

**IMPACT OF TERRORISM ON AFRICA ECONOMIC PERFORMANCE: A
CASE STUDY OF KENYA (2000 – 2016)**

BY

MARY MUMBI MWANGI

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted for a degree in this or any other University for examination.

Signature.....

Date.....

MARY MUMBI MWANGI

R5O/82946/2015

This research project has been submitted for examination with my approval as University Supervisor.

Signature.....

Date.....

Dr. GERISHON IKIARA

DEDICATION

This study is dedicated to my beloved and incredible parents who have believed in me, toiled and rummaged for me to be where I am today.

ABSTRACT

The 21st century is one characterized by more connectivity than at any other point in human history. Advancements in transport and communication over millennia has made human existence so interconnected and interdependent that it's no longer possible to conceive the world as made up of non-interacting units and systems. The overall objective of this study was to assess the effect of terrorism on Economic Performance. This study will be guided by New Growth Theory. Endogenous growth or the new growth theory emerged in the 1990s to explain the poor performance of many less developed countries, which have implemented policies as prescribed in neoclassical theories. This study consisted of qualitative research and analysis although quantitative data was used to support the analysis in some instances. The focus of this study was Nairobi County in Kenya. The target population mainly comprised of people in the hotel industry, Tours and Safaris, curio and souvenir traders, shopping mall owners, as well small business people. The study got reliable information from Kenya Bureau of statistics. It reviewed past reports on terrorism acts and their impact on Economic Performance of the country. Purposive sampling was used to collect data from 300 managers of hotel industry, Tours and Safaris, curio and souvenir traders, shopping mall owners, as well business people in Nairobi. The study collected both primary and secondary data. Primary data was collected by use of semi- structured questionnaire. Analysis of recorded information/documents was also done in order to obtain information that informants gave thought to while compiling, and also information in their own words. The study also involved an evaluation of secondary data sources from Kenya national bureau of statistics; this served to strengthen the overall study. Simple statistical methods were applied such as means, percentages and other statistical techniques. These were supported by secondary data from published sources and observations which boosted the credibility and validity of the information. Both qualitative and quantitative data analysis methods were used. The data was organized with significant patterns to reveal the essence of the data. Once collected, the data was computed using SPSS and MS Excel for analysis with an aim of achieving a complete picture on data collected and so that the research questions could be answered. According to the findings corruption and terrorism do not only join forces in conflict-affected countries where criminal activities are likely to flourish. Corruption and poor governance hamper countries' ability to fight terrorism, Corruption facilitates international terror attacks, Corruption helps cross-border terrorist financing and Corruption and terrorist financing share methods to hide money. The study concludes that Kenya has experienced many acts of terrorism. These acts have greatly affected the economic growth causing Kenya to rely heavily on international different sectors of economy in the past. Consequently, the majority of the industries suffered a great blow. It is recommended that while the government has taken several preventive measures, it is still necessary for the Kenya government to develop a crisis management strategy in order to reduce the aftermath of such horrendous acts in the future.

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ABBREVIATIONS

- AQIM** - Al-Qaida in the Islamic Maghreb operating in the Sahara
- PFLP** - Popular Front for the Liberation of Palestine
- IRA** - Irish Republican Army
- FDI** - foreign direct investment
- GDP** - gross domestic product
- OECD** - Organization for Economic co-operation and Development
- UNCTADSTAT** - United Nations conference on trade and development
- OMI** - Open Markets Index
- R&D** - research and development
- NFDI** - net foreign direct investment
- BEA** Bureau of Economic Analysis
- AMISOM** - African Union Mission in Somalia
- GTAP** - Global Trade Analysis Project
- ISIL** - Islamic State of Iraq and the Levant
- TSCTP** - Trans-Sahara Counterterrorism Partnership
- NGOs** - non-governmental organizations
- APD** - Agency for Peace and Development
- PISCES** - Personal Identification Secure Comparison and Evaluation System
- UNGA** - UN General Assembly
- IPOA** - Independent Policing Oversight Authority

CHAPTER ONE

INTRODUCTION

1.1. Background to the Study

The 21st century is characterized by more connectivity than at any other point in human history.¹ Advancements in transport and communication over millennia has made human existence so interconnected and interdependent that it's no longer possible to conceive the world as made up of non-interacting units and systems. Globalization has decimated national boundaries making the long aspired international community a reality. As such, global travel has become widespread, both for business and leisure, but so has other activities like terrorism. Terrorism is a worldwide occurrence that in some way or other, affects every individual across the planet. Malusi indicates that whether it is the increased security protocols that delay border crossings and travel, or the fear of an attack, or being the recipient of a change of status quo caused by terrorism, everyone is affected.²

According to Davies terrorism is not a recent phenomenon and the vice is increasingly becoming a common occurrence world over with most countries, Kenya included, having been exposed directly or indirectly to its negative impacts. Davies points out that despite its prevalence, there is no common, universal definition of terrorism given that the subject is in itself controversial. Its definition is consequently influenced by the perception or narrative being advanced. While one party may regard it as a fitting reaction to oppression, another may say it is an inexcusable abomination, citing the ruthless methods of violence perpetrated by various terrorist organizations. For instance,

¹ Clarke, L. (2009). Why has defining terrorism proved so difficult? Combating transnational terrorism in Kenya. Master's thesis. Fort Leavenworth, Kansas.

² Malusi, T. J. (2015). *The effect terrorist attacks on the stock performance of insurance companies listed in the Nairobi Securities Exchange* (Unpublished MSC Project Paper). University of Nairobi, Nairobi, Kenya

colonial governments viewed African freedom fighters as terrorists yet Africans themselves viewed them as liberators and heroes.³

As posited by Lindauer terrorism is without a doubt, one of the biggest challenges facing Kenya and the world in general, serving as major threat to security and the economy.⁴

Terrorism is defined as a form of violence targeted against unarmed civilians with the aim of achieving a political and/or religious goal. The ultimate end-goal that terrorists seek to accomplish is to create an atmosphere of fear and anxiety among the populations where they carry out terror attacks. Once the people's way of life has been disrupted, terrorists' organizations ensure that they create a climate where people have lingering concerns about their security.

Terrorists use various means to exert violence and threats of violence on targeted individuals, groups, communities, entities, institutions and governments in pursuit of their political, ideological and religious goals. Lindauer regards attacks by terrorists as events of geopolitical nature that could have negative effects on national as well as global economy.⁵ As averred by Micheni⁶ many economies world over are under serious constraints due to terrorism and Kenya is not an exception. Global Terrorism Index 2015 places Iraq, Afghanistan, Nigeria, Pakistan and Syria as the top five countries which have been most affected by the vice.⁷

³ Davies, M.B. (2007). "Multilateral Conventions for the Suppression of Unlawful Seizure and Interference with Aircraft, Part II: The Montréal Convention.

⁴ Lindauer, L. (2012). Rational Choice Theory, Grounded Theory, and their applicability to terrorism. The Heinz Journal, 9 (2), 1-12

⁵ Ibid

⁶ Micheni, M (2010). Aviation Terrorism: Evolution, Motivation and Escalation. Saarbrücken: VDM Verlag.

⁷ Levin, J., & Milgrom, P. (2004). Introduction to choice theory. Available from <http://web.stanford.edu/~jdlevin/Econ>, 20202.

Africa faces the same threat of terrorism as the rest of the world. However, it seems that Africa is more vulnerable in the fight against terrorism due to several reasons ranging from weak governments, porous borders and weak security organs among others. Some of the terrorist groups that operate in Sub-Saharan Africa, include, Al- Shabaab operating in Somalia, Boko Haram operating in Nigeria, Al-Qaida in the Islamic Maghreb operating in the Sahara (AQIM) and the Lord's Resistance Army operating in Uganda.⁸ In East Africa, Al-Shabaab is the biggest threat to the security of the region. Operating from the "failed state" of Somalia, the Al Qaida affiliated group has been behind several attacks in the region, particularly in the past 5 years. The focus of this study, however, is the Al-Shabaab attacks in Kenya.

Kenya has experienced a number of attacks in the recent past, with the most notable ones being the 1980 terror attack at the Norfolk hotel in Nairobi owned by a Jewish block company. A total of 20 people perished and more than 80 were wounded. According to Clarke⁹ The Popular Front for the Liberation of Palestine (PFLP) was blamed for the attack. According to some news reports, the attack on Kenya was linked to the role Kenya played in allowing the Israeli rescuers to fuel in Nairobi after fleeing Israeli hostages from Entebbe Airport in 1976. A more recent attack was the 1998 US embassy bombing in Nairobi and Dar es Salaam which targeted US citizens. Over 200 people died in these attacks and hundreds more were wounded. The Al Qaida terrorist group led by Osama Bin Laden claimed responsibility. In 2002 a missile attack aimed at an Israeli plane was launched after it took off from a Mombasa airport. Luckily, the missile missed

⁸ Tarlow, P. (2009). Tourism in crisis: Managing the effects of terrorism. *Journal of Travel Research*, 38(6), 3.

⁹ Clarke, L. (2009). Why has defining terrorism proved so difficult? Combating transnational terrorism in Kenya. Master's thesis. Fort Leavenworth, Kansas.

the plane. At the same time, however, a car carrying explosives was crashed through the barrier at the Paradise Hotel in Mombasa that had just received over 60 tourists who had checked in. This attack killed about ten Kenyans and three Israelis and Al Qaida was linked to the attacks. However, from 2011 the attacks in Kenya seemed to have taken a different course with Al- Shabaab seemingly taking over the reins of control as far as terrorist activity targeted at Kenya is concerned.¹⁰

The researcher intended to investigate causes and impact of terrorism on Economic Performance, and the mitigation strategies adopted by the government to deal with terror

1.2 Statement of the Research Problem

Kenya has been a soft target for terrorist attacks and activities in the recent past following its intervention into Somalia. This is demonstrated more than by 140 attacks that the country has experienced since 2000.¹¹ The first terrorist attack witnessed in Kenya was the 1980 Norfolk Hotel attack that was carried out as a retribution for Kenya's cooperation with Israel during the Entebbe raid in 1975. The nation has suffered several attacks over the last few years beginning to the 1998 US Embassy bombings to the latest Westgate attack. On September 21, 2013, masked gunmen attacked the upscale Westgate shopping mall in Nairobi, Kenya, taking hostages and killing at least 67 people. Almost 200 people, including at least 5 U.S. citizens, were wounded in the siege that took four days. The attack is the most deadly terrorist incident in Kenya since the 1998 Al Qaeda bombing of the U.S. Embassy in Nairobi. A Somali Islamist group, Al Shabaab having

¹⁰ Gibson, H. (2013). Tourist roles, perceived risk and international tourism. *Annals of Tourism Research*, 30(3), 606-624.

¹¹ Mumo. P., (2013, June 6). Agency to underwrite terrorism risks. *Daily Nation*. Retrieved March 12, 2014, from <http://www.nationaudio.com>

ties to Al Qaeda has claimed responsibility for the Westgate attack. It is therefore without doubt that the attacks have in one way or the other affected the Kenyan economy. As response to the ever-growing terrorism attacks in Kenya, the government carried out security sector reforms such as the periodic national security reviews and establishment of security institutions such as Anti Terrorism Police Unit, and National Counterterrorism Centre. Consequently, the government in 2011 sent its military forces to Somalia as a way of curbing terrorist activities at its roots.¹²

There are a number of studies that have been previously done both locally and internationally that are related to this topic of study but no study has been carried on the effect of terrorism on general Economic Performance of the Kenya. Ploch (2010) did a study on the effects of the threat of terrorism on hotel property.¹³ Wakanini also did a study on the influence of terroristic activities on business strategies.¹⁴ The first study mentioned focused on hotels in general. They concentrated on Kenya and Egypt. The top weekly did an article on the effects of terrorism in India and Thailand and how they have grossly affected economy in the named areas.¹⁵

Recent terrorist attacks in Kenya have affected both the national and the global economy.¹⁶ Many sectors have been adversely affected by these attacks in varying degrees and intensity as alluded to by Paul include hospitality, transport, manufacturing,

¹² World Net Daily, 2003

¹³ Ploch (2010). Countering Terrorism in East Africa: The U.S. Response. US congressional Research Service.

¹⁴ Wakanini, P. (2014, August 31st). "Kenya has been Attacked 133 times since start of operation Linda Nchi". The Standard, Pp. 10-12.

¹⁵ The top weekly (2009)

¹⁶ Mumo. P., (2013, June 6). Agency to underwrite terrorism risks. *Daily Nation*. Retrieved March 12, 2014, from <http://www.nationaudio.com>

trade and financial sector.¹⁷ To researchers knowledge no study in Kenya has covered the effects of terrorism in these sectors of economy (2000 to 2016). This paper therefore sought to determine the causes of terrorism, impact of terrorism and the mitigation strategies adopted by the government to deal with terror.

1.3. Research Questions

- i. What is the impact of terrorism on small, medium and large business in Kenya?
- ii. To what extent does terrorism affect the local investments?
- iii. To what extent does terrorism affect the foreign direct investments?
- iv. What are the mitigation strategies that have been adopted by the government to deal with terror in the sectors of economy?

1.4. Objectives of the Study

1.4.1. General Objective

The overall objective of this study was to assess the effect of terrorism on Economic Performance

1.4.2. Specific objectives

- i. To establish the extent to which terrorism affects the operations of small, medium and large business in Kenya
- ii. To establish the extent to which terrorism affects the local investments
- iii. To establish the extent to which terrorism affects the foreign direct investments
- iv. To determine and analyze the mitigation strategies adopted by the government to deal with terror

¹⁷ Paul, E. (2012, December 3). Tourism industry at a crossroad. *Daily Nation*. Retrieved March 12, 2013, from <http://www.nationaudio.com>

1.5. Literature Review

1.5.1. Introduction

Modern-day terrorists are bent on causing sufficient harm to a society that targeted governments concede to their demands. This harm may be in terms of human and/or economic losses e.g. the al-Qaida training manual invokes followers to attack “vital economic centers” (World Net Daily).¹⁸ Both kinds of losses expose a government’s inability to protect a country’s assets, thereby causing a loss in citizen confidence and government legitimacy. When terrorist attacks are sufficiently deadly, costly, and persistent, an atmosphere of fear and terror may pervade the society making virtually everyone feel at risk, which is the terrorist group’s intent. If a besieged government views the anticipated costs of future terrorist actions as greater than the costs of conceding (including lost reputation) to terrorist demands, then the government will grant some accommodation. A determined terrorist organization may obtain its demands quicker by augmenting the economic consequences of its terrorist campaign.¹⁹ The Irish Republican Army (IRA) and Jemaah Islamiyah have also sought to cause economic ramifications with their attacks. On 11 September 2001(henceforth, 9/11), the al-Qaida attack against the World Trade Center, an icon of the capitalist world, created \$80 to \$90 billion in direct and indirect economic losses and temporarily impacted stock markets worldwide.²⁰ Terrorism can potentially affect Economic Performance in the short run through a number of channels. Such attacks can increase uncertainty which limits investments and

¹⁸ World Net Daily, 2003

¹⁹ Gibson, H. (2013). Tourist roles, perceived risk and international tourism. *Annals of Tourism Research*, 30(3), 606-624.

²⁰ Ibid

diverts foreign direct investment (FDI).²¹²² For developing countries, FDI is an important source of saving to fund investment. Terrorism campaigns lead to government expenditures on defensive actions to harden targets and proactive measures to capture terrorists and their assets. This increased government spending on security can crowd out more growth-enhancing public and private investments.²³ Public investment in the form of social overhead capital (e.g., canals, highways, and bridges) is especially important to bolster growth in²⁴ developing countries.

Terrorism also hinders growth by raising the cost of doing business in terms of higher wages, larger insurance premiums, and greater security expenditures, these higher costs result in reduced profits and, thus, smaller returns on investment. Terrorist attacks can also destroy infrastructure, thereby leading to business disruptions. IRA attacks on London's financial district at the Baltic Exchange (10 April 1992) and Bishopsgate (24 April 1993) resulted in £800 million and £350 million in direct damages, respectively.²⁵ The 7 July 2005 attacks on the London transport system resulted in over £1 billion in damages. Finally, terrorism can impact some key industries – airlines, tourism, and export sector – which can reduce gross domestic product (GDP) and growth.

Similarly, Redfern indicates that internal (i.e., intrastate or civil wars) and external conflicts can also reduce growth by destroying human, private, and public capital. Civil wars result in a flight of capital; the amount of private wealth held abroad more than

²¹Redfern, P. (2003, May 28). Tuju assurance of full security. *Daily Nation*. Retrieved May 1, 2004, from <http://www.nationaudio.com>

²² Gibson, H. (2013). Tourist roles, perceived risk and international tourism. *Annals of Tourism Research*, 30(3), 606-624

²³ Ibid

²⁴ Tarlow, P. (2009). Tourism in crisis: Managing the effects of terrorism. *Journal of Travel Research*, 38(6), 3.

²⁵ Ibid

doubles during intrastate conflicts.²⁶ Conflicts, like terrorism, increase uncertainty, thereby decreasing investment. In addition, internal conflicts almost double the share of GDP devoted to defense – from about 2.8% to 5% – which limits spending on social overhead capital and health. Such diversion of public spending not only crowds out more productive forms of investment but also makes a conflict-ridden country prone to diseases.²⁷

Conflict-torn developing countries may experience decreased growth from reduced assistance as donor countries worry that aid may be channeled to finance military activities rather than to alleviate poverty. As in the case of terrorism, internal and external conflicts raise the costs of doing business. Nearby conflicts can reduce Economic Performance by disrupting supply lines, creating refugee inflows, causing border skirmishes, and increasing security spending. Koross showed that each war in a neighboring state reduces annual growth rates by about 0.5% per year.²⁸ Thus, a war not only limits growth at home, but also reduces growth within 800 kilometers of each conflict country's borders as nearby countries divert resources to defense to ward off the spread of conflict.²⁹

1.5.2 Terrorism in Africa

Diamond, Jared distinguishes the causes of terrorism as structural, facilitative, motivational and triggering causes. Structural causes are those such as rapid modernization, globalization, increasing individualism with rootlessness, relative

²⁶ Ibid

²⁷ Diamond, Jared (2011). *Collapse: How Societies Choose to Fail or Succeed*. Toronto: Penguin Books, 2011.

²⁸ Koross, K. (2012). *Terrorism and Civil Aviation Security: Problems and Trends.* Paper presented at the meeting of the Combating Terrorism Working Group of the PfP Consortium, Sarajevo.

²⁹ Ibid

deprivation etc. For facilitative causes, he gives examples of the evolution of modern mass media, transportation, weapons technology, weak state control etc. As motivational causes, Bjorgo explains the actual grievances people experience at a personal level.³⁰ These are the causes that actually motivate people to act. Bjorgo describes triggering causes as being the direct precipitators of terrorist acts, such as political calamity, an outrageous act committed by the “enemy,” or some other events that call for revenge. The growth of radicalism in Africa can be viewed as a direct result of socio-political turmoil that developed from poor socio-economic conditions, which have plagued the continent ever since independence. The political behaviour of people in the majority of African states is distinctly correlated with the continent’s material poverty. The zero-sum nature of the struggle for economic resources compels would-be political leaders to obtain material benefits in order to wield influence over followers and competitors. This is done in most cases through armed and violent means. Furthermore, the abuse of political power in terms of a generalized system of patrimony and high levels of government inefficiency and corruption has resulted in a lack of confidence in governments by their populations. Neo-patrimonial regimes have demonstrated little ambition in development or state security that protects the whole population, instead of only a certain part. Additionally, these governments are usually militarily dominated and use repressive measures to consolidate their hold on power. This has created the perfect environment for discontent to fester and assists the growth of rebellious sentiments.

