

**FACTORS AFFECTING THE IMPLEMENTATION OF SINGLE  
CUSTOMS TERRITORY IN THE EAST AFRICAN COMMUNITY**

**DORCAS KIPCHUMBA**

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## DECLARATION

This project is my original work and has not been presented in for a post Graduate diploma in any other academic or non-institution

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Dorcas Kipchumba**

REG NO: HDB 335 - C016- 1779/2018

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

Mr. John Khamila

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

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I acknowledge God the Almighty for giving me the strength, patience, and knowledge to complete this project successfully. Special thanks go to my supervisor Mr. John Khamila for his guidance, advice, patience, persistence and dedication that enabled me to complete all this work successfully.

## **DEDICATION**

The project is dedicated to my family who have worked tirelessly to support my studies.

My family and friends provided financial and moral support throughout my study period.

My colleagues at work cannot be forgotten because they stood in for me at work as I took time off to study.

## ABSTRACT

The implementation of Customs Union can be meaningful if there is net benefit to each Partner States, which would have not been realized without it. The issue is not whether the partners benefit equally but it is important that each partner state feels that there are benefits directly gained from the implementation of Customs Union. The Single Customs Territory (SCT) on the other hand can be described as the stage for full attainment of the customs union which is attainable by the removal of duties and other restrictive regulations and/or minimization of internal border customs controls on goods moving between Partner States with an ultimate realization of free circulation of goods. The purpose of this study was to determine the factors affecting the implementation of the East African Community Single Customs Territory (EAC-SCT). The study was guided by the following three specific objectives; to establish the effect of ICT system on the implementation of the East African Community Single Customs Territory, to determine the effect of multiple membership on the implementation of the East African Community Single Customs Territory and to assess the effect of legal framework on the implementation of the East African Community Single Customs Territory. The study was informed by Technology acceptance model, Gravity Theory of Economics and the Customs Union Theory. The study employed a descriptive research design. The target population for the study was 36 representatives from the 5 member states based in the Inland Container Depot Nairobi (ICDN). Data was collected by use of a 5 point likert questionnaire and analysed by use of SPSS V26. The descriptive statistics and inferential statistics were generated and presented in tables. The study established that, implementation of EAC-SCT had significant positive correlation with each of the three predictor variables used in the study. The study concluded that if the partner states want to ensure faster and successful implementation of EAC-SCT, they must invest in the three variables used in this study. The study recommends that the EAC should invest in modern ICT system. In addition, the community should address the challenge of multiple membership to several Regional Economic Blocs and strengthen the legislations related to the implementation of the EAC-SCT so as to avoid the challenges brought by lack of clear guidelines on trade between the five countries. Tariffs and trade policies should also be harmonised.

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## **ABBREVIATIONS AND ACRONYMS**

<b>ASYCUDA:</b>	Automated Systems for Customs Data
<b>COMESA:</b>	Common Market for Eastern and Southern Africa
<b>CET:</b>	Common External Tariff
<b>EAC:</b>	East African Community
<b>EACCM:</b>	African community common market
<b>EALA:</b>	East Africa Legislative Assembly
<b>ECOWAS:</b>	Economic Organization of West African States
<b>EPZs:</b>	Export Processing Zones
<b>EU:</b>	European Union
<b>EUCU:</b>	The European Union Customs Union
<b>FTA:</b>	Free Trade Agreement
<b>HCTs:</b>	British High Commission Territories
<b>ICDN:</b>	Inland Container Depot Nairobi
<b>KAM:</b>	Kenya Association of Manufacturers
<b>KNCC:</b>	Kenya National Chambers of Commerce
<b>KPSA:</b>	Kenya Private Sector Alliance
<b>KRA:</b>	Kenya Revenue Authority
<b>NTBs:</b>	Non-Tariff Barriers
<b>RECTS:</b>	Regional Electronic Cargo Tracking System
<b>SACU:</b>	Southern African Customs Union
<b>SCT:</b>	Single Custom Territory
<b>SEZs:</b>	Special Economic Zones
<b>SPS:</b>	Sanitary and Phyto-Sanitary Measures
<b>TRA:</b>	Tanzania Revenue Authority

**URA:** Uganda Revenue Authority

**USD:** United States Dollar

## DEFINITION OF TERMS

**Information and Communication Technology (ICT)** is a means to enhance national and international management and communication, improve process efficiency and ultimately support the EAC and its Partner States in their economic development (Smith2014).

**Legal framework** legal framework consists of the Treaty, the Protocol, and the EAC laws enacted by the East African Legislative Assembly (EALA), regulations and directives of the Council, relevant principles of the international law and applicable decisions made by the Court (EAC 2013).

**Multiple membership** a situation where a country is a member of more than one economic bloc serving the same objectives (Smith2017).

**Single Customs Territory** can be described as the stage for full attainment of the customs union which is attainable by the removal of duties and other restrictive regulations and/or minimization of internal border customs controls on goods moving between Partner States with an ultimate realization of free circulation of goods (Nabatanzi, 2015).

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background to the Study**

The Single Customs Territory (SCT) can be described as the stage for full attainment of the customs union which is attainable by the removal of duties and other restrictive regulations and/or minimization of internal border customs controls on goods moving between Partner States with an ultimate realization of free circulation of goods (Nabatanzi, 2015). The SCT involves goods being cleared by lodging a Single declaration in the country of destination and the goods being subsequently released upon confirmation by the country of destination that the taxes have been paid, unlike in the past when multiple declarations at the borders were made (Bifwoli, 2016). The implementation of SCT in East African Community and other trade facilitation initiatives has seen major strides in the movement of goods across the borders. The SCT has been implemented to facilitate faster clearance and improvement in cargo movement along the two corridors (Northern and Central) and the now Standard Gauge Railway line (Secretariat EAC, 2017). Other features of SCT are, taxes are paid to respective country of destination while goods are still at the first point of entry, and goods are moved under a single regional guarantee bond-the Regional Customs Transit Guarantee Bond and physical verification of goods done once; at first entry point, originating partner state or destination country (Matte, 2019).

In Europe, The European Union Customs Union (EUCU) consists of all the member states of the European Union (EU), Monaco, the United Kingdom and some dependencies of the United Kingdom which were not part of the EU (Gnutzmann&Gnutzmann-Mkrtyan, 2020). Some detached territories of EU members do not participate in the customs union, usually as a result of their geographic separation. In addition to the EUCU, the EU is in customs unions with Andorra, San Marino, and Turkey (with the exceptions of certain

goods), through separate bilateral agreements. The customs union is a principal component of the European Union, since its establishment in 1958 as the European Economic Community (Schippers & de Wit, 2020). There are no tariffs or non-tariff barriers to trade between members of the customs union and unlike a free-trade area members of the customs union impose a common external tariff on all goods entering the union. The European Commission negotiates for and on behalf of the Union as a whole in international trade deals (such as that with Canada and many others) rather than each member state negotiating individually. It also represents the Union in the World Trade Organization and any trade disputes mediated through it.

Regionally, the Southern African Customs Union (SACU) dates back to the 1889 Customs Union Convention between the British Colony of Cape of Good Hope and the Orange Free State Boer Republic. A new Agreement, signed on June 29, 1910 was extended to the Union of South Africa and the British High Commission Territories (HCTs), i.e. Basutoland (Lesotho), Bechuanaland (Botswana) and Swaziland, South West Africa (Namibia) was *a defacto* member, since it was administered as part of South Africa" before it became *a de jure* member. The primary goal was to promote economic development through regional coordination of trade.

The implementation of Customs Union can be meaningful if there is net benefit to each Partner State, which would have not been realized without it (Wanjugu, 2019). The issue is not whether the partners benefit equally but it is important that each partner state feels that there are benefits directly gained from the implementation of Customs Union. According to Njeru (2019), it is important that member states build productive capacity to take advantage of the export potential in their region. The Customs Union has also raised a lot of questions, uncertainty and anxiety among EAC member states. The biggest threat to the Customs Union is fear of the unknown; the Partner States the East African Community

Secretariat and the private sector institutions have a duty to conduct and sensitize members of the private, public and East Africans in general about the Customs Union and what is in it to the East Africans (Rono, 2017).

While the objectives of the East African Community are broader and cover almost all spheres of life, the main objective of the implementation of the Customs Union is formation of a SCT (Check, 2020). Therefore, trade is at the core of the Customs Union and it is within this context that internal tariffs and non-tariff barriers that could hinder trade between the Partner States have to be eliminated in order to facilitate formation of one large single market and investment area (Stanley, 2020). Similarly, policies relating to trade between the Partner States and other countries, such as the external tariffs, have to be harmonised. Therefore, within a Customs Union, Partner States have to behave as a SCT and trading bloc. Diatta, Louw-Vaudran, Attah-Asamoah and Woldemichael (2019) opine that the aim of implementing one single customs territory is to enable Partner States to enjoy economies of scale, with a view to supporting the process of economic development. Unlike in developed countries, economic integration is not just for purpose of trade per se, but as a vehicle for bringing about faster economic development.

The Treaty for the establishment of the EAC was signed in November 1999 and entered into force in July 2000. According to Article 5(2) of the Treaty, the Partner States undertook to establish a Customs Union, a Common Market, a Monetary Union and ultimately a political federation in order to enhance their economic, social, cultural and political development and integration for their mutual benefit (Mgwabati, 2011). In June 2013, the presidents of Kenya, Uganda, and Rwanda decided to fast track the full implementation of East African Community's Customs Union by launching a Single Customs Territory which is a form of a Customs Union. Its implementation and envisaged benefits have been documented (Bifwoli, 2016).

With the implementation of EAC Single Customs Territory, the trade between the Community and other African countries is conducted without using a cargo manifest as a primary source document or by using a local manifest in the country of consumption where necessary (Ligami, 2012). Under the single customs territory (SCT), the partner states of EAC adopted a ‘destination model’ of clearance of goods where assessment and collection of revenue are carried out at the first point of entry, that is, Mombasa and Dar es Salaam port (Bifwoli, 2016).

### **1.1.1 Implementation of Single Customs Territory**

According to Were and Odongo (2019), the achievements in the implementation of SCT among EAC partner states includes; time and cost of transporting goods from the respective ports of Dar es Salaam and Mombasa has reduced from 21 and 18 days to 7 and 4 days respectively, the cost has reduced from USD 3,100 to USD 1,025, Partner States Customs systems have been interconnected and information sharing has improved, multiple entries and documents has been replaced by use of a single declaration, customs processes for customs regimes were developed and deployed, all intra trade and imports to the region are all cleared under SCT, customs systems in the region have been upgraded to facilitate clearance of cargo under SCT for intra-trade, imports and exports regimes enhancements to support transit regimes is underway and was expected to be completed by end of 2019 and selected products are being used to pilot the exports regime.

About five customs entries, customs agents’ fees in two countries, two goods- in-transit guarantee bonds and duplicated customs procedures in Kenya and in Uganda; that was the inconvenience that characterised cargo clearance before the implementation of the SCT in 2013(Were, 2019). Steel and Tube Industries AggreyIjara recollected that back in 2013 he was required to declare each container on five to seven customs entries for Mombasa

Port and two entries for transit and on arrival at Malaba, Eastern Uganda respectively, the many entries were costly and a lot of time was consumed (Bainomugisha, 2016).

To address these challenges and others that impeded regional trade, the Presidents of the East African Community (EAC) agreed to fast track the implementation of SCT to enable importers declare their goods once on arrival at the first port of entries into the region (Bosire&Kiberuka, 2017). It was a stage towards full attainment of the Customs Union achievable by the removal of restrictive regulations and/or minimization of internal border controls on goods moving between the partner states. In June 2013, amid a Northern Corridor Presidents' Summit, Uganda, Rwanda and Kenya heads of state agreed to fast track SCT's implementation. During the summit, the Commissioner Customs and the Presidents agreed on a destination model of implementing the SCT. Under the model, Customs clearance is done while goods are still at the first point of entry into the region, the Customs declaration is done only once in destination country (Secretariat EAC, 2017).

