation and regression analysis

#### 4.6.1 Bivariate Correlation

Table 4.10 displays the results of correlation test analysis between the dependent variable (Implementation of 2015 East African Community Rules of Origin) and independent variables and also correlation among the independent variables themselves. Results indicated that there was a positive and significant relationship between implementation of 2015 East African Community Rules of Origin and all the independent variables. This reveals that any positive change in the structure of the EAC RoO, capacity of customs officials and stakeholder awareness leads to improved implementation of rules of origin.

The results indicated that there exists a positive and significant ( $r=0.557$ ,  $p<0.000$ ) correlation between the structure of the EAC RoO and rules of origin implementation. The correlation between the variables indicates that increased implementation would be associated with improvements in structure of the EAC RoO as indicated by a positive correlation between the two variables.

Table 4.10 further shows the correlation results which indicate that there was a positive and significant relationship between capacity of customs officials and implementation of 2015 East African Community Rules of Origin in Kenya. This reveals that any positive change in capacity of customs officials led to improved implementation of 2015 East African Community Rules of Origin. The relationship has been illustrated by the correlation co-efficient of 0.594, implying a positive relationship between capacity of customs officials and implementation of 2015 East African Community Rules of Origin. This was also evidenced by the p value of 0.000 which is less than that of critical value (0.05).

Finally, the results indicated that there exist a positive and significant ( $r=0.618$ ,  $p>0.000$ ) correlation between implementation of 2015 East African Community Rules of Origin and stakeholder awareness. The correlation between the variables indicates that if stakeholder awareness is improved and enhanced then this would be associated with improved implementation of 2015 East African Community Rules of Origin as indicated by a positive correlation between the two variables.

**Table 4.10: Bivariate Correlation**

Variable		Implemen tation of RoO	Structure of EAC RoO	Capacity of Customs Officials	Stakeholder Awareness
Implementatio n of RoO	Pearson Correlation Sig. (2-tailed)	1			
Structure of EAC RoO	Pearson Correlation Sig. (2-tailed)	.557** 0.000	1		
Capacity of Customs Officials	Pearson Correlation Sig. (2-tailed)	.594** 0.000	.353** 0.000	1	
Stakeholder Awareness	Pearson Correlation Sig. (2-tailed)	.618** 0.000	.456** 0.000	.598** 0.000	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

#### 4.6.2 Regression Analysis

In order to establish the statistical significance of the independent variables on the dependent variable (implementation of 2015 East African Community Rules of Origin) regression analysis was employed. The results presented in the Table 4.11 below indicate that the goodness of fit for the regression of independent variables and implementation of 2015 East African Community Rules of Origin was satisfactory. An R squared of 0.539 indicates that 53.9% of the variations in implementation of 2015 East African Community Rules of Origin in Kenya are jointly accounted for by

the variations in structure of EAC RoO, capacity of customs officials and stakeholder awareness.

From the model summary table below adjusted  $R^2$  was 0.528 this indicates that the combined effect of predictor variables (structure of EAC RoO, capacity of customs officials and stakeholder awareness) explains 52.8% of variations in implementation of 2015 East African Community Rules of Origin.

The correlation coefficient of 73.4% indicates that the combined effect of the predictor variables has a strong and positive correlation with implementation of 2015 East African Community Rules of Origin. This also meant that a change in the drivers of strategic plan implementation (structure of EAC RoO, capacity of customs officials and stakeholder awareness) has a strong and a positive effect on implementation of 2015 East African Community Rules of Origin.

**Table 4.11: Regression Model Fitness**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.734a	0.539	0.528	0.60311

a Predictors: (Constant), Stakeholder Awareness, Structure of the EAC RoO, Capacity of Customs Officials

Prior to estimation of the regression model the goodness of fit was performed and the results are presented in the Table 4.12 below where the results indicated that the overall model was significant, that is, structure of the EAC RoO, capacity of customs officials and stakeholder awareness are good joint explanatory variables for implementation of 2015 East African Community Rules of Origin ( $F = 50.225$ ,  $p\text{-value} = 0.000$ ). The findings imply that all the independent variables were statistically

significant in explaining changes in project implementation. This is demonstrated by a p value of 0.000 which is less than the acceptance critical value of 0.05.