³⁰ Ibid

1.5.3 Terrorism in Kenya

Kenya has had a history of diverse terrorist attacks. Back in 1980, Kenya became a victim of terrorist attack from an Arab group. It was reportedly revenging on the country for offering support to the Israeli airplanes that were from a rescue mission in Entebbe. The bombing of the Israeli owned Norfolk Hotel led to twenty fatalities and over eight injuries. The other well-known terrorist attack on Kenya was the 1998 bombing of the US embassy in Nairobi. The Al-Qaida was responsible for the attack that led to the deaths of over two hundred people. In 2002, there was also the Kikambala attack on the Israeli interests at the Coast. Thirteen people died from the attack with several injuries including the Israeli tourists who were evacuated by their country's jets to safety.³¹

The most significant phase of terrorist attacks in Kenya began in the year 2011 when the Kenyan troops entered Somalia. The move was necessitated by the constant cross border attacks from the Al Shabaab terrorist group. The group had been responsible for constant kidnappings of tourists from the Coastal region of Kenya.³² Such activities were meant to raise finances for them to carry out their activities. The actions were in the process hurting the many sectors on which the Kenyan economy depends. The Kenyan government formally released its soldiers to hunt down the Somali extremists in October 2011 in the 'Operation Linda Nchi'. The move to destabilize the Islamist group has attracted constant retaliation and attacks that has left Kenya more insecure and affected its economy greatly.³³

³¹ Malusi, T. J. (2015). *The effect terrorist attacks on the stock performance of insurance companies listed in the Nairobi Securities Exchange* (Unpublished MSC Project Paper). University of Nairobi, Nairobi, Kenya.

³² Ibid

³³ Wakanini, P. (2014, August 31st). "Kenya has been Attacked 133 times since start of operation linda nchi". The Standard, Pp. 10-12.

The flood of attacks began to flow in early 2012. On March 10th 2012, six people were killed and over sixty injured when four grenades were thrown into the Machakos bus terminus in Nairobi. In April the same year, there was an attack on a church in Ngara estate in Nairobi in which one person was killed and other eleven injured.

In Garissa, there were sporadic attacks in which both a Catholic and an AIC church fell to the hands of the Islamists. The attack resulted in the deaths of seventeen people including the church guards. Another attack in the region targeted the Sunday school kids, many of whom were injured. In November the same year, another attack against a bus in Eastleigh estate of Nairobi led to the loss of ten lives. Twenty five people got injured.³⁴

One of the most widely reported terrorist attacks took place in the heart of the Nairobi City. It laid bare the inadequacy of the security apparatus in dealing with the terrorists. The attack on Westgate on 21st September 2013 left close to seventy people dead according to the government figures.³⁵ The attack on the shopping mall took over two days for the security personnel to rescue the building from the hands of the terrorists. Close to two hundred people were injured with the president also losing close family members.³⁶

The regions that remain most severely affected by the terrorist activities are Garissa, Mandera and Wajir counties. In a very daring attack in June, 2014, the terrorists attacked a police station, hotels and government offices in Mpeketoni. Forty eight people were

³⁴ John M., (2011) Kenya May Actually Have Trained the Al-Shabaab Militants Terrorising it on Home Soil. Mail and Guardian Africa.

³⁵ O'Malley & Unesco, 2010

³⁶ Woldehlase W. 2013 International terrorism in East Africa: The case of Kenya. Addis Ababa, Ethiopia: Addis Ababa University Printing Press, 2013.

killed and many more injured. Another attack targeting the region happened in Mandera. A bus that was transporting government workers to Nairobi got attacked by the Al-Shabaab militants. Twenty eight people were killed. The non-Muslims were separated from the rest and then were executed in cold blood. Many victims were teachers and other civil servants going for the December holidays.

The most recent and direct attack on the education fraternity involved the Garissa University College. Four gunmen entered the University and opened fire on the students in that early morning attack. In the siege that took over fifteen hours, 147 people got killed, most of them students. Seventy nine people got injured while over five hundred students managed to escape. The very traumatic attack resulted into the indefinite closure of the University.³⁷ The surviving students were taken to other campuses to continue with their studies.

1.5.4 Impact of Terrorism On Economic Performance

Wachira states that savings, depicted as savings as a rate of GDP, represents the capital stock. It is the summation of previous investments into machines and buildings in the short-run Economic Performance.³⁸ According to Davies it is defined as gross capital formation as a percentage of GDP and it is a term to describe the capital accumulation.³⁹

Terror is expected to decrease the savings rate, due to the fact that it imposes additional costs to the economy.⁴⁰ This may in turn decrease the Economic Performance, because the money which could have been used for capital accumulation, have to be used to cover

³⁷ Crenshaw, Martha (2011). "The Causes of Terrorism." Chap. 7 in *Terrorism Studies: A Reader*. Edited by John Horgan and Kurt Braddock. New York: Routledge, 2011

³⁸ Wachira, M. (2013): Civil Servants and traders flee Garissa as Al-Shabaab unleashes reign of terror. Daily Nation Newspaper, pp.10-11.

³⁹ Woldehlase W. 2013 *International terrorism in East Africa: The case of Kenya*. Addis Ababa, Ethiopia: Addis Ababa University Printing Press.

⁴⁰ Ibid

terror expenses. The data has been retrieved from The World Bank database. It is important to mention that the outliers have been removed in order to normalize the residuals. For instance countries such as Latvia and Estonia have high savings in years 2006 and 2007. These countries saved a lot in order to accommodate the strong market growth after being integrated in the European Union in 2004.⁴¹

Education is defined as tertiary education for both sexes and it is represented as the gross enrolment ratio which is the rate of high school graduates, regardless of age, that have enrolled into a university. It is expressed as a percentage of the total population. According to the Organization for Economic co-operation and Development (OECD), most of the European countries are ranked as developed; therefore the decision to use the data for tertiary, instead of secondary, enrollment was taken.⁴²

Education is expected to decrease terror, since people which are educated are assumed to perceive terror as an opportunity cost, thus increase the Economic Performance. The data was obtained from The World Bank.⁴³ This variable has also been subjected to the removal of outliers, Luxembourg having unusual low enrolment rates for years 2007 to 2009 and Greece having the highest enrolment rates out of all the dataset in 2011.

Population Growth is the exponential rate of growth of midyear population from year t-1 to t, expressed as a percentage and the data for this control variable was retrieved from The World Bank.⁴⁴ In addition to the fact that it is a determinant of Economic Performance, and that the data on terror is not expressed in rates but in units, population

⁴¹ European Economic and Social Committee, 2013

⁴² Zaman, N., Ghutai, G & Khan, K. (2012): Aviation Security and Terrorism: A Review of the Economic Issues." Federal Reserve Bank of St. Louis Review

⁴³ Napoleoni, L. (2004). The new economy of terror: how terrorism is financed. UN Forum on crime and society, 1 (2), 31-48.

⁴⁴ The World Bank Group, 2014

growth expressed as a percentage was included to the model. Homicides decrease the population growth directly, whereas other types of terror are expected to decrease it indirectly by limiting the moral and financial capabilities, resulting into a hampered Economic Performance.

Technological Change is represented through high-technology exports, products with high research and development intensity, which are measured as a percentage of manufactured exports.⁴⁵ It seems reasonable to include this control variable into the model, because terror affects the savings rate of an economy reducing the share of financial resources available for the accumulation of human and capital stock. As a consequence the technological progress stagnates as well which in turn has a negative effect on Economic Performance. The data has been obtained from The World Bank report.⁴⁶ This variable has been subjected to the removal of outliers as well. The most outliers have been caused by Malta, where all the values for all the years had to be removed. During the period from 1990 to 2011, on average the high-tech exports were of 55.6 % of all the manufactured exports, reaching the peak in 2000 where the percentage was of 71.74.⁴⁷ Moreover, in order to normalize the residuals the natural logarithm of this variable was taken.

FDI inflow is defined as foreign direct investment (FDI) inflows and is computed as a percentage of gross domestic products (GDP). These are investments received at home from foreign investors. According to Wachira FDI is a source of technology transfer

⁴⁵ The World Bank Group, 2014

⁴⁶ The World Bank Group, 2014

⁴⁷ The Global Economy, 2014

between two countries, which adds relatively more to an Economic Performance.⁴⁸ As previously mentioned, terror affects the human capital stock, thus affects the stock of human capital ability to assimilate the FDI investments. As a result, this has a negative impact on Economic Performance. The data was obtained from the United Nations conference on trade and development (UNCTADSTAT) database. In this dataset, the most outliers have been detected and removed. First of all, Luxembourg is responsible for a significant amount of outliers, because it is a leader in terms of overall market openness in European Union.⁴⁹ Bulgaria also had a couple of unusual high FDI inflows in the years 2006 to 2008. This might be a consequence of its integration to the European Union. In addition, in order to normalize the residuals, it has been transformed thus all the values are positive and then the natural logarithm of this variable was taken.

Openness to Trade is defined as trade, which is the sum of imports and exports of goods and services, and it is computed as a percentage of GDP.⁵⁰ Terror is expected to decrease the quantity of goods and services traded, due to lowering the available human and financial resources for manufacturing the products. As a result this will have a negative effect of the Economic Performance. The data on trade has been retrieved from The World Bank (The World Bank Group, 2014). In this variable, the outliers were caused solely by Luxembourg. Data for all the years has been removed for this country, because

⁴⁸ Wachira, M. (2013): Civil Servants and traders flee Garissa as Al-Shabaab unleashes reign of terror. Daily Nation Newspaper, pp.10-11.

⁴⁹ Ibid

⁵⁰ The World Bank Group, 2014

this is one of the most open to trade countries in European Union being ranked as number 3 by the International Chamber of Commerce in the Open Markets Index (OMI).⁵¹

Political Stability, depicted as political stability and absence of violence/terrorism, captures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism. The data is represented in units of standard normal distribution, as scores on the aggregate indicator, ranging from -2.5, very politically unstable, to 2.5, politically very stable (The World Bank Group, 2014). Increasing terror is expected to negatively influence political stability, due to decreasing credibility of the citizens. This in turn would result to a lower support for the governance and a hampered Economic Performance.

1.5.5. Theoretical Framework

This study was guided by New Growth Theory. Endogenous growth or the new growth theory emerged in the 1990s to explain the poor performance of many less developed countries, which have implemented policies as prescribed in neoclassical theories. Unlike the Solow model that considers technological change as an exogenous factor, the new growth model notes that technological change has not been equal nor has it been exogenously transmitted in most developing countries.⁵² New growth theorists (Romer⁵³; Lucas⁵⁴; Aghion and Howitt⁵⁵) linked the technological change to the production of knowledge.

⁵¹ Morag, N. (2006). The economic and social effects of air transport terrorism: Israel 2000-2004. *Middle East Review of International Affairs*, 10(3), 120-141

⁵² World Bank 2000

⁵³ Romer, P. M. (1986). Increasing returns and long-run growth. *Journal of Political Economy*, 94 (5), 1002–1037.

⁵⁴ Lucas, R. E. (1988). On the mechanics of economic development. *Journal of Monetary Economics*, 22(1), 3–42.

The new growth theory emphasizes that Economic Performance results from increasing returns to the use of knowledge rather than labour and capital. The theory argues that the higher rate of returns as expected in the Solow model is greatly eroded by lower levels of complementary investments in human capital (education), infrastructure, or research and development (R&D). Meanwhile, knowledge is different from other economic goods because of its possibility to grow boundlessly. Knowledge or innovation can be reused at zero additional cost. Investments in knowledge creation therefore can bring about sustained growth. Moreover, the knowledge could create the spillover benefits to other firms once they obtained the knowledge. However, markets failed to produce enough knowledge because individuals cannot capture all of the gains associated with creating new knowledge by their own investments.

Policy intervention is thus considered necessary to influence growth in the long term. The new growth models therefore promote the role of government and public policies in complementary investments in human capital formation and the encouragement of foreign private investments in knowledge-intensive industries such as computer software and telecommunications Meier.⁵⁶ Although the new growth theory helps to explain the divergence in growth rates across economies, it was criticized for overlooking the importance of social and institutional structures.⁵⁷ Its limited applicability lies in its assumptions. For example, it treats the economy as a single firm that does not permit the crucial growth-generating reallocation of labour and capital within the economy during

⁵⁵ Aghion, P., & Howitt, P. (1992). A model of growth through creative destruction. *Econometrica*, 60(2), 323–351.

⁵⁶ Meier, G. M. (2000). The old generation of development economists and the new. In G. M. Meier & J. E. Stiglitz (Eds.), *Frontiers of development economics: The future in perspective* (pp.13–50). Washington, D.C.: World Bank/Oxford University Press.

⁵⁷ Skott, P., & Auerbach, P. (1995). Cumulative causation and the “new” theories of economic growth. *Journal of Post Keynesian Economics*, 17(3), 381–402.

the process of structural change. Moreover, there are many other factors which provide the incentives for Economic Performance that developing countries lack such as poor infrastructure, inadequate institutional structures and imperfect capital and goods markets.⁵⁸ Policy-makers will therefore need to pay careful attention to all of the factors that determine the changes and their impacts on the aggregate growth rate.

In this theoretical context, Terrorism have adverse impacts on the Economic Performance, these impacts are transmitted through various channels. First and foremost, terrorism destroys physical and human capital of a country. Terrorism often results in the collapse of health and educational infrastructure; leading to scarcity in the clean drinking water and facilities of sanitation, medical care, deterioration in the standard of education, low enrollment rates these entire have negative implications for Economic Performance. Secondly, it restricts the trade and business activities leading to restrain the Economic Performance. Due to increased perception of risks, terrorism may reduce the inflows of Foreign Direct Investment (FDI) and as FDI is a crucial part in the investment activities in most of the developing countries and any decrease in FDI will reduce the Economic Performance. Besides FDI, instability and risks in a country will also result in reducing the investment by its own residents and will also cause the capital flight. Terrorism also diverts the public expenditure from developmental activities towards less productive defense activities. Fifth, terrorism also causes the displacement of people in the terrorism hit areas and it not only creates social problems but also results in economic problems.

⁵⁸ Cornwall, J., & Cornwall, W. (1994). Growth theory and economic structure. *Economica*, 61(242), 237–251.

1.6. Justification of the Study

In Kenya, Terrorism incidences have continued to be witnessed more often than before ,and now focusing more on hurting Kenya and its people. As a result there have existed gaps in devising measures to curb terrorism in Kenya. This study therefore intends to fill this gap by offering a detailed study into the impact of terrorism activities within the Horn of Africa especially in Kenya, providing a base line data which can act as a tool to be used by the educationist in disseminating information on the various impacts of terrorism within the African Horn and by extension globally. The study also provides better strategies by the Kenyan government to mitigate terrorism to prevent the hazards that are posed to the economy.

This research is significant because terrorism is an ever-present current reality for Kenya and this research seeks to understand the threat of terrorism in Kenya with the goal of using the information accrued herein towards preventative measures. Very few studies have been undertaken on the Al-Shabaab terrorist group. Despite the constant threat that the group poses and the existing harm it has caused, very few empirical researches have looked into this terrorist organization, with most studies into terrorism focusing on Al Qaida, Hezbollah and ISIS. More specifically, very few of these studies have looked into Kenya as a case study. There is evidently, therefore, a major knowledge gap that the current research seeks to narrow.

This study, although not comprehensive due to time and resource constraints, attempts to reveal how the public are affected by the recent terrorist attacks in the country. The researcher intends for this research to contribute to establishing better ways of handling the threat and the effects of post trauma.

Additionally, this study is significant for the security personnel and the government as they fight terrorism. It is hoped that the government will realize the loopholes that the Al-Shabaab are using to conduct their terror and fortify its Intelligence. Overall, this research is crucial as it creates a better understanding on the dynamics of the Al-Shabaab's activities in Kenya and terrorism as a whole.

This study comes at a time when world peace is threatened by terrorism in different parts of world like Syria, Iraq, Pakistan, India, Philippines, Nigeria, Somalia, France, Kenya and many more. This study is therefore relevant to peace and conflict transformation studies as it attempts to answer the questions of the study.

1.7. Research Hypotheses

The following hypotheses were used in the study

1. Terrorism has a significant negative impact on Economic Performance
2. The magnitude of the impact of terror on the Economic Performance depends on the type or nature of terror.
3. Kenya lacks effective mitigation as it's broad and getting reliable data might be a challenge.

1.8. Methodology

This section provided the research methodology for these study. The research methodology is presented in following sequence: study design, data collection methods, target population/sampling frame, ethical issues, data analysis and presentation and chapter outline.

1.8.1. Study Design

This study consists of qualitative research and analysis although quantitative data has been used to support the analysis in some instances. Effect of terrorism on Kenyan economy was examined in a descriptive and explorative manner. The research design is a case study and is based on studies of existing literature on Kenya and on using existing statistics during the presentation and analysis of data⁵⁹.

1.8.2 Target population

The target population mainly comprised of business men/ women, manger in the hotel industry, Tours and Safaris, curio and souvenir traders as well as shopping mall owners. The study obtained reliable information from Kenya Bureau of statistics. It reviewed past reports on terrorism acts and their impact on Economic Performance of the country.

1.8.3 Sample size and Sampling Procedure

Sampling involves taking a number out of the total population and using various methods of data collection on that sample with the intention of analyzing that data and drawing conclusions that either proved or disapproved a hypothesis for the whole population. Due to cost and time considerations, it is not possible to work with a large number of people. Purposive sampling was used to collect data from 300 business men/women, Tours and Safaris, curio and souvenir traders, shopping mall owners, as well hotel managers in Nairobi

⁵⁹ Neuman, L.W 2006. *Social Research Methods, Qualitative and Quantitative Approaches*. University of Wisconsin,, Pearson Education, Inc.

1.8.4 Data Collection

The study collected both primary and secondary data. Primary data was collected by use of semi- structured questionnaire. The data was mainly collected from managers in the hotel industry, Tours and Safaris, curio and souvenir traders, shopping mall owners, as well small business people. The study got reliable information from Kenya Bureau of statistics. It reviewed past reports on terrorism acts and their impact on Economic Performance of the country.

Analysis of recorded information/documents was also done in order to obtain information that informants gave thought to while compiling, and also information in their own words. The study also involved an evaluation of secondary data sources from Kenya national bureau of statistics; this served to strengthen the overall study.

1.8.5 Data Analysis

Once collected, the data was computed using SPSS and MS Excel for analysis with an aim of achieving a complete picture on data collected and so that the research questions could be answered. Simple statistical methods were applied such as means, percentages and other statistical techniques. These were supported by secondary data from published sources and observations which boosted the credibility and validity of the information. Both qualitative and quantitative data analysis methods were used. Qualitative research provided insights and understanding while quantitative research tried to generalize those insights to a population pattern. The data was organized with significant patterns to reveal the essence of the data.

1.9 Chapter Outline

Chapter one: Introduction to the Study: This chapter lays the framework for undertaking the research on the subject. It identifies the research problem, and the premise on which the research is founded on. The chapter justified the need to carry out the study by highlighting the gap in existing body of knowledge and offers the methodology in carrying out the study.

Chapter two: examined the impacts of terrorism on Economic Performance in Africa, and Kenya in particular.

Chapter three: An Analysis: analysis the data collected through the questionnaire as well as the data collected through secondary materials such as books, journals etc

Chapter four: this chapter examines the measures that have been taken to curb the terrorist acts and how to improve on them in order to enhance economic performance of Kenya.

Chapter Five: Provided the summary of findings, Conclusion and Recommendations of the Study

CHAPTER TWO

TERRORISM AND ECONOMIC PERFORMANCE

2.1 General Overview of Terrorism and Economic Growth

Terrorism comes in two essential types: domestic and transnational. Domestic terrorism is homegrown with consequences for just the host country, its institutions, citizens, property, and policies. In a domestic terrorist incident, the victim and perpetrators are from the host country.⁶⁰ The Oklahoma City bombing on April 19, 1995 was a domestic terrorist event as was the kidnapping of members of Parliament by Colombian terrorists. Many ethno-nationalist conflicts (e.g., the Tamils of Sri Lanka) are associated with mostly domestic terrorism, unless the rebels desire to target citizens from other countries to publicize their cause to the world. Domestic events tend to outnumber transnational terrorist events by eight to one.⁶¹

In contrast, transnational terrorism involves more than one country. This international aspect can stem from the victims, targets, institutions, supporters, terrorists, or implications. For example, 9/11 is a transnational terrorist event because the victims were from many different countries, the mission was financed and planned from abroad, the terrorists were foreigners, and the implications of the events (e.g., financial and security) were global. A hijacking that originates in one country but terminates in another country is an instance of transnational terrorism as is the assassination for political ends of a

⁶⁰ Agutu, M. (2003, June 6). Agency to underwrite terrorism risks. *Daily Nation*. Retrieved March 12, 2004, from <http://www.nationaudio.com>

⁶¹ Gitu, N. D. (2003, September 22). Reviving tourism: Let's try a new approach. *The East African Weekly*. Retrieved March 28, 2004, from <http://www.nationaudio.com>

foreigner on a city street.⁶² Transnational terrorist attacks often entail trans-boundary externalities: actions or authorities in one country impose uncompensated consequences on person or property in another country. Thus, spillover costs can result so that the economic impact of a terrorist event may transcend the host country.⁶³

The toppling of the World Trade Center towers on 9/11 killed many British nationals and had ramifications for British financial institutions. Chen and Siems (2004, Table 2, Figures 2-3) showed that 9/11 negatively influenced average returns on stock markets globally. In fact, the 11-day cumulative average abnormal returns were larger on the London, Frankfurt, Paris, Toronto, Amsterdam, Switzerland, Italy, and Hong Kong stock markets than on the New York Stock Exchange following 9/11. The four blasts on 9/11 reverberated on capital markets worldwide. The distinction between domestic and transnational terrorism is of utmost importance when determining the right data for calculating the economic consequences of terrorism.

