INNOVATIONS FOR SUCCESSFUL SOCIETIES

HELPING BUSINESS WHILE RAISING REVENUE: STREAMLINING KENYA'S CUSTOMS COLLECTION, 2003–2007

SYNOPSIS

In the early years of the twenty-first century, aging technology, disorganization, and corruption undermined the effectiveness of Kenya's customs service as highlighted in a 2002 study by the World Customs Organization of port operations at Mombasa. Growing regional trade and domestic anti-corruption initiatives created pressure to improve customs operations. Neighboring countries had started to upgrade their ports and implement measures that would expand both regional and inter-continental trade. To control revenue loss and maintain a significant role in global trade, Kenya would have to streamline customs processes and improve accountability. In 2002, newly elected president Mwai Kibaki put his political support behind an effort to improve government services, reduce corruption, and boost the country's financial position. The Kenya Revenue Authority, the agency responsible for customs, was at the center of the nationwide reform effort. Over the next several years, the authority's new commissioner, Michael Waweru, and a handful of lieutenants reshaped record keeping, upgraded automation, raised the level of staff training, and succeeded in paving the road to future reforms.

Matt Strauser drafted this case study based on interviews conducted in Nairobi and Mombasa, Kenya by Kimberly Bothi in June and July 2012. Case published October 2014.

INTRODUCTION

In 2002, a visitor to one of Kenya's port long rooms—the points of entry where all declarations and clearance transactions took place—could quickly see the challenges the nation's customs-clearing process faced: antiquated computer systems, long waits, and rampant corruption. The atmosphere was loud and chaotic as clearing agents jostled in long lines to get their required approvals and documentations. Describing the situation, veteran clearing agent Henry Omolo said, "You could find a thousand people there; it helped if you were the tallest in the room."

In the presidential campaign that year, Mwai Kibaki's National Rainbow Coalition advocated a new approach to government, promising to fight corruption, enhance service delivery, and improve the country's fiscal position.[1] After winning the election with 61% of the vote, Kibaki took the first steps toward fulfilling his campaign promises.[2] One of the president's main objectives was increased efficiency in revenue collection.

Like many lower- and middle-income countries, Kenya depended on customs duties for a large part of its revenue base. Its Revenue Authority, a semi-autonomous agency responsible

ISS is a joint program of the Woodrow Wilson School of Public and International Affairs and the Bobst Center for Peace and Justice: www.princeton.edu/successfulsocieties. ISS invites readers to share feedback and information on how these cases are being used: iss@princeton.edu.

for tax collection, was no stellar performer, but neither was it among the world's worst customs collection agencies. Still, there was ample room to improve—, and growing regional pressure to do so. Kenya's regional trade partners had invested in their ports, and the Port of Mombasa faced competition for transnational shipping business. For instance, the Port of Dar es Salaam, in neighboring Tanzania, had started to improve procedures in order to compete with Mombasa as a cargo shipment center.[3] In 2000, the Kenyan Revenue Authority created a Customs Reform and Modernization committee, but progress was slow. After the 2002 election, Kibaki pushed for further action.[4]

To boost efficiency in revenue collection, reforms had to correct two major shortcomings that were closely related: inefficiency and corruption. The common response to those problems, around the globe, was "customs facilitation." This type of reform usually included automation of paper-based systems, integration of customs collection with other government offices, improvements in port and border infrastructure, and improvements in the training of customs officers.[5,6]

The task of overseeing Kenya's reform fell to Michael Waweru, a former Ernst & Young regional managing partner and newly named commissioner general of the Revenue Authority. To modernize tax administration, Waweru announced a Revenue Administration Reform and Modernization Program that would transform the Kenya Revenue Authority into "a modern, fully integrated and client-focused organization" by harnessing information and communications technology, or ICT.[7] Customs reform and automation became major components of that broader reform effort.[8]

Along with customs commissioners Francis Thuranira and Wambui Namu, as well as Susan Wanjohi, a senior deputy commissioner working with the Revenue Authority's Office of Project Management, Waweru would lead the change process.

THE CHALLENGE

Procedures and processes—or the lack of them—in Kenya's customs service had led to confusion, delays, revenue losses, and opportunities for corruption. Accountability was nearly nonexistent.

In the port long rooms, clearing agents, who worked for the shippers, first presented manually produced declaration forms at customs windows. Clerks filed copies of the forms in the port's record-keeping system, and the clearing agents retained additional copies. Eventually, the port's forms went to Revenue Authority headquarters for storage by the audit and compliance department.

Next, clearing agents had to pay customs duties and fees and return to the port long room with proof of payment. Like nearly everything else, payment receipts were handwritten, offering easy opportunities for both error and corruption.

Agents then proceeded to a facility called the *shed* to undergo another round of consignment verification before paying for the handling of the consignment. Finally, shippers went back to customs to confirm final clearance.

Depending on the type of cargo to be cleared, agents sometimes had to visit other government offices to gain requisite approvals. For instance, the clearing agent for a shipment of medical supplies might have to visit the regional health department to obtain additional permissions for the goods, which created further delays.

Not surprisingly, the complex paper-based system delayed the release of imported goods, clogged port traffic, opened the door to corruption in many forms, and ultimately led to revenue leakage. In a report created for the Revenue Authority and issued shortly after the postelection reform process started in 2002, the World

Customs Organization, an independent intergovernmental body that works to improve customs administration around the world, found that shipments took more than 10 days to clear Kenya's seaports.[9] By comparison, it took just three and a half days for goods to clear seaports in the United States in 1991.[10] The study estimated that Kenya's Revenue Authority lost about 6 billion Kenyan shillings, or about US$75 million, every month due to the slow clearance of goods at its largest port, Kilindi, in Mombasa.[11]

Moreover, because the audit trail for any particular shipment consisted of paper documents held at multiple locations, compliance officers were hard-pressed to uncover the subtle inconsistencies that often signal corruption. To do so would have required many trips to consult the files, and there simply wasn't time to do such work on a large scale.

