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## APPROVING MANAGER

# SmartLessons

*real experiences, real development*

## Opening Opportunities: Kenya's Electronic Single Window Connects East Africa to Global Value Chains

*One of the most challenging experiences for businesses involved in cross-border trade along Kenya's border points is the clearance of imports and exports. Until 2015, the process of clearing cargo was largely manual. More than 29 different government agencies with different roles in the clearance of international trade goods required businesses to apply for and submit different sets of cargo clearance documents. The World Bank Group's Trade and Competitiveness team, through the Kenya Investment Climate Program 2, has supported the government of Kenya in implementing the Kenya National Electronic Single Window System, also known as the Kenya TradeNet System. This SmartLesson describes the system, how it works, its accomplishments, and lessons learned along the way.*

### BACKGROUND

Before the implementation of the Kenya National Electronic Single Window System (KNESWS), a typical business in Kenya—for example, one exporting agricultural products such as fruits—would be required to apply for at least four permits from four different institutions to export its produce. Each of the four agencies examined and approved the documents before the goods were released. In some instances, the agency positions were interdependent, thus making the next agency only as efficient as the first agency. These burdensome requirements often resulted in unpredictable delays and inefficiencies as well as associated compliance costs. Ultimately, this red tape negatively affected Kenya's competitiveness both regionally and internationally.

To address this market failure, the government of Kenya sought a comprehensive approach based on effective information sharing, streamlining of processes and procedures, and genuine collaboration among stakeholders involved in trade logistics. The result was establishment of the Kenya Trade Network Agency (KenTrade), with the mandate to set up and manage the KNESWS.

On May 2, 2014, a year after the KNESWS went live, President Uhuru Kenyatta of Kenya, together with his regional counterparts, President Paul Kagame of Rwanda and President Yoweri Museveni of Uganda, officially launched the KNESWS. Implementation of the electronic single window for trade is aligned with Kenya's Vision 2030 development strategy. It is also one of the recommendations of

the World Trade Organization Trade Facilitation Agreement.

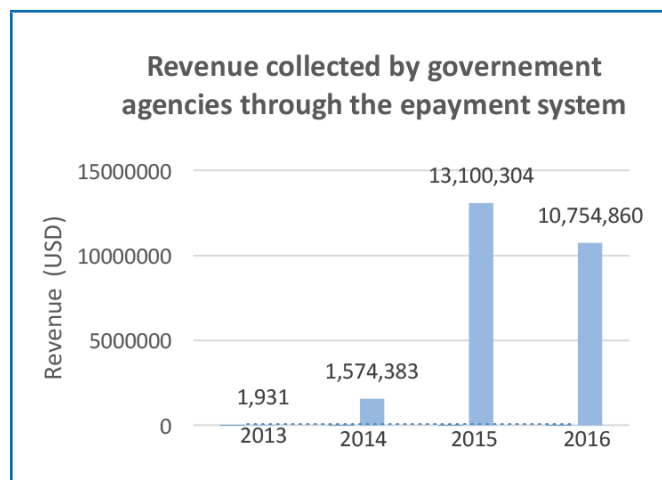
### The Kenya National Electronic Single Window System

The overall objective of the KNESWS is to facilitate international trade in Kenya by reducing delays and lowering costs associated with clearance of goods at Kenyan entry points, while maintaining requisite controls. The KNESWS's target is to reduce the time to import to a maximum of three days at the port of Mombasa, one day at airports, and one hour at land borders.

The KNESWS provides a single interface between more than 29 government agencies, the private sector, and other stakeholders involved in international trade. It further allows applicants to submit documents for processing and receive approvals online. In addition, it provides an interface between the multiple government agencies by automatically collecting all the relevant permits approved for any particular consignment. The system also enables traders to monitor progress of the different stages of processing. Payment of related fees has been simplified through use of the single window, which is integrated with the Kenya Revenue Authority (KRA) customs management system. The revenue collected through this e-payment system increased substantially. (See Figure 1.)

KRA, the main entity in Kenya responsible for clearance of import and export cargo at all border points, had a robust system already in place

Figure 1: E-Payment Revenue Collection



for this purpose. Thus the best option was to integrate the KNESWS with the KRA system.

These improvements have led to greater efficiency, transparency, and effectiveness in trade logistics to enhance revenue collection for the government while reducing the costs of doing business for both the government and the private sector.

### Status of implementation

The process of implementing the KNESWS was complex. It involved the implementation of 20 modules, streamlining and automation of approximately 42 processes, and establishing connectivity with 29 government agencies—with and without ICT systems. For this reason, implementation was phased. By June 2016, two final modules were implemented, and the remaining government agencies were connected to the system.

### KEY ACHIEVEMENTS

Implementation of the KNESWS has resulted in streamlined import and export processes and procedures and effective information sharing, and it has facilitated genuine collaboration among stakeholders involved in international trade. The initiative enables importers and exporters to conveniently submit documents from the comfort of their offices or homes. Below are some of the key achievements.