Suppose that one may want to relate the growth in real per capita GDP to the level of terrorism. Then, for a country plagued by both domestic and transnational terrorism, it becomes imperative that all forms of terrorism are included in the terrorism measure on the right-hand side of the equation. This is also true for a country-specific study of terrorism's consequences on macroeconomic variables. If, however, one is interested in the impact of terrorism on a host country's net foreign direct investment (NFDI), then transnational terrorist attacks are most germane, since these attacks pose a more direct risk on foreign investors' interests. If only transnational terrorist attacks are included as a

⁶² Israeli, A. A., & Reichel, A. (2003). Hospitality crisis management practices: The Israeli case. *International Journal of Hospitality Management*, 22(4), 353-372.

⁶³ Ibid

determinant of GDP growth, and if, additionally, domestic attacks tend to be correlated with transnational terrorist incidents, then the coefficient on terrorism will be biased. Furthermore, the coefficient on terrorism may reveal little about the true quantitative relationship when domestic terrorism greatly exceeds the number and/or intensity of transnational terrorism.

2.2 Global Overview of Terrorism

Terrorism constitutes an external shock for both the economy and financial markets. Its occurrence is rare and unpredictable, but the September 11 attack has made developed countries realize that terrorism is an ongoing threat.⁶⁴ Prior to September 11, little had been written on terrorism in the field of economics and finance. There was a pre-existing literature on the economics of terrorism, with occasional studies published in war, peace or defense economics journals. This research mainly focuses on rationalizing terrorism, defining its causes and consequences. Very few of these studies estimated the impact of terrorism on the economy. In the finance literature, research on terrorism commenced after the September 11 attack. Six years after the event, the economic and finance literature on terrorism is still at an embryonic stage, but it is growing rapidly.⁶⁵

Each terror attack has a different impact on the economy. The September 11 attack provides an example of the potential damage that such catastrophic events can cause for

⁶⁴ Lepp, A., & Gibson, H. (2003). Tourist roles, perceived risk and international tourism. *Annals of Tourism Research*, 30(3), 606-624.

⁶⁵ Kwena, E. (2002, December 3). Tourism industry at a crossroad. *Daily Nation*. Retrieved March 12, 2004, from <http://www.nationaudio.com>

Western countries. The significant size of the attack facilitates a review of many of the potential costs and short-term consequences of a modern terrorist attack.⁶⁶

2.2.1 On the Ground Costs of Terrorism

Several studies review the immediate costs of the September 11 attack. The estimation of the damages and costs differ depending on the method used for the estimate. Enders and Sandler provide one of the most thorough analyses of the short-term costs of the September 11 attack.⁶⁷ They summarize the physical losses as follows: \$16.2 billion⁴ of damages to structures and equipment, \$3.3 billion lost in wages and salaries of private sector employee and \$10 billion in the cleanup costs.⁶⁸ A gain was made with an increase in \$0.8 billion in wages of state and government employees. Enders and Sandler extracted these data from the U.S Bureau of Economic Analysis (BEA). They estimated the human capital losses at \$20 billion for the death of 3000 people. Enders and Sander estimate for the total cost of September 11 at \$48.7 billion.⁶⁹

Red fern provide further detail on the \$ 16.2 billion damage to structures and equipment mentioned by Enders and Sandler.⁷⁰ They break down that figure as follows: \$14 billion representing physical losses for private sector businesses, \$1.5 billion for the losses of the state and local government enterprises and \$ 0.7 billion for the losses of the federal government. Kwena also estimate \$ 11 billion in clean up costs. They mention the

⁶⁶ Kelly, K. J., Redfern, P., Munaita, P., & The East African Bureau. (2002, December 2). How Western security failure led to bombing. *The East African weekly*. Retrieved March 12, 2004, from <http://www.nationaudio.com>

⁶⁷ Enders and Sandler (2006) *Distribution of Transnational Terrorism Among Countries by Income Class and Geography After 9/11*

⁶⁸ *ibid*

⁶⁹ Enders and Sandler (2006) *Distribution of Transnational Terrorism Among Countries by Income Class and Geography After 9/11*

⁷⁰ Redfern, P. (2009, May 28). Tuju assurance of full security. *Daily Nation*. Retrieved May 1, 2004, from <http://www.nationaudio.com>

temporary loss or relocation of 200,000 jobs but do not provide a figure of the cost of this disruption. Finally, they discuss a \$40 billion dollar emergency package cleared by the U.S Congress in the aftermath of the event.⁷¹

The International Monetary Fund (IMF) (2001) estimates the direct total cost of the attack at \$21.4 billion; this amount represents a quarter of the U.S annual GDP growth. This IMF valuation is however much lower than other estimates, being less than half of Enders and Sandler estimate for instance. The valuation differs mainly because the IMF does not use the model to measure the losses from human capital. Instead, the IMF report uses insurance data provided by the BEA. According to insurance losses, lost human lives and injuries represent only \$ 2.6 billion. Other items in the IMF balance sheet include \$2.6 billion of other insurance losses for compensation for workers, homeowners, and general government. Excluded from the IMF calculation are costs from lost wages, salaries and site cleanup.⁷²

The IMF report puts the cost of September 11 into perspective by comparing the event with other catastrophic events. This analysis shows that September 11 produced smaller property losses than did the 1994 Northridge earthquake, or the 1992 Hurricane Andrew. These events generated, respectively, \$13 and \$16.95 billion of losses. Moreover, the total cost of the attack was less than the cost of the damages caused by the 1995 Kobe earthquake in Japan, which produced damages estimated at \$114 billion.⁶ Overall, the

⁷¹ Kwena, E. (2008, December 3). Tourism industry at a crossroad. *Daily Nation*. Retrieved March 12, 2004, from <http://www.nationaudio.com>

⁷² *ibid*

IMF concludes that the cost of the September 11 attack was relatively smaller than the cost of other catastrophic events.⁷³

2.3 Overview of Terrorism in Africa

Africa experienced significant levels of terrorist activity in 2015. In East Africa, the Somalia-based terrorist group al-Shabaab proved its resilience and re-emerged from a series of significant setbacks it suffered in the first half of 2015, which included the death of key operatives and the loss of strongholds and safe haven in parts of south-central Somalia. Despite these losses, the African Union Mission in Somalia (AMISOM) struggled to counter al-Shabaab, as the terrorist group adopted increasingly aggressive tactics. Later in the year, factions formed and defections increased as the appeal of the Islamic State of Iraq and the Levant (ISIL) created divisions within al-Shabaab's core leadership. The organization maintained its allegiance to al-Qa'ida, however, in spite of public appeals from other terrorist groups in Africa to join the ranks of those aligned with ISIL.

Al-Shabaab established new safe havens and continued launching attacks and suicide bombings in Somalia, many of which targeted Mogadishu International Airport, Somali government facilities, and select hotels popular with government officials and business people. While still focused on striking targets outside of Somalia, particularly within countries contributing troops to AMISOM, al-Shabaab attempted to delegitimize the Federal Government of Somalia and weaken AMISOM's resolve by launching several successful attacks against AMISOM forward-operating bases in southern Somalia and

⁷³ Gibson, H. (2009). Tourist roles, perceived risk and international tourism. *Annals of Tourism Research*, 30(3), 606-624.

killing several hundred AMISOM and Somalia National Army soldiers. Djibouti, Ethiopia, and Uganda did not suffer an al-Shabaab attack in 2015, but Kenya suffered one of the deadliest terrorist attacks in its history in April when al-Shabaab operatives assaulted the Garissa University College using light arms and suicide vests and killed more than 145 Kenyans, most of whom were students.

2.4 Terrorism and Economic Performance of Africa States

While terrorism is a global phenomenon, Africa seems to bear the greatest brunt of it, largely due to limited military resources and ongoing economic deprivation, which has lured many young people into joining extremist groups.⁷⁴ Although the nightmare of terrorism is a relatively new occurrence in Africa, the rate at which it is developing across the continent is worrying. From Boko Haram in West Africa to Al-Shabaab in East Africa and Islamic State in North Africa, there is no doubt that the situation is quickly getting out of hand. These incidents have negatively impacted the African continent in many aspects, with some observers fearing that things might get worse if something urgent is not done.⁷⁵

The Horn of Africa: Kenya, Ethiopia, Djibouti, Somalia, Eritrea and Sudan have over the years been considered as major sources of terrorism by the Western nations.⁷⁶ These part of Africa exemplifies instability, it has repeatedly been identified as an ideal safe heaven , fertile recruiting ground and logical launching point for terrorist and its affiliates. Kenya is one of the countries within the Horn of Africa which is arguable the most stable nation.

Unlike Somalia, Kenya is believed not to host any domestic terrorist organization.

⁷⁴ Ibid

⁷⁵ Ozdamar.O. (2008).Theorizing Terrorist Behaviour. Major Approaches and their Characteristics. *Defense against Terrorism*. Review Vol 1.no 2.Issn:1307-9190

⁷⁶ Rapport, D. C. (2008), Inside Terrorist Organizations by Frank Class Publishers. London. United Kingdom .pp 77.

Terrorism is considered to be a premeditated, politically motivated violence perpetrated against non combatant's targets by sub national groups, usually intended to influence an audience beyond that of the immediate victim. Although the motives of terrorists may differ, their actions follow a standard pattern with terrorist incidents assuming a variety of forms from airplane hijackings, kidnapping, assassinations, bombings, suicide attacks among other forms of violence. Other than the casualties and physical destruction directly caused by terrorist attacks, their actions inflict wider psychological, social, political, and economic damage upon the societies they target.

Countries within the horn of Africa have continuously been vulnerably victims to acts of terrorism. This necessitates the need to evaluate the measures put in place in combating terrorism within this region. Kenya has become a major partner in the global war on terror after the aftermath of September 11, 2001 due to its geographical location, ethnic composition, political stability, unstable neighbors, poverty, Islamic fundamentalism and lax law enforcement, with much of the global war on terror based on Kenyan northern neighbor Somalia.⁷⁷

Since the collapse of the Somalia government in 1991, it created a lawless society where crime and radical ideologies flourished with the chief terrorist threat emanating from the Al-shabaab Terrorist organization. Terrorism is believed to have led to a number of negative socio-economic and political effects. It has claimed hundreds of civilian lives, long term injuries and incapacitations led to the destruction of both local business

⁷⁷ Ploach.L. (2010).Countering Terrorism in East Africa. The U.S. Response. *U.S .Congressional Research Service*.7-5700, R41473.51-55

establishments and western entities, affected the 3 enjoyment of individual rights and freedoms, and influenced the escalation in social animosities and religious tensions.

Terrorism has been perceived as something demonic and barbaric, it is constantly used to refer to something as inherently evil, irrational and unjustified. Without a clear cut definition of what terrorism is, there is need to evaluate the various school of thoughts on terrorism in order to have a deeper conceptual on what terrorism entails. Kenya's economy is heavily dependent on inflows of foreign direct investment, it is important to critically examine the country's response to this growing problem.⁷⁸ Rolling back the negative impact of terrorism has been made more urgent and necessary due to Kenyans long-standing role as a regional economic hub and whose national security is necessary for regional growth. Being home to a substantive western economic interest and its geopolitical positioning has pushed it to be a global partner in the war against terror.

2.3.1 Terrorism Cost in Africa

Since 2009, Boko Haram alone has killed more than 10,000 people in Nigeria and has driven nearly a half-million from their homes. Traumatized populations have fled to refugee camps in Cameroon, Chad, and Niger, where malnutrition and disease are becoming increasingly prevalent – especially among children.⁷⁹

Terrorism is undermining GDP growth and weighing down overall economic performance in affected countries; the economy of northern Nigeria, for example, has been devastated by the ongoing violence.⁸⁰ The International Monetary Fund now

⁷⁸ Ibid

⁷⁹ Crenshaw, M. (2001). Theories of terrorism: instrumental and organizational approaches. En D. C. Rappoport (Ed.), Inside terrorist organisations. Londres: Frank Cass Publishers.

⁸⁰ Crenshaw, Martha (2011). "The Causes of Terrorism." Chap. 7 in Terrorism Studies: A Reader. Edited by John Horgan and Kurt Braddock. New York: Routledge, 2011

includes terror threats among the major risks to the economic outlook in Nigeria, Tunisia, and Kenya.

Already, economic indicators in these countries have been revised downward after terrorist incidents. Following the attacks by the Islamic State, for example, Tunisia's projected annual GDP growth for 2015 was cut from 3% to 1%. The damage to the sector and, more broadly, to investor confidence will trickle across Tunisia's economy, pushing down output, fiscal revenue, and foreign reserves.⁸¹

The fight against terrorism is sucking up scarce financial resources. Scaling up military missions is costly, and the unpredictability of terror strikes often requires extra spending on security, which sometimes causes governments to miss their fiscal targets. After the Garissa University attack, for example, the Kenyan government increased security-related spending by 0.3% of GDP.⁸²

In Central and West Africa, the fiscal pressure has been especially intense. In addition to the outlays required to equip the armed forces engaged against Boko Haram, Nigerian officials estimate that billions of dollars will be needed to rebuild ravaged infrastructure in the north. Similarly, Chad's soldiers fought alongside French troops against terrorists in Mali, and now they have coalesced with those of Nigeria and Cameroon in fighting Boko Haram.⁸³ In April, the country was granted \$170 million in debt relief – the payoff for years of economic reform. But now it is being forced to use part of its hard-won fiscal space to finance the fight against terror.

⁸¹ Davies, M.B. (2007). "Multilateral Conventions for the Suppression of Unlawful Seizure and Interference with Aircraft, Part II: The Montréal Convention.

⁸² Enders and Sandler (2006) Distribution of Transnational Terrorism Among Countries by Income Class and Geography After 9/11

⁸³ Ibid p.g 34

The countries at risk are among the most promising frontier markets.⁸⁴ In Nigeria, which recently became Africa's largest economy, a dynamic private sector has been diversifying an economy that has long been dominated by oil production. Similarly, Kenya, home to a thriving ICT sector, is leading the world in the rollout and leveraging of mobile money. If these economies are upset, they risk dragging down Africa's overall performance.

Terrorism is undermining state building. In most African countries, the military is weak and insufficiently equipped to handle this new threat, whereas terrorist groups are often well-funded and deploy committed combatants equipped with state-of-the-art weapons. Such face-offs undermine the state's monopoly on the means of violence and pose a challenge to its power and legitimacy.

Finally, the risk that fighting terrorism poses to civil liberties is especially acute in Africa, where institution building is still an ongoing process. Some non-democratic regimes may take advantage of anti-terrorism policies to prey on their own people. There is also a threat to the fabric of society if fear of Islamist extremism leads Muslims to be stigmatized or marginalized.⁸⁵

Most of the civil conflicts that held back Africa's development for decades have finally come to an end.⁸⁶ But terrorism risks undermining the continent's hard-won stability and strong GDP growth. Localized security issues are metastasizing into macroeconomic threats. This new danger to Africa must be addressed if the continent is to maintain its upward momentum.

⁸⁴ Enders and Sandler (2006) *Distribution of Transnational Terrorism Among Countries by Income Class and Geography After 9/11*

⁸⁵ Arquilla, J. y Ronfeldt, D. (2001). *Networks and netwars. The future of terror, crime and militancy*. Santa Monica, CA. RAND.

⁸⁶ Ibid

2.4 General overview of terrorism in Kenyan

Terrorism, like civil conflicts, cause spillover costs among neighboring countries as a terrorist campaign in a neighbor dissuades capital inflows, or a regional multiplier causes lost economic activity in the terrorism-ridden country to resonate throughout the region. In some instances, terrorism may impact specific industries as 9/11 did on airlines and tourism.⁸⁷ Another cost is the expensive security measures that must be instituted following large attacks such the massive homeland security outlays since 9/11.⁸⁸ Terrorism also raises the costs of doing business in terms of raising the insurance premiums, increasing the costs for security precautions, and larger salaries to employees at-risk.

Terrorist incidents have economic consequences by diverting foreign direct investment (FDI), destroying infrastructure, redirecting public investment funds to security, or limiting trade. Kenya as a country has lost a lot of finances in the fight against terrorism. In one of the country's effort to counter terrorism, Kenya launched military operations in neighboring Somalia against Al Shabaab.⁸⁹ Just as capital may take flight from a country plagued by a civil war, a sufficiently intense terrorist campaign may greatly reduce capital inflows.⁹⁰

In 1960s and 1970s, Kenya was a prime choice for foreign investors seeking to establish a presence in East Africa. Since 1980s, Kenya's combination of politically driven

⁸⁷ Prestholdt, J. (2011). Kenya, the United States, and counterterrorism. *Africa Today*, 57(4), 3-27

⁸⁸ Enders and Sandler (2006) Distribution of Transnational Terrorism Among Countries by Income Class and Geography After 9/11

⁸⁹ Arquilla, J. y Ronfeldt, D. (2001). Networks and netwars. The future of terror, crime and militancy. Santa Monica, CA. RAND.

⁹⁰ Razaq, N.Z. (2003). US.Air Force.1st security forces squadron, emergency services team(EST) lesson guide .paper presented at Langley Air force Base EST (SWAT) team first instructional forum on terrorism in September 2003.

economic policies, rampant corruption, government malfeasance, substandard public services, and poor infrastructure discouraged foreign direct investment (FDI).⁹¹ Over the past three decades, Kenya has been a comparative under-performer in attracting FDI. Although the performance of Kenya in attracting FDI has been marginally better since the middle of the last decade, its performance still lags behind the neighbouring countries like Tanzania and Uganda in dollar terms, despite the fact that these are smaller economies.

Kenya has had its fare share of attacks including The US Embassy 1998 and the recent most devastating attack on Kenya's premier shopping mall (Westgate) on Saturday 21st September 2013 which left 67 people dead. Economic growth may slow down with the continued terrorism threat with Somalia being in the immediate geographic proximity.⁹² Growth in the Economy slows down as attacks continue. Although studies investigating the impact of terrorism on FDI are new, they are currently gaining popularity following the devastating events in the United States on Sept. 11, 2001.

2.5 Impact of terrorism on the Kenyan economy

Terrorist attacks do not only cause loss of lives, they also have long-standing effects on the economy. Terrorism has caused physical destruction, loss of lives, economic damage and a number of other challenges to social order and polity in the society. Due to porosity of Kenyan borders, terrorist attacks have increased exponentially from 1980 to 2015 the impact of terrorism has since cut across social, cultural, economic and political lens of

⁹¹ ibid

⁹² Roberts .A. (2012). The changing faces of terrorism .http://www.bbc.co.uk/history/war/sept-11/changing_faces_01.shtml. Accessed on 15th may 2015. 71

society.⁹³ Terrorism here refers to premeditated, politically motivated violence perpetrated against non-combatant targets by sub-national groups or clandestine agents, usually intended to influence an audience. In general, terrorism reduces consumers' and firms' expectations for the future and forces governments and the private sector to invest in security measures and redirect investment away from more productive economic uses. For example, many firms in Kenya spend considerable capital on security costs which is essentially unproductive in that it does not add to their output or improve their product quality.

Terror attacks in Kenya have also triggered geopolitical conflict, which is causing further economic disruption by increasing the likelihood of future attacks. Direct costs of terrorism include the value of assets damaged or destroyed such as plant, equipment, structures and merchandise. Economic activity is disrupted so lost wages and other forms of income are also part of the direct costs of terrorism. The direct costs of the attacks on Westgate for instance were estimated to cost Sh10 billion. In terms of indirect costs, Kenya's ability to attract FDI has been hit by such attacks. Indeed, analysis reveals that the presence of terrorist risk corresponds to a decline in the net FDI position equal to five per cent of GDP. This is attributed to the creation of climate of uncertainty that envelopes the country whenever attacks happen.