By streamlining procedures and eliminating manual operations, Waweru's Revenue Authority hoped to speed processing, reduce corruption, and bring Kenya badly needed revenue.[12]

FRAMING A RESPONSE

Waweru's team identified three major concerns that contributed to revenue losses and corruption: weak procedures for records management, an obsolete and cumbersome automation system, and staffing coordination and accountability problems within the Revenue Authority itself. Waweru's team also had to deal with opposition from those who profited from the flaws in the existing system. Finally, advisers from the International Monetary Fund (IMF) were concerned that an aggressive overhaul would prove too big an undertaking for the Revenue Authority.

Effective monitoring of payments and fees through Kenya's customs offices was typically difficult—and sometimes impossible—because records management practices were so poor. Some records were incomplete, others missing. In 2000, the Revenue Authority administrative staff moved to new offices in the heart of Nairobi, but the customs department was still housed some distance away. Waweru resolved the issue of physical distance between the customs staff and the Revenue Authority staff when he came into office in early 2003 by moving the customs staff to the revenue agency's new offices, but the customs records remained behind and were lost. The mystery of the missing records was never solved, though Waweru suspected theft.

The Revenue Authority used a customs tracking system that the government had acquired in 1989 through an earlier reform attempt. The system, called the Bishopsgate Office Freight Forwarders Integrated Network, or BOFFIN, had been developed by a private company in the United Kingdom. In adopting the system, the Kenyan government had hoped to reap efficiency gains through single-entry documents and a modern customs valuation system.[13]

BOFFIN became operational in 1996, seven years after the signing of the contract between Bishopsgate and the government.[14] The system quickly proved disappointing in several ways. First, concerns about the system's reliability intensified as the system aged, and its outdated procedures facilitated corruption in port long rooms. Second, BOFFIN was only semi-automated—customs officers moved between automated and manual transactions—and 80% of customs transactions remained manual.[15] The many manual transactions presented opportunities for those who administered the system at ports to take bribes or divert funds.

Third, BOFFIN was a proprietary system. The company that had developed the cargo-tracking program owned the software and source code. As a result, the Revenue Authority depended on Bishopsgate for upgrades and had to pay whatever the company demanded.

Because the government had no direct control over operation and maintenance of the system, operating costs were needlessly high.[16]

By the time Waweru took over as head of the Revenue Authority in 2003, BOFFIN was obsolescent, and the Kenyans were confronted by a dilemma: either they had to pay Bishopsgate to revamp its existing system, or they had to rework their customs infrastructure from the ground up.[17]

An opening for reform came in 2004, when Kenya's contract for BOFFIN was set to expire. Bishopsgate wanted to implement a new software system as part of its effort to comply with international protocols calling for simplification and harmonization of customs procedures.[18] However, the new software required added funding as well as changes to national customs policies. Given Kenya's financial concerns and the desire to overhaul its customs system rather than try to repair it, the government decided to break with Bishopsgate and create its own computerized customs system.[19]

Automating the tracking system was only one of the challenges Waweru's team confronted: After its establishment as a semiautonomous body under the Ministry of Finance, the Revenue Authority faced a high rate of turnover despite attempts to build a cohesive staff and reform internal processes.[20] Few customs staff possessed adequate computer skills.[21] And the different parts of the organization did not always coordinate effectively.

Under Waweru's leadership, the Revenue Authority implemented an Administration Reform and Modernization Program so it could become "a modern, fully integrated and client-focused organization" by using information and communications technology to modernize tax administration.[22] The Revenue Authority's ICT staff started to examine options for an integrated system linking the different departments that handled value-added tax as well as taxes on income, road transport levies, and customs and excise duties. By using enterprise integrated system architecture, the ICT staff aimed to achieve connectivity with the Kenya Revenue Authority, improve technological capabilities, and thus bolster overall service delivery.[23]

Revenue Authority employees typically resisted the changes; many workers on the customs staff feared that reforms meant layoffs. Some thought automation would render their jobs obsolete or that a lack of computer proficiency would prevent them from successfully performing new jobs. The Revenue Authority was aware of those concerns, and it dedicated substantial time and effort to keeping the staff informed as reforms progressed.[24] In fact, layoffs were unlikely because the Revenue Authority had undergone an extensive retrenchment process very recently, in 2000, and could not afford to lose additional staff. Leading figures at the Revenue Authority later expressed pride that there had been no layoffs. Rather, people just changed the way they worked.[25]

Freight forwarders, clearing agents, and customs officers also presented a political challenge. Many benefited from the status quo and did not want changes to the system. Any reduction in reporting requirements or an increase in transparency meant fewer opportunities to elude taxation, skim profits, and use bribery to broker special favors, such as expedited approval. And these were precisely the conditions that prevailed in the port long rooms, where all declarations and clearances were done by hand.[26]

In 2004, when the Revenue Authority told the IMF about its desire to overhaul the customs system, the fund's advisers counseled senior administrators that dramatic changes in operations and infrastructure would likely cause as many problems as they would solve.[27] Indeed, at that time the IMF listed "limited progress with infrastructure development" as one of the key factors hindering economic growth in Kenya.[28]

However, because of the many problems with BOFFIN, Revenue Authority leaders viewed substantial reform as the only effective course of action—at least within customs. In the end, executives at the Revenue Authority agreed to focus automation efforts on the customs unit and to delay improvements to the authority's system of records management.[29]

GETTING DOWN TO WORK

Because the choice of software would shape the overall design of the new customs system, Waweru's team first focused on a replacement for BOFFIN. Reform leaders looked abroad for options and considered advice from many groups.[30] Other important aspects of the reform—training, a six-month pilot project, dealing with resistance from various stakeholders, and working through a problematic launch—would follow.