**Table 4.12: Analysis of Variance (ANOVA)**

<b>Indicator</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	54.806	3	18.269	50.225	.000b
Residual	46.922	129	0.364		
Total	101.729	132			

a Dependent Variable: Implementation of RoO

b Predictors: (Constant), Stakeholder Awareness, Structure of EAC RoO, Capacity of Customs Officials

Table 4.13 displays the regression coefficients of the independent variables. Regression results indicated that the relationship between structure of EAC RoO and implementation of 2015 East African Community Rules of Origin was positive and significant (beta=0.327, p value, 0.000). This implies that an improvement in the structure of the EAC RoO's effectiveness by 1 unit leads to improved implementation of 2015 East African Community Rules of Origin at a rate of 32.7 percent.

Results further indicate that capacity of customs officials and implementation of 2015 East African Community Rules of Origin had a positive and significant relationship (beta=0.331 p value 0.000). This implies that one percentage change in capacity of customs officials' effectiveness is associated with 33.1 percentage change in implementation of 2015 East African Community Rules of Origin.

Finally, the study findings indicated that stakeholder awareness had a positive and significant relationship with implementation of 2015 East African Community Rules of Origin (beta=0.315, p value, 0.000). This implies that an increase in stakeholder

awareness effectiveness by 1 unit leads to improved implementation of 2015 East African Community Rules of Origin at a rate of 31.5 percent.

**Table 4.13: Regression Coefficients**

Variable	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Constant	0.253	0.296		0.854	0.395
Structure of EAC RoO	0.327	0.07	0.317	4.681	0.000
Capacity of Customs Officials	0.331	0.08	0.31	4.131	0.000
Stakeholder Awareness	0.315	0.086	0.288	3.651	0.000

a Dependent Variable: Implementation of RoO

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Y = 0.253 + 0.327 X<sub>1</sub> + 0.331 X<sub>2</sub> + 0.315 X<sub>3</sub> were significant with P value of 0.000, 0.000 and 0.000

#### 4.6.3 Hypothesis Testing

Hypotheses testing required the use of multiple regression analysis. This was performed using the field data and the results interpreted according to the beta coefficients and P values at P < 0.005 significance level. Three research hypotheses that the study sought to test are presented in Table 4.14 below.

**Table 4.14: Hypothesis Testing Results**

Variables	Beta coefficient	T	P-value	Findings	Verdict
Structure of EAC RoO	0.327	4.681	0.000	Significant	Reject null hypothesis
Capacity of Customs Officials	0.331	4.131	0.000	Significant	Reject null hypothesis
Stakeholder Awareness	0.315	3.651	0.000	Significant	Reject null hypothesis

Table 4.14 indicates that the coefficient of determination for structure of EAC RoO was significant with a value of 0.327 and  $p=0.000$ . The t-statistic and corresponding p-value were 4.681 and 0.000 respectively. Therefore, at  $P < 0.005$  level of significance the null hypothesis ( $H_0$ ) is rejected and accepts the alternate hypotheses ( $H_A$ ) implying that there is significant relationship between structure of the EAC RoO and implementation of the 2015RoO in Kenya.

In addition, results indicates that regression coefficient for capacity of customs officials was significant with a value of  $\beta=0.331$ , and p value, 0.000). The t-statistic and corresponding p-value were 4.131 and 0.000 respectively. Therefore, at  $P < 0.005$  level of significance the null hypothesis ( $H_0$ ) is rejected and accepts the alternate hypotheses ( $H_A$ ) implying that there is significant relationship between capacity of customs officials and implementation of the 2015RoO in Kenya.

Finally, results indicates that stakeholders awareness coefficient of determination was significant with a value of  $\beta=0.315$ , and p value, 0.000). The t-statistic and corresponding p-value were 3.651 and 0.000 respectively. Therefore, at  $P < 0.005$  level of significance the null hypothesis ( $H_0$ ) is rejected and accepts the alternate hypotheses ( $H_A$ ) implying that there is significant relationship between stakeholder awareness and implementation of the 2015RoO in Kenya