This prevents potential investors from making new capital investment as they are unsure of the economic implications of the attacks and thus overlook Kenya for more stable economies. Indirect costs of terrorist attacks also affect the transportation industry because demand for air travel declines, passenger fares decline, and the inability of

⁹³ Millar, A., and Ipe, J. (2007), „Enhancing Counter-terrorism in Eastern Africa,“ *African Security Review*, 18:2.

heightened airline security personnel to readily process travellers lead to further declines.⁹⁴

Ironically, the travel advisories may fuel terrorism further. How? Well, by contributing to the collapse of the coastal tourism industry, the travel warnings may simply be increasing the joblessness, idleness, poverty, drug use and overall desperation all well-known catalysts of terrorism. Other indirect costs of terrorism could include the pain and suffering of the victims and their relatives as well as the psychological trauma experienced by a stunned nation. Psychological trauma may have negative short-term impact on productivity. Interestingly in other countries such as the US, the 9/11 attack had a stimulating effect on the economy where monetary and fiscal authorities stimuli were effected to offset the macroeconomic consequences of the attacks.⁹⁵

Because of damage accrued, there was a surge in the private sector demand for liquidity which was met by the Federal Reserve cutting short-term interest rates and increasing short-term lending (discounts and repurchases). Further a \$40 billion emergency spending package provided a strong fiscal stimulus. But sadly developing economies such as Kenya often cannot take such action because they do not have ready access to international capital markets and the fiscal authorities cannot redirect already strained expenditure.

2.5.1 Cost distinction

There are numerous cost distinctions that could be drawn regarding terrorism losses. Direct costs, for example, involve the immediate losses associated with a terrorist attack

⁹⁴ Jogman.A.(2009). Political Terrorism. Anew guide to actors, authors, concept, databases, theories and literature. Unpublished Kenyatta University document

⁹⁵ Ibid

or campaign and include damaged goods, the value of lives lost, the costs associated with injuries (including lost wages), destroyed structures, damaged infrastructure, and reduced short-term commerce.⁹⁶ In contrast, indirect or secondary costs concern attack-related subsequent losses, such as raised insurance premiums, increased security costs, greater compensation to those at high-risk locations, and costs tied to attack-induced long-run changes in commerce. Indirect costs may surface as reduced growth in gross domestic product (GDP), lost FDI, changes in inflation, or increased unemployment. A judgment must be made as to how to distinguish between direct and indirect costs, in which any distinction would strike some researchers as arbitrary.

Fortunately, this distinction is not really necessary to characterize the economic impact of terrorism, which can be represented in terms of some well-defined macroeconomic (e.g., real per capita GDP growth) or microeconomic variable (e.g., reduced tourist receipts).⁹⁷ These variables then represent the consequences of terrorism in terms of aggregate or sectoral activity. If lost output, casualties, and damaged infrastructure are sufficiently large, then they will affect the economy's productive capacity with macroeconomic or microeconomic repercussions. The identification of these impacts is of greater importance than the mere tally of losses if policy is to ameliorate the economic ramifications of terrorism.⁹⁸

2.5.2 Macroeconomic Impact

Very few studies estimate the long-term effect of terrorism on the overall economy. The existing research suggests that terrorism has a negative impact on countries' economic

⁹⁶ Sloan, A. (2006). *Terrorism. The present threat in context*. by Berg Publishers. Oxford, United Kingdom. pp 5-10.

⁹⁷ Musah F., (2011,). Retrieved from somaliharmonitor.com/tag/al-shabab. accessed on 10th march 2015

⁹⁸ Ibid

growth and economic output. Blomberg, Hess and Orphanides present an international study on the impact of terrorism, internal wars, and external wars on economic growth in 117 economies.⁹⁹ They analyse 32 years concerning the events and GDP growth with cross sectional regression, panel regression and a structural vector auto regression (VAR) model.¹⁰⁰ Their study shows that terrorism results in increases in government spending and decreases in GDP growth. Terrorism lowers GDP growth by around 0.5 percent per year. Compared to other forms of conflict, terrorism has a smaller impact on GDP growth.¹⁰¹ Finally, estimates from the VAR model indicate that terrorism also has a short-term impact. Its negative influence on GDP lasts no more than a year, while other forms of conflict can lower GDP for up to three years. With a very large sample size (117 countries over 32 years) and given that multiple variables influence the economy, the Blomberg, Hess and Orphanides study may suffer from omitted variable bias.¹⁰² This bias is a major limitation of studies estimating the impact of terrorism on the economy; however, the negative impact of terrorism on growth is confirmed by Tavares.¹⁰³ Tavares also investigates the economic impact of terrorism on growth. Using a cross-country dataset from 1987 to 2001, Tavares runs ordinary least square regressions measuring the impact of terrorism, natural disasters and the currency crises on GDP growth.¹⁰⁴ This analysis suggests that terrorism reduces GDP annual growth by around 0.2 percent per annum. Terrorism from known organisations can hinder growth by more

⁹⁹ Blomberg, S. Brock; Hess, Gregory D.; Orphanides, Athanasios (2004). The Macroeconomic Consequences of Terrorism CESifo Working Paper, No. 1151

¹⁰⁰ Gibson, H. (2009). Tourist roles, perceived risk and international tourism. *Annals of Tourism Research*, 30(3), 606-624.

¹⁰¹ Ibid

¹⁰² Blomberg, S. Brock; Hess, Gregory D.; Orphanides, Athanasios (2004). The Macroeconomic Consequences of Terrorism CESifo Working Paper, No. 1151

¹⁰³ Tavares (2004). .Counterterrorism in Kenya. *Journal of contemporary African studies* 29(4).473-491.

¹⁰⁴ Ibid

than 0.3 percent; it is the most damaging form of terrorism. Overall, terrorism causes more harm to the economy than natural disasters and currency crises; these events reduce growth by only 0.12 percent and 0.24 percent respectively. While the IMF (2001) observes that the cost of natural catastrophes has been higher than the costs of terrorist attacks, this result suggests that terrorism has a greater long-term impact. The Tavares estimate of -0.3 percent in GDP growth is slightly below Blomberg, Hess and Orphanides' estimate.

Unlike Blomberg, Hess and Orphanides, Tavares does not control for alternative conflicts.¹⁰⁵ Moreover, the result on terrorism and GDP growth becomes statically insignificant when standard macroeconomic variables are included in the regression.¹⁰⁶ According to Millar and Ipe terrorism has a negative impact on GDP.¹⁰⁷ This study follows a traditional growth analysis framework using economic and demographic control variables. Millar and Ipe show that terrorism decreases actual GDP by 0.01 percent. They also find that on a five year average terrorism reduces GDP growth by 0.7 percent. These results appear robust though the analysis omits variable accounting for alternative conflicts such as internal and external wars. This omission could have significant consequences on the results.¹⁰⁸

Kenyan specific characteristics could also play a role in determining the economic cost of terrorism. In an analysis on the impact of terrorism on GDP growth, Tavares controls for

¹⁰⁵ *ibid*

¹⁰⁶ Blomberg, S. Brock; Hess, Gregory D.; Orphanides, Athanasios (2004). The Macroeconomic Consequences of Terrorism CESifo Working Paper, No. 1151

¹⁰⁷ Millar, A., and Ipe, J. (2007), „Enhancing Counter-terrorism in Eastern Africa, “ *African Security Review*, 18:2.

¹⁰⁸ *Ibid*

country social environment and location.¹⁰⁹ He finds the costs of terrorism to be lower for democratic countries. However, this does not mean that democratic countries are less likely to experience terrorist attacks. Blomberg, Hess and Orphanides observe that despite the elevated level of terrorism activities, the overall cost of terrorism (in terms of GDP growth) for OECD countries is not significantly higher than for the rest of the world. In contrast, Africa has the lowest number of terrorist attacks compared to the rest of the world, but the economic impact of terrorism in the region is higher than in the rest of the world. These results suggest that the level of terrorist activity is not an indicator of the cost of terrorism for the economy. Alternatively, Enders and Sandler suggest that country size also has an influence on the economic impact of terrorism.¹¹⁰ Small countries are likely to be more sensitive to terrorism because their economy may not be diversified enough to enable reallocation of activities to reduce the inefficiency caused by terrorism.

2.5.3 Terrorism and Trade

Terrorism and counter terrorism have a negative impact on trade flows. Spencer describes three mechanisms through which terrorism harms trade.¹¹¹ Terrorism creates insecurity that alters production and consumption patterns, making a market less attractive for international producers. Terrorism triggers increase in security measures. Tighter security makes trade more expensive by causing delays in transaction processing and deliveries of goods and services. Terrorism can damage traded goods and infrastructure needed for the

¹⁰⁹ Tavares (2004). .Counterterrorism in Kenya. *Journal of contemporary African studies* **29**(4),473-491.

¹¹⁰ Enders and Sandler (2006) *Distribution of Transnational Terrorism Among Countries by Income Class and Geography After 9/11*

¹¹¹ Spencer.A. (2006).Questioning the concept of New Terrorism. *Peace conflict and development*. Issue 8.www.peacestudies.Journal.org.uk.Accessed on 10th may 2015.

trade. Jonah estimated terrorism lowers Kenyan exports by around 3 percent per annum.¹¹² Spencer for example, evaluate the impact of terrorism and wars on the trade flows of 200 countries from 1968 to 1979 using a gravity model. The results suggest that terrorist incidents reduce bilateral trade by 4 percent. Internal and external wars also lower trade flows.¹¹³

A single terrorist occurrence or participation in a war is sufficient to significantly alter a country trade flow. Also using a gravity model, Blomberg and Hess compare the cost of conflict including terrorism on trade to the potential gain from international trade agreements. They conduct a panel data analysis on 177 countries over 31 years.¹¹⁴ Their results show that conflicts generate a cost equivalent to a 30 percent tariff. This tax exceeds the potential gain from the elimination of borders and of language barriers, the establishment of Generalized System of Preferences or any WTO bilateral or multilateral trade agreements. Terrorism increases frictional trading costs such as transport, handling, insurance and customs.

Tarlow focus on these frictional costs to estimate the losses generated by terrorism on trade. They analyze the Global Trade Analysis Project (GTAP) database using the GTAP model. This research is quite extensive as it investigates bilateral trades over 50 sectors across 40 countries (grouped by continents or “semi continents”). The results suggest that an increase of 1 percent in frictional costs leads to a global welfare loss of \$75 billion per year. An increase of 1 percent in frictional costs was estimated for the September 11

¹¹² Jonah, D. (2007). Political Theory and Social Change. By Atherton press. New York, USA, pp 56-62.

¹¹³ Ibid

¹¹⁴ Ibid

attack. This also represents a quarter of the potential estimated gain from merchandised trade liberalization.¹¹⁵

2.5.4 Terrorism and Investment

Investment is one of the most responsive macroeconomic variables to terrorism.¹¹⁶ This sensitivity is due to the high mobility of capital and the risk aversion of investors. Investors are reluctant to keep their funds in an environment considered risky. They will react to an increase in risk by either removing their investments or by demanding higher returns to compensate for the additional risk. Terrorist risk is part of a countries political risk, which in turn is one of the components of country risk. Country risk represents the additional risks occurring when dealing with foreign nations. It is defined as “risks arising from a variety of national differences in economic structures, policies, sociopolitical institutions, geography and currency.”

In their international analysis, Blomberg, Hess and Orphanides¹¹⁷ find that terrorism lowers the ratio of investment to GDP by 0.5 percent. Terrorism is the only form of conflict that has a statistically significant impact on investment. Investment also seems to adjust more negatively than government spending, the other elements of GDP evaluated in the study.

Menkhaus,¹¹⁸ find evidence of a negative relationship between terrorist risk and country Net Foreign Direct Investment (NFDI). In an integrated world with high capital mobility, investors diversify the terrorist risk by relocating their investments across countries.

¹¹⁵ Tarlow, P. (2009). Tourism in crisis: Managing the effects of terrorism. *Journal of Travel Research*, 38(6), 3.

¹¹⁶ Sloan, A. (2006). *Terrorism. The present threat in context.* by Berg Publishers. Oxford, United Kingdom. pp 5-10.

¹¹⁷ Ibid

¹¹⁸ Menkhaus, C. B. (2011, June). Terrorism out of Somalia. Retrieved from carnegieendowment.org/2010/09/23/terrorism-out-of-Somalia.

Because of this diversification process, terrorism generates significant movement of capital, which has a significant impact on economies. For this study, Menkhaus, isolate the terrorism effects by creating a terrorist index based on the terrorist level of activity in a Kenya.

They expect the impact of terrorism on investment to be more significant because small countries have a pool of investors too small to diversify terrorist risk. If terrorist risk cannot be eased through diversification, investors are likely to move their investments out of the country.

2.5.5 Effects on Businesses

The impact of terrorism on business fixed investment is more complex and not entirely negative. To be sure, some businesses scale back already greatly reduced capital expenditure plans. Retailers are most likely to reassess their expansion plans.¹¹⁹ However, numerous companies, large and small alike, recognize an immediate need to improve their internal risk management systems and disaster recovery plans. Building redundant facilities that are capable of being put into operation at a moment's notice is not something that management likes to do. Usually, it takes pressure from industry regulators or insurers to spur improvements. In this case, the dramatic events of this day can generate new commitments to acquire the necessary hardware and software.

The perpetrators of the Westgate attack chose their target strategically. The shopping center is a popular destination not only for well-heeled Kenyans but also for international

¹¹⁹ Wabala, D. (2015, July 13). Al Shabaab Unit Formed to Cripple Kenya. The Star. Available online at <http://www.the-star.co.ke/news/al-shabaab-unitformed-cripple-kenya>. Accessed on 13/07/2015.

tourists and dignitaries.¹²⁰ It has been reported that among those killed were the Ghanaian poet, professor and former ambassador Kofi Awoonor, a Canadian diplomat, and nationals from countries including India, the U.K., France and South Africa. Kenyan President Uhuru Kenyatta said his own nephew was also among the dead.

The mall itself, a five-story complex full of high-end shops, is a clear sign of Kenya's rapid economic growth. The IMF says the country is on track to see its GDP expand by 6 percent this year, and Nairobi is becoming increasingly well-known as a hub for entrepreneurship and innovation. "Westgate is the heart of the middle class – it represents the whole new modern mall culture. Whether you are white, black or brown, it was a place everyone would visit," said Aly-Khan Satchu, a Nairobi-based investment analyst, to the Financial Times.¹²¹ "This is driving a stake into the economic heart of the new Nairobi – this is the heart of our lives that has been hit."

The attack endangered Kenya's growth by deterring foreign investment inflows of which hit \$382.3 million in the second quarter of this 2012 and discouraging investments, which supports hundreds of thousands of jobs and contributes up to 12 percent of annual GDP. But analysts do not see the attack as a long-term threat to Kenya's economy; instead, it signifies broader tensions between the haves and the have-nots in a fast-growing region.

¹²⁰ Wakanini, P. (2014, August 31st). "Kenya has been Attacked 133 times since start of operation linda nchi". The Standard, Pp. 10-12.

¹²¹ Gitu, N. D. (2003, September 22). Reviving tourism: Let's try a new approach. *The East African Weekly*. Retrieved March 28, 2004, from <http://www.nationaudio.com>

Al-Shabab is rooted in a poverty-stricken state.¹²² Although it was able to procure up to \$50 million annually from its former hub in Kismayo via racketeering and a shady network of global financiers, recruitment of young fighters is easiest in struggling areas. Its targets, on the other hand, do not tend to be in poor communities. Extremist groups including al-Shabab often set their sights on commercial centers and tourist attractions where the victims are more likely to be affluent. This tactic allows al-Shabab to position itself as a defender of the downtrodden, a message with wide appeal. Even within thriving economic hubs in Africa, growth is rarely broad-based. In Kenya, unemployment is up around 40 percent, and at least one-third of the population lives in poverty.

Addressing equality across the region is a slow process. In Kenya, the administration talks a good game about battling unemployment, but the public remains highly suspicious of a government where corruption tends to compromise development initiatives. In Somalia, international efforts to help fund a recovery are under way -- foreign donors pledged \$2.4 billion toward that end at a conference in Brussels last week -- and that aid could help to erode al-Shabab's power base, assuming it is well-spent.¹²³

2.5.7 Terrorism and Education

Al-Shabaab terrorist attacks leave Kenyans fearful, increasing school absenteeism. Many innocent Kenyan lives have been compromised due to unprecedented attacks by terror groups. Recent attacks which exposed Kenya's insecurity include the Garissa University college attack where one hundred and forty-seven people lost their lives and others were left with un-healing wounds. "I was born normal, everything God gave me... to who

¹²² Kuto, B., & Groves, J. (2004). The Effect of Terrorism: Evaluating Kenya's air transport Crisis.e-Review of Tourism Research (eRTR), 2(4).

¹²³ Ibid

should [I] put blame for my lost left leg...?” Johnson Onduko, student, and survivor of the Garissa University college attack, asked pointing to the healing wound of a cut left leg.¹²⁴

The attack on Garissa University, where gunmen stormed the establishment singling out and shooting many Christians has led many students to question their safety on campuses across Kenya. Rose, a student from Kenyatta University [situated over 350km from Garissa,] revealed that in her campus, student absenteeism is on the rise as students feared the occurrence of an attack similar to the that of Garissa. “The security checks at the entrance of Institutions have always been there but still terrorists get way in. The terrorists may have a student ID and get in without the knowledge of the security persons, the perimeter walls can easily be demolished by a bomb and the road blocks are not enough because they are not in every place,” said Stella Wangila in Mombassa.

The affect of such attacks has been felt all across the country as Universities rally together to support one another.¹²⁵ “Terror threats especially the Garissa attacks have hampered us from making use of facilities such as the library which holds hundreds of students due to fear. I commend Moi University Main Campus [located 650km from Garissa] for choosing to absorb and accommodate Garissa University College students taking into consideration that is their constituent college,” said Samuel Mwangi, a second year student at Moi University.

¹²⁴ Juergensmeyer. M. (2001). *Terrorismo religioso. El auge global de la violencia religiosa*. Madrid: Siglo XXI

¹²⁵ Ibid

CHAPTER THREE

MEASURES TO CURB THE TERRORIST ACTS

3.1 The United Kingdom's Legal Response to Terrorism

The United Kingdom has been at the forefront of fighting the global war on terrorism, using both the criminal justice model and the war model. The U.K.'s commendable successes in quelling or, in the Irish case, at least containing terrorism for more than a century, have been tempered by civil-liberties concerns at every stage. At the heart of the issue is the ad hoc or exceptional basis on which U.K. counterterrorism measures typically have unfolded. According to Morag, the U.K. has "employed a mix of regular legislation, emergency legislation, and military-based emergency executive orders."¹²⁶

Over time, the U.K.'s legal framework for countering terrorism has become more permanent, with several measures becoming "normal," lasting laws. Still, emergency laws continue to exist. To date, the authority to promulgate emergency powers in the U.K still rests with the queen and is enshrined in the law of the land. In her absence, and more commonly due to time constraints, the finance minister, prime minister, and secretary of state can issue emergency regulations. However, emergency regulations nowadays are held in abeyance, in no small part because of the strong preference among lawmakers and the public alike for legislation "vetted" through the normal lawmaking process, with full account taken of civil-liberties concerns.¹²⁷

¹²⁶ Bush, G. W. (2012) 'The National Security Strategy of the United States of America'. Washington DC: The White House.

¹²⁷ Awitta, P.P. (2004) "The Commanders Respond," Proceedings 130, No.3. (pp.53-63). Washington, DC: United Nations Naval Institute.

It is in regard to this legislative evolution that the U.K.'s approach to counterterrorism has particular relevance for Kenya. First, the U.K.'s historical enshrinement of civil liberties can be traced to the 1215 Magna Carta. Second, the U.K. has been involved in creating the European Union's human rights conventions, which have shaped Europe's counterterrorism legal strategies, as well as the U.K.'s. The Republic of Kenya was a British colony, and British law forms the basis of Kenya's legal system. Indeed, Section 3 of the Kenyan penal code (before it was repealed by Number of 2003, Section 2) provides that it shall be interpreted in accordance with the principles of legal interpretation obtained in England and that expressions shall be used with the meaning attached to them in English criminal law.¹²⁸ Even though new and autochthonous laws have since been enacted, the traditions and precedence of English criminal law persist, as do certain conventions of thought and expectations about civil liberties in practice.