Also important is the mutual recognition of customs agents in the EAC region a Customs agent licenced in Uganda is now able to clear goods in the customs business systems of any of partner states. And in what could be music to importers' ears, goods in transit are electronically monitored by the Regional Electronic Cargo Tracking System (RECTS) with monitoring centers in Kampala, Nairobi and Kigali (Mwai, 2017). SCT is supported by interconnected customs systems of all the revenue authorities and port authorities; this has enabled real time exchange of information. Because of system interconnections, importers are now able to clear port charges online and so there is no need to travel to Mombasa.

### **1.1.2 Determinants of the Implementation of Single Customs Territory**

Single Customs Territory involves interconnectivity of customs systems to facilitate seamless flow of data between customs stations and a payment system to manage transfers of revenues between EAC Partner States (Cheruiyot&Rotich, 2018). The implementation of SCT has improved the competitiveness of the economic sector so on enhance the expansion of trade in industrial goods within the Community and also the export of commercial goods from the EAC Partner States. However, implementation of the SCT has been uneven across EAC countries and significant challenges remain, in particular in relation to coordination between domestic and cross-border agencies and the timely release of goods across the border.

ICT system has was found to play a vital role in the implementation of SCT. The EAC-SCT relies more on the Sharing of information and procedures through the Information Technology, in most cases the Customs procedures of the EAC have been standardized with the use of the information Technology as proposed by the Revised Kyoto Convention on the Simplification and harmonization of the Customs procedures and the adoption of the Information technology in the Customs.

The ICT system may be a crucial element towards the success of EAC-SCT. One among the corner stones of the EAC's integration process has been to make one market, where the trade is free across the EAC and supported the idea of comparative advantages. Harmonization of national ICT laws within the EAC Member States to reflect the common EAC framework should be linked to the present trade thought. The harmonization of laws is often seen as a main mechanism to eliminate unfair differences in legal regimes, because its purpose is to scale

back the differences in law and politics of two jurisdictions. However, EAC Member States haven't made any plan to harmonize their current national ICT laws.

According to draft report by Smith(2017) on the Attainment of a SCT for the EAC, the operation of EAC-SCT faces a potential operational quandary arising from the partner states' multiple membership to other regional initiatives which are in advanced stages of market integration. EAC Customs Union Partner States are also members of the Common Market for Eastern and Southern Africa (COMESA) which is also in advanced stages of establishing a customs union with common external tariffs (CET) already in place. COMESA CET and EAC are almost aligned but still there are some tariffs and other policy areas that are not harmonized (e.g. rules of origin, inter alia).

Bolo (2011) researched on the factors that influence the implementation of East African common market within Kenya. The study found out that lack of complementarities in trade flows, overlapping membership, resolution implementation, pressure from regional corporations as an impetus for political change, the potential for greater economic gain for members than can be achieved through unilateral trade, political dimension of the integration, importance of commitment institutions, political will, importance of regional leader and infrastructure influence the implementation of East Africa Community Common Market. The problem arises where some partner states have trade agreements with third-countries involving preferential domestic market access conditions (e.g. tariffs that are lower than SCT common external tariffs or a different set of rules of origin, inter alia) that differ from the EAC CU's conditions and cannot be extended to the rest of the partner states (Smith2017).

The five member countries have to comprehensively agree on the necessary authorities and resources necessary to support such authorities in their efforts in identification and

confiscation of smuggled goods. For the implementation of the SCT there is need for a proper Legal Frameworks to be put in place through the East Africa Legislative Assembly (EALA) to promulgate tax laws for the smooth operations of the customs union and also to facilitate the prosecution of smugglers, and tax evaders (Secretariat EAC, 2017). Adequate policies must therefore be legislated to address differences in levels of development of the member-states. Sometimes a single market is differentiated as a more advanced form of common market. In comparison to common market a single market envisions more efforts geared towards removing the physical (borders), technical (standards) and fiscal (taxes) barriers among the member states These barriers obstruct the freedom of movement of the four factors of production. To remove these barriers, the member states, need political will and they have to formulate common economic policies.

According to Barasa, Knobens, Vermeulen, Kimuyu and Kinyanjui (2017), the coming together of EAC member states to harmonize customs processes is a clear path to further consolidate the goals of the Customs Union. The harmonization of the customs processes has not only made it easier for traders to do business, but has also drastically reduced transnational crimes and enhanced revenue collection (Wanjugu, 2019). This is mainly attributed to the implementation of Single Customs Territory (SCT). Though fragile, the institutional framework and systems for delivery of Community agenda has been entrenched at national and regional levels. The establishment of the East African Legislative Assembly (EALA) and the East African Court of Justice (EACJ) are models in Africa in terms of regional legislative oversight and jurisprudence. The operationalization of the institutions to manage the implementation of the Customs Union and Common market has created the impetus for a robust Community (Secretariat EAC, 2017).

The institutional framework has further benefitted from establishment of national ministries coordinating the EAC Affairs. Further the Community was enlarged through the

accession of Rwanda and Burundi. The prevalence of NTBs, inadequate infrastructure; institutional handicaps; inadequate national level capacities to domesticate regional policies; divergent socio-economic structures; supply side constraints; weak legal, regulatory and dispute settlement mechanisms and requisite powers for EAC to enforce Community obligations and decisions; delays in operationalization of EAC competition Act; mismatch during the implementation of trade facilitation instruments and processes are some of the major constraints that slowed the achievement of the full benefits of the Customs Union (Okute, 2017).

### **1.1.3 The East African Community**

The East African Community (EAC) is an intergovernmental organisation composed of six countries in the African Great Lakes region in eastern Africa: Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda. The treaty that established the EAC was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the three original partner states – Kenya, the United Republic of Tanzania, and Uganda. Rwanda and Burundi acceded to the EAC Treaty on 18 June 2007, and became full members of the community on 1 July 2007. South Sudan acceded to the treaty on 15 April 2016 and became a full member on 15 August 2016 (EAC, 2016a). The main objective of the EAC is to introduce policies and programs to promote cooperation among its member states for their mutual benefit in a wide range of areas including political, economic, social, and cultural affairs, research and technology, defence, security, and legal and judicial affairs.

EAC partner states signed the Customs Union Treaty in March 2004 to establish a common external tariff on imports from third countries and to gradually eliminate internal tariffs. The protocol became effective in January 2005, and the gradual process of

establishing a Customs Union was completed in January 2010. Although the introduction of the Customs Union largely eliminated some of the barriers to trade, other impediments remain. Non-harmonized technical regulations, sanitary and phyto-sanitary requirements, customs procedures and documentation, rules of origin, and police road blocks are among the major trade barriers in the EAC.

## **1.2 Statement of the Problem**

The EAC is yet to fully have a SCT despite having the protocol in place (Makame, 2018). Notable challenges to the implementation of SCT include challenges emanating from Special Economic Zones (SEZs) and Export Processing Zones (EPZs) regimes as well as those of Investments Promotion Authorities; the delayed adoption of the EAC Industrialisation Policy and Strategy, and the long overdue EAC Sanitary Phyto-sanitary (SPS) Protocol. Despite the progress made throughout the years in the implementation of Custom Union, some challenges remain noteworthy when it comes to the implementation of the EAC-SCT (Hanaoka, Sota, Kawasaki & Thompson, 2019). Customs valuation procedures have been varying, resulting in different computed values for taxation. Since 2005, Uganda has produced a list of industrial products that are exempted from the common external tariff (CET).

The SCT, whose major objective is to overcome the hurdle of slow and costly movement of goods and services and also improve the business environment in the region, is yet to be fully operational even after the lapse of the July 1, 2014 deadline (Bappah, 2019). A significant proportion of cross-EAC border trade is conducted informally; there is no universally accepted definition of the informal sector to start with (Siu, 2020). Since the commencement of the EAC Customs Union in 2005, several official efforts are being put in place to increase formal trade links among Partner States. According to Habinshuti

(2019), despite the policy pronouncements to promote trade integration among EAC Partner States, formal trade links is still facing several constraints. Some of the constraints push traders into engaging in informal trade as there are also exclusive incentives that pull traders to remain in ICBT, it has been shown that informal cross-border trade can encourage entrepreneurial activity, regional trade, contribute to greater food security, income earnings and employment opportunities for poor households at border points (Pace, Bouët&Glauber, 2019). However, in the longer term, it could have negative economic and developmental effects. These include unfair competition for formal traders, non-compliance with health, safety and environmental standards as well as losses to government revenues through lost taxes and duties.

A similar list of industrial inputs is in place for Rwanda and Burundi. Moreover, the United Republic of Tanzania, as a member of both the Southern African Development Community (SADC) and the EAC, has taken integration commitments in both regional contexts, thereby having to implement two CET, one being for EAC and the other for SADC (Parshotam &Balongo, 2020). Likewise, the remaining four members of the EAC are also members of the Common Market for Eastern and Southern Africa (COMESA), thus facing similar challenges as the one encountered by Tanzania in terms of multiple commitments taken in the contexts of various integration agenda. Tanzania for example is the largest country in the EAC; it borders all the EAC Partner States and has vast areas of arable land that can be used as a food basket to the other EAC countries as well as beyond EAC (Wanjugu, 2019).

A number of studies have been conducted addressing the trade unions between EAC member states for example, Nzioka, (2018) examined the implementation of the East African Community Customs Union-Bottlenecks and Reform and found that lack of integration of tax and trade regimes and policies affected the implementation of the CET,

this disparity was found to be most evident with the way the partner states valued their products, with the resultant effect that similar products may be subjected to different CET. Since the study focused on implementation of CET, it presents a conceptual gap because the current study is focusing on the implementation of SCT.

Additionally, Khorana, Kimbugwe and Perdikis (2007) assessed the impact of tariff reductions under the East African Community Customs Union: Intra-trade effects on Uganda by adopting exploratory research design and found that the harmonisation of tariffs under the different RIAs complemented with the lifting of barriers (both tariff and non-tariffs) and capacity building measures which lowered the costs and led to an increase in overall welfare. The study used exploratory research design and focused on Uganda hence both methodological and contextual gaps. Further, Mabea and Okoli (2019) conducted a study which evaluated power market coupling towards harmonised electricity policies in the East African Community by focusing on a legal assessment of the EAC energy market coupling with a special emphasis on examining whether a harmonised approach is possible from two perspectives and found that there was strong potential for a harmonised approach supported by legal convergence. Since the study focused only on energy sector a contextual gap was identified. The current study sought to address the presented gaps by examining the factors affecting the implementation of the East African Community Single Customs Territory.

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

This study was guided by both general and specific objectives.

#### **1.3.1 General Objective**

The general objective of this study was to determine the factors affecting the implementation of the East African Community Single Customs Territory

### **1.3.2 Specific Objectives**

The specific objectives of this study were;

- i. To establish the effect of ICT system on the implementation of the East African Community Single Customs Territory
- ii. To determine the effect of multiple membership on the implementation of the East African Community Single Customs Territory
- iii. To assess the effect of legal framework on the implementation of the East African Community Single Customs Territory

### **1.4 Research Questions**

The Research Questions of this study were;

- i. What is the effect of ICT system on the implementation of the East African Community Single Customs Territory?
- ii. What is the effect of multiple membership on the implementation of the East African Community Single Customs Territory?
- iii. What is the effect of legal framework on the implementation of the East African Community Single Customs Territory?

### **1.5 Justifications of the Study**

#### **1.5.1 Member States**

The findings of this study are of great importance to the governments of the EAC member states. It will also help the government to envisage the potential economic growth, job creation, revenue collection and its impact on the public expenditure. The findings of this study will also benefit the EAC member states in identifying the impediments of the

implementation of SCT in East Africa Community and address the issues to enable successful implementation of SCT.

