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INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES

**PRIVATE PUBLIC SECTOR PARTNERSHIP IN DEALING WITH REGIONAL
THREAT OF TERRORISM, CASE STUDY OF RETAIL TRADE IN KENYA**

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**A Research Project submitted in partial fulfillment of the Degree of Masters of Arts in
International Conflict Management**

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DECLARATION

I John Peter Kariuki hereby declare that this research project is my original work and has not been presented for a degree in any other university.

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

SUPERVISOR:

Sign: Date:

DEDICATION

I dedicate this project to my family for their understanding, unwavering support and encouragement. I was deeply humbled by their patience as they waited for me to complete my evening modules when they needed me most to be together with them and at a time when there was abounding insecurity in the country.

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ABSTRACT

Terrorism has impacted heavily on public and private sectors both directly and indirectly. Some sectors however have experienced a higher magnitude of effects than others. The retail sector in Kenya is one of them and is currently re-aligning its strategies and has embraced safety and security of its customers as one of its major priorities in order to maintain their competitive edge in the retail market business. The study highlights the need for public private partnership in dealing with the threat of terrorism and the need to investigate the state of current security arrangement within the retail sector. It is upon this background that this study seeks to establish the private public sector partnership in dealing with regional threat of terrorism with special focus to retail trade in Kenya. The study utilizes both primary and secondary sources of information. Primary data is derived from interactive interviews and administration of questionnaires from staff in retail sector in Kenya, Ministry of Defense, National treasury and Ministry of internal security. Secondary data is sourced from a collection and review of published and unpublished materials, journals, academic papers, periodicals and expenditures. From the critical data analysis, the study reveals that terrorist activities, political unrest and other economic or political uncertainties negatively affect the performance of retail business operations and that terrorism has significantly inflicted fear among stake holders in the retail trade thus causing increase in prices of commodities in retail trade.

The study concludes that the weak partnership between public sector and retail sectors has had negative impact in managing terrorism and that the current state on security between public sector and retail sectors in managing terrorism is fragile. The study recommends that imposing regulatory measures like increasing accountability and transparency on bank accounts including the lifting of bank confidentiality laws would help to prevent terrorist events. Therefore, the study recommends policy adjustment and encourages partnership between public and retail sectors in managing terrorism. Further to that, the Government should seek ways to improve its ability to identify, penetrate and dismantle terrorist plots through structural reforms; consequently, there is need to develop new intelligence and law enforcement tools and approaches that value information sharing, communication between private sector and the government in order to encourage prevention of terrorism related crimes. There is also the need to enhance Greater regional cooperation and coordination as this can help in mitigating extremist incitement and terrorist activities throughout the East African region.

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ABBREVIATIONS

APEC	The Asian Pacific Economic Cooperation
DDR	Demobilization, Disarmament and Reintegration
DRC	Democratic Republic Of Congo
FDI	Foreign Direct Investment
GAO	Government Accounting Office
GNP	Gross National Product
GWT	Global War on Terror
MNCs	Multinational Corporations
PPP	Public Private Partnership
TRIA	Terrorism Risk Insurance Act
UN	United Nations
VEO	Violent extremist organizations

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.0 Introduction

Terrorism is defined as violence perpetrated against a target selected to manipulate a larger target audience.¹ Terrorism is a tactic that is an option for minority groups disaffected from a base of power. As an asymmetric threat, terrorism is inherently indefensible. Force alone cannot defeat the use of the tactic of terrorism. However state policies that rely on force and take a hard line stance against negotiating with terrorist organizations perpetuate the cycle of violence of a terrorist campaign.²

The key aspect to implementing effective terrorism mitigation mainstreaming in the private sector is the development of operational and behavioral strategies for retail sector that can simultaneously satisfy civil society's demand for greater corporate social responsibility, the government's needs and interests, and the companies chief objective of maximizing shareholder value and generating profits.

Companies in retail sector are motivated towards the practice of corporate socially responsible behavior to the extent that public opinion, shareholder groups, and consumers demand it. Cognizant of the long-term commitments and costs associated with foreign investment, particularly in the extractive sector, retail companies are obliged to devote increased attention and effort to securing the acceptance of local communities and to

¹ Ivan Sascha Sheehan, "Has the Global War on Terror Changed the Terrorist Threat? A Time-Series Intervention Analysis", *Studies in Conflict & Terrorism* 32, no. 8 (2009), 758

² Jeffrey Bale, "Introduction to Terrorism", 2009, lecture Naval Postgraduate School

fostering and maintaining a climate of political stability. They can no longer limit their risk assessments to analyzing the impact of the socio-political-economic situation on their investment. Instead, retail companies must consider a wide spectrum of variables, including what Ashley Campbell refers to as 'the reverse flow of risk.' in her report *The Private Sector and terrorism mitigation*. According to Campbell, it is critical that retail firms not only analyze conflict as a potential security risk to retail sector long-term investment and daily operations, but adopt a risk assessment tool that evaluates the reverse flow of risk: the risk of a company aggravating a violent (terror) situation.³

The relatively recent movement of the private sector towards a greater commitment to corporate socially responsible behavior is indicative of the willingness among multinational companies to broaden their conceptions of 'stakeholders' from investors and consumers to include host communities, social and environmental activist groups, and present and future generations. It is also indicative of the greater acceptance among MNCs that the potential and reality of violent conflict has become an unavoidable business issue.