3.2 The United States and AMISOM Efforts

The United States continued to support counterterrorism capacity building throughout the Horn of Africa, including bolstering AMISOM's operational efficacy, contributing to the development and professionalization of Somalia's security sector, and improving regional critical incident response capabilities of law enforcement. In the wake of the 2015 Garissa University College attack, Kenya and other East African countries refocused their efforts to secure their borders as well as detect, deter, disrupt, investigate, and prosecute terrorist incidents. In September, Kenyan Defense Forces launched Operation Linda Boni

¹²⁸ Bandura, A. (1990) 'Mechanisms of Moral Disengagement,' chapter 9 in Walter Reich, (ed), *Origins of Terrorism: Psychologies, Ideologies, Theologies, States of Mind* Washington, DC: Woodrow Wilson Center Press.

in the northern coastal area of Kenya in an effort to clear al-Shabaab operatives from the Boni Forest, a known base of operations and cross-border transit hub for al-Shabaab.

In the Lake Chad Basin, the Nigerian, Chadian, Cameroonian, and Nigerien governments took a number of steps in 2015 to increase counter-Boko Haram efforts.¹²⁹ Bilateral and multilateral efforts by these regional military forces successfully challenged Boko Haram's hold on territory, forcing it to abandon major military-style campaigns and revert back to the asymmetric tactics seen in previous years. Despite these setbacks, Boko Haram withstood and adapted to the military offensives. The group carried out kidnappings, killings, bombings (including with child suicide bombers), and attacks on civilian and military targets throughout the Lake Chad Basin, resulting in thousands of deaths, injuries, and significant destruction of property.¹³⁰

In Nigeria, the northeast states of Adamawa, Borno, and Yobe experienced significant terrorist attacks. Boko Haram's violence also spilled over into neighboring northern Cameroon, Chad, and southeast Niger. In March, Boko Haram pledged allegiance to the Islamic State of Iraq and the Levant (ISIL) in an audiotaped message. To coordinate counter-Boko Haram efforts in the Lake Chad Basin, Benin, Cameroon, Chad, Niger, and Nigeria formed a Multi-National Joint Task Force.¹³¹

France's Operation Barkhane, a counterterrorism operation focused on countering terrorists operating in the Sahel, continued and was supported by important contributions of the UN peacekeeping mission in Mali to bolster and restore that country's stability.

¹²⁹ Bard, M.G. (2012) 'Myths & Facts Online: A Guide to the Arab Israeli Conflict' Jewish Virtual Library, A Project of the American-Israeli Cooperative Enterprise.

¹³⁰ Cilliers, J., and Kathryn S. (2002) 'Africa and Terrorism, Joining the Global Campaign', Monograph 74, July. Pretoria. Institute for Security Studies. Article on web page. Available online from www.iss.co.za/PUBS/MONOGRAPHS/NO74/Chap1.html.

¹³¹ Esposito, J. L. (2002) 'Unholy War, Terror in the Name of Islam'. New York: Oxford University Press.

3.3 Trans-Sahara Counterterrorism Partnership (TSCTP)

Established in 2005, the Trans-Sahara Counterterrorism Partnership (TSCTP) is a U.S.-funded and -implemented, multi-faceted, multi-year effort designed to build the capacity and cooperation of military, law enforcement, and civilian actors across North and West Africa to counter terrorism.¹³² Areas of support include: Enabling and enhancing the capacity of North and West African militaries and law enforcement to conduct counterterrorism operations; Integrating the ability of North and West African militaries and law enforcement, and other supporting partners, to operate regionally and collaboratively on counterterrorism efforts; Enhancing border security capacity to monitor, restrain, and interdict terrorist movements; Strengthening the rule of law, including access to justice, and law enforcement's ability to detect, disrupt, respond to, investigate, and prosecute terrorist activity; Monitoring and countering the financing of terrorism (such as that related to kidnapping for ransom); and Reducing the limited sympathy and support among communities for violent extremism. TSCTP partners include Algeria, Burkina Faso, Cameroon, Chad, Mali, Mauritania, Morocco, Niger, Nigeria, Senegal, and Tunisia.¹³³

TSCTP has built capacity and cooperation despite setbacks caused by a restive political climate, violent extremism, ethnic rebellions, and extra-constitutional actions that interrupted work and progress with select partner countries.

Regional cooperation, a strategic objective of U.S. assistance programming globally, has increased substantially in West and Central Africa among most of the partners of TSCTP.

¹³² Francis, D.J. (2006) 'Uniting Africa: Building Regional Security Systems', Aldershot: Ashgate.

¹³³ Gurr, T.R.(2000) Peoples versus States: Minorities at Risk in the New Century Washington DC: United States Institute of Peace Press.

Nigeria and its neighbors agreed to form a Multinational Joint Task Force to combat Boko Haram, and remained actively engaged in countering the group throughout the region. The TSCTP partners were joined in this effort by the AU and by the country of Benin, which is not a member of TSCTP.

3.4 Partnership for Regional East Africa Counterterrorism (PRACT)

First established in 2009, the Partnership for Regional East Africa Counterterrorism (PRACT) is a U.S.-funded and implemented multi-year, multi-faceted program designed to build counterterrorism capacity and cooperation of military, law enforcement, and civilian actors across East Africa to counter terrorism.¹³⁴ Areas of support include: Reducing the operational capacity of terrorist networks; developing a rule of law framework for countering terrorism in partner nations; Enhancing border security; Countering the financing of terrorism; and reducing the appeal of radicalization and recruitment to violent extremism.¹³⁵

Active PRACT partners include Djibouti, Ethiopia, Kenya, Somalia, Tanzania, and Uganda. Burundi, Comoros, Rwanda, Seychelles, South Sudan, and Sudan are also members of PRACT.

In 2015, the U.S. government, through PRACT, continued to build the capacity and resilience of East African governments to contain the spread of, and ultimately counter the threat posed by, al-Qa'ida, al-Shabaab, and other terrorist organizations. PRACT complements the U.S. government's dedicated efforts, including support for AMISOM, to promote stability and governance in Somalia and the greater East Africa region.

¹³⁴ Healy, S. (2009) 'Peacemaking in the midst of war: An Assessment of IGAD's Contribution to Regional Security; Working Paper no. 59 Regional and Global Axes of Conflict. (p.5) Royal Institute of International Affairs.

¹³⁵ Hoffman, B. and Morrison J. (2000) A Strategic Framework for Countering Terrorism. England: Ashgate Publishing Company.

PREACT additionally serves as a broader, U.S. government interagency mechanism to coordinate counterterrorism and countering violent extremism programming. Joint training exercises for Kenyan, Tanzanian, and Ugandan first responders and law enforcement professionals support efforts to enhance regional coordination and cooperation, protect shared borders, and respond to terrorist incidents.¹³⁶

3.5 Kenya and counterterrorism

Terrorism has a great economic effect on a country. When the target of the attacks is on a developing country, then the effect is even greater. Some of the consequences that terrorism has had are with respect to “diverting foreign direct investment, destroying infrastructure, redirecting public investment funds to security and limiting trade”. Research indicates that terrorism that occurs in developing countries is likely to have more impact on the country’s economy than terrorism that occurs in a developed country. The main reasoning for this argument is that, a developed nation has more resources and capabilities to survive prolonged attacks.

3.5.1 Policy Response by the Government to Terrorist Attacks and Threats

The slow government response to terrorist attacks and threats since the 1998 bombing grew from a denial based on the perception of Kenya as a victim, rather than a source of international terrorism.¹³⁷ This denial was also tied to the inability to acknowledge the wider context that led to the growth of terrorism: the erosion of governance structures, notably weak enforcement and gate keeping institutions. Consequently, the government

¹³⁶ Juergensmeyer, M. (2001) *Terror in the Mind of God: The Global Rise of Religious Violence*. California: University of California Press

¹³⁷ Kaufman, S. (2012, April 26). For African Anti-Terrorism, Region Must Lead, but U.S. Is Helping. Retrieved August 12, 2015, from <http://www.africom.mil/newsroom/article/8938/for-african-anti-terrorism-region-must-lead-but-us>

has always been afraid to alienate Kenya's Muslim minority who often complain of marginalization. There was, however, a marked shift in policy after Muslim protestors embarrassed the Moi regime by marching in support of Al-Qaeda in the wake of September 11 attacks in the US.¹³⁸

The new government of Mwai Kibaki moved to establish mechanisms to meet the growing threat of terrorism activities in Kenya. In February 2003, the government formed the ATPU composed of officers trained in anti-terrorism.¹³⁹ At the same time, the cabinet authorized negotiations between the executive and legislative branches on legislation to detect and punish suspected terrorists. In June 2003, Kalonzo Musyoka who was then the minister for foreign affairs called on parliament to expeditiously pass the anti-terrorism bill. As far as counter terrorism strategies are concerned in Kenya, the diplomatic aspects have grown much faster than the legislative ones. As far back as 2003, an attempt to pass the Suppression of Terrorism Bill 2003 was rejected by Kenyan parliament. Even a revised bill known as Suppression of Terrorism Bill 2006 met equal resistance from law makers and the Muslim community in Kenya. On the judiciary front, seven terror suspects that were arrested in connection with the 2002 bombings in Kikambala were acquitted in 2005 due to lack of laws that govern terrorism. The closest Kenya came to strengthening the prosecution of terrorist suspects was in the amendment of the Evidence Act that made confession taken before a police officer admissible in a court of law. The amendment of the act led to a number of successful prosecutions of terrorist suspects.¹⁴⁰

¹³⁸ Ibid

¹³⁹ Mohamed, H. (2014, November 24). Al-Shabab Massacres 28 Kenyan Bus Passengers. Retrieved August 20, 2015, from <http://www.aljazeera.com/news/africa/2014/11/killed-kenya-bus-attack-201411226446296802.html>

¹⁴⁰ Ibid

3.6 Legislative Initiatives

3.6.1 Suppression of Terrorism Bill 2003

In 2003, the GoK published the Suppression of Terrorism Bill with wide ranging provisions on what amounted to terrorism. The bill defined terrorism, inter alia, as “the use of threat or action” where: a) the action used or threatened: (i) involves serious violence against a person, (ii) involves serious damage to property (iii) endangers the life of any person other than the person committing the action (iv) creates a serious risk to the health or safety of the public or a section of the public or (v) is designed seriously to interfere with or seriously disrupt an electronic system; (b) the use or threat is designed to influence the government or to intimidate the public or a section of the public; and (c) the use or threat is made for the purpose of advancing a political, religious or ideological cause.¹⁴¹ The definitional problem that bedevils the global quest for a precise operationalization of the concept of the term “terrorism” was evident in this definition and in the bill in particular. Like most counter terrorism legislations, the bill was described as being riddled with vague and broad parameters that open them to abuse by the state. As a result, it was met by stiff opposition from all quarters including parliament, civil society, and international human rights organizations¹⁴⁶ which subsequently led to the withdrawal of the bill pending further consultations. It was later revised and taken back to parliament for debate.¹⁴²

¹⁴¹ Neria, Y., Gross, R., & Marshall, R. (2006). 9/11: Mental health in the wake of terrorist attacks. Cambridge, UK: Cambridge University Press. Retrieved from <http://gen.lib.rus.ec/book/index.php?md5=818A96B946D9B6147F034FDB17F87478>

¹⁴² Ombati, C. (2015, June 14). 11-suspected-Al-Shabab-and-two-kdf-soldiers-killed-in-botchedattack.RetrievedAugust20,2015,from <http://www.standardmedia.co.ke/article /2000165639/11-suspected-Al-Shabab-and-two-kdf-soldiers-killed-in-botched-attack>

3.6.2 Suppression of Terrorism Bill 2006

This bill was a revised version of the Suppression of Terrorism Bill, 2003. If it would have been passed by parliament, it would have been known as the Anti-Terrorism Act, 2006. While by far a better version, it was not passed owing to the political implications of the bill. In this bill, terrorism was defined as: (a) An act or omission in or outside Kenya which constitutes an offence within the scope of counter terrorism convention; (b) An act or threat in or outside Kenya which, inter alia, involves serious bodily harm to a person; involves serious damage to property; endangers a person's life..." One important addition to the definition is the reference to counter terrorism conventions.

Over the years, twelve key international conventions have been developed within the UN to address the threat of terrorism, and the obligations of state parties under those conventions and protocols. Kenya is party to all the conventions. Moreover, the bill distinguished between free speech, acts such as protests, demonstrations, or work stoppages, and overt acts of terrorism. An important provision of the draft bill was that it addressed issues of international terrorism. Under the bill, the incitement to commit a terrorist offence does not have to take place in Kenya for it to be an offence under the proposed act. Section 8 (2) of the bill noted that, "It is immaterial whether or not the person incited is in Kenya at the time of the incitement."

This part of the bill recognized that Kenya was a critical partner in the GWOT. It also signaled the government's acknowledgement that Kenya was no longer merely a victim of terrorism, but a harbor of terrorists. Another important provision of this bill that related to GWOT was the provision for mutual assistance and extradition. Under section 33 (1) of that proposed bill, Kenya's AG may have shared information regarding terrorists with

a foreign state. Such information included details of movement, travel documents, communication technologies, or terrorist related offences committed. However, under section 34 (1) of the proposed bill, the AG could only have done this with permission of the High Court. If passed, the act would have also allowed Kenya's AG to make similar requests to a foreign state.¹⁴³

Although the proposed bill was somewhat an improved version Suppression of Terrorism Bill 2003 in terms of the protection of rights of the Muslim community, it nevertheless attracted numerous criticisms. Critics of the anti-terrorism bill argued that the war on terror was not Kenya's war, and that any laws that were written specifically as part of a counter terrorism program were written at the behest of the US government. The second argument was that the laws were discriminatory and that they targeted the Muslim community. This was reinforced by the fact that the Kenyan police arrested and detained, sometimes incommunicado, many people from the Muslim community on suspicion of involvement in terrorist activities. The Terrorism Suppression Bill 2006 was not passed as it was rejected at parliamentary committee level.¹⁴⁴ The government made several overtures to the Muslim community assuring them that their community will not be targeted. However, Muslim leaders remained adamant in their opposition to the bill leading to its withdrawal from parliament. This was a setback to the government in its GWOT.

¹⁴³ Theuri, C. (2013, November 10). 2002: Terrorists Hit Paradise Hotel after Elaborate Planning. Retrieved August 20, 2015, from <http://mobile.nation.co.ke/lifestyle/-/1950774/2067670/-/format/xhtml/-/cygh6tz/-/index.html> Terrorists-hit-Paradise-Hotel-after-elaborate-planning/-

¹⁴⁴ Wafula, P. (2014, September 3). Kenya faced 133 terror attacks since Somalia intervention. Retrieved October 13, 2015, from <http://hornaffairs.com/en/2014/09/03/kenyafaced133terrorattacksincemosaliaintervention/>

3.6.3 The Prevention of Terrorism Bill 2012

It took six years for the terrorism bill to be re-introduced in parliament. On 28th August 2012, Yusuf Haji, then the defence minister and acting internal security minister tabled the Prevention of Terrorism Bill 2012 in parliament. The bill was passed by parliament and President Mwai Kibaki assented to it on 12th October 2012 and it became the Prevention of Terrorist Act 2012 which gives law enforcement agencies more powers to combat terrorism in the country. Under the Act, persons found engaging in terrorism activities leading to deaths of other persons will be imprisoned for life while activities which do not result to deaths will attract jail terms of up to 30 years. Those convicted of assisting in the commission of terrorism acts and those found in possession of property intended for the commission of the acts are on conviction liable for a term not exceeding 20 years. The Act which drew sharp criticism from members of the Muslim community also provides stiff penalties for the offences of membership to terrorist groups, recruitment as well as training.¹⁴⁵

While the government's work on the legislative aspects of its counter terrorism policy was for a long time undermined by an assertive parliament, a vibrant civil society, and a determined religious community, its work on both bilateral and multilateral initiatives on counter terrorism has been more productive.

3.7 Diplomatic Initiatives

Following repeated threats to Kenya and the impact of these threats on the national economy and security, the GoK initiated both multilateral and bilateral initiatives to build

¹⁴⁵ Waxman, D. (2011). Living with terror, not Living in Terror: The Impact of ... Retrieved October 13, 2015, from <http://www.terrorismanalysts.com/pt/index.php/pot/article/view/livingwithterror> Internet Sources

partnerships with affected countries both inside and outside the region. As part of its regional counter terrorism initiatives, the GoK has participated in numerous discussions under the auspices of regional organizations such as IGAD, the AU, the Commonwealth and the UN. Nevertheless, the most prominent diplomatic initiative is the bilateral cooperation with the US government on improving Kenya's counter terrorism readiness. For the US, counter terrorism efforts have been described as a "high priority" in the fight against terrorism in the region.

3.7.1 Military Training and Counter terrorism Strategy

Bilaterally, the US government has been Kenya's greatest partner. The US has supported Kenya's counter terrorism operations which have been on the rise since 1998. Despite the existence of the high profile cooperation between the two countries, the US continues to view Kenya's efforts in counter terrorism measures as inadequate. According to President Bush administration at the time, there was little progress made by Kenya on the war on terror. In its annual Patterns of Terrorism report, the US State Department faulted Kenya for disbanding the Joint Terrorism Task Force established in 2004 with US funding to improve cooperative work on counter terrorism among the police and armed forces.

¹⁴⁶According to the report, the GoK did not complete the National Counter terrorism Strategy, nor did it sensitize the country on the terrorist threat. The nature of support from the US government has been varied. It ranges from provision of military hardware to counter terrorism training. For instance, among the highly publicized counter terrorism joint exercise was in June 2003 when the US military's Combined Joint Task Force-Horn of Africa (CJTF-HOA) personnel arrived in Mombasa to conduct joint training with

¹⁴⁶ "Research and Statistics." (2011) Counter-Terrorism Training and Resources for Law Enforcement. .

Kenyan military as part of the counter terrorism preparation. A press release from the CJTF-HOA secretariat indicated that “the goal, for what will be an extended period of operations in coastal and international waters between Kenyan and CJTF-HOA forces, is the integration of a variety of advanced technologies into coastal and maritime counter terrorism plans and operations.”¹⁴⁷

Operationally, CJTF-HOA covers the total airspace, land areas, and coastal waters of Kenya, Somalia, Sudan, Djibouti, Ethiopia, Eritrea, and Yemen. Other joint operations carried out were in June and July 2003 when the Kenya Navy and USS Joint Venture (HSV-XI) undertook joint coastal and interdiction operations. Other training operations were jointly conducted with the USS Jarret (FFG33) and Kenya’s Shupavu in January 2004. Kenya’s Defence Department and the USS Central Command signed a memorandum providing for joint maritime operations at least two times a year under the US military’s CJTF-HOA. According to top commanders of the Kenya Navy, it was anticipated that the training operations were to enhance both the operational and tactical capacity of the Navy to protect Kenya’s coastline. Ultimately, this was expected to “produce and increase Kenya’s counter terrorism capability, deter cross-border movement, and create credible pressure on terrorism activities within Kenyan waters and in Somalia from the south.” Apart from joint counter terrorism training of military personnel, Kenya is also a major beneficiary of 100 million US Dollars East African Counter terrorism Initiative (EACTI) that was launched by President Bush in 2003.¹⁴⁸

¹⁴⁷ Pelton, R. Y. (2012) “Kenya modified invasion to suit US concerns”, Somalia Report (www.somaliareport.com).

¹⁴⁸ Otiso, K. (2009) ‘Kenya in the Crosshairs of Global Terrorism: Fighting Terrorism at the Periphery.’ Kenya Studies Review: 1, 1, 107-132.