### **1.5.2 Stake holders**

Additionally, the findings of this study are also beneficial to the institutions such as the Kenya Association of Manufacturers (KAM), Kenya Revenue Authority (KRA), Kenya Private Sector Alliance (KPSA), Kenya National Chambers of Commerce (KNCC) Uganda Revenue Authority (URA) and Tanzania Revenue Authority (TRA), Rwanda Revenue Authority (RRA), Burundi National Authority, who need this information to lobby for their economies.

### **1.5.3 Future research**

Finally, the findings of this study are important to future researchers and academicians. This study has a theoretical significance in that its results can be used by academicians and researchers as a launching pad for further studies related to the East African community and the Single Custom Territory. This is more so because the SCT is a relatively new development in Africa. Other researchers will also find it useful in carrying out further research on areas not adequately covered by this study.

## **1.6 The scope of the Study**

This study focused on the five EAC member states i.e. Burundi, Kenya, Rwanda, Tanzania and Uganda. South Sudan was excluded from the study since the country is still battling with political instability. The study targeted the employees of Customs Department of the member states based at Inland Container Depot Nairobi (ICDN). This study was limited only to the factors influencing implementation of EAC-SCT. These factors include ICT system, multiple membership and legal framework. The study employed descriptive research design and it was conducted between August 2020 and November 2020.

### **1.7 Limitations of the Study**

Some of the challenges encountered in the study included difficulty of accessing some of the respondents in good time due to their busy schedules. This limitation was countered by dropping the questionnaires to the respondents at the ICD-Nairobi and allowing them one week to fill the questionnaires. During the one-week period, the researcher kept reminding the respondents about filling the questionnaires before the end of the one-week period.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a literature review for the study. The chapter presents the various theories that informed this study. Additionally, this chapter presents the empirical literature review. In the empirical literature review the findings are critiqued to establish the knowledge gaps. The chapter bases its argument on information retrieved from journals and research papers.

#### **2.2 Theoretical Literature Review**

The theoretical review seeks to establish some of the theories that are attributed by other researchers, authors and scholars and are relevant to the study. This study will be guided by the Technology acceptance model, gravity theory of economics and Custom union theory.

##### **2.2.1 Technology acceptance model**

The technology acceptance model was founded by Davis (1989), and focused on how technology is adopted to make the users' work easier. The theory postulates that technology users are influenced by a number of factors when they want to make a decision whether to embrace the technology or not. Apparently, relevance of a particular machinery or equipment is the overriding motivation behind its acceptance by the users. That means that individuals of corporates will adopt a given technology if it improves their work output based on their set targets. Davis (1989) further emphasizes the ease of use as another important aspect a potential user will always consider when making a decision on whether to adopt a certain type of technology.

In the context of this study, technology is very important in tax collection at all government levels. For instance, Integrated Finance Management Information System (IFMIS) is widely being applied by the county government in the collection of taxes. However, various county governments continue to experience unique challenges with regard to IFMIS. According to Bagozzi, Davis and Warshaw (2007), technology is generally complex thereby requiring trained personnel to handle it. For instance, not all employees have relevant computer skills and therefore it may not be tenable for all corporate and government institutions to adopt technology in their operations. Otherwise, organizations must be prepared to hire employees with the right skills for a particular technology they intend to use in their setups.

Technology Acceptance Model (TAM), has been hailed and criticized in equal measure, based on its ability to make work easier on one hand and its complexity on the other. Despite generally increased work output through the use of technology, embracing technology models implies added cost to organizations in terms of procuring and setting up the machinery and hiring highly skilled manpower to operate the mechanized systems (Chuttur, 2009). Furthermore, some critics of the TAM have downplayed it as limiting organizations' innovativeness as they tend to rely too much on technology (Benbasat and Barki, 2014).

### **2.2.2 Gravity Theory of Economics**

The gravity model of international trade in international economics is a model that, in its traditional form, predicts bilateral trade flows based on the economic sizes and distance between two units. Research shows that there is "overwhelming evidence that trade tends to fall with distance (Carrère; Mrázová, M.; Neary, 2020). The model was first introduced in economics world by Walter Isard in 1954. However, it was Tinbergen (1962) who first

used an analogy with Newton's universal law of gravitation to describe the patterns of bilateral aggregate trade flows between two countries A and B as "proportional to the gross national products of those countries and inversely proportional to the distance between them. The gravity model is most commonly used by international and regional economists to study trade. The classic early application of the model was by Linnemann (1966), who continued work first reported in Tinbergen (1962) and then in Pöyhönen (1963).

Generally, a gravity model assumes that the volume of trade between any two economies will be directly proportional to the product of their economic masses (measured by gross domestic product [GDP] or gross national product [GNP]) and inversely proportional to the distance between them. In addition to "distance," "adjacency" (i.e., the country pair shares a common land border) and "cultural links" also influence trade (Rauch and Trindade, 2002; Noland, 2005; Guiso et al., 2006; and Guo, 2009).

Bridging economic theory with empirical tests, James Anderson and Jeffrey Bergstrand develop econometric models, grounded in the theories of differentiated goods, which measure the gains from trade liberalizations and the magnitude of the border barriers on trade (see Home bias in trade puzzle). A recent synthesis of empirical research using the gravity equations, however, shows that the effect of border barriers on trade is relatively modest (Tomas and Zuzana (2015).

Obstfeld&Rogoff (2001) include the border effect among the six major puzzles in international macroeconomics, and dozens of researchers have attempted to shrink McCallum's original estimates. The border effects reported in the literature are, on average, still close to those estimated by McCallum (1995).

Based on this theory, countries are expected to do more trade with their neighbors than with the countries which are far away. For example, Tanzania, a member of EAC and SADC is expected to do trade with its neighbor Malawi to the south and a member of SADC and Kenya to the north, a member of EAC. Failure to align SADCs CETs with those of EAC could lead to revenue loss among the member states as goods from Malawi can easily find their way to Kenya through Tanzania.

### **2.2.3 Customs Unions Theory**

The General Agreement on Tariffs and Trade (GATT), part of the World Trade Organization framework defines a customs union to mean the substitution of a single customs territory for two or more customs territories, so that the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV and XX) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and, subject to the provisions of paragraph 9, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union (WTO 1986). Common competition policy is also helpful to avoid competition deficiency (Winters 1991).

The main feature of the Customs Union is that the member countries have not only eliminated trade barriers and implemented free trade, but also established a common external tariff. In other words, in addition to agreeing to eliminate each other's trade barriers, members of the Customs Union also adopt common external tariff and trade policies. GATT stipulates that if the customs union is not established immediately, but is

gradually completed over a period of time, it should be completed within a reasonable period, which generally does not exceed 10 years (Flaherty 2018).

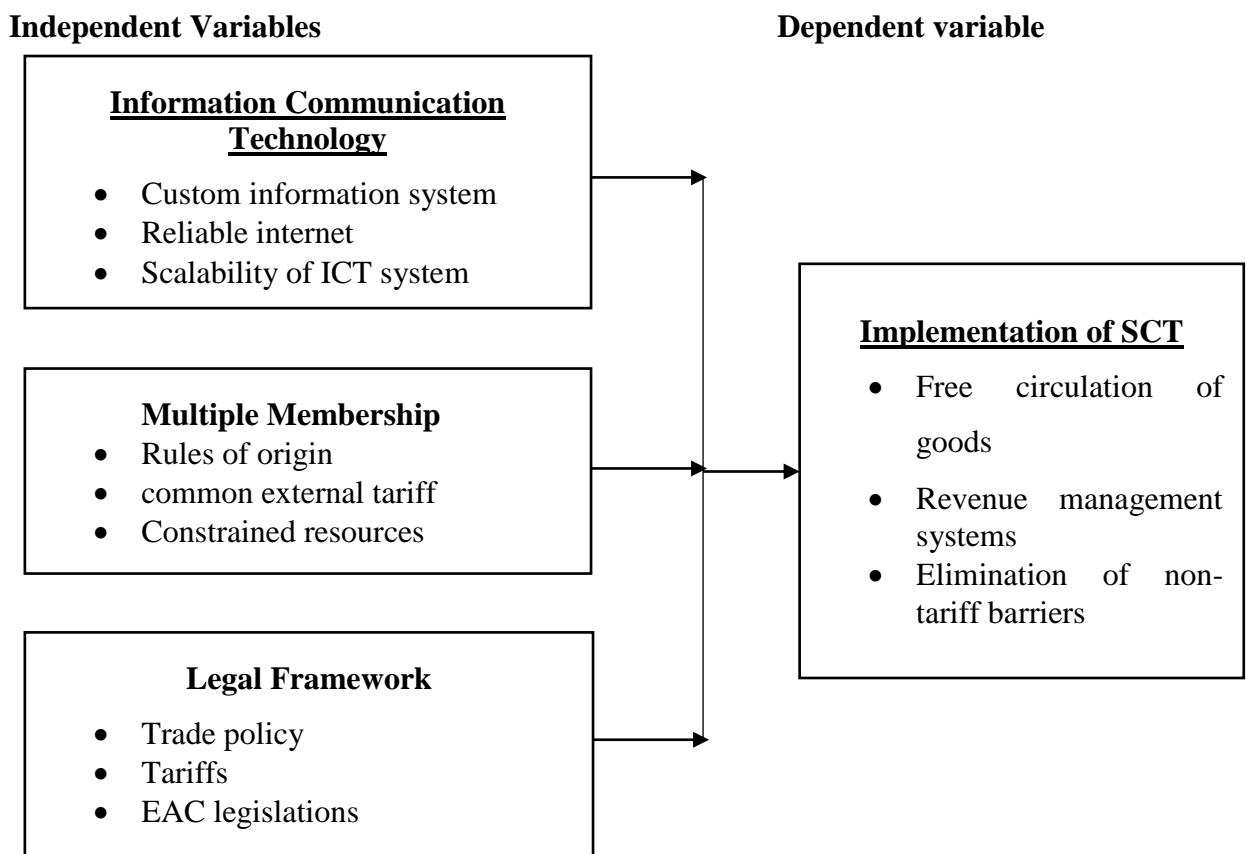
The customs union theory is based on the trade creation and trade diversion terms by Viner (1950) which describes the redirection of trade flows due to formation of a customs union. Viner compared the effect of trade between countries before integration and after integration and concluded that economic integration resulted in trade creation and trade diversion. Trade diversion occurs when a partner country's production displaces lower cost imports from outside the regional trade area thanks to the high level of protection enjoyed by producers within the regional trade area. Obviously, the level of protection erected against outside competition is a key determinant of the extent of trade dispersion (Yang, and Gupta, 2005). If the external tariff is set in such a way that a more expensive internal source of an input or a consumer good replaces the cheaper source from outside the regional trade area, consumers are penalized because they pay higher prices after integration. That is referred to as "trade diversion". The creation of a customs union, with common external tariffs, was further altering the existing pattern of trade flows. The assumption is that before the union, partner states imposed differential tariffs on different countries to protect their own industries. Therefore, we can see that the whole customs union issue can be disentangled in the free trade-protection argument. As Salera (1951) points out that the main purpose of any customs union is to shift sources of supply.

Hence, if this shift is from a high-cost to a low-cost source, then customs unions are considered a movement towards free trade. If the shift is in the other direction, then customs union may become a device for making tariff protection more effective. Viner (1950) claimed that trade creation raises the home country's welfare, while trade diversion lowers it. Viner (1950) has also made the case that size does matter. He identified

economies of scale, where the larger the economic area of the customs union, the more likely is a customs union to operate in the free trade direction.

### 2.3 Conceptual Framework

A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Mugenda & Mugenda, 2003). According to Kombo and Tromp (2009), conceptual framework is a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. The goal of a conceptual framework is to categorize and describe concepts relevant to the study and map the relationships among them. The conceptual framework for this study is presented in Figure 2.1.



**Figure 2.1:** Conceptual Framework

### **2.3.1 ICT and Implementation of EAC-SCT**

The removal of burdensome customs procedures, harmonization and simplification of customs documents and automation of customs information has been observed to have the greatest impact on reducing trade costs by between 10–18 per cent and increasing trade flows across borders (OECD 2018).