#### **4.7 Discussion**

The first objective of the study was to establish the effect of the Structure of the EAC RoO on the implementation of 2015RoO, in Kenya. The study findings indicated that the structure of the EAC RoO influenced implementation of 2015RoO Kenya greatly. This was supported by the correlation and regression analysis which revealed a positive significant ( $r=0.557$ ,  $\beta=0.327$ , p value, 0.000) relationship between the

structure of the EAC RoO and implementation of 2015RoO in Kenya. The slow implementation of protocols (especially the Common Market and the Monetary Union Protocols) and their resolutions has been attributed to the lack of strong institutions capable of enforcing laws and obligations under the treaty (EAC, 2012). At present, the EAC does not have adequate powers to ensure that its decisions are effectively implemented, and its objectives realized. It should have the power to issue directives, which the legislatures in the partner states would be obliged to implement within a stipulated time frame. Such directives would need to be backed by a regime of sanctions to ensure that they are not simply ignored; this is the kind of control that Brussels exercises on European Union Members.

The second objective of the study was to evaluate the effect of capacity of customs officials on the implementation of 2015EAC RoO, in Kenya. The study findings indicated that there was a positive and significant ( $r=0.594$ ,  $\beta=0.331$ ,  $p$  value,  $0.000$ ) relationship between capacity of customs officials and implementation of 2015EAC RoO, in Kenya. The study findings are in support of Bossidy and Charan (2012), who highlighted that competence has more than simply information and skills. This can be due to it involving the flexibility to fulfill complicated demands, by drawing on and mobilizing psychosocial resources, as well as skills and attitudes, in an exceedingly specific context (Morris, 2010). In addition the study findings are in line with those of Ohemeng (2009) who conducted a study on the Constraints in the implementation of performance management systems in developing countries in Ghana. The study noted that Social cultural norms influence public management practices and organizational decision making. In addition, the role of political authorities, as well as of administrative leadership, is also vital to the success of performance management. The author reckons that such leaders should be seen at the

forefront of any reforms. The shortage of experienced staff, inadequate remuneration, the poor morale of the public service, and unwieldy administrative systems has weakened the capacity of institutions to carry out any meaningful reform agenda

The third objective of the study was to determine the effect of stakeholder awareness on the implementation of 2015EAC RoO, in Kenya. The study findings indicated that stakeholder awareness influenced greatly the implementation of 2015EAC RoO in Kenya. Regression and correlation results revealed that stakeholder awareness and implementation of 2015EAC RoO had a positive and significant ( $r=0.618$ ,  $\beta=0.315$ ,  $p$  value,  $0.000$ ) relationship. The study findings agree with those of Chikati (2009) who said that involving stakeholders in a participatory analysis and decision making around community and project development issues is an important operational method. Stakeholders may have varied level of interest, involvement, and influence on the project. It is extremely important to identify all the stakeholders and manage them as they can have negative and positive influence on the project. Similarly, the results are in tandem with Gikonyo (2009) who examined the effect of East African community customs union on cross border at Malaba border and pointed out that lack of awareness and participations by small scale traders, Non Trade Barriers and scanty knowledge of the EAC protocols hinders implementations of customs union. Further, purchasing power parity theory used to explain the cost of freight and taxes paid between two countries did not give the direct effect on cross border business.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

The study sought to establish the determinants of the implementation of 2015 East African Community Rules of Origin in Kenya. This chapter provides a summary of major findings based on the objectives of the study. It also gives conclusion of the study and ends with recommendations and suggestions of areas for further research.

#### 5.2 Summary of Major Findings

##### 5.2.1 Structure of EAC Rules of Origin

The first objective of the study was to establish the effect of the Structure of the EAC RoO on the implementation of 2015 RoO, in Kenya. The study findings indicated that the structure of the EAC RoO influenced implementation of 2015 RoO Kenya. This was supported by the correlation and regression analysis which revealed a positive significant ( $r=0.557$ ,  $\beta=0.327$ ,  $p$  value, 0.000) relationship between the structure of the EAC RoO and implementation of 2015 RoO in Kenya. Therefore, at  $P < 0.005$  level of significance the null hypothesis ( $H_0$ ) is rejected and accepts the alternate hypotheses ( $H_A$ ) implying that there is significant relationship between structure of the EAC RoO and implementation of the 2015 RoO in Kenya. Descriptive statistics indicated that the respondents agreed on average that the 2015 rules were product specific as compared to 2005 rules which had 4 alternatives to choose from, and the change in the structure had eased the application of the rules, they fully understood the application of the substantial transformation criteria (Rule 4(1)(b) of the EAC Rules 2015, the conditions and procedures that have been put in place are effective and manageable to fully implement the EAC Rules of Origin, 2015 and there was

uniform and fair application of the EAC Rules of Origin in terms of the standard of Service by KRA with an aggregate mean score of 3.70. The findings imply that the structure of the EAC RoO had made implementation of the 2015 Rules of Origin successful since all the countries were well aligned to the goals and objectives of the 2015 rules of origin and therefore their support was vital.