Revamping automation

Revenue Authority staff initially conducted desk research that explored the various automation options worldwide. With financial and technical assistance from the World Bank, staff then developed a protocol to help evaluate options and visited various revenue authorities in Zambia, Singapore, the Philippines, and Mauritius. Manuel de la Rocha, a customs expert based at the World Bank's Kenya office during the customs reform, worked closely with the teams to select study sites. He also provided guidance as the Revenue Authority selected team members and as the members developed a protocol for evaluating the results of each study visit. In the end, de la Rocha recalled: "They made the tours. It was very important to me that they would be together for two weeks to visit the ports, to see how they operated, to develop relationships with the ports themselves. . . . They had to own the project."

The reform team's aim was to replace BOFFIN and thereby both modernize the trade process for all of Kenya's border entry sites and automate tasks previously done manually. In September 2003, the Revenue Authority sought initial proposals in order to identify providers qualified to supply and install the kind of integrated system architecture that Kenya needed. Nine bidders submitted proposals. The government worked with the University of Nairobi to review the proposals and narrow the final list to three.[31]

The Revenue Authority's reform team then contracted with the IMF to review the plan for an integrated and automated system that would connect multiple segments of Kenya's revenue collection infrastructure.[32]

Waweru and customs commissioner Thuranira set up a Customs Reform and Modernization team to oversee the reform process. Waweru and Thuranira selected team members based on relevant expertise. Each member came from within the Revenue Authority and represented disciplines ranging from customs and training to ICT. "The team had to be devolved from day-to-day operations so they could devote their time, energy, and focus to delivering this project," recalled Namu, who served as customs commissioner from 2005 to 2012, after Thuranira died.

As the pieces of the puzzle began to fall into place, the customs reformers sought to nail down the details of implementing the complex reform. In May 2004, Waweru and a few colleagues made a visit to Makhtar Diop, the World Bank's Kenya country director, to seek advice on systems architecture alternatives. Senegal's customs department had undertaken similar reforms years earlier, and Diop was familiar with Senegal's experience from his tenure as Senegal's minister of finance. As Waweru sat in his office, Diop called a former colleague in Senegal to make the initial introduction between the Kenyan and Senegalese customs authorities. The Senegalese system, coined GAINDE, or "lion" in Wolof, Senegal's most widely spoken language, was developed to improve trade and transportation in the country in the 1990s. Senegalese ICT experts later introduced a more-advanced version of the architecture, called GAINDE 2000, which piqued the interest of Waweru and Thuranira.[33]

Shortly after the visit to Diop, Waweru sent a team of customs and ICT staff to Senegal to meet with experts at the GAINDE 2000 offices. Upon their return, the Kenyan reformers reevaluated their options. After several high-level meetings, Revenue Authority staff and representatives from the Ministry of Finance, who supplied funding from a special project line, decided that Senegal's ICT infrastructure should be the basis of Kenya's customs system because Senegal's had the most required functionalities.[34]

But a joint implementation effort would not be easy. Geographic and linguistic barriers separated the two countries. "First of all, there was a language barrier," said Namu. "They speak French and we speak English, so we had to overcome that barrier through translations." Logistics also complicated cooperation. "At least initially, there were no direct flights between Nairobi and Dakar," Namu recalled.

Other groups involved in Kenyan trade proposed different options. Regional free-trade group the Common Market for Eastern and Southern Africa pressed Kenya to implement an alternative system, called ASYCUDA or Automated System for Customs Data, used by most of Kenya's regional trade partners, including Malawi, Uganda, Tanzania, Zambia, and Mauritius.[35] However, that system, built by the United Nations Conference on Trade and Development, did not perform all the functions needed for Kenya's customs operations.

"Valuation—the heartbeat of customs in terms of your ability to value goods and therefore levy the applicable taxes—was not efficient for us," Namu said. He also noted that GAINDE also offered design flexibility and attractive after-sale support, both of which appealed to the Revenue Authority after the experience with BOFFIN.

Waweru and his reform team decided that the GAINDE system offered the best avenue to resolve Kenya's customs troubles. Taking a cue from its Senegalese counterparts, the Kenyan team named the new system SIMBA 2005—using the Swahili word for *lion* and the year it would become operational.[36]

With a team in place, a system chosen, and a target date set for beginning operations, the project could move ahead. At a 2004 meeting of the various agencies involved in the reform process, Thuranira formally announced the Customs Reform and Modernization team and laid out the problem the team had to solve. "Over the past 10 years or so, rudimentary reforms have been undertaken, and therefore most of the administrative procedures have remained manual, paper based, supported by an almost obsolete ICT system," he told the group. "Transit procedures are based on physical controls, and verification is based on physical opening of containers. Suffice it to say that customs procedures have remained largely unsupportive of revenue collection, trade facilitation, and investment."