All five EAC Partner States have computerised systems essentially to assist in a number of functions including clearing and/or tracking goods that have been exported or imported in their respective countries; enable information exchange regarding customs data among others. In the EAC, there are a number of initiatives not necessarily fully harmonised at country level and between member states and at EAC regional level (Smith 2017).

Findings from a recent study commissioned by the EAC Secretariat to Ernst and Young Groups (2012) indicate that EAC member states already have automated customs processes for example Burundi, Rwanda and Uganda are using ASYCUDA ++, Tanzania is using TANCIS and Kenya adopted SIMBA2005, although it has already acquired a more robust system known as Integrated Customs Management System (ICMS). All customs policies and procedures have been designed in line with automated customs environment. The application Revenue Authority Digital Data Exchange (RADDEX) system, developed in 2006 with its variants has progressed from the initial connectivity between Kenya and Uganda to cover Burundi, Rwanda and Tanzania. Some of the objectives of RADDEX are to enable exchange of information between Partner States Customs Management Systems and to reduce the times and transaction costs of cargo clearance by providing a secure mechanism of confirmation of transit, export and import cargo details electronically. Other initiatives include Single window systems (SWS) aimed

at facilitating international trade by expediting and simplifying information flows between traders, customs and other relevant government institutions.

Kenya Revenue Authority has implemented an Electronic Cargo Trucking System (ECTS) essentially to assist cargo in transit using global positioning system (GPS) thereby monitoring the movement of (and route used by) cargo in transit. All five Partner States have a Memorandum of Understanding on the exchange of information on tax related issues basically to help in the determination, assessment and collection of taxes, the recovery and enforcement of all tax levies and duties administered by revenue authorities. The information exchanged is treated with high confidentiality and can only be disclosed to specific but limited persons or authorities (Ernst and Young Groups 2012).

Only Uganda, Kenya, and Rwanda have implemented a joint real-time electronic cargo-monitoring system to track goods transported along the northern corridor, and this has helped reduce transit time, has prevented cargo theft, and has boosted revenues. Tanzania, on the other hand, is yet to extend the electronic cargo-tracking system to the northern corridor. The lack of interface in the electronic cargo systems within the EAC region has resulted in cargo delays and has heightened the risk of cargo theft and/or diversion of transit goods, thereby hampering implementation of the SCT (WTO 2019).

However, Smith (2017) highlights a number of challenges on use of ICT on implementation of EAC-SCT. The EAC lack a comprehensive legislation and regulatory framework for ICT sector which has the potential for creating and/or increasing disincentives to investments into existing or new services. While the EAC Secretariat and Partner States Revenue Authorities use a variety of inter-connectivity between their revenue authorities and headquarters, connectivity band width is limited in most of revenue authorities leading to lower connectivity in some countries. Also, Infrastructure

interconnectivity is weak and non-existent in some countries where connectivity infrastructure roll out is limited and therefore costly. Lastly, the current interconnectivity has so far been oriented to the revenue collection issues but not suitable for sharing and monitoring the distribution Customs needs it would be needed under the SCT. To serve such purpose, interconnectivity will have to be developed both in terms of ICT infrastructure as well as legal requirements.

### **2.3.2 Multiple Membership and implementation of SCT**

The East African Customs Union protocol does not directly address the issue of multiple membership to the various Regional Economic Communities, but it stipulates that “the Partner States shall honour their commitments in respect of other multilateral organisations and organisations to which they belong” (Article 37 (1)). Article 37 (2), a “common policy in the field of external trade” is envisaged. For that purpose, “the partner states shall formulate a mechanism to guide the relationships between the Customs Union and other integration blocs, multilateral and international organisations upon the signing of this Protocol” In this regard, Partner states agreed that goods from COMESA and SADC would continue enjoying preferential tariff discounts that they enjoyed prior to coming into force of the Protocol for the Establishment of the EAC Customs Union.

These overlaps have a bearing on the costs and benefits of integration since they tend to absorb much-needed human resources, institutional capacity and limited financial resources, and more fundamentally, have implications for the processes of deeper integration. Conflicts in jurisdiction arise where two different integration organizations have similar mandates, or where a country belongs to two or more integration organizations with conflicting policies. Further it increases the burden placed on these organizations and their member states already lacking the necessary capacity and

resources. It also leads to legal uncertainty in cases where more than one trade arrangement applies to trade between two countries. Uncertainties of this kind not only undermine the implementation of the agreements that aim to establish rules based dispensations, but it also adds considerably to transaction costs and duplication in both regional trade and trade with outside partners. The general uncertainty and unpredictability caused by this also impacts negatively on the investment climate in these countries and their organizations.

Multiple memberships in various RECs dilutes the effectiveness of the CET in that goods imported from third countries enjoy reduced tariffs on entering the Customs Union because of preferential arrangements with third parties. To prevent these goods from entering a country where there are no preferential arrangements, Partner States are forced to enforce rules of origin at territorial borders. In this regard, multiple memberships are a hindrance to free circulation of goods. Members of the various groupings must maintain border posts to enforce rules of origin meant to prevent preferential trade from entering the countries that are not party to the agreement.

### **2.3.3 Legal Framework and implementation of SCT**

A legal framework is set of rules, procedural steps or test, often established through precedent in the common law, through which judgments can be determined in a given legal case involving trade between partner countries (Bankole&Oladapo, 2019). According to Hsieh and Mercurio (2019), for a customs territory a global assessment of tariff neutrality is not necessarily relevant to an individual country whose exports may be concentrated in particular sectors. Economists also point out that it is still possible for trade diversion to occur even if tariffs are reduced. The growing scope and importance of non-tariff measures covered by RTAs, such as anti-dumping, preferential rules of origin, technical standards,

subsidies and countervailing measures, also makes it more difficult to evaluate damage to third countries when a customs union is formed or extended.

Lester (2012) examines a number of approaches to the theorization of the place of commercial law in the broader system of international law, concluding that there is still a general lack of clarity about the scope of international law in the commercial system. Foreign trade is a pluralistic and multidisciplinary field of study with deep roots in philosophical similarities with politics and economics. The very nature of bilateral and regional trade agreements results in signature countries taking a greater role in shaping the direction of their trade policy (Kaminchia, 2019). Sovereign nations join together, usually on a regional scale, to create free trade agreements. Member countries belonging to the free trade area trade freely with each other while maintaining trade barriers for non-member countries (Kirkwood 2017).

Eberhard-Ruiz and Moradi (2019) believes effective trade policy direction, formulation and implementation are highly dependent on the quality of the institutional framework, given the direct effect on policy coherence and indirect effect on policy outcomes. The trade policy process and institutional structure within the EAC countries is shaped importantly by their membership of regional and multilateral trade organisations. The obligations motivate the countries to undertake domestic economic and sectoral reforms. The World Trade Organization (WTO) commitments made by the countries have also influenced the direction of the trade policies in these countries as well as the trade policy reviews (TPR) conducted by the governments and the WTO Secretariat (Odijie, 2019).

Much as the EAC partner states agreed to eliminate the NTBs identified by the EAC Secretariat, the majority of the rules and regulations have not been eliminated (Slany, 2019). In this regard, Kenya and Uganda were identified as imposing significantly more

rules on their imports than other sub-Saharan African countries. In an effort to address NTBs, a National Monitoring Committee (NMCs) was established in all the EAC member states and these report quarterly to the EAC Sectoral Committee.

## **2.4 Empirical Review**

The literature was reviewed in such a way that it brought in the relationship between ICT system, multiple membership and legal framework with implementation of EAC-SCT. Specifically, the review was done on Effect of ICT on implementation of EAC-SCT, the effect of ICT on implementation of EAC-SCT and the effect of legal framework on implementation of EAC-SCT.

### **2.4.1 ICT and Implementation of EAC-SCT**

A study by Kesino (2012) ascertained the logic that there is a positive impact of the automation process on the reduction in clearance time. The adoption of automation increases the number of clients served by traditions operators together with opportunity for specialists plus merchants to work outside Customs ordinary working hours.

Yabs and Yabs (2018) conducted a study whose aim was to evaluate the relationship between technology and inter-country trade in EAC. This study was conducted between 2010 to 2015 with two objectives: one was to establish which kind of technology is mostly used by business organizations in East African countries to promote their inter-country trade and two, how has the application of technology improved in the promotion of trade in East African countries. The study employed a survey research design and all the six EAC countries and adjacent neighbouring countries were the target population. Interviews were conducted on the top management of concerned firms and information obtained was analysed using content analysis. The findings of the study showed that some firms, especially those who had embraced new technological methods of management have

adopted new information technology and had established connection in all the EAC member-states. Although the study established that some countries like Burundi and Southern Sudan had not developed fully their technological infrastructure. Additionally, the study found out that some firms and individual businessmen within those countries had invested on appropriate information technology and were ready to use it. The results of the study indicated that the application of the latest technology to promote inter-country trade has increased the volume of trade between member states.

Irimu (2018) in a study indicated that The EAC-SCT relies more on the Sharing of information and procedures through the Information Technology, in most cases the Customs procedures of the East African Community have been standardized with the use of the information Technology as proposed by the Revised Kyoto Convention on the Simplification and harmonization of the Customs procedures and the adoption of the Information technology in the Customs. The Information Technology Interconnectivity is a crucial element towards the Success of the Single Customs Territory. The Customs of the Partner states of the EAC uses various Customs Information systems for cargo clearance, such as TANCIS by the Tanzanian Customs, ASYCUDA by Uganda customs and SIMBA system by the Kenyan Customs for clearance of goods at the region.

According to Matte (2019), the concept of SCT involves interconnectivity of customs systems to facilitate seamless flow of information between customs stations and a payment system to manage transfers of revenues between EAC Partner States. The inter-agency co-ordination via single window to facilitate intra trade and exports within the region to be cleared from one point under the single Customs Territory. According to Nshimirimana (2018) while noting the notable improvement in the Clearance of the Cargo under the new SCT Concept, while specifically citing the Kenyan and Tanzanian Challenges under the SCT, he asserted that “After clearing under one system and you go to Tanzania, they will

tell you they cannot see information in the system that you cleared your goods, it can take you days or weeks before this is sorted.

A study by Hassan (2020) indicated that a lack of customs systems interconnectivity coupled with delays and inaccuracies in the paper based exchange of cross-border trade data between Customs administrations continues to negatively hamper trade facilitation and regional integration efforts in the EAC. The situation translates into unsatisfied traders, unreliable trade statistics, controversies around Member States' allocations from the common revenue pool, and high revenue leakage risks.

#### **2.4.2 Multiple membership and Implementation of EAC-SCT**

Zoellick (2011) did a study on impact of multiple membership on operational efficiency on border functions including but not limited to customs, immigration, agriculture, quality control, quarantine, and police among member states of Economic Community of West African State (ECOWAS). These functions vary from country to country in terms International Network of Customs Unions of emphasis or even existence, depending on such variables as national priorities, geography, resources, management style, and so on. The study established that that some member states of ECOWAS were also members in other regional integration. This can lead to inefficiency, bottlenecks at the border, and frustration of traders and passengers. Moreover, it can detract border agencies from achieving their objectives, including Customs (for example, revenue collection, trade facilitation, anti-smuggling, trade facilitation, and collecting trade statistics) and other border agencies (for example, preventing crime, illegal immigration, influx of pests, and promoting safety and standards). At the same time, complying with the controls criteria imposed by all agencies slows border procedures and increases delays at those borders.

Buigut (2012) did a study with the title “an assessment of trade effects of the EAC African Community Customs Union on Member Countries”. Specifically, he sought to establish the impact of multiple membership on revenue performance by the member states. The study established that the East African Customs Union protocol does not directly address the issue of multiple membership to the various Regional Economic Communities. Further, the study established that Goods from COMESA and SADC continued enjoying preferential tariff discounts that they enjoyed prior to coming into force of the Protocol for the Establishment of the EAC Customs Union. He concluded that there was a Non-Tariff Barrier that could easily lead to revenue loss among the member states.