### **5.2.2 Capacity of Customs Officials**

The second objective of the study was to evaluate the effect of capacity of customs officials on the implementation of 2015EAC RoO, in Kenya. The study findings indicated that there was a positive and significant ( $r=0.594$ ,  $\beta=0.331$ ,  $p$  value,  $0.000$ ) relationship between capacity of customs officials and implementation of 2015EAC RoO, in Kenya. Therefore, at  $P < 0.005$  level of significance the null hypothesis ( $H_0$ ) is rejected and accepts the alternate hypotheses ( $H_A$ ) implying that there is significant relationship between capacity of customs officials and implementation of the 2015RoO in Kenya. The overall aggregate mean score was 3.66 which implied that on average the employees agreed that the customs administrators were well trained on the RoO to issue the Certificates of Origin within the law, RoO implementation required skilled officers of border agencies with adequate expertise and behavior for proper management of the processes of clearance of goods, employees were motivated well so as to embrace the new procedures and eliminate resistance and there were enough resources and adequate involvement for the implementation of the EAC Rules of Origin. The findings therefore imply that competence of customs officials affects implementation of 2015 rules of origin greatly. The correlation and regression analysis revealed a positive significant relationship between capacity of customs officials and implementation of 2015EAC RoO, in Kenya.

### **5.2.3 Stakeholder Awareness**

The third objective of the study was to determine the effect of stakeholder awareness on the implementation of 2015EAC RoO, in Kenya. The study findings indicated that stakeholder awareness influenced greatly the implementation of 2015EAC RoO in Kenya. Regression and correlation results revealed that stakeholder awareness and implementation of 2015EAC RoO had a positive and significant ( $r=0.618$ ,  $\beta=0.315$ ,  $p$  value,  $0.000$ ) relationship. Therefore, at  $P < 0.005$  level of significance the null hypothesis ( $H_0$ ) is rejected and accepts the alternate hypotheses ( $H_A$ ) implying that there is significant relationship between stakeholder awareness and implementation of the 2015RoO in Kenya. Descriptive statistics indicated that stakeholder awareness influenced the implementation of 2015EAC RoO in Kenya to a great extent with a mean of 3.68. The respondents agreed that stakeholder awareness promoted shared responsibility and mobilization of resources, clearing agency fraternity was well versed with the provisions of the EAC Rules of Origin, 2015 and there was sufficient information sharing among agencies enhancing inter-agency collaboration and coordination in implementation of the EAC Rules of Origin, 2015. The findings imply that stakeholder awareness, participation and involvement in decision making is vital in that they can decide whether the implementation process succeeds or fails. It is therefore important to involve the stakeholders from the planning stages to the implementation stage.

### **5.3 Conclusions**

Based from the study; it was possible to conclude that there was improved implementation of EAC Rules of Origin, 2015 in Kenya which was associated with effectiveness of critical success factors hence successful implementation.

The study concluded that the structure of the EAC RoO influences the implementation of EAC Rules of Origin, 2015 in Kenya. It is worth noting that clear outline and procedures for any implementation process are very crucial. The study established that the 2015 rules were product specific as compared to 2005 rules which had 4 alternatives to choose from, and the change in the structure had eased the application of the rules. With the change of the structure, the success of implementing the rules of origin was guaranteed.

The study concludes that capacity of customs officials affects the implementation of EAC Rules of origin. Human capital is key for the success of any organization or project implementation; therefore if the employees are not treated like a valuable asset they can sabotage the implementation process by resisting the change. It is very crucial then to ensure the employees are well motivated, trained and involved in the implementation process to enhance the success of the process.

The study concluded that it is very vital to ensure the stakeholders are involved in planning and implementation for the brainstorming on the ideas. The ways of promoting strategy ownership and sustainability by the stakeholders should include: formulation and implementation processes which satisfy all and stakeholders in a project, paying attention to stakeholders in order to satisfy those involved or affected, and ensuring maximum participation of all the stakeholders.