During September and October 2004, a team of ICT experts from Senegal came to Kenya to help advance the design process. The customs reform team analyzed business processes to identify crucial components of the new customs automation system, including which customs procedures needed revision and which could be eliminated altogether.[37]

Training officers and agents

The Senegalese experts trained the Kenya Revenue Authority's ICT staff, as both teams worked together to develop the core modules of the system architecture. Kenya and Senegal signed a formal agreement in November 2004 establishing the terms of the government-to-government technical assistance. Both customs officers and staff from clearing and freight-forwarding agencies—key players who would soon rely on the new system to complete customs transactions and move their cargo—attended workshops and training sessions to learn about and comment on the new customs processes. The sessions, which began in early 2005, offered opportunities for design input and provided initial training specific to the operation of SIMBA.[38]

Despite attempts to familiarize all the relevant organizations and individuals with the new system, not everyone was prepared in time for the full launch on July 1, 2005. Many private-sector agents resisted the new automated system and showed their resentment by boycotting the Revenue Authority's official training sessions. Other agents were openly skeptical that the Revenue Authority would go through with its ambitious reform of customs processes. The large number of late registrations overwhelmed the number of available trainers, led to substantial delays, and undermined the new system's effectiveness in its early weeks.[39]

Although agents had to complete the training in order to get passwords to the SIMBA system, by mid July only 350 of Kenya's 800 clearing agents had taken the required course, according to media reports. Without the training, agents would not be granted licenses to conduct business.[40]

Outside agencies and organizations provided help in dealing with the last-minute training crush. The US Agency for International Development (USAID) provided assistance in the process of clearing agents for duty. Besides working with various trade and logistics associations to garner support for the new customs system, USAID ran rudimentary training workshops.

With support by the Kenya International Freight Warehousing Association—an umbrella organization that represented clearing, forwarding, and warehousing companies—a number of the larger clearing agencies also pooled their resources to support the Revenue Authority's training efforts. Because staff at some of those groups had participated in the pilot phase, agents worked with their peers to fast-track training even after SIMBA went live on July 1. "There was a lot of cooperation," recalled clearing agent Omolo.

Learning from a pilot project

A pilot phase during the first half of 2005 helped clear the path for the formal start of the new system. The Revenue Authority canvassed the trade and logistics sector for volunteers to participate in the pilot phase, eventually selecting 10 freight-forwarding and clearing agencies. Because smaller firms generally had less capacity to switch to a new, automated system on short notice, the firms chosen for the pilot phase were larger businesses that could handle the initial infrastructure investment in computers and Internet access. Those pilot-phase participants trained alongside the Revenue Authority's customs officers to learn how to file documents by using SIMBA and move through the newly streamlined process.[41]

The Revenue Authority also identified ports for participation in the pilot program to test how the system fit with the responsibilities of the ports' field personnel. The authority selected port sites to minimize disruption to regular business operations and to those working with the old, semiautomated BOFFIN system.[42]

By April, the pilot agencies had started to file and manage clearance documents by using SIMBA 2005; BOFFIN remained in parallel use. As the pilot phase progressed, the Senegalese team and Revenue Authority staff continued to make changes and add functionalities to the system, with constant feedback from pilot participants. "By having pilot sites, we were able to troubleshoot any issues that emerged before we could assure ourselves that yes, we have delivered a quality product," said Namu. However, some in the business community said the six-month pilot phase wasn't long enough to prepare the business community for full launch of the SIMBA system. Dickson Poloji, head of policy, research, and advocacy for the Kenya Association of Manufacturers, said the pilot phase should have been longer and the criteria for participants should have been clearer, but he conceded that the expiring BOFFIN contract justified the shorter pilot phase.[43]

Despite some reservations and uncertainty, SIMBA went live as scheduled on the night of June 30, 2005, and the Revenue Authority pulled the plug on BOFFIN.

Confronting resistance

Before the transition to SIMBA, the reform team worked to head off resistance both from those within the Revenue Authority and from other individuals and groups that had to adapt to the new system.

The team decided to preempt internal opposition by engaging customs department senior and midlevel managers in change-management training prior to implementation. Reflecting on the training, Namu recalled: "Without the liberty of taking our staff through a change-management process, it may not have been possible to carry out the reforms we did. . . . We knew where we wanted to be, but we couldn't quite contemplate what it would involve to make those changes."

Although Waweru and his team knew before implementation that overcoming staff resistance would prove difficult, the extent of the problem became obvious only after the process got under way. Strong resistance in some parts of the bureaucracy forced the authority to lay off certain uncooperative customs employees, even though the reform team initially promised to move people to positions suited to their skills. "You need to have a robust disciplinary system," Waweru said, "so that even when people are dismissed, they will say, 'Yes, I was given a fair hearing.'"

Meanwhile, the Revenue Authority held stakeholder meetings and enlisted the media's help to anticipate and explain changes to clearing and forwarding agents, road transportation companies, manufacturers, warehouse workers, express couriers, and other government agencies such as the Kenya Ports Authority. "They had to be involved because certain elements of reform required their input," Namu said.

Fighting through a flawed launch

During the early days of implementation, SIMBA 2005 was anything but leonine. Unable to handle the transaction load, the system crashed repeatedly. Beatrice Memo, the Revenue Authority's new commissioner of customs and lead project manager of the modernization team since 2004, said reformers had underestimated the extent to which Kenya's customs needs exceeded those of Senegal, which had been the template for the new system. "So now, when everybody started coming on board, we realized the system could not accommodate the volume of business, and we started to have computer breakdowns," she said. Bugs that had gone unidentified during the pilot phase tripped up the system. Businesses were unable to send required declarations, revenue generation performed poorly, cargo congestion occurred at the port, and instances of fraud began to take place. Clearing agents angrily demonstrated at Revenue Authority headquarters, threatening to push down the gates and storm the offices unless the authority made the system function the way it was designed to work.[44]

Scrambling to get SIMBA back on its feet and resolve the system's problems, the customs reform team worked around the clock during the first week of full implementation. To manage all of the tasks, the team assigned specific responsibilities to subgroups of customs staff. The Revenue Authority established a help desk to assist clearing agents with immediate problems. And the Senegalese staff remained in Kenya for the first week to help the Revenue Authority respond to the system's technical glitches.[45]

On that first chaotic night, clearing agency representatives who had participated in the pilot phase met all night with Kenya's freight and warehousing association leaders, as well as the Revenue Authority's commissioner general and commissioner of customs, to work out problems. By the following day, the system had already started to work better, but it took several weeks until both the Revenue Authority and the private sector saw the system stabilize.[46]

The initial implementation period was especially frustrating for those who had lost business as a result of system failures. By mid July, the business community had gathered to present a list of immediate concerns with SIMBA, including the slowness of the system and data-capture glitches that either mixed up data entries or simply lacked certain input guidelines essential to the customs process.