According to Draper et al (2007), 20 COMESA members belong to other regional integration schemes as well. For example, Kenya and Uganda and Tanzania form an East African Community Customs Union. COMESA is one of the free trade agreements that have worked relatively well, with simple rules of origin and a determined focus on the simplification of customs processes. Some of its other achievements include the elimination of non-tariff barriers (for example import licensing), removal of foreign exchange restrictions, and removal of import and export quotas. Draper et al (2007) observes that these non-tariff barriers

Much hope has been placed on the Common Agreement and the Economic Partnership Agreements between Europe and African countries that were launched in 2003 to act as external driving forces to push the regional organisations to rationalise and harmonise their regional trade arrangements. It is unclear how successful this process could be, but it is hoped that they could at least force various countries to establish customs unions and reduce overlapping memberships. With regard to the latter Draper et al (2007) suggest that the SACU and EAC could help to consolidate other organisations, such as COMESA and the SADC, by absorbing them. Burundi and Rwanda (both members of COMESA) have

for example already acceded to the EAC. Whether this would be achieved through the rationalisation efforts of the agreements or by member states own commitment to deepening integration is a different matter. Similarly, Mozambique, a SADC member, has in recent past explored the possibility of joining SACU. Draper et al (2007) further suggest that states such as Zimbabwe, Zambia, Malawi and Tanzania could be drawn into an expanding SACU.

### **2.4.3 Legal Framework and Implementation of Single Customs Territory**

Drummond, Aisen, Alper, Fuli and Walker (2015) in their study dubbed toward a monetary union in the EAC established the loopholes within the institutional legal framework of the East African Community Customs Union; in this case the focus was on the lack of the enforcement powers of the council or directorate of customs to enforce the customs law of the Community which leads to rampant dumping, smuggling of goods, tax evasion, tax avoidance, fraud, and corruption. In addition, the research examined the impact of the unlimited discretionary powers of the commissioners of customs in the enforcement of customs law, whereof the research revealed that it leads to tax evasion, corruption, dumping of goods and smuggling. The study further revealed that the Code of Conduct for the Public Officers in member states and EAC Customs and Tax Code of Ethics and Conduct are inadequate in respect to enforcement of customs law in member states territories as they don't sufficiently provide parameters upon which member states commissioners of customs ought to act in circumstances where the EAC CMA or EAC CMR provide them with unlimited discretionary powers in some aspects and this was found to be a big impediment in the implementation of custom union between member states of EAC.

Mwasha (2016) in a study on the benefits of regional economic integration for developing countries in Africa: A case of East African Community indicated that there was no EAC policy on the enforcement of customs law. The disadvantage of this is that member states customs officers and commissioners of customs find it hard to enforce customs law since they don't have what to use to guide them; its absence also brings about inconsistencies in the enforcement of customs law which in turn obstructs the success of EAC CU and also makes corruption among others dominant. The study recommended that an EAC CU policy be developed so as to address the broad policy issues on enforcement of customs union laws. This will help in the management and administration of customs related matters. Additionally, the study recommended that the Treaty on the Establishment of the EAC should be amended to provide the council with enforcement powers, i.e. the study reveals that there is no legislation providing the council with powers to enforce the customs law of the community. The absence of it has not only led to the slow enforcement of customs law but it has also led to the EAC CU not to be in the capacity to achieve its objectives as enshrined in the protocol.

Lugalla (2016) examined the effects of Political, Legal and Governance Challenges in of East African Community. The main purpose of the study was to investigate the effects of political, legal, and governance challenges regional integration policy within the East African Community (EAC), and questions the motivations of partner states and their institutional preparation. Institutional, legal, and policy analyses were undertaken to generate information on these respective environments, the institutional and legal frameworks of the EAC, and the institutional and legal frameworks and policies of partner-states against integration. The findings of the study revealed that political, legal, and governance FCCs affected regional integration policy during the process by staying the

course on regional integration in order to mitigate costs and facilitate resolution of challenges.

A study by Döveling, Majamba, Opong and Wanitzek (2018) examined the harmonisation of Laws in the East African Community by focusing on the State of Affairs with Comparative Insights from the European Union and other Regional Economic Communities. The purpose of the study was to provide observations on the harmonisation of laws in the EAC in general and the harmonisation of economic laws in particular, and is structured in seven sections. The findings of the study indicated that instruments of regional integration can be categorised as regional policy and legislation, regional programmes and projects, schemes for redistribution of income and gains of trade and diplomacy. The EAC Treaty imposes an obligation on the Partner States to develop a trade regime and cooperate in trade liberalisation through elimination of internal tariffs and non-tariff barriers to trade. The study indicated that a viable trade regime requires commitment to market access for regional products, persons and enterprises. It demands non-discrimination through elimination of internal tariffs and charges of equivalent effect, and removal of internal non-tariff barriers while leaving domestic legislation intact. The study recommended that a regional trade regime should create uniform legislation either directly or through harmonisation or approximation.

## **2.5 Critique of Existing Literature**

Yabs and Yabs (2018) conducted a study whose aim was to evaluate the relationship between technology and inter-country trade in East African Community. This study was conducted in the year 2010 to 2015 with two objectives. The study established that some countries like Burundi and Southern Sudan had not developed fully their technological infrastructure. The implementation of the SCT is a proses meaning that the implementation

happens within a stipulated time frame. The findings of the study by Yabs and Yabs (2018) can't be applicable since it was carried 5 years ago. There could be a lot that has changed in terms of ICT infrastructure in the region. There is therefore need to do most current study to establish effect of ICT on implementation of EAC-SCT.

A study by Hassan (2020) indicated that a lack of customs systems interconnectivity coupled with delays and inaccuracies in the paper based exchange of cross-border trade data between Customs administrations continues to negatively hamper trade facilitation and regional integration efforts in the East African Community (EAC). The study did not indicate the level of developed of ICT infrastructure in the region. The current study will go ahead and establish how much has been done in terms of ICT infrastructure in the region.

Zoellick (2011) did a study that established that that some member states of ECOWAS were also members in other regional integration. He said that multiple membership can lead to inefficiency, bottlenecks at the border, and frustration of traders and passengers. He further established that multiple membership can detract border agencies from achieving their objectives, including Customs. However, Zoellick (2011) did not recommend ways of dealing with the problem of multiple membership. The current study was aimed at finding the recommendation to handle the problem of multiple membership.

Buigut (2012) established that Goods from COMESA and SADC continued enjoying preferential tariff discounts that they enjoyed prior to coming into force of the Protocol for the Establishment of the EAC Customs Union. He concluded that there was a Non-Tariff Barrier that could easily lead to revenue loss among the member states. The study was done almost 10 years ago. There was need to do a most current study to establish what the

member states have so far to address the issue of goods from COMESA and SADC due to multiple membership.

Drummond, Aisen, Alper, Fuli and Walker (2015) in their study dubbed toward a monetary union in the East African Community established the loopholes within the institutional legal framework of the East African Community Customs Union; in this case the focus was on the lack of the enforcement powers of the council or directorate of customs to enforce the customs law of the Community which leads to rampant dumping, smuggling of goods, tax evasion, tax avoidance, fraud, and corruption.

Mwasha (2016) in a study on the benefits of regional economic integration for developing countries in Africa: A case of East African Community (EAC), indicated that there was no EAC policy on the enforcement of customs law. Mwasha (2016) only emphasised on enforcement efforts. They did not look in to the effectiveness of the regulatory framework. The current study will also look at how effect the regulatory framework for EAC-SCT is in addressing the problems of cross border trade.

## **2.6 Summary of the Literature Review**

The above chapter reviewed the various theories that explain the independent and dependent variables. The empirical review was conducted where past studies both global and local are reviewed in line with the following criteria, title, scope, methodology. The next chapter will outline the methodology that the study will adopt in order to achieve the stated objectives.

## **2.7 Research Gaps**

Finally, Mwasha (2016) in a study on the benefits of regional economic integration for developing countries in Africa: A case of East African Community (EAC), indicated that there was no EAC policy on the enforcement of customs law. According to the study

the disadvantage of this is that member states customs officers and commissioners of customs find it hard to enforce customs law since they don't have what to use to guide them; its absence also brings about inconsistencies in the enforcement of customs law which in turn obstructs the success of EAC CU and also makes corruption among others dominant. Since the study focused on benefits of regional economic integration for developing countries in Africa, conceptual gap is established. The current study will address the gap by examining the factors affecting the implementation of EAC-SCT. Much as all the reviewed studies contribute to the body of knowledge on factors affecting the implementation of trade agreements between member states, little is known and has been studied on the factors affecting the implementation of the EAC-SCT and therefore this forms the basis for conducting this study.

Yabs and Yabs (2018) conducted a study whose aim was to evaluate the relationship between technology and inter-country trade in EAC. The period of this study was the year 2010 to 2015 with two objectives. The study established that some countries like Burundi and Southern Sudan had not developed fully their technological infrastructure. The implementation of the SCT is a proses meaning that the implementation happens within a stipulated time frame. A time gap was established. The current study will be aimed at finding the most current stage in implementation of EAC-SCT.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section discusses the methodological approach that was used to provide answers to the research hypothesis. Jackson (2013) defines a research methodology as a part of research that explains the research procedures in a manner appropriate for the audience. In particular, the section discusses the research design, sample size, data collection, data analysis, data presentation and ethical consideration.

#### **3.2 Research Design**

Research design is a 'blue-print' that enables the researcher to come up with solutions to problems and guides in the process of collecting, analysing and interpreting the data and observations (Bryman& Bell, 2011). This study adopted a descriptive research design. According to Mugenda and Mugenda (2003) a descriptive research is a process of collecting data in order to answer questions concerning the current status of the subjects in the study. This study aims at collecting information from respondents on their attitudes, perception and opinions in relation to factors affecting the implementation of the EAC-SCT. Descriptive research was appropriate for this study, since the researcher intended to collect detailed information through descriptions of the variables.

Mugenda and Mugenda (2003) indicate that descriptive research designs are conducted to establish the extent of a range of issues. They argue that in descriptive designs, variables with greater dispersion indicate disparities within the community and provide important clues regarding the issues that the investigator should focus on. Orodho (2003) postulates that descriptive design is a method of collecting data by interviewing or administering a

questionnaire to a sample of individuals which can be used when collecting information about people’s attitudes, opinions, habits or any other social issues.

### 3.3 Target Population

According to Kombo and Tromp (2006) a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated to generalize the results. This definition assumed that the population is not homogeneous. Lumley (2004) defines population as a larger collection of all subjects from where a sample is drawn. It refers an entire group of individuals, events or objects having common observable characteristics (Mugenda&Mugenda, 2003).

Cooper and Schindler (2006) observe that a population is the total collection of elements about which one wants to make inferences. Similar view is also expressed by Kothari (2004). Target population in statistics is the specific population about which information is desired (Gupta, 2012). Target population is that population which the researcher wants to generalize results (Mugenda&Mugenda, 2003).The target population for this study was 36 customs representatives from Kenya, Uganda, Tanzania, Burundi and Rwanda based atInternal Container Depot-Embakasi.

**Table 3.1:** Target population

<b>Country</b>	<b>Number of representatives</b>
Kenya	9
Tanzania	7
Uganda	8
Rwanda	6
Burundi	6
<b>Total</b>	<b>36</b>

Kenya had the highest number of representatives with 9 followed by Uganda with 8 representatives. Tanzania had 7 representatives while Rwanda and Burundi each has 6 representatives. Southern Sudan-though a member state-had no representative in the Internal Container Depot-Nairobi. A survey of all the respondents was done since the target population was less than 100 elements.

### **3.4 Research Instruments**

Data for this research was collected from primary sources in which the research objective was put into consideration. According to Chandran, (2004) primary data is first-hand information received from a respondent. Self-administered structured questionnaires were employed in this study. According to Cooper and Schindler (2011), self-administered questionnaires are used in descriptive studies because they cost less. The questionnaire consisted of properly constructed 5 point likert scale questionnaire. The questionnaire used is shown in appendix II.