3.7.2 The 2003 East African Counter terrorism

Initiative Kenya is a central partner in the EACTI. The EACTI was announced by former US President George W. Bush in 2003 with a view to strengthening the capacity of East African countries to fight terrorism. Under the program, Kenya has participated in joint military exercises with neighbouring countries in counter terrorism readiness. As part of the EACTI, there has been joint military training in maritime and coastal border security, and purchase of equipment for patrol. Under the initiative, Kenya received funding to improve the NCTC and to fund the joint counter terrorism task force.¹⁴⁹ The joint task force was established to improve interagency and information sharing to better target and disrupt terrorist activities in the country and the region. The task force was later disbanded in 2004. Additionally, as part of the initiative, Kenya received funding for police training and modernization of its communication equipment. In addition to these more visible programs, with support from the US government, the GoK became part of the Terrorist Interdiction Program (TIP). Through this program, custom officials can identify terrorist suspects entering the country.¹⁵⁰ The data can then be shared among countries for effective monitoring of suspected terrorists. Another important aspect of border controls is the Export Control and Related Border Security Assistance project that has received substantial funding from the US government. Under this program, the GoK is provided with funds to improve border controls to prevent transfer of weapons of mass destruction through the country's borders. These and other programs remain some of the

¹⁴⁹ Ibid

¹⁵⁰ Pelton, R. Y. (2012) "Kenya modified invasion to suit US concerns", Somalia Report (www.somaliareport.com).

most important outcomes of bilateral negotiations between Kenya and the US in the GWOT.

3.8 Other counter terrorism strategies

Kenyan officials cooperated closely with the United States and other partner nations on counterterrorism issues, including investigating and prosecuting terrorism cases. Kenya is one of six countries participating in the President's Security Governance Initiative (SGI) announced at the 2014 U.S.-Africa Leaders' Summit.¹⁵¹ SGI focuses on the management, oversight, and accountability of the security sector at the institutional level. In Kenya, SGI program priorities include border security and management, administration of justice, and police human resource management.¹⁵²

In 2015 the Kenyan government focused increased attention on preventing the flow of foreign terrorist fighters, including Kenyans and other nationals, to join al-Shabaab in Somalia, as well as on Kenyan national fighters returning from abroad.¹⁵³ Kenyan officials and civil society representatives participated in global events focusing on countering violent extremism and stemming the flow of foreign terrorist fighters, including the February White House Summit on Countering Violent Extremism and the Leaders' Summit on Countering ISIL and Violent Extremism that took place on the margins of the UN General Assembly in September; both events were hosted by President Obama. The Kenyan government also fulfilled its pledge to host a regional CVE conference, which took place in June.¹⁵⁴

¹⁵¹ Ibid

¹⁵² Otenyo, E.E. (2004) 'New Terrorism: Toward an explanation of cases in Kenya' African Security Review 13(3) (p.76)

¹⁵³ O. Obado (2011) 'Institutional actors in Kenya's foreign policy'. The Diplomatic Post Foreign Policy Review.

¹⁵⁴ Ibid

3.8.1 Legislation, Law Enforcement, and Border Security

Kenya's 2012 Prevention of Terrorism Act, 2011 Proceeds of Crime and Anti-Money Laundering Act, and 2010 Prevention of Organized Crime Act together provide a strong legal framework under which to prosecute acts of terrorism. In late 2014, President Uhuru Kenyatta signed into law the Security Laws (Amendment) Act of 2014 (SLAA), a set of provisions that altered 20 existing laws to further strengthen Kenya's legislative framework to fight terrorism.¹⁵⁵ Positive steps contained in the SLAA include the criminalization of participating in terrorist training, laying out the foundation for a coordinated border control agency, strengthening the mandate of Kenya's National Counter-Terrorism Centre (NCTC), and broadening evidentiary standards to allow greater use of electronic evidence and recorded testimony in terrorism prosecutions. Civil society groups, the political opposition, and the Commission on Human Rights contested several provisions of the SLAA, including those that affected freedom of speech, non-governmental organizations (NGOs), and the rights of the accused and refugees, arguing they violated constitutionally guaranteed civil liberties and contravened Kenya's international obligations. In February 2015, the High Court struck down eight provisions of the SLAA as unconstitutional.¹⁵⁶

The Kenyan judiciary demonstrated independence, exemplified by the actions of the High Court in relation to the SLAA, and competence in cases related to terrorism. However, the judiciary remained hampered by a lack of sufficient procedures to allow the effective

¹⁵⁵ Kaufman, S. (2012, April 26). For African Anti-Terrorism, Region Must Lead, but U.S. Is Helping. Retrieved August 12, 2015, from <http://www.africom.mil/newsroom/article/8938/for-african-anti-terrorism-region-must-lead-but-us>

¹⁵⁶ Kiruga, M. (2013, September 15). 20 Killed in Bomb attack on Norfolk. 20 Killed in Bomb Attack on Norfolk. Retrieved August 18, 2015, from <http://mobile.nation.co.ke/lifestyle/-/1950774/1993444/-/format/xhtml/item/0/-/8fv6fd/-/index.html>

use of plea agreements, cooperation agreements, electronic evidence, and other undercover investigative tools. Allegations of corruption in the judiciary, including in the High Court, have persisted.

In April, in the aftermath of the Garissa University College attack, the Inspector General of National Police Service released via the official Kenya Gazette a list naming 87 individuals and organizations, including financial institutions and NGOs, suspected of associating with terrorist organizations. Following the Gazette notice, the Central Bank issued orders to freeze the funds of those organizations and individuals and the NGO Coordination Board took steps to cancel the licenses of three NGOs: human rights groups Muslims for Human Rights (MUHURI) and Haki Africa, as well as the Agency for Peace and Development (APD). All three organizations challenged the deregistration decisions in court.¹⁵⁷ In June, 13 money transfer organizations mainly serving the Somali community included in the Gazette Notice were reinstated by presidential decree. In September, authorities re-registered APD. In November, Haki Africa and MUHURI succeeded in a legal challenge to their inclusion in the list and the Kenyan High Court ruled that their funds should be unfrozen.

In line with the security sector reorganization outlined in the 2010 Kenyan Constitution, the Government of Kenya divided counterterrorism functions among the three branches of the National Police Service the Kenya Police [including the paramilitary General Service Unit (GSU)], the Directorate of Criminal Investigations [including the investigative Anti-Terrorism Police Unit], and the Administration Police including the Rural Border Patrol Unit] – as well as non-police agencies such as the National

¹⁵⁷ Ibid

Intelligence Service and elements of the Kenya Defense Forces. Operational effectiveness remained impeded by limited interagency coordination, resources, and training, as well as corruption among some personnel and unclear command and control. The response to the attack at Garissa University College, while slowed by command, control, and logistics support issues, exhibited better interagency coordination between police and military elements than the 2013 Westgate attack, and police tactical units resolved the situation swiftly once deployed.¹⁵⁸

Kenyan security and justice sector officials participated in a range of U.S. government-sponsored capacity-building programs funded and implemented by the U.S. Departments of State, Homeland Security, Justice, and Defense.¹⁵⁹ These programs included training in crisis response, border operations, investigations, and prosecutions. Notable among these was the Department of State's second annual East Africa Joint Operations Capstone exercise, a month-long crisis response training series hosted in Kenya for Kenyan, Ugandan, and Tanzanian law enforcement personnel; the exercise culminated in a large-scale simulation of a response to a terrorist incident, including a cross-border pursuit that also featured community engagement and human rights-related issues.¹⁶⁰

Border security remained a challenge for Kenya due to its vast, sparsely populated border regions and largely uncontrolled borders. This was exacerbated by security agency and other government resource gaps and corruption at multiple levels. However, there were signs of improved interagency cooperation, exemplified by the successful joint police-

¹⁵⁸ Maxwell, J. A. (2013). *Qualitative Research Design*. Washington DC: SAGE.

¹⁵⁹ Mohamed, H. (2014, November 24). Al-Shabab Massacres 28 Kenyan Bus Passengers. Retrieved August 20, 2015, from <http://www.aljazeera.com/news/africa/2014/11/killed-kenya-bus-attack-201411226446296802.html>

¹⁶⁰ Ibid

military-intelligence operation to rescue a kidnapped aid worker 30 km inside Somalia in October.¹⁶¹

Kenyan officials emphasized the importance and challenges of border security in their ongoing discussions with U.S. counterparts, particularly in the context of the SGI, which has included successful exchange visits with U.S. border security officials that helped increase Kenyan government interagency cooperation on border security, leading to the development of a draft Kenyan government border-control strategy. A lack of capacity on border security and inadequate systems of national identification hampered law enforcement agencies' ability to identify and detain potential terrorists entering and leaving Kenya. Terrorist screening watchlists, biographic and biometric screening, and other measures were largely in place at major Kenyan ports of entry, but screening procedures were sometimes inconsistently or minimally applied, particularly at smaller border posts. Large stretches of the Kenya's land borders are relatively uncontrolled. Kenya continued its partnership with the United States to strengthen Personal Identification Secure Comparison and Evaluation System (PISCES) border controls at major ports of entry.¹⁶²

The Kenyan government focused increased attention on preventing the transit of foreign terrorist fighters, including Kenyan nationals attempting to join al-Shabaab in Somalia, as well as Kenyan national fighters returning to the country from abroad.¹⁶³ A high-level Kenyan government delegation and civil society representatives participated in the

¹⁶¹ Theuri, C. (2013, November 10). 2002: Terrorists Hit Paradise Hotel after Elaborate Planning. Retrieved August 20, 2015, from <http://mobile.nation.co.ke/lifestyle/-/1950774/2067670/-/format/xhtml/-/cygh6tz/-/index.html>

¹⁶² Ibid

¹⁶³ Wafula, P. (2014, September 3). Kenya faced 133 terror attacks since Somalia intervention. Retrieved October 13, 2015, from <http://hornaffairs.com/en/2014/09/03/kenyafaced133terrorattackssincesomaliaintervention/>

September Leader's Summit on Countering ISIL and Violent Extremism hosted by President Obama in New York on the margins of the UN General Assembly (UNGA), as well as participated in other UNGA side events regarding foreign terrorist fighters.

Kenyan security services detected and deterred terrorist plots during 2015 and responded to dozens of claimed, or presumed, terrorism-related incidents. Kenyan law enforcement did not repeat the widely-criticized large-scale security operations of 2014 that appeared to target communities. Nonetheless, Kenyan military, paramilitary, and police forces were accused of serious abuses. A draft report by the government-funded Kenya National Commission on Human Rights implicated Kenyan security forces in 25 extrajudicial killings and the disappearances of 81 civilians. The government took limited steps to address cases of alleged unlawful killings by security force members. Kenya's Independent Policing Oversight Authority (IPOA) continued to make progress in fulfilling its mandate by investigating multiple cases of police misconduct and referring more than 20 of these to the Office of the Director of Public Prosecutions.¹⁶⁴

At the end of 2015, several major terrorism cases remained ongoing, including the trial of four Kenyans and one Tanzanian charged in June in connection with the Garissa University College attack. That trial was postponed in August for administrative reasons, and had not resumed by year's end. In December, the Mombasa High Court sentenced British terrorist suspect Jermaine Grant to nine years on charges related to trying to

¹⁶⁴ Gerson, K., & Horowitz, R. (2012). Observation and Interviewing: Options and Choices in Qualitative Research. In *Qualitative Research in Action* (p. 406). Sage.

obtain Kenyan citizenship illegally. At the end of the year, Grant still faced separate explosives-related charges in a second, ongoing trial.¹⁶⁵

Kenyan law enforcement agencies worked with regional organizations and the broader international community, including the United States, to increase its counterterrorism capacity and to secure land, sea, and air borders. Kenyan law enforcement has benefited from U.S.-funded trainings including, for example, those to increase its capacity to respond to incidents of terrorism and improve the capacity of airport security staff to better recognize man portable air defense systems (MANPADs).

3.8.2 Countering the Financing of Terrorism

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force (FATF)-style regional body. The Kenyan government is working to implement relevant UN Security Council Resolutions to restrict terrorism financing. Kenya made further progress in implementing its anti-money laundering/countering the financing of terrorism regime in 2015 following its 2014 removal from the FATF's continuing monitoring process.¹⁶⁶

Kenya's Financial Reporting Center (FRC) made progress in becoming fully operational and continued to build its capacity to monitor the formal financial system. The organization has not yet appointed a permanent director. The FRC remained hampered by a lack of essential resources and faced challenges meeting minimum staffing, physical security, and information technology requirements. The FRC also lacks an electronic reporting system for suspicious transactions. The Central Bank of Kenya continued to

¹⁶⁵ Enders, Walter and Todd Sandler. (2002). Patterns of Transnational Terrorism, 1970–1999: Alternative Time-Series Estimates. *International Studies Quarterly* 46:145-165.

¹⁶⁶ Cohen, Louis, Manion, Lawrence and Morrison, Keith. (2011). *Research Methods in Education*. London : Routledge.

encourage Kenyan citizens and residents to use the formal financial sector, which is subject to regulatory oversight and would increase overall financial transaction integrity, though use of unregulated informal financial mechanisms, including *hawalas*, continued. Kenya's NGO Coordination Board came under fire in October for announcing the de-registration of more than 900 civil society organizations for allegedly failing to comply with mandated NGO financial reporting requirements. Following intense criticism from NGOs and others, including prominent politicians, the government reversed its decision and gave the groups more time to comply. The Kenyan government made a similar move to deregister more than 500 NGOS in 2014, which also was reversed following strong civil and political opposition.¹⁶⁷

3.8.3 Countering Violent Extremism

During 2015, the Kenyan government improved its engagement with civil society, particularly communities at risk of radicalization in the northeast of the country. It also increased its efforts and coordination with international partners to advance CVE efforts, including prevention of radicalization, counter-messaging, and the reintegration of foreign terrorist fighter returnees. The government made some gains in CVE efforts, including the large-scale redeployment of ethnic Somali police officers to their home counties in Northeast Kenya to improve public confidence in the police with communities at risk of radicalization.¹⁶⁸ The government also undertook some small-scale efforts to rehabilitate and reintegrate former al-Shabaab fighters, facilitators and sympathizers, but efforts were constrained by the lack of a defined strategy, clear legal framework, or

¹⁶⁷ Ibid

¹⁶⁸ Lecey, M. (2004) 'Threat of Terrorism Hurts Kenya Tourism'. The New York Times, January. Available from <http://proquest.umi/pqdweb?83index=395&sid=1&srchmode=3&vinst=PROD&fmt=3&>

supportive public messaging. Senior Kenyan officials and civil society representatives participated in the White House Summit on Countering Violent Extremism in February and the Kenyan government hosted a regional CVE conference in June. Kenyan civil society organizations worked to address the drivers of radicalization and violent extremism in Kenya, often with assistance from the United States and other international partners.¹⁶⁹

3.8.4 International and Regional Cooperation

Kenya is an active member of the Partnership for Regional East Africa Counterterrorism and the AU, including on the Peace and Security Committee, and as a troop-contributing country to the African Union Mission in Somalia. Kenya remains engaged with the Intergovernmental Authority on Development (IGAD) and hosted an IGAD Security Sector Program validation workshop on a countering violent extremism study in October. Although not a member of the Global Counterterrorism Forum (GCTF), Kenya is an active participant in GCTF activities, agreed to serve as a pilot country for the GCTF-endorsed International CT/CVE Clearinghouse Mechanism, and hosted a GCTF Border Security Initiative workshop for the Horn of Africa in December. Kenya also organized and hosted a regional CVE conference as a follow-up to the White House February CVE Summit.¹⁷⁰ These events were Kenya's major contribution to regional capacity building. In December, Kenya was selected as a beneficiary of the Global Community Engagement and Resiliency Fund.

¹⁶⁹ Miyandazi L. (2012) 'Kenya's military intervention in Somalia: An intricate process' Policy & Practice Brief Issue no.19. (p.3).

¹⁷⁰ Molly, M. (2002) "Dream Vacation, Shattered by Death: Family Finds Violence They Had Hoped to Escape." The Washington Post, November 29, 2002.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

In recent years, high-profile corruption scandals have unleashed a wave of popular protests against politicians across the world. Public opinion research indicates corruption one of the foremost issues of concern to ordinary citizens, and trust in government institutions has reached an all-time low. These negative views are often informed by personal experiences with bribery, nepotism and poor service delivery, which become rapidly less tolerable when the illicit enrichment of public officials dominates the news. Perceptions of pervasive corruption among the political class, in turn, makes constituents more vulnerable to the appeal of extremists who argue that the system is irretrievably broken, and only direct action can effect change.

4.2 The corruption factors that Cause Terrorism

According to the findings corruption and terrorism do not only join forces in conflict-affected countries where criminal activities are likely to flourish. In any country where endemic corruption has made the country itself or its neighbor's vulnerable to terrorist activities, terrorist organisations are ready to use it to finance and perpetrate their acts. Like criminals and those ready to take their bribes, terrorist organisations depend on the same legal grey areas and the porosity of the financial sector to channel their financing. As such, no country is totally immune.

The findings revealed that corruption and poor governance hamper countries' ability to fight terrorism, Corruption facilitates international terror attacks, Corruption helps cross-border terrorist financing and Corruption and terrorist financing share methods to hide money.

4.2.1 Corruption and Poor Governance Hamper Countries' Ability to Fight Terrorism

As revealed by the findings state institutions weakened by engrained and deep-seated corruption is not only less effective in fighting terrorism but is vulnerable to exploitation by terrorist groups. As pillars of state security and the rule of law, corruption in institutions such as the army, the police and judiciary and in the defense sector is of great concern. Corruption in the army not only undermines its legitimacy and efficacy but can create significant security concerns. Widespread corruption has weakened armies' ability to halt terrorist groups such as Boko Haram or ISIL, particularly in countries where soldiers are not paid in full, are poorly equipped, and where morale is low. An anti-corruption representative from a large African country states: "There's no doubt that the situation is strongly linked to corruption. Corruption weakened and escalated insecurity. Because money for welfare that was appropriated for weapons wasn't getting to base.

The defense sector has been historically vulnerable to corruption, particularly to corruption of foreign public officials by companies from major defense-exporting countries, many of which are OECD countries and Parties to the OECD Anti-Bribery Convention. With huge contracts and high secrecy, the defense sector poses unique

corruption risks. Single-source or non-competitive contracts and unaccountable and overpaid agents are common in this secretive sector.

According to the findings corruption in defense is not just about sales commissions, it may also mean soldiers operating with ill-fitting or inadequate equipment, or with no equipment at all. Examples of fraud and corruption in the defense procurement process show how the misuse of public money in the defense sector weakens countries' capacity to fight terrorism and contributes to rising insecurity. "Nigerian troops were denied weapons to fight Boko Haram and thousands of lives were lost because of rampant fraud in the procurement process", Nigerian President Muhammadu Buhari declared when a corrupt, multi-billion-dollar deal for weapons and equipment was revealed in the press in November 2015.

Although stringent anti-bribery laws have been passed in most countries and compliance has become part of the lexicon of today's businesses, major corruption scandals continue to occur. According to a 2015 study by Transparency International, two-thirds of defense companies show little or no evidence of having programmes to combat corruption.² Governments and international bodies have a vital role to play in promoting more integrity in this sector. Sound financial management of a country's defense sector is key to ensuring that security forces are capable of responding to the terrorist threat and the population's security needs.

In addition the findings shows that corruption in the police and the judiciary - In many countries, avoiding investigation or detection or impeding ongoing judicial or investigative processes can be accomplished by exerting influence, particularly at lower

to mid levels of law enforcement structures. This can benefit both organised crime and terrorists. In the judicial sphere, judges and prosecutors can be corrupted by organised crime groups and terrorists who may activate already existing corruption networks, to escape pre-trial detention and obstruct justice.

4.2.2 Corruption Facilitates International Terror Attacks

As per the findings terrorist groups may seek funding through crime out of financial necessity or simply because the potential profits associated with the criminal activity are too attractive to ignore. Terrorists may also be involved in some forms of criminal activity both as a source of financing and for logistics purposes in the context of terrorist attacks. They may use evasive methods of travel without detection, including the use of altered and counterfeit passports and visas.

Official papers and passes - Corruption is the “enabling technology” that makes many terrorist crimes possible. For instance, two of the 9/11 hijackers allegedly obtained fraudulent driver’s licenses from a branch of Virginia’s Division of Motor Vehicles which they then used as identity cards to board the aircraft. The same branch had also sold licenses to illegal immigrants in exchange for bribes. In the Bangkok bombing in August 2015, according to media reports, one of the suspects paid a bribe to enter Thailand. Terrorists may also bribe airport personnel in order to get bombs and weapons past security systems, as seems to have been the case in the 2004 Domodedovo (Moscow) airport bombing.