Poloji, of the manufacturers association, recalled the business community's concerns: "At the time of implementation there were various challenges . . . the system was a bit slow, and the other one was frequently breaking down . . . that was a major challenge." Poloji said the system "would go down for up to three days on occasion." These problems paralyzed trade, he said.

At that crucial point, the reformers opened their doors to hear complaints and suggestions. Senior Revenue Authority managers met with representatives from various trade and logistics associations, the private sector, and government agencies to discuss the early obstacles and how to resolve issues as they arose. Those meetings helped defuse the incendiary situation by allowing the Revenue Authority to respond to specific concerns while moving ahead with changes and adjustments to SIMBA.

OVERCOMING OBSTACLES

To make matters worse, the Revenue Authority found itself in a legal battle 11 days after SIMBA's official launch. "Even though we had provided trainings, because people are afraid of change, the fear of the unknown, they resisted to the point that they actually took the Kenya Revenue Authority to court to stop us from implementing the new system," Namu recalled.

Representing 790 plaintiffs, the Association of Clearing, Warehousing and Freight Forwarders of Kenya initiated court action against the Revenue Authority. The lawsuit called for a court order to halt the implementation of SIMBA because clearing agents had not been given enough time to prepare for the new system. Media reports quoted some agents as saying that the Revenue Authority had failed to notify them of the system change until just days before the launch. The court issued an injunction and demanded the Authority revert to BOFFIN until clearing agents had a chance to be trained.[47]

High-level commitment to the reform effort helped overcome the legal threat, which had the potential to derail the entire process of revamping the customs system. Waweru and Thuranira, the Revenue Authority's commissioner general and customs commissioner, respectively, appealed the decision and continued to implement SIMBA while the case was under appeal. No readily available alternative system existed, and the government would not allow customs officers and clearing agents to return to the manual processes that had led to the corrupt practices of the past.[48] Finance Minister David Mwiraria threw his weight behind the Revenue Authority. Speaking to the *East African Standard*, Mwiraria said, "There is no question about us going back. We will keep the system, improve on it and make sure it works."[49]

That commitment from the top was crucial in forcing a favorable resolution less than two weeks later, when the appeals court approved a settlement that permitted SIMBA to move ahead.[50] Namu, who became customs commissioner in September 2005, later recalled: "Such was the focus, the vision, and the drive by then commissioner general Waweru. He said, 'No! Regardless of this court case, we know what we have to do, and we'll do it.'"

ASSESSING RESULTS

The Revenue Authority's reforms gradually transformed the way the customs department did business. The efforts ultimately produced a fully digitized system with online filing of tax documents, electronic processing of payments, and automated reporting, reconciliations, internal accounting, and calculations of duties and fees. The system also provided an audit trail far more robust than the manual systems in place prior to 2005.[51] Sitting at her desk in Nairobi's Times Tower years later, Beatrice Memo marveled at how SIMBA 2005 had made her new job as customs commissioner more efficient: "I'm able to know at every minute how much revenue has come in."

For two years after its launch, the Revenue Authority made continual improvements to SIMBA 2005 to further integrate and streamline customs processes. "SIMBA brought about an acceleration of the momentum that had already begun. . . . We seized the moment to do what was needed to be done," Namu recalled. The authority established a document-processing center in 2006 to operate around the clock from its headquarters in Nairobi. Thirty officers worked in shifts to process—through the online SIMBA 2005 system—the 3,500 customs documents filed on average each day from all of Kenya's ports.[52]

Subsequent changes to the system included the introduction of direct banking for all customs payments and expedited financial processing, which created a more accurate audit trail. By 2007, the customs department's SIMBA system was working in concert with the Vehicle Management System of the Revenue Authority's Road Transport Department. As vehicles passed through customs checkpoints, officers simultaneously registered them and cleared their freight. The new process expedited the flow of land-based trade while simplifying revenue collection at the ports.[53]

Other changes to SIMBA were designed to boost cross-border trade. In 2007, the Common Market for Eastern and Southern Africa and the community of East Africa worked with Kenya's and Uganda's revenue authorities to build an interface between ASYCUDA and SIMBA called the Revenue Authorities Digital Data Exchange. After implementation of that interface, initial results indicated a reduction in cargo-processing times at the border from "three to five days to between 20 minutes and three hours."[54]

The Revenue Authority conducted two additional studies to evaluate the time it took for cargo to move through Kenya's seaports, border checkpoints, and airports. Overall, the studies indicated that processing times at seaports and border checkpoints decreased after SIMBA's implementation in 2005.[55] However, the processing time at Kenya's airports actually increased to 6 days 1 hour in 2011 from 5 days 11 hours 26 minutes in 2004.[56] In fact, in 2012, Kenya's Overall Logistics Performance Index Score dropped slightly from 2.52 to 2.43 before jumping to 2.81 in 2014.[57] In that respect, the automation and modernization of the customs infrastructure had failed to have the dramatic impact reformers had likely hoped it would make.