### **3.5 Data collection Procedures**

Leavy (2015) define data collection as the precise, systematic gathering of information relevant to the research sub-problems. Data collection procedures began after getting the letter for data collection. The researcher requested for a letter of introduction which should serve the needs of the researcher and any research assistants. The questionnaires were then administered to the respondents directly by the researcher in ICD Embakasi. The researcher then picked the questionnaires after one week for subsequent analysis. This allowed the respondent enough time to fill the questionnaires.

### **3.6 Pilot Test**

A pilot study also known as pilot test or pilot experiment is a small scale preliminary study conducted before the actual study with an aim of evaluating the feasibility, time, cost,

adverse effects in order to improve upon the study design prior to the actual research (Hulley 2007). The pilot study was aimed at establishing whether the questionnaire is reliable and valid to collect the required data before the actual research.

Pilot testing was undertaken to ensure that the data collected enabled the investigative questions to be answered (Saunders, Lewis & Thornhill, 2012). Newing (2011) states that the importance of pilot testing cannot be overemphasized as there are questions that people fail to understand or interpret in different ways, there can be places in the questionnaire where they are not sure where to go next, and their questions that turn out simply not to elicit useful information. Cooper and Schindler (2006) concur that the purpose of pilot test is to detect weaknesses in design and implementation and to provide proxy for data collection of a probability sample.

According to Schindler and Cooper (2006) the respondents in a pilot test do not have to be statistically selected when testing the validity and reliability of the instruments. In this study, pilot testing was done in Namanga One Stop Border Post using 20% of the target population. The respondents during pilot testing were randomly selected.

### **3.6.1 Validity of Research Instrument**

According to Kothari (Kothari 2004), validity is the degree to which an instrument measures what it purports to measure. Therefore, the term refers to the extent to which an instrument asks the right questions in terms of accuracy. In addition, Crocker and Algina (1986) have pointed to the importance of a theoretical foundation by noting that constructs cannot be defined only in terms of operational definitions but must also have demonstrated relationships to other constructs or observable phenomena. The content validity of the research instrument for this study was determined through consultation with my supervisor and piloting, where the responses of the subjects were checked against the research

objectives. For a research instrument to be considered valid, the content selected and included in the questionnaire must be relevant to the variable being investigated (Winterstein, 2008).

### **3.6.2 Reliability Test**

Sekaran (2003) stated that the reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the “goodness” of a measure. The reliability analysis was done using Cronbach’s Alpha which is usually interpreted as the mean of all possible split-half coefficients. It is functions of the average inter correlations of items, and the number of items in the scale. The benchmark value of 0.7 is commonly used for the reliability whereby alpha values above 0.7 are considered acceptable and satisfactory, above 0.8 are considered good and above 0.9 are considered to reflect exceptional internal consistency (Mohajan, 2017).

### **3.7 Dataanalysis**

According to Mugenda and Mugenda (2003), data must be cleaned, coded and analysed so that the researcher is able to make sense of the data. Zikmund, Babin, Carr and Griffin, (2010) views data analysis as the application of reasoning to understand the data that has been gathered with the aim of determining consistent patterns and summarizing the relevant details revealed in the investigation. On the other hand, Ott and Longnecker (2015) define data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation.

The collected data was sorted, corded and fed into statistical package for social sciences (SPSS V 26) as suggested by Sekaran&Bougie (2016). Similar software was used by Saleem and Rehman (2011), Afza and Nazir (2011), Radhika and Azhagarah (2012), Kaddumi and Ramadan (2012)Nteere (2014) and Kung’u (2015). The relevant descriptive

statistics such as standard deviation, mean, variance, and mode output were recorded along with correlation and regression analysis for subsequent model testing. ANOVA, T- and F-tests were used to test the significance of the model in measuring relationship between ICT systems, multiple membership and legal frameworks the implementation of Single Customs Territory in the East African Community at 95% confidence level and 5% significant level. The significant number was found to be less than the critical value ( $p$ ) set and the conclusion was that the model is significant in explaining the relationship.

### 3.7.1 Regression Model

According to Hosmer and Stanley (2000) for any data analysis which is concerned with describing the relationship between a dependent variable with the independent variables, regression models have become an integral component. The estimated model used was as below:

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

Where:

$Y$  = Implementation of SCT

$X_1$  = ICT system

$X_2$  = Multiple membership

$X_3$  = Legal Framework

$\beta_0$  = Intercept

$\beta_1, \beta_2, \beta_3$  = Corresponding coefficients of independent variables

$\varepsilon$  is the error term to capture unexplained variations in the model and which is assumed to be normally distributed with mean zero and constant variance.

### 3.8 Operationalization of the Variables

The variables of concern in the proposed research were ICT system, Multiple Membership, Legal Framework and Implementation of EAC-SCT. These variables could not be directly measured hence the need to identify measurable indicators to take the place of the variables. The measurement of the variables was done by the Likert Scale points as shown in table 3.3 below:

**Table 3.2:** Operationalization of Study Variables

<b>Variable</b>	<b>Indicator</b>	<b>Data collection tool</b>	<b>Measure</b>	<b>Analysis</b>
<b>ICT system</b>	<ul style="list-style-type: none"> <li>❖ Custom information system</li> <li>❖ Reliable internet</li> <li>❖ Scalability of ICT system</li> </ul>	Questionnaire	5-point likert scale	Multiple regression
<b>Multiple membership</b>	<ul style="list-style-type: none"> <li>❖ Rules of origin</li> <li>❖ Common external tariff</li> <li>❖ Constrained resources</li> </ul>	Questionnaire	5-point likert scale	Multiple regression
<b>Legal Framework</b>	<ul style="list-style-type: none"> <li>❖ Trade policy</li> <li>❖ Tariffs</li> <li>❖ EAC legislation</li> </ul>	Questionnaire	5-point likert scale	Multiple regression
<b>Implementation of SCT</b>	<ul style="list-style-type: none"> <li>❖ Free circulation of goods</li> <li>❖ Revenue management systems</li> <li>❖ Elimination of non-tariff barriers</li> </ul>	Questionnaire	5-point likert scale	Multiple regression

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSIONS

#### 4.1. Introduction

The chapter gives the results by evaluating data reliability and presenting the summary statistics for research whose objective was to establish factors affecting the implementation of the East African Community Single Customs Territory.

#### 4.2 Pilot test results

A pilot test was done to ascertain the dependability of the research instrument using 8 respondents drawn from Custom and Border Control Department-Namanga. The results for the pilot test for the 4 items are as shown in table 4.1 below.

**Table 4.1:** Reliability of research instrument

Variable	Cronbach's Alpha	Number of Items
ICT system	.841	4
Multiple Membership	.710	4
Legal Framework	.701	4
Implementation of EAC-SCT	.867	4

A Cronbach's alpha coefficient was used to assess the instrument's reliability. That is to ascertain the repeatability, stability or internal consistency of a questionnaire used in the research. Cronbach's alpha coefficient for the four items, which included the ICT system, multiple membership, legal framework and implementation of EAC-SCT yielded cronbach's alpha coefficients of 0.841, 0.710, 0.701 and 0.867 respectively. Each of the Cronbach's alpha coefficients is above 0.7 suggested by Bryman (2008) and therefore the questionnaire was reliable in collecting data to study the relationship between the 4 variables.

### 4.3 Response rate and gender

A total of 36 questionnaires were administered to the customs employees out of which 31 responded to it and returned. Among them, 10 were female while 21 were males. The results are as shown in table 4.2 shows the results.

**Table 4.2:** Response rate and gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Female	10	32.3	32.3	32.3
Male	21	67.7	67.7	100.0
<b>Total</b>	<b>31</b>	<b>100.0</b>	<b>100.0</b>	

Among the respondents who filled and returned the questionnaire, 32.3 per cent were female while 67.7% were male. In general, 31 out of 36 questionnaires were fully returned giving a response rate of 86.1%. This response rate is adequate as stated by Mugenda and Mugenda (2003) that response rate of 70% is adequate in social sciences.

### 4.4 Number of years working in Customs

The respondents were required to state the number of years they have been working in Customs Department of their respective partner states. The findings were then recorded in table 4.3 below.

**Table 4.3:** Response rate and gender

	Frequency	Percent	Cumulative Percent
Valid Less than 10years	8	25.8	25.8
10-15years	11	35.5	61.3
Above 15 years	12	38.7	100.0
<b>Total</b>	<b>31</b>	<b>100.0</b>	

Among the respondent who filled and returned the questionnaires, 25.8% said that have been working in customs for less than 10 years, while 35.5% said they have been working in customs for between 10 to 15 years. Furthermore, 38.7% said that they have been working in customs for over 15 years. From these findings, Majority of the respondents had worked in customs department of their respective countries for over 15 years. This could be explained by the fact SCT is an involving project that requires persons with wealthy experience in Customs operations.

#### 4.5 Member state represented by the respondent

The respondents were also supposed to indicate their country of origin within the community. The findings of the responses from 31 respondents who filled and returned the questionnaires are as shown in table 4.4 below

**Table 4.4:** Member state

Member states	Frequency	Percent	Cumulative Percent
Valid Kenya	9	29.0	25.8
Rwanda	7	22.6	48.4
Uganda	8	25.8	77.4
Burundi	4	12.9	90.3
Tanzania	3	9.7	100.0
<b>Total</b>	<b>31</b>	<b>100.0</b>	

The results from table 4.4 above indicates that majority of respondents were from Kenya (29.0%) followed by Uganda with 25.8%, 22.6% of the respondents came from Rwanda while 12.9% came from Burundi. Tanzania had the least representative at 9.7%. The low number of respondents from Tanzania can be explained by the fact that ICD-Nairobi deals with imported goods and Tanzania rarely use Mombasa port to import its goods as it has

its own sea port. The other countries are landlocked and therefore they mostly use the Mombasa port to import or export their products to overseas.

#### 4.6 Statistical Assumptions

Statistical tests rely upon certain assumptions about the variables used in the analysis. Osborne and Waters (2014), opine that when these assumptions are not met the results may not be valid due to type I or type II errors. They advocate for pretest for these assumptions for validity of their results. Osborne, Christensen, and Gunter (2001) observed that few articles report having tested assumptions of the statistical tests they rely on for drawing their conclusions.

##### 4.6.1 Normality Test

Before doing data analysis, assumptions for normality were checked. The normality of data was tested using the Shapiro Wilk test. When using Shapiro Wilk, if the p value is less than the chosen alpha level, then the null hypothesis is rejected since it is evidence that the data tested are not normally distributed. However, if the p value is greater than the chosen alpha level, then the null hypothesis that the data been tested came from a normally distributed population is not rejected.

**Table 4.5:** Tests of Normality

	<b>Shapiro-Wilk</b>		
	<b>Statistic</b>	<b>df</b>	<b>Sig.</b>
Implementation of EAC-SCT	.721	31	.67
ICT system	.794	31	.81
Multiple membership	.721	31	.53
Legal framework	.719	31	.78

a. Lilliefors Significance Correction

The results for the normality test revealed that Implementation of EAC-SCT had p value of 0.67 which was greater than 0.05 while p value for ICT system was 0.81 also greater than 0.05. Also, Multiple membership had p value of 0.53 which was greater than 0.05, While that Legal framework 0.78 also greater than 0.05. These result shows that the data from the four variables were normally distributed.

#### **4.7 Descriptive Statistics**

The findings are derived from a Likert scale in the questionnaires where the respondents were supposed to indicate their level of agreement or otherwise with a given statement.

##### **4.7.1 ICT system and implementation of EAC-SCT**

The first objective was to establish the effect of ICT system on implementation of SCT.

The table below shows the descriptive statics from the responses based on 31 respondents.

The results show the means and standard deviations about ICT system.