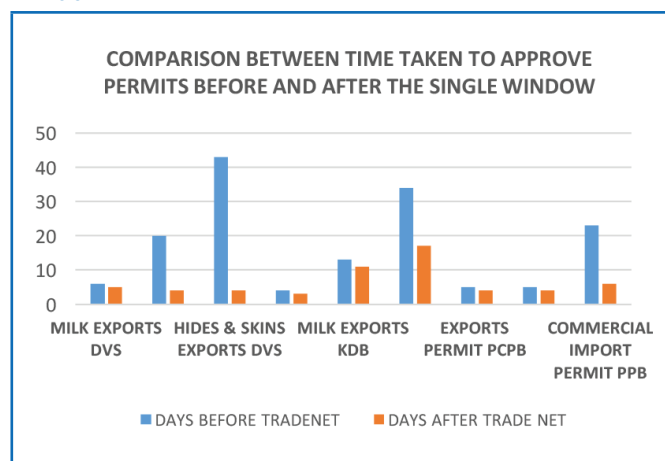
- 1. Improved connectivity, processes and procedures, and governance:** Connectivity to the single window has been established with 22 government agencies that issue various permits and 32 procedures that are fully automated. Twelve government agencies boast 100 percent use of the KNESWS for receipt and issuance of permits. An e-payment system is now operational and has streamlined payment arrangements for permits. The system also has improved governance, as demonstrated by comments from the public and private sectors.
- 2. Time reduction for processing pre-import documents:** The KNESWS has contributed to marked improvements in time taken to obtain pre-import/export permits. Data from a sample of agencies (see Figure 2) reveal that the time for processing permits has been reduced in some cases by as much as 200 percent; for

others the reduction ranges from 20 percent to 50 percent.

*“Adoption of KNESWS in the trade facilitation process has shown savings in terms of costs for traders and the Kenya Dairy Board, reduced time to process licenses by over 18 days and eased the workload. Ultimately this has increased compliance by stakeholders using the system.”*

—Rachel Gatei,  
Kenya Dairy Board

Figure 2: Time Comparisons Before and After the Single Window



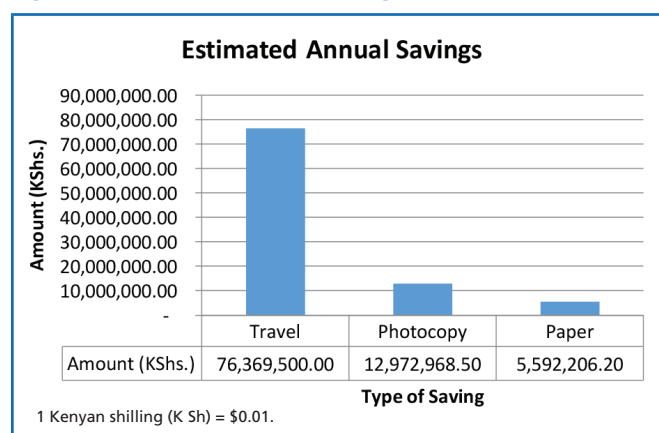
**3. Reduction in clearance time:** In the past, physical hard-copy permits had to be scanned and then submitted at the time of clearing goods. Today, soft copies of permits are available for seamless use by customs through the KNESWS. This has eliminated the need to submit hard-copy permits at the time of clearance of cargo. This initiative, coupled with others, has contributed to reduction of clearance time by 53 percent and cargo dwell time by 39 percent, as shown in Table 1.

Table 1: : Cargo Dwell and Clearance Time (in Hours) at the Port of Mombasa (2012 –2015)

Year	2011	2012	2013	2014	2015	Time Reduction (%)
Cargo dwell time	170	172	114	88	104	39
Customs release to cargo pickup	73	54	62	44	49	8
Clearance time	97	118	72	44	55	53

**4. Cost reduction:** The automation of processes and procedures has resulted in convenience and substantial savings as traders’ costs associated with transportation, time, and telecommunication have been reduced or eliminated. For instance, the number of trips between agencies and the banks has been significantly reduced. Preliminary assessments of the costs show significant annual savings for the trader. (See Figure 3.)

Figure 3: Estimated Annual Savings



**5. Efficiency in operations of government:** The KNESWS has increased efficiency of government agencies, making it simpler and easier for the agencies to receive and access permit application forms, process them online, and deliver approved or rejected permits to the traders. The permits are available in real time as soon as they are approved. This has entirely removed the need for going from office to office, a requirement that existed before the advent of the KNESWS.

**6. Improved governance:** The KNESWS has reduced, and in some cases eliminated, personal interaction between officers in trade facilitation agencies and the business community, leading to improved governance and transparency in the way business is conducted. Both public and private sectors have reported enhanced integrity of documentation and governance. The tracking of time taken to process documents has also had a positive impact on the response rates of the government agencies.