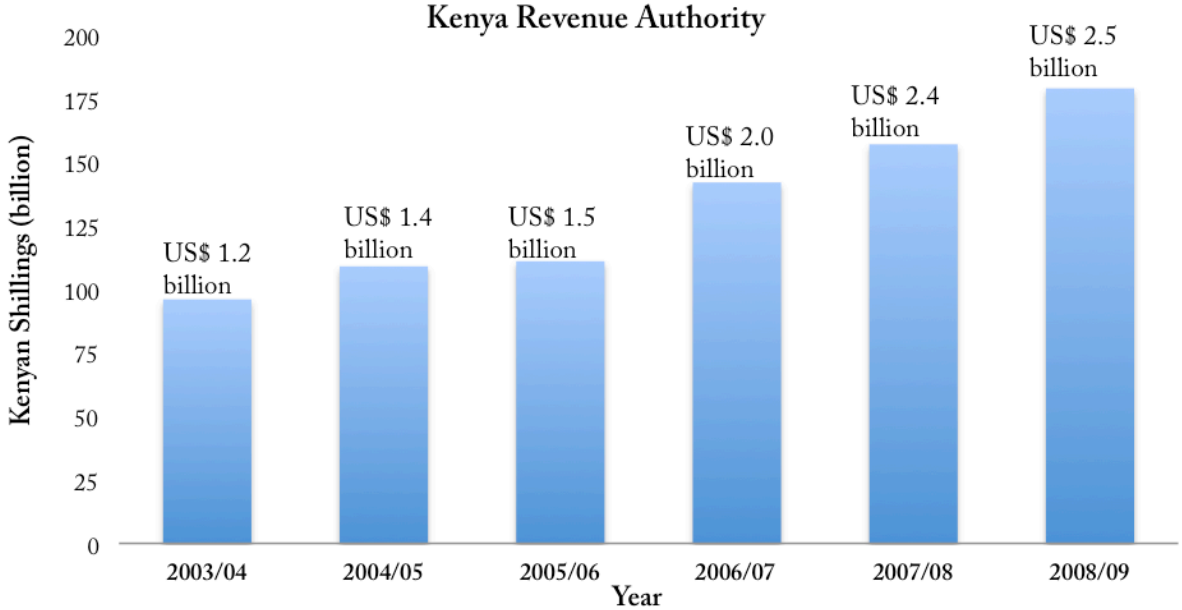
Besides monitoring cargo-processing times, the Revenue Authority struggled with measurement of the impact of SIMBA 2005 on the authority's operations. An increase in revenues collected, suggesting less leakage due to corruption, was attributed in part to SIMBA. The troubled rollout led to an unexpectedly low increase in collections for fiscal year 2005–06, SIMBA's first year of implementation. Total revenues collected by the Authority increased by only KSh2 billion (US$27 million), less than 1% of total government revenue over fiscal year 2004–05. However, that dip proved to be short-term (Figure 1)[58]: From 1995 to 2009, total revenues grew by an average of 11% annually, with more-rapid growth coming after SIMBA's implementation.

The customs department saw an average of more than 12% annual revenue growth in fiscal years 2003–04 and 2010–11, suggesting that improved customs processes were producing solid benefits as Kenya's trade increased.[59] However, because of concurrent reforms throughout the Revenue Authority and a restructuring of the customs department in 2004 and 2005, it was difficult to attribute the increases solely to the new system.[60] As described by Stephen Kilungya, principal of the Kenya School of Revenue Administration at the Kenya Revenue Authority, "The issue of attributing the revenue enhancement to the SIMBA rollout or otherwise becomes tricky, but what we know is that the administrative benefits of SIMBA kicked in to enhance revenue collection."

From his perspective as a clearing agent, Omolo described the main limitations he faced in 2012 as problems with Internet accessibility, SIMBA breakdowns, and the failure of the agent's own system. But even critics were quick to say that despite various obstacles, they felt that SIMBA 2005 had drastically improved the customs process in Kenya.[61] Omolo added that despite any ongoing challenges that arise with customs automation, the commissioner general's and commissioner of customs' commitment to reform stands as the greatest accomplishment by the Revenue Authority at that time.

The implementation of SIMBA produced another positive result that planners did not anticipate. Before the system was put in place, small and medium businesses dominated the ranks of the clearing agents, with the majority operating

Figure 1
Customs Revenue Collected, 2003-2009
Kenya Revenue Authority



Source: Revenue Administration Reforms in Kenya: Experience and Lessons. Kenya Revenue Authority. Nairobi: 2010. p.62

as "briefcase agents, who had no affiliation with an officially recognized agency. These small players struggled with SIMBA because they did not have the resources—in terms of knowledge, skills, and infrastructure—to use a computerized system effectively. Those who were unable to adapt either went out of business or joined larger firms. Many observers viewed the demise of the briefcase agent as a sign of reduced corruption and more-professional business practices.

Notwithstanding SIMBA's early problems, the Revenue Authority's reforms set the stage for future action. Former customs commissioner Namu explained, "SIMBA became the bedrock from which it was envisioned that it could be used as a launching pad to the wider national objectives, namely the Single Window. The Single Window, a shortened name for the Kenya National Electronic Single Window System (Kenya TradeNet System), is a single entry point for parties involved in trade and transportation to lodge documents electronically for processing and approval and make payments electronically for fees, levies, duties, and taxes owed to the Government on goods imported or exported.[62] In 2013, Kenya finally implemented the Single Window with the aim of facilitating international trade by reducing delays and lowering the costs associated with the clearance of goods at Kenya's borders. Despite a rocky launch, SIMBA improved business operations across the trade and logistics sector. The system enabled clearing and forwarding agents to monitor their operations from their offices anywhere in the world. Increased transparency in business operations reduced rent-seeking opportunities in the system and opened the door to substantial gains in trade volume from 2005 to 2012.[63] The new system also contributed to increased revenue collection and laid the foundation for future reforms.