**Table 4.6:** ICT system

ICT system	N	Mean	Std. Dev
System inter-connectivity between customs stations and connectivity band width is limited in most of revenue authorities leading to lower connectivity in some countries	31	3.84	1.141
Centralized Model greatly enhances data integrity, increases sustainability, eases maintenance, improves scalability and simplifies further enhancement of the application.	31	3.46	1.125
Access to source code of the Customs Management System in Partner States allows direct integration into a single user interface, which is a huge step forward in usability and institutionalization.	31	3.61	1.204
Improved telecommunication infrastructure in the region currently supplies constant internet connectivity to the Revenue Authorities, which in turn allows adoption of a truly centralized platform	31	2.42	1.148
<b>Average</b>	<b>31</b>	<b>3.33</b>	

Concerning the effect of ICT system on the implementation of EAC-SCT, the statement “System inter-connectivity between customs stations and connectivity band width is limited in most of revenue authorities leading to lower connectivity in some countries” had the highest mean of 3.84 and a standard deviation of 1.141. The mean indicates that the respondents agreed with the statement that one of the challenges of implementation of EAC-SCT is poor interconnectivity resulting from limited band width. The high standard deviation shows that the respondents disagreed among themselves about the statement. There was discrepancy in the responses.

On the other hand, the statement “improved telecommunication infrastructure in the region currently supplies constant internet connectivity to the revenue authorities, which in turn allows adoption of a truly centralized platform” scored the least mean of 2.42 and a high

standard deviation of 1.418 The respondents disagreed with the statement. They were of the feeling that there is little that has been done on the ICT integration as way of speeding up implementation of EAC-SCT successful. The standard deviation was too high meaning that they there was discrepancy in the responses given by the respondents. There was no agreement among them concerning that statement.

On average, the variable ICT system scored a mean of 3.333. The indication of these findings is that the respondents opined that ICT system is essential when it comes to successful implementation of the EAC-SCT. The governments of the five member countries should therefore show commitment in ensuring the success of the implementation of the EAC-SCT by adopting modern ICT systems.

#### **4.7.2 Multiple membership and implementation of EAC-SCT**

The second objective was to establish the effect of multiple membership on implementation of SCT. The table below shows the descriptive statics from the responses based on 31 respondents. The results show the means and standard deviations about multiple membership.

**Table 4.7: Multiple Membership**

<b>Multiple Membership</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>
Trading costs associated with administration of rule of origin at the inland borders is unavoidable because of multiple membership to various Regional blocs.	31	3.64	.911
EAC Partner States should strike a deal to harmonise their rules of origin with SADC and COMESA trading blocs to create a favourable business environment for trade facilitation.	31	3.51	1.020
It is technically and legally impossible for a country to apply two different CETs and therefore be a member of two customs Unions.	31	3.54	1.191
Multiple membership stretches human and financial resources of both the member state because when one member state negotiates a trading agreement with a third country, the burden of administration of the arrangement falls on all the members.	31	3.82	0.698
<b>Average</b>	<b>31</b>	<b>3.6275</b>	

Concerning the effect of multiple membership on the implementation of EAC-SCT, the statement “multiple membership stretches human and financial resources of both the member state because when one-member state negotiates a trading agreement with a third country, the burden of administration of the arrangement falls on all the members” had the highest mean of 3.82 and a moderate standard deviation of 0.698. The mean indicates that the respondents agreed with the statement that multiple membership stretches human and financial resources among the member states. The moderate standard deviation shows that the responses were normally distributed, thus there was agreement in the responses of the member state representatives.

On the other hand, the statement “EAC Partner States should strike a deal to harmonise their trading agreements with SADC and COMESA to create a favourable business environment for trade facilitation between them” score the least mean of 3.54 and a high

standard deviation of 1.020. The respondents agreed with the statement. They indicated that for the full implementation of EAC-SCT, there is need for the three trading blocs to come up with a regulatory framework to address the treatment of goods between them.

On average, multiple membership as one of the variable scored a mean of 3.6275. The indication of these findings is that the respondents agree that addressing the issue of multiple membership is key in ensuring full implementation of EAC-SCT.

#### 4.7.3 Legal framework and implementation of EAC-SCT

The third objective was to establish the effect of legal framework on implementation of SCT. The table below shows the descriptive statics from the responses based on 31 respondents. The results show the means and standard deviations about legal framework.

**Table 4.7:** Legal framework

<b>Legal Framework</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
Obstacles related to trade policies hinders free trade among EAC member states and implementation of SCT	31	3.22	0.821
The member states are supportive of the existing EAC legislations concerning EAC-SCT	31	3.99	.811
Harmonization of trade tariffs and trade policies among the EAC partner states is key to ensuring successful implementation of any SCT	31	4.19	.619
The EAC legislations are important when it comes to implementation of SCT among EAC partner states.	31	3.52	.551
<b>Valid N (listwise)</b>	<b>31</b>	<b>3.73</b>	

The study also sought to establish the effect of legal framework on the implementation of EAC-SCT. The statement “harmonization of trade tariffs and trade policies among the EAC partner states is key to ensuring successful implementation of any SCT” had the highest mean of 4.19 and a moderate standard deviation of 0.619. The mean indicates that

the respondents agreed that trade tariffs and trade policies among the EAC partner states is key to ensuring successful implementation of any SCT. The moderate standard deviation shows that the respondents were in agreement among themselves, thus the partner states need to harmonise the trade policies and tariffs so as to ensure full implementation of EAC-SCT.

On the other hand, the statement “obstacles related to trade policies hinder free trade among EAC partner states and implementation of SCT” score the least mean of 3.22 and the least standard deviation of 0.821. The respondents were neutral with the statement concerning trade policies.

On average, the variable legal framework scored a mean of 3.73. The indication of these findings is that the respondents agreed that legal framework is important when it comes to successful implementation of the EAC-SCT. However, the high standard deviation shows that the responses were clustered far away from the mean, meaning that there are some respondents who were of the view that legal framework is important while others believed that it’s not important.

#### **4.7.4 Implementation of EAC-SCT**

The dependent variable was the implementation of EAC-SCT. The table below shows the descriptive statistics from the responses based on 31 respondents. The results show the means and standard deviations about implementation of EAC-SCT.

**Table 4.8:** Implementation of EAC-SCT

<b>Implementation of Single Customs Territory</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
Advancement in the use of electronic technology for the assessment, payment and transfer of funds has enhanced revenue collection at the first point of entry	31	3.87	.661
Non-tariff barriers are a more pervasive and persistent obstacle to free movement of goods	31	3.51	.810
For successful implementation of EAC-SCT, the existing institutional framework needs to be strengthened and fully operationalized.	31	4.01	.411
The application of CET and elimination of rules of origin are a prerequisite condition for free circulation of goods within EAC	31	3.90	.547
<b>Average</b>	<b>31</b>	<b>3.8225</b>	

Concerning the implementation of SCT, the statement “for successful implementation of EAC-SCT, the existing institutional framework need to be strengthened and fully operationalized” had the highest mean of 4.01 and a standard deviation of 0.411. The mean indicates that the respondents agreed with the statement that there is need to strengthen the regulations governing the implementation of the EAC-SCT. The low standard deviation shows that the responses were clustered around the mean, thus the respondents agreed among themselves concerning the statement.

On the other hand, the statement “Non-tariff barriers are a more pervasive and persistent obstacle to free movement” scored the least mean of 3.90 and a standard deviation of 0.547. The respondents agreed with the statement. This could explain why there is a challenge in operationalizing the EAC-SCT due to problem of treatment of goods from other states where some of the EAC are also members.

On average, the variable implementation of single customs territory scored a mean of 3.8225. The indication of these findings is that there is some progress in the implementation of the EAC-SCT. However, the mean is still too low meaning that the implementation is still too far from being achieved.

#### **4.8 Correlation analysis**

After performing descriptive analysis, correlation analysis was done to determine the association between independent and dependent variables. The correlation coefficients range from -1 for a perfect negative relationship to +1 for perfect positive relationship through zero for no relationship. According to O'Brien, (2007), a correlation coefficient value ( $r$ ) in the range of 0.1 to 0.29 is considered weak, 0.3 to 0.49 is considered moderate while 0.5 to 1.0 is considered strong. The correlation coefficients between the variables are shown in table 4.9 below.

**Table 4.9:** Correlation Matrix

		<b>Implementation of EAC-SCT</b>	<b>ICT system</b>	<b>Multiple membership</b>	<b>Legal framework</b>
<b>Implementatio n of EAC-SCT</b>	Pearson Correlation	1	.584**	-.611**	.779**
	Sig. (2-tailed)		.001	.001	.000
	N	31	31	31	31
<b>ICT system</b>	Pearson Correlation	.584**	1	-.219*	.129**
	Sig. (2-tailed)	.001		.010	.000
	N	31	31	31	31
<b>Multiple membership</b>	Pearson Correlation	-.611**	-.219*	1	-.221**
	Sig. (2-tailed)	.001	.010		.000
	N	31	31	31	31
<b>Legal framework</b>	Pearson Correlation	.779**	.129**	-.221**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	31	31	31	31

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

\* . Correlation is significant at the 0.05 level (2-tailed).

Table 4.9 indicate that legal framework had the highest correlation with implementation of SCT (r= 0.779). The correlation coefficient was found to be significant at  $p=0.000<0.05$ , thus the two variables move together in the same direction. Also, ICT system was found to be positively correlated with implementation of EAC-SCT (r= 0.584) which was significant at  $p=0.000<.05$ . Increasing investments in the ICT system will lead to faster implementation of EAC-SCT. However, multiple membership was found to have a strong

negative correlation with implementation of EAC-SCT ( $r = -0.611$ ). The correlation was significant as illustrated by the p-value of 0.001 which is less than 0.05 alpha level.

The correlation coefficient between the independent variables was less than 0.5 meaning that the variables are not related; hence they could be used to study their combined effect on the independent variables on the dependent variable.

#### 4.9 Regression Analysis

Regression analysis was done to generate model summary, analysis of variance (ANOVA) and regression coefficients.

##### 4.9.1 Model summary

The model summary consists of R. value, R square value, Adjusted R Squared Value, and a standard error of the estimate. The values obtained were recorded in table 4.11 as shown below.

**Table 4.10:** Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.878 <sup>a</sup>	.771	.743	.92010	.776	30.671	3	27	.000

a. **Predictors:** (Constant), ICT system , Multiple Membership And Legal Framework

The model summary has an R value of 0.878; the value of squared R was 0.771 while that of adjusted square of R was 0.743. Also, an F Change value of 30.671 was generated. The model was therefore able to explain 77.1% of variations in dependent variable. The remaining 22.9% could not be explained by the current model, but could only be explained by variables not used in this study.

#### 4.9.2 Analysis of variance

The analysis of variance was done to generate the f- statistic which is used to test significance of R. the ANOVA tests was meant to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The results were as shown in table 4.11 below

**Table 4.11:ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78.304	3	26.101	30.671	.000 <sup>b</sup>
	Residual	20.424	27	.851		
	Total	98.728	30			

a. **Dependent** Variable: Implementation of SCT

b. **Predictors:** (Constant), ICT system , Multiple Membership And Legal Framework

ANOVA tests were conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. Results in table 4.11 prove that the entire model was statistically significant and this is shown by F statistic of 30.671 and a p value of 0.000 Thus, this means that the independent variables are good predictors of Implementation of EAC-SCT

#### 4.9.3 Regression coefficients

A regression analyses was done to test combined effect of the independent to the dependent variable. The results were then presented in table 4.12 below.

**Table 4.12:** Regression coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.263	.128		2.054	.006
	ICT System	.190	.043	.204	4.418	.002
	Multiple Membership	-.356	.137	-.832	-2.599	.017
	Legal Framework	.173	.077	.232	2.246	.003

a. **Dependent Variable:** Implementation of EAC-SCT

The constant term was 0.263 with a standard error of 0.128 resulting to big /t/ value of 2.054. The constant term was also found to be significant at a 5% alpha level. The meaning of this finding is that, in absence of all other variables used in this study, the level of implementation of EAC-SCT will be 26.3%. Multiple membership produced a regression coefficient of -0.356 and a p-value of  $0.017 < 0.05$ . When all other variables are kept constant, an increase in multiple membership by 1 unit will lead to reduction on implementation of EAC-SCT by 35.6%.