Export controls and illegal weapons - Corruption causes a direct threat to security when it undermines weapons export controls. Export controls are enacted to protect citizens and

businesses from the illegal proliferation of weapons, including weapons of mass destruction. They cover a large range of products and technologies, including “dual-use items” which have a legitimate commercial use in addition to possible military applications. To get arms across borders, smugglers may misreport the number of transferred weapons, use false documentation and conceal weapons from the authorities. Obtaining false documentation usually entails corruption of border officials who remain very vulnerable. Criminals, including terrorist groups, are expert at identifying and exploiting weak or poorly enforced export controls in supplier states. They may also resort to bribery to avoid export controls altogether, particularly where anti-bribery regimes are deficient and enforcement spotty. Two high profile cases involving breaches of both export controls and foreign bribery offences illustrate the practical links between the two offences. In May 2011, the BAE systems plc case resulted in a consent agreement for alleged violations of both the US export control (ITAR) and anti-bribery legislation (FCPA) which culminated in a penalty of USD 79 million and USD 400 million, respectively. Similarly, In November 2013, three subsidiaries of Weatherford agreed to plead guilty for violations of both legislations and the fraudulent use of the UN Oil for Food Program. These cases emphasize the need for a more coordinated approach and increased cooperation between authorities enforcing export control regulatory regimes and offences relating to implementation of the OECD Anti-Bribery Convention. Export companies also need to have processes in place, including internal compliance systems, which address export control risks in tandem with anti-corruption risks.

Nuclear materials and technologies - Some experts are also concerned that corruption is increasing the risk of terrorists obtaining nuclear materials. It is highly unlikely that terrorists could build, steal, or buy a nuclear bomb, but they may try to use less sophisticated devices, for example releasing radioactive material obtained from a reprocessing plant or weapon decommissioning in a so-called “dirty bomb”. Corruption is an important enabler. Links to organized crime on the one side and to corrupt officials on the other side facilitate financial and arms flow.” Katherine Dixon, Transparency International at the 2017 OECD Anti-corruption and Integrity Forum For cross-national smuggling of nuclear components, corruption is again the primary tool that criminals use to solicit help from officials. According to Louise Shelley, Director of the Transnational Crime and Corruption Center at George Mason University, “the greatest threat to post-Soviet nuclear security is no longer underpaid scientists selling their skills to the highest bidder. Much more dangerous today are the connections between corrupt officials who have access to nuclear materials, criminal groups that already control transit networks for illegal goods, and terrorist groups that want to acquire nuclear materials”.⁸ This is where corruption endangers world peace and jeopardizes global stability.

4.2.3 Corruption Helps Cross-Border Terrorist Financing

Although awareness of corruption, organized crime and terrorist financing has been growing in recent years, the linkages and resonances between these three forms of behavior may not be sufficiently acknowledged. UN Security Council Resolutions recognize that terrorist groups function like international criminal businesses. The similar tactics used by criminals and terrorists to reach their separate operational objectives have

been recognized in the international standards developed by the FATF to combat money laundering and terrorist financing.⁹ These standards provide countries with a toolbox of measures related to prevention as well as to legal, law enforcement and operational issues. If these measures are implemented effectively by countries, they will create an environment where it will be more difficult for terrorist financing, money laundering, corruption and other crimes to thrive undetected. The fact remains that, like criminal organizations, terrorists engage in a range of activities that are greatly facilitated by corruption. Corruption happens at border points, where criminal operators offer bribes to customs officials to allow them to smuggle prohibited goods. The nature of these activities varies from country to country but can take the form of simple acts such as “turning a blind eye” to extreme acts of aiding with contraband smuggling. Smuggling and illicit trade are long-established and profitable activities which international terror groups, crime rings and rebel guerrillas use to finance their activities. Terrorists benefit from corruption and promote it in order to finance their activities, and smuggle their equipment, and to protect their networks from the eyes of security and justice. Terrorism and corruption are feeding each other.” Ashraf Rifi, Minister of Justice of Lebanon 2014-2016 and President of the Arab Network for strengthening the integrity and the fight against corruption, 2015 Smuggling is carried out either directly by these groups or indirectly, by offering paid protection to other groups carrying out the smuggling. Terrorist organisations undertake various forms of smuggling activities to finance their operations.

Many countries in Europe, Africa or South America which have been badly affected by terrorism report a direct link between the illegal drug trade, trafficking in firearms, smuggling of migrants, and terrorism. The terrorists who attacked Paris in November 2015 gunned down their victims with rifles allegedly smuggled from Eastern Europe.¹⁰ Smuggling of antiques is also recognised as an important source of terrorist financing. Illicit trade can involve more banal products too, such as the illicit trade in sugar that finances Al Shabaab in Somalia.

Promoting development, improving governance, and cracking down on corruption will play a far more important role than preventing terrorists from using the international financial system.” Peter R. Neumann, Professor of Security Studies and Director of the International Centre for the Study of Radicalisation and Political Violence, King’s College London, 2017. Trafficking of wildlife and derived products is recognised as one of illicit trade’s most profitable and attractive activities. Recent studies show how criminal organisations, including terrorists, are exploiting wildlife as a source of financing. Corruption is a key facilitator of wildlife crime and endemic in many countries identified as either a source or destination of wildlife trafficking.

4.2.4 Corruption and Terrorist Financing Share Methods to Hide Money

As established by the study traffickers, corrupt politicians, and terrorists need ways to raise, move, conceal and spend money. One of their main means is the use of anonymous “shell companies”, defined by the OECD as “a company that is formally registered, incorporated, or otherwise legally organised in an economy but which does not conduct any operations in that economy other than in a pass through capacity”. The only purpose

of a shell company is to hide the identity of the true owner of the money passing through it, or “beneficial ownership” as it is called by tax authorities and others combating illegal financial flows and tax avoidance.

Although it is difficult to link shell companies to their owners, security experts and law enforcement officials all agree that shell companies, or other forms of legal entities like trusts, pose a threat to national security and make it nearly impossible to find the people who are actually financing terrorism and other criminal activities, and can be ideal vehicles for terrorist financing. For instance, owners of shell companies can remain anonymous while still being able to open bank accounts, transfer money and enjoy the legitimacy of being incorporated in countries with sophisticated financial sectors.

American shell companies have allegedly been used to launder money and facilitate the illegal activities of such notorious criminals as an Eastern Europe arms dealer charged with selling weapons to terrorists and a Balkan crime boss tied to the murder of his country’s Prime Minister. Hezbollah reportedly financed its activities in part by using shell companies in the US state of North Carolina to smuggle cigarettes.¹⁵ Even when criminals behind the shell companies get caught, the registered agents who help set them up are often left untouched. Many continue to make money by registering fronts for potentially dangerous criminals.

4.3 Effects of Terrorism as a result of Corruption

4.3.1 Impact on General Economy

100% of the respondents agreed that terrorism affected the economy. Kenya experienced yet another horrific terrorist attack credited to militant Islamic group Al-Shabaab. The human loss experienced is immeasurable and Kenyans are still reeling in the aftermath of the massacre. Terrorist attacks do not only cause loss of lives, they also have long-standing effects on the economy. Terrorism here refers to premeditated, politically motivated violence perpetrated against non-combatant targets by sub-national groups or clandestine agents, usually intended to influence an audience.

In general, terrorism reduces consumers' and firms' expectations for the future and forces governments and the private sector to invest in security measures and redirect investment away from more productive economic uses. For example, many firms in Kenya spend considerable capital on security costs which is essentially unproductive in that it does not add to their output or improve their product quality. Terror attacks in Kenya have also triggered geopolitical conflict, which is causing further economic disruption by increasing the likelihood of future attacks.

According to the findings, direct costs of terrorism include the value of assets damaged or destroyed such as plant, equipment, structures and merchandise. Economic activity is disrupted so lost wages and other forms of income are also part of the direct costs of terrorism. The direct costs of the attacks on Westgate for instance were estimated to cost Sh10 billion. In terms of indirect costs, Kenya's ability to attract FDI has been hit by such

attacks. Indeed, analysis reveals that the presence of terrorist risk corresponds to a decline in the net FDI position equal to five per cent of GDP. This is attributed to the creation of climate of uncertainty that envelopes the country whenever attacks happen.

This prevents potential investors from making new capital investment as they are unsure of the economic implications of the attacks and thus overlook Kenya for more stable economies. Indirect costs of terrorist attacks also affect the transportation industry because demand for air travel declines, passenger fares decline, and the inability of heightened airline security personnel to readily process travellers lead to further declines.

Other indirect costs of terrorism could include the pain and suffering of the victims and their relatives as well as the psychological trauma experienced by a stunned nation. Psychological trauma may have negative short-term impact on productivity. Interestingly in other countries such as the US, the 9/11 attack had a stimulating effect on the economy where monetary and fiscal authorities stimuli were effected to offset the macroeconomic consequences of the attacks. Because of damage accrued, there was a surge in the private sector demand for liquidity which was met by the Federal Reserve cutting short-term interest rates and increasing short-term lending (discounts and repurchases). Further a \$40 billion emergency spending package provided a strong fiscal stimulus. But sadly developing economies such as Kenya often cannot take such action because they do not have ready access to international capital markets and the fiscal authorities cannot redirect already strained expenditure.

4.3.2 Impact on Small and Medium Businesses

96% respondents agreed that terrorism affects the operations of small and medium businesses in Kenya.

The findings show that over the years, the issue of terrorism has claimed waves. This menace is long observed to have been impairing the foresight of growth and economic development of the region and making many countries at large uneasy business environment. The popular notions and impacts pertaining to what Small and Medium Scale Enterprises (SMEs) can offer are being falsified. Meanwhile, SMEs are factually the citadel of developing countries' economy. SMEs are not only the backbone, but also the cerebellums for every feasible operation in every sector of the economy. The relative importance of small and medium scale enterprise in advance and developing countries has led and would continue to lead to a reconsideration of the role of small and medium scale enterprise in the economy of nations. Thus, a fall in the healthy state of SMEs in any business environment has concomitant effect on the economy.

The finding further shows that the terrorists' activities have incrementally marred the comprehensive roles of SMEs. Terrorism has often acts as inevitable determinant of death-or-life situation for most businesses. Terrorism has posed insecurity and hazards in the business environment, thereby, engineering unimaginable upheaval in the northern region. It has established wide gaps between most SMEs vision and mission, and foretold the accomplishment of their objectives as being unrealistic. These hindrances are not only secluded to SMEs in the region, but have greater implications on the living standards of the people. The people are scared away by unforeseen terrorist attacks, and this makes

trading hard-nut-to crack activities due to unavailability of market for variety of consumers' products.

4.3.3 Large Bbusinesses

90% respondents further agreed that terrorism affects the operations of large businesses in Kenya. Terrorism impacts on large businesses have been experienced in several incidences in Kenya.

1998 United States embassy bombings

On 7 August, between 10:30 a.m. and 10:40 a.m. local time, suicide bombers in trucks laden with explosives parked outside the embassies in Dar es Salaam and Nairobi, and almost simultaneously detonated. 213 people were killed in the Nairobi blast, while 11 were killed in Dar es Salaam. An estimated 4,000 in Nairobi were wounded, and another 85 in Dar es Salaam. Seismological readings analysed after the bombs indicated energy of between 3–17 tons of high explosive material. Although the attacks were directed at American facilities, the vast majority of casualties were local citizens of the two African countries; 12 Americans were killed, including two Central Intelligence Agency employees in the Nairobi embassy, and one U.S. Marine, Sergeant Jesse Aliganga, a Marine Security Guard at the Nairobi embassy.

The explosion damaged the embassy building and collapsed the neighboring Ufundi Building where most victims were killed, mainly students and staff of a secretarial college housed there. The heat from the blast was channeled between the buildings towards Haile Selassie Avenue where a packed commuter bus was burned. Windows were shattered in a radius of nearly 1 kilometer.

Following the attacks, a group calling itself the "Liberation Army for Holy Sites" took credit for the bombings. American investigators believe the term was a cover used by Egyptian Islamic Jihad, who had actually perpetrated the bombing. The attacks brought Osama bin Laden and Ayman al-Zawahiri—and their terrorist organization al-Qaeda—to the attention of the American public for the first time, and resulted in the Federal Bureau of Investigation (FBI) placing bin Laden on its ten most-wanted fugitives list.

2002 Kikambala Hotel bombing and Arkia Airlines missile attack, Mombasa

On 28 November 2002 two missiles were fired at, but missed, an Israeli passenger airliner as it took off from Mombasa airport. Subsequently, there was an attack on the Kikambala Hotel when it was receiving Israeli tourists.

The hotel blast occurred just after some 60 visitors had checked into the hotel, all of them from Israel, hotel officials said. 13 were killed and 80 injured. Ten Kenyans died, nine of whom were employed by the hotel, most of them were said to be traditional dancers who came to welcome the 140 guests arriving from Israel by state-chartered jet and three Israelis, two of whom were children. In an overnight operation that went on into the early hours, four Israeli military Hercules planes with teams of doctors and psychologists flew into Mombasa and evacuated injured Israeli tourists and all those who wanted to leave.

Almost simultaneously, two shoulder-launched Strela-2 (SA-7) surface-to-air missiles were fired at another chartered Boeing 757 airliner owned by Israel-based Arkia Airlines as it took off from Moi International Airport. The Arkia charter company had a

regular weekly service flying tourists between Tel Aviv and Mombasa. Kenyan police discovered a missile launcher and two missile casings in the Changamwe area of Mombasa, about two kilometers (1.25 miles) from the airport.

Police have been seeking MR Bajnaf Mselem Swaleh Mahdi Khamisi, who they believe may lead them to Fazul, the main suspect.

2012 Al-Shabaab attacks

In October 2011, a coordinated operation between the Somali military and the Kenyan military began against the Al-Shabaab group of insurgents in southern Somalia. The mission was officially led by the Somali army, with the Kenyan forces providing a support role. Since then, a series of explosions have rocked various areas in Kenya, bombings which are believed to have been retaliatory attacks by Al-Shabaab. In early June 2012, Kenyan forces were formally integrated into AMISOM.

According to US Embassy in the past 2011/2012, there have been at least 17 attacks involving grenades or explosive devices in Kenya. At least 48 people died in these attacks, and around 200 people were injured. Nine of these attacks occurred in North Eastern Province, including locations in Dadaab, Wajir, and Garissa. Four attacks occurred in Nairobi, and four in Mombasa. Targets included police stations and police vehicles, nightclubs and bars, churches, a religious gathering, a downtown building of small shops, and a bus station. A more recent attack involved two simultaneous assaults on churches in Garissa on 1 July 2012. In this attack, 17 people were killed and about 50 people were injured. All these attacks affect business operations of these particular institutions.

2013 Westgate Mall shooting

On 21 September 2013, Al-Shabaab associated gunmen targeted and shot customers at Nairobi's Westgate Shopping Mall. At least 67 people were killed in the attack. Due to fear the business was affected much financially.

2015 Garissa attack

In April 2015, gunmen stormed the Garissa University College, killing almost 150 people and wounding several others. The attackers claimed to be from the Al-Shabaab militant group, and indicated that they were retaliating over non-Muslims occupying Muslim territory. The militants took several students hostage, freeing Muslims but withholding Christians. Over 500 students were still unaccounted for. This affected learning as well as the operations of the institution hence affecting economy at large.

4.4 Relationship between Terrorisms on Local Investments and foreign investments

Respondents agreed that there is a relationship between terrorism and local investments and foreign direct investment.

Respondents were asked to indicate the extent to which the terrorism affects Economic Performance. Using the rating scale where: 5=Strongly Agree, 4=Agree, 3=Not Sure, 2=Disagree and 1=Strongly Disagree.

	Mean	SD
Terror decreases the savings rate, due to the fact that it imposes additional costs to the economy	4.36	0.38
Terror affects the stock of human capital ability to assimilate the	4.19	0.41

FDI investments.		
Terror decreases the quantity of goods and services traded, due to lowering the available human and financial resources for manufacturing the products.	4.61	0.44
Increasing terror is expected to negatively influence political stability, due to decreasing credibility of the citizens	4.25	0.25

Based on the findings respondents agreed to a great extent that terror decreases the savings rate, due to the fact that it imposes additional costs to the economy (mean= 4.36), Terror affects the stock of human capital ability to assimilate the FDI investments (mean=4.19), Terror decreases the quantity of goods and services traded, due to lowering the available human and financial resources for manufacturing the products (mean=4.61) and Increasing terror is expected to negatively influence political stability, due to decreasing credibility of the citizens (mean=4.25)

From other findings the findings established that terrorism, like civil conflicts, may cause spillover costs among neighboring countries as a terrorist campaign in a neighbor dissuades capital inflows, or a regional multiplier causes lost economic activity in the terrorism-ridden country to resonate throughout the region. In some instances, terrorism may impact specific industries as 9/11 did on airlines, Another cost is the expensive security measures that must be instituted following large attacks such the massive homeland security outlays since 9/11. Terrorism also raises the costs of doing business in

terms of raising the insurance premiums, increasing the costs for security precautions, and larger salaries to employees at-risk.

According to the findings terrorist incidents have economic consequences by diverting foreign direct investment (FDI), destroying infrastructure, redirecting public investment funds to security, or limiting trade. Kenya as a country has lost a lot of finances in the fight against terrorism. In one of the country's effort to counter terrorism, Kenya launched military operations in neighboring Somalia against Al Shabaab. Just as capital may take flight from a country plagued by a civil war, a sufficiently intense terrorist campaign may greatly reduce capital inflows. In 1960s and 1970s, Kenya was a prime choice for foreign investors seeking to establish a presence in East Africa. Since 1980s, Kenya's combination of politically driven economic policies, rampant corruption, government malfeasance, substandard public services, and poor infrastructure discouraged foreign direct investment (FDI). Over the past three decades, Kenya has been a comparative under-performer in attracting FDI.

Although the performance of Kenya in attracting FDI has been marginally better since the middle of the last decade, its performance still lags behind the neighboring countries like Tanzania and Uganda in dollar terms, despite the fact that these are smaller economies. Kenya has had its fare share of attacks including The US Embassy 1998 and the recent most devastating attack on Kenya's premier shopping mall (Westgate) on Saturday 21st September 2013 which left 67 people dead. Economic growth may slow down with the continued terrorism threat with Somalia being in the immediate geographic proximity. Growth in the Economy slows down as attacks continue. Although

studies investigating the impact of terrorism on FDI are new, they are currently gaining popularity following the devastating events in the United States on Sept. 11, 2001. Shahbaz et al. (2013) did a study on the impact of terrorism on Foreign Direct Investment in Pakistan. They found that due to increase in the number of terrorist attacks foreign investor showing negative interest to invest money in Pakistan. This study therefore focuses on the Effect of terrorism on FDI in Kenya.

4.5 The Mitigation Strategies Adopted By the Government to Deal with Terror in the Sectors of Economy

Violent activities, incidents can occur any place and any time at different levels. Travelers can alter their destination choices; modify travel behavior for protection, safety and security. They can decide to continue their destination plans by acquire information on terrorism, crime, and incidents, political turmoil. Travellers who decide to travel despite of risk are advised by different sources (news, government advisories, travel magazines) to avoid displays of wealth, to keep low profile, for business trips and fly economy class. Hijackers are known to prefer first class to establish their temporary headquarters. If the cost appears to outweigh the benefits, travellers can stay home. Unfortunately, it is far more complex to solution for destinations plagued with terrorism.

Since 2003 that the Kenyan government created the Anti-Terror Police Unit, the government has been focusing increased attention on preventing the migration of foreign fighters, including Kenyan nationals, to join Al-Shabaab in neighboring Somalia, as well as on Kenyan national foreign fighters returning from abroad. In regional and international CT mechanisms and programs, Kenya has been a strategic member of and

has participated in IGAD's ICPAT, US' CJTF-HOA; and several AU and UN's CT conventions, action plans and protocols.