REFLECTIONS

In 2010, the Kenya Revenue Authority documented key reforms implemented from 2003 to 2009 and concluded that SIMBA 2005 had become the "center of Customs modernization in Kenya" that "revolutionized the conduct of Customs business."[64]

"We were determined to transform our institution into a modern, efficient, and reliable customs administration that people could trust and feel comfortable doing business with," as customs commissioner Wambui Namu recalled. "It wasn't a one-man effort. It was a collaborative effort with tremendous political will right from the top levels of government all the way down to the desk officers. And not only within government but also outside government in the sense of stakeholders—really, a multiplicity of stakeholders."

Namu said that during the early years of SIMBA 2005, she devoted nearly all her time to the project, knowing she was laying the foundation for customs automation in subsequent years. By 2008, SIMBA had become institutionalized, and at that stage, the focus shifted to understanding how to further simplify the customs process and how to streamline SIMBA.

Thinking back about her department's reform process, Namu described the pilot phase as one of the most crucial components. She stressed setting a realistic timeline, taking time to hear the views of internal and external actors or users of the system, ensuring there is accountability throughout each process, and taking care to avoid using arcane technical and legal terminology with customers. "If you do not communicate effectively in terms of what you want to do," she said, "you may be misunderstood and therefore compromising the acceptance rate for whatever reforms you want to do."

Susan Wanjohi, an employee in the Projects Office of the Customs Service Department, said customs automation reform was a never-ending task. "To keep up with new dynamics in global trends, it's very important to continually review and upgrade a system," said Wanjohi, who played an instrumental role on the Customs Reform and Modernization team by mapping existing business processes and identifying how customs processes could be streamlined. "In this regard, we are in the process of upgrading SIMBA to provide for intelligence gathering as well as improving on the current processes with a view to improving our service delivery, protecting our borders, and improving revenue collection."

Revenue authority representatives from around the region hoped to learn from Kenya's experiences. Commissioner of Customs Beatrice Memo said, "We recently had visitors from Lesotho and Ghana, just to see that you can process a document without coming [to the customs office], and then just go pick up your goods from the airport or the port."

Former commissioner general Michael Waweru reflected on his experiences by saying he might have approached the reform effort in a different manner—if he had had the benefit of additional time. "If I was implementing with time on my side, I would do it differently . . . in phases, use the convenience of bringing in consultants to manage the implementation and, probably, have more teams involved in the implementation," he said. "But given the circumstances that we were in at that time, with a system that was totally useless . . . I wouldn't do it differently."

Waweru also suggested that the customs automation project helped lead Kenya into the Information Age: "I think [SIMBA 2005] has acted as an agent for the development of ICT in this country . . . in a big way."

The story of the reform and of its leader Waweru explores the difficulties faced by reformers who must act quickly to replace outmoded practices and unwieldy procedures that have strong support among those who benefit from the status quo. Top-level political support paved the way for Waweru and his team to move decisively and execute a speedy implementation that despite its early flaws, resulted in significant progress toward Kenya's aim of creating a government for the twenty-first century

References

1 David Throup, "The Kenya General Election: 27 December 2002," *CSIS Africa Notes* 14 (January 2003), http://csis.org/files/media/csis/pubs/anotes_0301b.pdf.
2 Ibid.
3 Ephraim Ongoma, "Mombasa Feels the Heat from Tanzania," *The Nation,* 10 February 2004.
4 Papa Abdou Diop, "Gainde/Simba Project, a True Example of South-South Cooperation," Gainde 2000, Dakar, Senegal.
5 Ibid.
6 Jean François Arvis et al., "Connecting to Compete: Trade Logistics in the Global Economy," International Bank for Reconstruction and Development/World Bank 2007, 1-5.
7 "About Revenue Administration Reforms and Modernisation Programme (RARMP)," Kenya Revenue Authority, 2013, http://www.kra.go.ke/index.php/reform-and-modernisation/about-rarmp.
8 "Revenue Administration Reforms in Kenya: Experience and Lessons," Kenya Revenue Authority, 2010, v, 9; Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012.
9 Y. Oloo et al., "Time Release Study Report: Kenya," Kenya Revenue Authority, November 2004, v.
10 "Third Time Release Study 2011," Kenya Revenue Authority, 2011, 46.
11 Ibid.
12 Henry Omolo, personal interview with Kim Bothi, 11 July 2012; Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012.
13 "About Customs Services Department," Kenya Revenue Authority Customs Services Department, 2007, http://www.kra.go.ke/customs/aboutcustoms.html; Nicholas Cheeseman and Robert Griffiths, "Increasing Tax