**7. Improved revenue collection:** The KNESWS has enhanced the collection

of revenue, because traders can no longer work outside of—or find ways around—the established payment procedures.

## **LESSONS LEARNED**

### ***Lesson 1: Anticipate resistance—the benefits are not obvious.***

Despite the clear benefits that a system such as the KNESWS offers to both businesses and government agencies, the sovereign interests of the different individual agencies sparked resistance to the new way of doing business. There were signs that some agencies feared that the new system would encroach on their operations and responsibilities. Also, the old system provided opportunities for rent-seeking.<sup>1</sup> To address this resistance, the Trade and Competitiveness (T&C) Trade team proposed and supported the establishment of a high-level steering committee to enable collaboration and buy-in from stakeholders. This platform brought together chief executive officers of all key government agencies for genuine collaboration and a shared vision owned by all stakeholders.

Once the steering committee was in place, implementation of KNESWS began to gain momentum. Understandably, KenTrade subsequently focused more on implementing the system than on coordination of the steering committee. With time, the committee became inactive, which slowed implementation. The T&C Trade team has advised KenTrade to revive the committee, not only to regain the earlier momentum but also to ensure sustainability of the KNESWS.

In particular and not surprisingly, the project encountered resistance from the so called “big brothers” of Kenya’s regulatory environment. Conventional wisdom is that these agencies needed to be onboard with any major reforms. But the team was able to implement the KNESWS by starting with other regulatory agencies, and the big brothers had no option but to come onboard.

### ***Lesson 2: Secure top-level government commitment.***

Top-level government commitment is key. In Kenya, the government funded KenTrade. And when there was reluctance to use the KNESWS,

the cabinet secretary issued a directive for stakeholders to do so. Because of this commitment, setting up the system and gaining compliance took much less time.

### ***Lesson 3: Consider institutional arrangements.***

Another key factor in the quick establishment of an electronic single window in Kenya was the establishment of a dedicated institution, KenTrade, with dedicated staff to execute and manage the system. In setting up a new and independent institution to implement the single window, the government may have taken into account the high number of agencies—over 25—involved in trade facilitation.

The implementing agency is often one with know-how in trade facilitation and other international trade systems. In Kenya, the lead agency and its staff were all new, with limited knowhow on electronic single-window systems as well as on import and export clearance processes and procedures. To address these shortcomings, the T&C Trade team helped build the capacity of dedicated staff through workshops, peer-to-peer learning, and study tours. The T&C Trade team also provided hands-on support to KenTrade throughout the implementation process, without being prescriptive, to ensure sustainable knowledge transfer.

### ***Lesson 4: Be flexible.***

Implementing an electronic single-window system is complex; it involves many parties, often with varied interests, processes and procedures, regulations, and so on. This means that cooperating partners supporting the implementation must exercise flexibility in responding to the client needs as the situations unfold. In Kenya, this proved difficult, as some of the key agencies implemented reforms concurrently and without consultations, which ultimately affected the timely delivery of the KNESWS implementation plan. For instance, some agencies began to implement or upgrade their own systems without taking into account how this would affect the implementation. This meant that some of the positions taken earlier had to be reviewed, revised, undone, and then implemented after further consultations between the different agencies. Ultimately, this delayed implementation of the new system.

<sup>1</sup> Rent-seeking is the practice of manipulating public policy or economic conditions as a strategy for increasing profits.

Part of these challenges could be attributed to lack of communication between stakeholders. Appropriate and timely communication is critical to ensure that correct messages are sent from the beginning. In Kenya, miscommunication led agencies to believe that KenTrade's use of the KNESWS would "swallow" the other border agencies and systems (that is, take over the functions of some of the agencies), which is not the case. The result was resistance and no buy-in during the initial stages.

## CONCLUSION

Implementation of an electronic single window in Kenya was complex. It required open-mindedness, innovative thinking, listening to the client, and structuring solutions that took best practice into account. At this writing, 16 out of 17 modules have been implemented. The outstanding module has been delayed because one of the agencies is upgrading its system. However, as a result of the lessons gathered over time, KenTrade has come up with an approach that will operationalize the last module even as the upgrade is concluded.

Reforms such as the KNESWS contribute to reductions in time and cost, making it convenient for traders to undertake import and export transactions. Ultimately, it improves the competitiveness of countries, which places them in a good position to take advantage of regional trade and participation in global value chains.

These lessons from the Kenyan experience can be applied in other countries and regions, with minor modifications to suit the environment. From a regional perspective, the KNESWS has the potential to make a huge difference in the way international trade transactions are conducted, not only for Kenya but also for the East African Community bloc, with significant benefits to inland countries. It has had a critical impact on time and cost of obtaining a permit. The KNESWS has even greater potential to link to a regional East Africa Community electronic single-window system. This will provide considerable impetus in ensuring greater regional connectivity, and it can serve as a springboard for countries in the region that want to participate in global trade.



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