ICT system produced a regression coefficient of 0.190 with implementation of EAC-SCT which was statistically significant at  $p = 0.002 < 0.005$ . An increase in ICT system by 1 unit will lead to 19% increase in implementation of EAC-SCT. Lastly, Legal Framework had a beta coefficient of 0.173 which was statistically significant at  $p = 0.00 < 0.005$  meaning that increasing legal framework by 1 unit will lead to increase in implementation of EAC-SCT by 17.3%.

All the betas are accompanied by large t-statistics meaning that none of the betas can be zero due to the error term meaning  $\beta_0 \neq \beta_1 \neq \beta_2 \neq \beta_3 \neq 0$ . That is, the error terms are small relative to the beta values. The specific regression equation can therefore be rewritten as:

$$Y = 0.263 + 0.190X_1 - 0.356X_2 + 0.173X_3 + \varepsilon$$

#### **4.10 Discussion of findings**

The discussions based on the findings from each of the three objectives are done and comparison with other empirical research done. Specifically, discussion and comparison was made on the relationship between the independent variables (ICT system, multiple membership and legal framework) with the depended variable.

##### **4.10.1 CT system and implementation of EAC-SCT**

The first objective of the study was to determine the relationship between ICT System and implementation of EAC-SCT. The research findings reveal a positive relationship between the two variables. The relationship was found to be significant at 5% significance level, meaning that an increase in ICT system connectivity would lead to faster implementation of EAC-SCT. These findings were similar to earlier findings by Yabs and Yabs (2018) which showed that some firms, especially those who had embraced new technological methods of management have adopted new information technology and had established connection in all the EAC member-states. The application of the latest technology to promote inter-country trade has increased the volume of trade between member states. It also supported the findings by Irimu (2018) in a study indicated that The EAC-SCT relies more on the Sharing of information and procedures through the Information Technology, in most cases the Customs procedures of the EAC have been standardized with the use of the information Technology as proposed by the Revised Kyoto Convention on the Simplification and harmonization of the Customs procedures and the adoption of the Information technology in the Customs. The partner states need to establish strong internet connectivity band width so as to achieve the goal of having a SCT.

#### **4.10.2 Multiple Membership and implementation of EAC-SCT**

The second objective of the study was to determine the relationship between Multiple Membership and implementation of EAC-SCT. A significant negative relationship was established between the Multiple Membership and implementation of EAC-SCT. By engaging the states from multiple trading blocs, the study established that the implementation of the EAC-SCT is likely to be derailed as this will make it technically and legally impossible for a country to apply two different CETs and therefore be a member of two customs Unions. Multiple membership will also stretch human and financial resources of both the member state because when one-member state negotiates a trading agreement with a third country, the burden of administration of the arrangement falls on all the members. These findings were in agreement with earlier findings by Buigut (2012) who established that the East African Customs Union protocol does not directly address the issue of multiple membership to the various Regional Economic Communities and that Goods from COMESA and SADC continued enjoying preferential tariff discounts that they enjoyed prior to coming into force of the Protocol for the Establishment of the EAC Customs Union.

#### **4.10.3 Legal framework and implementation of EAC-SCT**

The last objective of the study was to determine the relationship between legal framework and implementation of EAC-SCT. The research findings reveal a positive relationship between the two variables. The relationship was also found to be significant at 5% significance level, meaning that improved and clear Legal framework would lead to faster implementation of EAC-SCT.

These findings agree with earlier findings by Drummond, Aisen, Alper, Fuli and Walker (2015) that there were loopholes within the institutional legal framework of the East

African Community Customs Union leading to slow implementation. Also, the Code of Conduct for the Public Officers in member states and EAC Customs and Tax Code of Ethics and Conduct are inadequate in respect to enforcement of customs law in member states territories as they don't sufficiently provide parameters upon which member states commissioners of customs ought to act in circumstances where the EAC CMA or EAC CMR provide them with unlimited discretionary powers in some aspects and this was found to be a big impediment in the implementation of SCT between member states of EAC.

Also, the research findings agree with Döveling, Majamba, Oppong and Wanitzek (2018) that a viable trade regime requires commitment to market access for regional products, persons and enterprises. It demands non-discrimination through elimination of internal tariffs and charges of equivalent effect, and removal of internal non-tariff barriers while leaving domestic legislation intact. They recommended that a regional trade regime should create uniform legislation either directly or through harmonisation or approximation.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents a summary of the findings in line with the specific objectives of the study, conclusions drawn and recommendations made for the study including suggested areas of further study to enrich relevant knowledge under the study.

#### 5.2 Summary of the Findings

The general objective of this study was to determine the factors affecting the implementation of the East African Community Single Customs Territory. The specific objectives were to: establish the effect of ICT system on the implementation of the East African Community Single Customs Territory; determine the effect of multiple membership on the implementation of the East African Community Single Customs Territory; and assess the effect of legal framework on the implementation of the East African Community Single Customs Territory.

##### 5.2.1 ICT system and implementation of the EAC-SCT.

The first objective was to determine the effect of ICT system on the implementation of the East African Community Single Customs Territory. The correlation coefficient shows that ICT system and implementation of the EAC-SCT are positively and significantly associated. In addition, the regression analysis shows there was a positive significant relationship between ICT System and implementation of the EAC-SCT.

##### 5.2.2 Multiple Membership and implementation of the EAC-SCT

The second objective was to establish the effect of multiple membership on the implementation of the East African Community Single Customs Territory. Correlation analysis showed that multiple membership and the implementation of the EAC-SCT are

negatively and significantly associated. In addition, the Regression analysis shows there was a negative significant relationship between multiple memberships and the implementation of the EAC-SCT.

### **5.2.3 Legal framework and implementation of the EAC-SCT**

The third objective was to assess the effect of legal framework on the implementation of the East African Community Single Customs Territory. Correlation analysis showed that Legal framework and implementation of the EAC-SCT are positively and significantly associated. In addition, the Regression analysis shows there was a positive significant relationship between legal framework and implementation of the EAC-SCT

## **5.3 Conclusions**

The study made the following conclusions in relation to the objectives of the study;

### **5.3.1 ICT System and implementation of the EAC-SCT**

The study concluded that ICT System is instrumental in ensuring faster and successful implementation of EAC-SCT. The member states should constantly improve on their internet quality and ICT Systems in general so as to reduce time of processing documents and customs clearance.

### **5.3.2 Multiple membership and implementation of the EAC-SCT**

Multiple membership would derail the implementation of the EAC-SCT because it makes it impossible for a country to apply two different CETs meaning there will be revenue loss due to free movement of goods from other trading blocs.

### **5.3.3 Legal framework and implementation of the EAC-SCT**

Legal framework is critical for proper regulation of trade among the member states so as to avoid a situation where custom avoidance and evasion occurs. The member states should therefore make laws related to trade policy, tariffs and generally modernize the EAC-SCT legislation.

## **5.4 Recommendations**

The study provided the following recommendations based on the study findings and the study conclusion on the factors affecting the implementation of the East African Community Single Customs Territory.

### **5.4.1 ICT System**

To the member states, they need to come up with a single system for customs clearance so as to ensure seamless flow of information between customs station. The member states need to come up with a centralized model to enhance data integrity, increase sustainability, eases maintenance, improve scalability and simplify further enhancement of the application.

### **5.4.2 Legal framework**

The study also recommends that the member states strengthen the legislations related to the implementation of the EAC-SCT so as to avoid the challenges brought by lack of clear guidelines on trade between the five countries. They need to effect substantial amendments to the current EACCMA and EACCMR which are the basic guiding tools for customs clearance.

## **5.5 Suggestions for Further Studies**

Similar study should be done using different variables to establish other measures that the government of the member state can put in place to ensure full and faster implementation of the EAC-SCT.

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## APPENDICES

### Appendix: Letter of Introduction

Dear Sir/Madam,

RE: **REQUEST TO COLLECT DATA FOR ACADEMIC RESEARCH PROJECT**

My name is Dorcas Kipchumba a **Post Graduate Diploma Student** at Jomo Kenyatta University of Agriculture and Technology carrying out a research on “*factors affecting the implementation of Single Customs Territory in the East African Community.*” Your participation in this study by responding to this interview will be appreciated. All your responses will be treated with utmost confidentiality and the data collected will only be used for academic purposes.

Thank you in advance,

Yours faithfully,

Dorcas Kipchumba

## Appendix ii: Questionnaire

Kindly tick (✓) inside the bracket to indicate the correct answer where choices are given

Write your answer in the spaces provided where choices are not given:

### SECTION A: DEMOGRAPHIC INFORMATION

1. Number of years the employee has been operating in the customs department.

i. Less than 5 years ( )

ii. 5 – 10 years ( )

iii. Above 10 years ( )

2. Please indicate your country

i. Kenya ( )

ii. Tanzania ( )

iii. Uganda ( )

iv. Burundi ( )

v. Rwanda ( )

## SECTION B: ICT AND IMPLEMENTATION OF EAC-SCT

3. Please indicate the level of agreement or otherwise with the following statement concerning information communication technology where;

**1=strongly disagree, 2=disagree, 3=Neutral, 4= agree, 5=strongly agree**

Information communication technology	Rating				
	1	2	3	4	5
Improved telecommunication infrastructure in the region currently supplies constant internet connectivity to the Revenue Authorities, which in turn allows adoption of a truly centralized platform					
Centralized Model greatly enhances data integrity, increases sustainability, eases maintenance, improves scalability and simplifies further enhancement of the application.					
Access to source code of the Customs Management System in Partner States allows direct integration into a single user interface, which is a huge step forward in usability and institutionalization.					
Limited connectivity band width has lowered interconnectivity of customs information systems within theEAC customs stations					

**SECTION C: MULTIPLE MEMBERSHIP AND IMPLEMENTATION EAC-SCT**

4. Please indicate the level of agreement or otherwise with the following statement concerning Multiple Membership where;

**1strongly disagree, 2=disagree, 3=Neutral, 4= agree, 5=strongly agree**

Multiple Membership	Rating				
	1	2	3	4	5
Trading costs associated with administration of multiple rules of origin at the inland borders are unavoidable due overlapping membership to various Regional blocs.					
EAC, Partner States should strike a deal to harmonise the applicable rule of origin with SADC and COMESA member states in order create a conducive business environment for trade facilitation.					
It is technically and legally impossible for a country to apply two different CETs and therefore be a member of two customs Unions.					
Multiple membership stretches human and financial resources of the member states					

**SECTION D: LEGAL FRAMEWORK ON IMPLEMENTATION OF SCT**

5. Please indicate the level of agreement or otherwise with the following statement concerning legal framework where;

**1=strongly disagree, 2=disagree, 3=Neutral, 4= agree, 5=strongly agree**

Legal Framework	Rating				
	1	2	3	4	5
Obstacles related to trade policies hinders free trade among EAC member states and implementation of SCT					
The member states are supportive of the existing EAC legislations concerning EAC-SCT					
Harmonisation of trade tariffs and trade policies among the EAC partner states is key to ensuring successful implementation of SCT					
The EAC legislations are important for implementation of the SCT					

**SECTION E: IMPLEMENTATION OF SINGLE CUSTOMS TERRITORY**

6. Please indicate the level of agreement or otherwise with the following statement concerning implementation of single customs territory where;

**1=strongly disagree, 2=disagree, 3=Neutral, 4= agree, 5=strongly agree**

Implementation of single customs territory	Rating				
	1	2	3	4	5
Advancement in the use of Electronic technology for the assessment, payment and transfer of funds has enhanced revenue collection at the first point of entry					
Non-tariff barriers are a more pervasive and persistent obstacle to free movement of goods.					
Adoption of common customs legal framework is necessary condition for achieving the implementation of EAC-SCT					
The application of a CET and elimination of rules origin is a prerequisite condition for free circulation of goods within EAC					

*“Thank you for your time and for participating in this study”*