Revenue in Sub-Saharan Africa: The Case of Kenya," Oxford Council on Good Governance, http://ocgg.org/fileadmin/Publications/EY006.pdf; Justin Zake, "Customs Administration Reform and Modernization in Anglophone Africa—Early 1990s to Mid-2010," IMF Fiscal Affairs Department, August 2011, 24-25, http://www.imf.org/external/pubs/ft/wp/2011/wp11184.pdf.
[14] "About Revenue Administration Reforms," op. cit.
[15] "Revenue Administration Reforms in Kenya," op. cit., 32.
[16] "Our Customers: Revenue Authorities," Bishopstrade Limited, http://www.bishopstrade.com/new/RevenueAuthorities_print.htm.
[17] Ibid.
[18] United Nations, "Protocol of Amendment to the International Convention on the Simplification and Harmonization of Customs Procedures of May 18 1973," Brussels, 26 June 1999, http://www.ifrc.org/Docs/idrl/I273EN.pdf.
[19] "Our Customers: Revenue Authorities," op. cit.
[20] "Revenue Administration Reforms in Kenya," op. cit., 14, 20, 22, 25.
[21] Wambui Namu, personal interview with Kim Bothi, 28 June 2012; Dickson Poloji, personal interview with Kim Bothi, 9 July 2012.
[22] "About Revenue Administration Reforms," op. cit.
[23] Michael Waweru, personal interview with Kim Bothi, 5 July 2012; "Revenue Administration Reforms in Kenya," op. cit., 24-25, 44; Stephen Kilungya, personal interview with Kim Bothi, 27 June 2012.
[24] Stephen Kilungya, personal interview with Kim Bothi, 27 June 2012; "Revenue Administration Reforms in Kenya," op. cit., 29; "Customs Automation and Process Reform: Lessons from Kenya," USAID BizCLIR, 3, http://egateg.usaid.gov/sites/default/files/01.128.08BP12_Kenya.pdf; Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012.
[25] Ibid.
[26] Dickson Poloji, personal interview with Kim Bothi, 9 July 2012; "Customs Automation and Process Reform," op. cit., 4, "Kenya: Victory for Agents as KRA Ordered to Revert to Old System," *East African Standard*, 12 July 2005; Michael Waweru, personal interview with Kim Bothi, 5 July 2012.
[27] Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012.
[28] "Kenya: Poverty Reduction Strategy Annual Progress Report—2004/2005," International Monetary Fund, May 2007, http://www.imf.org/external/pubs/ft/scr/2007/cr07159.pdf, xi.
[29] Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012; Michael Waweru, personal interview with Kim Bothi, 5 July 2012.
[30] Stephen Kilungya, personal interview with Kim Bothi, 27 June 2012.
[31] Irene Wanjohi, personal interview with Kim Bothi, 3 July 2012; Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012; Michael Waweru, personal interview with Kim Bothi, 5 July 2012.
[32] Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012.
[33] Wambui Namu, personal interview with Kim Bothi, 28 June 2012; Stephen Kilungya, personal interview with Kim Bothi, 27 June 2012.
[34] Wambui Namu, personal interview with Kim Bothi, 28 June 2012; Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012.
[35] Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012; "Customs Automation and Process Reform," BizCLIR, 2.
[36] Wambui Namu, personal interview with Kim Bothi, 28 June 2012; Stephen Kilungya, personal interview with Kim Bothi, 27 June 2012.
[37] Wambui Namu, personal interview with Kim Bothi, 28 June 2012.
[38] Ibid.
[39] "Kenya: Goods Stranded at Borders," *New Vision*, 14 July 2005; "Kenya: Tax Authority, Agents Strike Agreement," *East African Standard*, 23 July 2005.
[40] Noel Wandera and Elizabeth Mwai, "Revenue Body Defies Court over Clearing System," *East African Standard*, 13 July 2005.
[41] Henry Omolo, personal interview with Kim Bothi, 11 July 2012.

[42] Ibid.
[43] Dickson Poloji, personal interview with Kim Bothi, 9 July 2012.
[44] Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012; Dickson Poloji, personal interview with Kim Bothi, 9 July 2012.
[45] Henry Omolo, personal interview with Kim Bothi, 11 July 2012; Wambui Namu, personal interview with Kim Bothi, 28 June 2012.
[46] Henry Omolo, personal interview with Kim Bothi, 11 July 2012.
[47] "Kenya; Victory for Agents as KRA Ordered to Revert to Old System," *The East African Standard*, 12 July 2005.
[48] Noel Wandera and Elizabeth Mwai, "Revenue Body Defies Court," op. cit.
[49] Ibid.
[50] Wambui Namu, personal interview with Kim Bothi, 28 June 2012; "Tax Authority, Agents Strike Agreement," *East African Standard*, 23 July 2005.
[51] Stephen Kilungya, personal interview with Kim Bothi, 27 June 2012.
[52] Ezekiel Saina, personal interview with Kim Bothi, 10 July 2012; "Revenue Administration Reforms in Kenya: Experience and Lessons," Kenya Revenue Authority, 2010, 62-63.
[53] "Revenue Administration Reforms in Kenya: Experience and Lessons," Kenya Revenue Authority, 2010, 92.
[54] Justin Zake, "Customs Administration Reform and Modernization in Anglophone Africa—Early 1990s to Mid-2010," International Monetary Fund, August 2011, 24.
[55] "Third Time Release Study 2011," op. cit., 26.
[56] Ibid.
[57] "Logistics Performance Index: Global Rankings 2012," World Bank, 2012, http://lpisurvey.worldbank.org/international/global/2012; "Country Score Card: Kenya 2014," World Bank Logistics Performance Index, 2014, http://lpi.worldbank.org/international/scorecard/radar/254/C/KEN/2014#chartarea.
[58] "Revenue Administration Reforms in Kenya: Experiences and Lessons," Kenya Revenue Authority, 2010, 62.
[59] Ibid.
[60] "Revenue Administration Reforms in Kenya: Experiences and Lessons," Kenya Revenue Authority, 2010, xv.
[61] Dickson Poloji, personal interview with Kim Bothi, 9 July 2012.
[62] Wambui Namu, personal interview with Kim Bothi, 28 June 2012.
[63] "Kenya Country Profile," World Trade Organization, September 2013, http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Country=KE&Language=E.
[64] "evenue Administration Reforms in Kenya: Experience and Lessons," Kenya Revenue Authority, 2010, 61.