4.5.1 National Counter Terrorism Centre (NCTC)

According to the findings, after the several attacks by Al-Shabaab militants against and inside Kenya, the Kenyan government realized that terrorism is a cross-border crime and a national security threat. This necessitated the formation of a multi-agency mechanism, effective coordination of key actors and a coordinating mechanism as national CT focal point. A CT strategy paper was conceived in April 2003 and presented to the Kenyan Cabinet which approved it in September 2003. As a result, NCTC was established and inaugurated on the 27th of January 2004. The NCTC defines itself as a policy institution established to serve primarily as the coordinating agency for all CT efforts for the GoK. It advises the National Security Advisory Committee (NSAC), public and private institutions on threat posed by terrorism to the country and provide advice to both public and private institutions. It has the mandate of: coordinating national CT efforts so as to detect, deter and disrupt terror acts; establish a database to assist law enforcement agencies; conduct public awareness on terrorism prevention; develop counter-radicalization strategies etc. The center established a Prevention Center to counter radicalization and violent extremism forming part of Kenya's comprehensive CT strategy which is anchored on the Prevent pillar and aimed at taking a softer approach to prevent terrorism.

4.5.2 Operation Linda Nchi

The study shows that operation Linda Nchi is the codename for a coordinated military operation between the Kenyan and Somali militaries in Somalia. The operation lasted for 8 months from 16 October 2011 to 31 May 2012. The soldiers cracked down on Al-Shabaab militants that are alleged to have kidnapped several foreign tourists and aid workers in Kenya. Through the operation, Al-Shabaab was weakened, and Kenyan forces were later integrated into AMISOM. Many Al-Shabaab leaders were captured in the operation. More than 6,000 Kenyan security personnel, including police were involved in the operation, and despite few casualties on the Kenyan side, more than 700 Al-Shabaab militants were killed and captured. 124 The operation was in partnership with IGAD, the AU, and the Ethiopian military. During the operation, the US Air Force also shared surveillance data with the Kenyan military and also assisted in the operation.

4.5.3 AMISOM Participation

Originated as IGASOM, the African Union Mission in Somalia is an active (since 2007), regional peacekeeping mission operated by the AU with the approval of the UN in Somalia. As part of its mandate, AMISOM supports Somalia's forces in their battle against Al-Shabaab militants. As at 2015, the troop strength was at 22,126 troops, with Kenyan contributing around 4,000. The troops were able to carry out several offensives against Al-Shabaab, killing many of them including their leaders. In addition, the KDF and AMISOM were able to evict Al-Shabaab, from their stronghold in the central and southern portions of Somalia, especially the port city of Kisumayo and Mogadishu. 128

This helped to grossly reduce the Al-Shabaab's financial resources, as the group lost import and export revenue due to the capture of the Ports which was the main source of income.

4.5.4 Legislation, Law Enforcement, and Border Security:

In 2003, Kenya established an inter-ministerial task force which focused on Anti Money Laundering and Combating the Financing of Terrorism. The task force was able to review existing legislation and recommend ways of formulating a national policy to shut down channels of financing of terrorism. In the same year, the GoK invoked the Non-Governmental Organization (NGO) Co-ordination Act of 1990 to deregister an array of Muslim NGOs which were accused of having linkages with terrorist groups. These included the al-Muntada al-Islami, al-Haramain Islamic Foundation, the World Assembly of Muslim Youth, Wakalatul-Rahmah offices, the al-Ibrahim Foundation and the al-Najah Islamic Centre in northern Kenya. The Kenyan High Court threw out petitions to reverse the decision while the GoK deported al-Haramain's Sudanese director, Sheikh Muawiya Hussein in January 2004. Down to 2012, Kenya passed the 2012 Prevention of Terrorism Act to aid the Proceeds of Crime & Anti-Money Laundering Act of 2011, and the Prevention of Organized Crime Act of 2012.

The President of Kenya, signed into law, in December 2014, the 2014 Security Laws (Amendment) Act. The Security Laws of 2014 reformed 20 existing in a bid to enhancing the CT policy framework. Positive steps included the creation of a coordinated border control agency, criminalization aiding or support for terrorist training, strengthening the

capacity of the NCTC. Conversely, other provisions included infringement on human rights like freedom of speech and the rights of refugees. This has sparked controversy and garnered criticism that they violated Kenya's international obligations and constitutionally-guaranteed civil liberties. In line with the security sector overhaul, in 2013, the GoK divided CT roles between the 3 arms of the National Police Service: the Kenya Police consisting of the civil police, the Anti-Terrorism Police Unit and the paramilitary General Services Unit; the Directorate of Criminal Investigation and the Administration Police; and the non-police agencies like the National Intelligence Service and the KDF. The functioning efficacy of this effort was jeopardized due to lack of intra and inters police-institution coordination as well as the coordination in the military-institutions.

Other factors includes lack of adequate training, resources; delineation of command, politicization and corruption of the CT institutions. While the government have made productive efforts in addressing those challenges, those effort have proved to be insufficient in areas of corruption, border control and security. The lack of border security capacities and the insufficiency of national identification system have decreased the success rate of law enforcers' ability to detect and detain potential terrorists. Nevertheless, biographic and biometric screening, terrorist screening watch lists, and other mechanisms are in place at the main entry ports in the country. There are numerous and uncountable terror attacks that have been responded to or thwarted in 2014 by the Kenya security operatives. The multi-scaled operations Usalama Watch conducted between April and May 2014 arrested thousands of potential suspects, primarily in the

two main cities of Kenya. But the operation was criticized due to its constituted element of abuse, corruption and human rights violations.

4.5.5 Countering the Financing of Terrorism

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force-style regional body. Kenya has made progress in implementing its anti-money laundering/countering the financing of terrorism regime, and was, in 2014, delisted from the continued monitoring scheme of the FATF. In December, the Kenyan NGO Coordination Board publicized the registration revocation of 510 NGOs for failing to provide requisite financial reporting; the board also highlighted the possible inclusion of 15 more NGOs on the suspicion of financing terror. However, many of those NGO have been delisted after compiling with the requirements of the Board. Kenya's Anti-Money Laundering operations have progressively become functional with increased monitoring, evaluation and reporting capacities. Conversely, processes have not been tremendously successful due to deficiencies in essential resources that include but not limited to electronic-Financial reporting system. The Central Bank of Kenya has created awareness on the need for citizens to use the legal financial sectors in their transactions and savings in order to ensure an effective and transparent regulatory financial institution in Kenya.

4.5.6 Regional and International Cooperation

In 2003, Kenya ratified all the twelve international CT conventions and protocols and published the Suppression of Terrorism Bill on 30 April. Kenya as a member-state in AU,

IGAD, COMESA and EAC, have contributed, to the respective regional blocs it belongs to, with its substantial troop presence through bilateral and multilateral arrangements in conflict affected nations of those blocs. In 2014, in Nairobi, the head of-States meeting of the Peace and Security Council of the AU; and the regional summits of the EAC intelligence and police chiefs substantially focused on issues of CT. Also the country has helped other member States in hosting and facilitating military exercise, trainings and drills within and among the EAC's States law enforcement professionals.

4.5.7 Countering Radicalization and Violent Extremism

In an effort to countering terror, Kenya has made an initiated step in 2014 to partner with non-governmental organizations like the CSOs civil society. This was significantly and officially championed in the 2014 National Conference on Security and CVE where State and non-State actors were actively engaged in a participatory approach to formulate and adopt a Violent Extremism Advocacy and Accountability Charter.¹⁴⁰ Additionally, was the development of a comprehensive National Counter Radicalization Strategy which tasks religious leaders on their significant role in reducing the communities' risks to violence extremism and terrorism since they can influence peace and tension with their schismatic rhetoric especially after terror attacks.

4.5.8 Partnership with the US

Since the aftermath of September 11, 2001, Kenya has been among the significant partner of the U.S and its allies in Africa on the Global War on Terror. This effort includes but not limited to training, sales of equipment, logistical support and exchange of strategic

information. Deeper cooperation between the two nation is seen in the presence of Kenya as one of the 6 nations engaged in the U.S lead Security Governance Initiative (SGI). Kenyan security officers participated in many U.S led or sponsored programs featuring areas of crisis response, investigations, and prosecutions. The Antiterrorism Assistance program conducted by the U.S department of states for the East Africa Joint Operations exercise lasted for about four weeks featuring areas of crisis response training series and other areas.

The partnership efforts of Kenya with developed states have enhanced the security systems at the entry ports of Kenya. This is evident by the presence of Personal Identification Secure Comparison and Evaluation System in the ports in Kenya. The law enforcers have continued to gain experience through regional and international cooperation on territorial security and increase the state's CT capabilities.

4.5.9 Diplomatic solutions

As having unstable neighbors has been one of the factors facilitating terror acts in Kenya, Nairobi has used the search for peace in Somalia and Sudan as the main diplomatic thrust of its CT effort. Kenya has made effort to ensure diplomatic talks as a strategy to deal with conflicts for a long time as seen in the case of Sudan and Somalia. The Somali-talks initiated in Eldoret and ended in Nairobi" led to the recognition and institution of the TFG which enabled measurable peace to return in the country.¹⁴⁴The Sudan's peace talks led to the Comprehensive Peace Agreement of Sudan, and South Sudan's independence. Although South Sudan later went into its own war, Kenya still played a

great role through IGAD to resolve it. Kenya's strategy has been to stabilize Sudan, South Sudan and Somalia politically in order to transform them into good neighbors whose security will greatly enhance that of Kenya.

4.5.10 CT Strategies driven by NSAs

Some Kenyan Civil Society Organizations are actively working to counter terror and violent extremism in Kenya; this is aided largely by U.S-Kenya partnership and Kenya's partnership with other international entities. Some of them are Muslim for Human Rights, Supreme Council of Kenya Muslims, and Kenya Community Support Center (KECOSCE) etc. One key thing about their strategies is that through several programs, they are addressing some of the root causes of terrorism which are often tied with poor socio-economic conditions of Kenyans, radicalization and violent extremism.

Most of them also have programs that counter the propaganda messages of extremists and terrorists. They have remained key actors in engaging the community to recognize, understand, and act towards the prevention and mitigation of terror. Additionally, the organizations have helped in increasing the awareness and level of vigilance on terror or potential terror threat at both the local and community levels. In addition, they organize forums related to countering terror in partnerships with government and donor partners. Some of these forums are for the public, law enforcers and other CSO leaders, to better educate them about CVE.

The CSOs also work with policing and justice institutions, and help to train many specifically on reporting of suspicious activities. KECOSCE for example has programs

that aim at enabling the Coast communities to counter the increasing radicalization within the coastal areas of Kenya; this is aided by enhancing the youth's terror-resilience ability. They also facilitate the organization of community groups and creation of continuous space for dialogue among the all members of the community from the law, justice or security enforcers to the rest members of the community. Further awareness on the effectiveness and importance to engage all members of the community on the ills of radicalization have been at the core focus of KECOSCE. Enhancing skills to counter the violent ideology at family, schools and public spaces and promotion of partnership with security agencies, change conceptions and increase cooperation to stop terrorists from using coast as a fertile ground for their operations have been as important as ever. Finally, KECOSCE trains the youths on business skills and empower them; and created an early warning and response mechanism to cushion sources of information, and monitor the activities of suspect groups and individuals.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter gives a summary of the findings, conclusion and recommendations on the impact of terrorism on economic performance in Africa: a case study of Kenya based on the findings from the previous chapters.

5.2 Summary of Findings

According to the findings corruption and terrorism do not only join forces in conflict-affected countries where criminal activities are likely to flourish. In any country where endemic corruption has made the country itself or its neighbor's vulnerable to terrorist activities, terrorist organizations are ready to use it to finance and perpetrate their acts. Like criminals and those ready to take their bribes, terrorist organizations depend on the same legal grey areas and the porosity of the financial sector to channel their financing. As such, no country is totally immune.

The findings revealed that corruption and poor governance hamper countries' ability to fight terrorism, Corruption facilitates international terror attacks, Corruption helps cross-border terrorist financing and Corruption and terrorist financing share methods to hide money.

100% of the respondents agreed that terrorism affected the economy. Kenya experienced yet another horrific terrorist attack credited to militant Islamic group Al-Shabaab. The human loss experienced is immeasurable and Kenyans are still reeling in the aftermath of the massacre. Terrorist attacks do not only cause loss of lives, they also have long-standing effects on the economy. Terrorism here refers to premeditated, politically motivated violence perpetrated against non-combatant targets by sub-national groups or clandestine agents, usually intended to influence an audience.

In general, terrorism reduces consumers' and firms' expectations for the future and forces governments and the private sector to invest in security measures and redirect investment away from more productive economic uses. For example, many firms in Kenya spend considerable capital on security costs which is essentially unproductive in that it does not add to their output or improve their product quality. Terror attacks in Kenya have also triggered geopolitical conflict, which is causing further economic disruption by increasing the likelihood of future attacks.

According to the findings, direct costs of terrorism include the value of assets damaged or destroyed such as plant, equipment, structures and merchandise. Economic activity is disrupted so lost wages and other forms of income are also part of the direct costs of terrorism. The direct costs of the attacks on Westgate for instance were estimated to cost Sh10 billion. In terms of indirect costs, Kenya's ability to attract FDI has been hit by such attacks. Indeed, analysis reveals that the presence of terrorist risk corresponds to a decline in the net FDI position equal to five per cent of GDP. This is attributed to the creation of climate of uncertainty that envelopes the country whenever attacks happen.

This prevents potential investors from making new capital investment as they are unsure of the economic implications of the attacks and thus overlook Kenya for more stable economies. Indirect costs of terrorist attacks also affect the transportation industry because demand for air travel declines, passenger fares decline, and the inability of heightened airline security personnel to readily process travelers lead to further declines.

96% respondents agreed that terrorism affects the operations of small and medium businesses in Kenya.

90% respondents further agreed that terrorism affects the operations of large businesses in Kenya. Terrorism impacts on large businesses have been experienced in several incidences in Kenya.

Since 2003 that the Kenyan government created the Anti-Terror Police Unit, the government has been focusing increased attention on preventing the migration of foreign fighters, including Kenyan nationals, to join Al-Shabaab in neighboring Somalia, as well as on Kenyan national foreign fighters returning from abroad. In regional and international CT mechanisms and programs, Kenya has been a strategic member of and has participated in IGAD's ICPAT, US' CJTF-HOA; and several AU and UN's CT conventions, action plans and protocols

5.2 Conclusions

Kenya has relied heavily on international different sectors of economy in the past. Following acts of terrorism, such as the bombing of the United States embassy in Nairobi, the capital city of Kenya; the bombing of Paradise beach hotel in Mombasa, a major city; and a near fatal rocket launched grenade attack on an aircraft. Consequently,

the majority of the industries suffered a great blow. While the government has taken several preventive measures, it is still necessary for the Kenya government to develop a crisis management strategy in order to reduce the aftermath of such horrendous acts in the future.

While numerous natural and human-caused disasters can significantly impact the flow of foreign investments. The threat of danger that accompanies terrorism or political turmoil tends to intimidate potential investors and visitors more severely. Fear of random terrorist violence is not new, but the attention it has commanded from scholars can be traced back only a decade.

Terrorism in Kenya displays a pattern of repeated attacks. A requisite to managing terrorism and regional political problems is to accept the permanence of the former and the latter. This implies that the Kenya economic sectors expect the worst and should develop a tailored crisis management strategy in case they are not able to counter future terrorist plans. Unless terrorism is viewed as a crisis by the industries in Kenya, not enough energy and resources will be channeled to its management.

The declaration of terrorism as a crisis is a vital step that the Kenyan government should take.

National economic sectors require security. Terrorism attacks have changed over the course of history from violent activities to threats and kidnappings. Terrorism attacks are not only global or regional but it has also its effects locally. Terrorism respects no boundaries and the perpetrators of terrorist attacks are wide spread from one part of the country to the other.

However, after an initial drop in tourist number things eventually return to normal. This can be seen with Kenya and in a global sense with people's attitudes towards flying especially after the 9/11 attacks. This may be due to efforts to reinforce security in attacked areas or maybe because the possible threats of terrorism cannot cancel out the thrills of visiting foreign areas and being an international tourist. Terrorists are improving their sophistication and abilities in virtually all aspects of their operations and support. The aggressive use of modern technology for information management, communication and intelligence has increased the efficiency of these activities. Weapons technology has become more increasingly available, and the purchasing power of terrorist organizations is on the rise.

The ready availability of both technology and trained personnel to operate it for any client with sufficient cash allows the well-funded terrorist to equal or exceed the sophistication of governmental counter-measures. As such a provider of employment and economic prosperity in many countries including Kenya, the industries must be able to remain resilient in the face of adversity. Although tourists act as an easy target for terrorists if the industry remains flexible in its ability to diversify when numbers take a downturn it will help ensure economic prosperity is maintained and defeat the primary objectives of the terrorist groups.

5.3 Recommendations

The study arrived at the following recommendations which according to the researcher, if implemented effectively; will ensure a drastic improvement in security to attract both low and high-end tourists in Kenya.

The study recommends that should invest more in security and security arms involved in fighting terrorism should be equipped with modern weapons and surveillance systems for counter-terrorism efforts. The military should be equipped with efficient, effective transportation and communications systems along with providing significant training resources to carry out this mission in addition to patrolling Kenya's borders and coastline.

The study recommends that there is need for policy shifts to address emerging terrorism trends to enable the security arms to pay greater attention to security matters. Extra diligence should be exercised at entry points and close monitoring of suspicious characters in the country.

The study recommends that there is a need to improve business strategies and also to lobby the Government to re-focus on the security issue to make the country more competitive and marketable.

The study also recommends that the citizens, the business operators/stakeholders and the police need to work more closely to forestall any future terrorist attacks.

The study also recommends that the government should invest in fighting radicalization and extremism by raising awareness among the youth on the negative consequences of

extremism. The government should embark on an aggressive information campaign to educate the populace on terrorism. The campaign should be aimed at sensitizing the public about the fact that terrorist attacks do not only affect the targeted victim but everyone, either directly or indirectly, not just as potential victims, but also as taxpayers because most of the government resources that would have been invested in development are being diverted to fight terrorism.

This information campaign should focus on areas where terrorists have penetrated the community. For the campaign to be effective, the government should enlist the support of prominent Islamic scholars and Islamic organizations, such as the Council of Imams and Preachers of Kenya, the Supreme Council of Kenya Muslims, the Kenya Assembly of Ulamaa, and the National Union of Kenya Muslims, with a view to incorporating the clerics as a platform to launch antiterrorism appeals and to build a consensus on an antiterrorism bill. The Muslim clerics are in a better position to educate their followers on the issue of terrorism.

Kenya needs to be prepared for crisis management with a guideline that will serve as a guide for managing the aftermath of terrorism. This guideline will save time by providing a roadmap to follow in a time of confusion resulting from a terrorism attack and will facilitate the recovery of economic sectors from the negative occurrences, thus rebuilding Kenya's image.

5.4 Areas for Further Research

This study was mainly concerned with the effect of terrorism on economic growth in Kenya. Based on the findings there is need of a broad view of the specific sectors of economy and how each has been affected by terrorism. This study therefore recommends that subsequent studies adopt a broader view of a comparative examination on the influence of terrorist activities on all types of businesses in Kenya. There is also a need to examine the impact of terrorism on the flow of foreign direct investment to the terror hit countries.

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APPENDIX II: QUESTIONNAIRE

1. According to your view what are the main causes of terrorism?

.....
.....

2. Do you think terrorism affects the operations of small and medium businesses in Kenya?

Yes []

No []

3. If yes please explain

.....

4. Do you think terrorism affects the operations of large businesses in Kenya?

Yes []

No []

5. If yes please explain

.....

6. Is there any relationship between terrorisms and local investments?

Yes []

No []

If yes please explain

.....

7. What is the impact of terrorism on foreign direct investment?

.....

.....

8. Kindly indicate the extent to which the terrorism affects Economic Performance.

Please put a tick (√) in one of the boxes using the rating scale; SA=Strongly

Agree, A=Agree, NS=Not Sure, D=Disagree and SD=Strongly Disagree

	1	2	3	4	5
Terror negatively affect the tourism industry					
Terror decreases the savings rate, due to the fact that it imposes additional costs to the economy					
Terror affects the stock of human capital ability to assimilate the FDI investments.					
Terror decreases the quantity of goods and services traded, due to lowering the available human and financial resources for manufacturing the products.					
Increasing terror is expected to negatively influence political stability, due to decreasing credibility of the citizens					

9. What are the mitigation strategies that have been adopted by the government to

deal with terror in the sectors of economy?

.....

.....

10. In your opinion what other measures should government implement to curb the
acts of terrorism in

Kenya?.....

.....

Thank you for your time