#### **5.4 Recommendations**

Success of the East African Customs Union will only be achieved and sustained through the existence of a conducive political will and legal framework, sound micro and macroeconomic policies, renewed efforts towards good governance, and institutional developments. The end value should essentially lead to social interaction

between the citizens of the member states. The importance of free trade area through E.A Custom's union in raising the living standards of the citizens of the members is fundamental.

The study recommends that KRA should sensitize and empower border users and other stakeholders about the changes in procedures that will be brought about by the implementation of Rules of origin. KRA also ought to set practical implementation objectives with regards to timeframes, the clarity of their action plans and the allocation of resources both human and financial.

In addition, the implementers should continuously assess stakeholder interests; this will help to promote their buy-in and eliminate intergroup conflicts thereby improving the process. Further, the stakeholders should be included in all pre-implementation and inception meetings as well as their views being incorporated in planning and execution through carrying out the stakeholders need analysis. This will increase the acceptability, and create a bridging social investment for the strategy implementation, as well as enriching the process with more ideas.

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## APPENDICES

### Appendix I: Questionnaire

The following questionnaire is aimed at getting information related to implementation of Rules of Origin 2015 in EAC. The information that will be collected will be treated confidentially and will only be used for academic purposes and thus will not be transmitted to any third-party. Your Participation also is also voluntary and thus you can choose not to respond to the questionnaire.

#### SECTION A: GENERAL INFORMATION

Please be assured that no response will be attributed back to the responder, nor will any of your personal information be misused or made public in any way.

#### 1. Respondent Particulars

Gender:  
Male

Female

#### 2. Age Bracket (tick as appropriate)

Age Bracket	Tick as Appropriate
21-30	
31-40	
41-50	
Over 50	

**3. For how long have you worked in your organization?**

<b>Length of Service</b>	<b>Tick as Appropriate</b>
Less than 2 Years	
Between 3 and 5 Years	
Between 5 and 8 Years	
Over 8 Years	

**SECTION B: DETERMINANTS OF THE IMPLEMENTATION OF 2015 EAC**

**RULE OF ORIGIN**

This section presents a set of questions on the determinants of the implementation EAC Rules of Origin, 2015. To what extent do you agree with the following statements? Rate your response on a scale where:

**1=strongly disagree, 2= disagree, 3=don't Know, 4= agree and 5= strongly agree**

<b>Structure of EAC</b>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The 2015 rules are product specific as compared to 2005 rules which had 4 alternatives to choose from. Has the change in structure eased the application of the rules					
I fully understand the application of the substantial transformation criteria(Rule 4(1)(b) of the EAC Rules 2015					
The conditions and procedures that have been put in place are effective and manageable to fully implement the EAC Rules of Origin, 2015					

There is uniform and fair application of the EAC Rules of Origin in terms of the standard of Service by KRA					
<b>Capacity of Customs Administrations</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The customs administrators are well trained on the RoO to issue the Certificates of Origin within the law					
RoO implementation requires skilled officers of border agencies with adequate expertise and behavior for proper management of the processes of clearance of goods					
The employees are motivated well so as to embrace the new procedures and eliminate resistance					
There are enough resources and adequate involvement for the implementation of the EAC Rules of Origin					
<b>Stakeholder Awareness</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Stakeholder awareness promotes shared responsibility and mobilization of resources					
The Clearing agency fraternity is well versed with the provisions of the EAC Rules of Origin, 2015					
Manufacturers are well versed with the provisions of the EAC Rules of Origin, 2015					
There is sufficient Information sharing among agencies enhances inter-agency collaboration and coordination in implementation of the EAC Rules of Origin, 2015					

### SECTION C: IMPLEMENTATION OF RULES OF ORIGIN

This section has statements on implementation of Rules of Origin 2015. Kindly respond with the response that matches your opinion. Please tick as appropriate in the boxes using a tick (✓) or cross mark (x). Where **1=strongly disagree**, **2= disagree**, **3=Don't Know**, **4= agree** and **5= strongly agree**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
There is increased acceptability by the Kenyan traders of EAC rules of origin					
The implementation of rules of origin 2015 has created a sense of ownership of the rules by the community					
The rules of origin 2015 have contributed to increased trade between Kenya and other EAC Partner States					
The rules of origin 2015 are operational and have been embraced fully by all the agencies and stakeholders					