There are 72 countries where the security risk for the majority of locations in which foreign business operates is rated medium, high or extreme. Retail companies are investing more than US\$150 billion annually in nearly 50 countries which fall below the intermediate point in Transparency International's Corruption perception's Index- in other words in countries which may be confidently described as fairly to very corrupt. Today, only about 4% of the world's GNP is military related; 96% of the international business community provides

³ Ashley Campbell. "The Private Sector and Conflict Prevention Mainstreaming: Risk Analysis and Conflict Impact Assessment Tools for Multinational Corporations". *Country Indicators for Foreign Policy (CIFP)*, 2002 p.4.

civilian products and services. Most of these business sectors have a vested interest in stability and peace.⁴

Consequently, the traditional retail companies focus on 'profit as its' real bottom line' is expanding and now includes the conception that it is in the company's best interest to minimize their risk by understanding terrorism and maximizing their contribution to peace-building. As the idea of a single bottom line evolves into a 'triple bottom line' comprised of economic prosperity, social justice and environmental quality, retail companies are realizing that compliance with corporate socially responsible principles will only reinforce their original and most important goal of generating profits and sustaining shareholder value. Retail sector can safely pursue socially responsible endeavors because they are cost effective and an efficient way of preserving and promoting the retail reputation and achieving financial gains.⁵

1.1 Background of the Study

Given the large influence of the private sector in the dynamics of conflict and peace, it is only reasonable to explore the avenues through which it can become a constructive actor. Within that context, it is important to note that peace building is multitasked and requires diverse needs that are mostly and readily available in the capacities, skills and resources of the private sector. Researchers and development actors agree that the private sector through

⁴ Nelson et. al.. "The Business of Peace: The Private Sector as a Partner In Conflict Prevention and Resolution. London: The Prince of Wales Business Leaders Forum, International Alert, Council on Economic Priorities, 2000. p.5

⁵ Dianna Rienstra. "The Approach of the Corporate World: How Conflict Sensitive is the Private Sector? Conference Report: Mainstreaming Conflict Prevention. 2001.The Hague, p.1.

its economic influence, political contacts, financial resources, skilled workforce and its link to all levels of society is ideally poised to be a positive actor in bringing about peace.⁶

The private sector in terrorism affected countries faces two main sets of challenges. The first one is the high risks and costs involved in doing business in a terror attacked or a threatened environment. Businesses face the risk of losing investments as a result of the physical destruction or damage of assets and loss of human resources. Funding becomes scarce and very costly due to these high risks. Access to markets is interrupted or blocked; operation costs increase particularly transportation, communication, and forced payments⁷. Some businesses incur large costs in contracting private security services. Moreover, businesses are faced with indirect costs as a result of closure and lost opportunities. Large and foreign businesses respond to high risks of terrorism by transferring their investments to safer regions or countries. Retail Companies are more vulnerable to this kind of risk due to their small investment base and as a result of weakened social services and safety nets. As a result, heightened risks lead to the development and spread of informal business which is considered an adaptation or way out strategy. The second set of challenges consists of existing shortcomings in the business environment common to many developing countries like the absence of open market mechanisms and suitable commercial regulations, the

⁶ J. Bray “Public-Private Partnerships in State-Building and Recovery from Conflict”, Chatham House: International Security Programme, ISP BP 06/01, September 2006, p.2. and Nick Killick, VS Srikantha and Canan Guenduez, The Role of Local Business in Peacebuilding, Berghof Research Center for Constructive Conflict Management, 2005, p.4.

⁷ GTZ, Economic Development in Conflict-Affected Countries: Practitioners’ Note, Federal Ministry for Economic Cooperation and Development and FIAS, 2008

challenge in attracting private investment as well as FDI, including the lack of infrastructure and availability of credit. In many cases these shortcomings existed before the conflict.⁸

Though, security and the rule of law are necessary conditions for the growth of the private sector and the economy as a whole, the intensity of conflicts and their durations varies even within countries affected by terrorism and in many cases allow some normalcy in economic activities. However, the unstable public, private partnership, absence of markets and adequate levels of demand as well as the presence of high risks and costs explained earlier limit to a great extent the benefits hoped from an active private sector in growth and development. This leaves a gap on the Public private partnership in dealing with the Regional threat of terrorism with special reference to retail trade in Kenya.

1.2 Statement of the Research Problem

The retail sector has been targeted by terrorists due to the array of population that they host. Particularly are the shopping malls that host international personalities, such as the Westgate shopping mall which was attacked and 79 people killed among them many foreigners. The retail sector in Kenya is therefore, re-aligning its strategies and has embraced safety and security of its customers as one of its major priorities in order to maintain their competitive edge in the global market. The retail sector and especially supermarkets have been drawn into the fight against terror which is a violent conflict that is international in nature, in order to protect their customers from terrorist threat, as well as their property and goods. In this regard, the retail sector allocates huge resources to hiring of police officers and security

⁸ Dorward et al, "Institutions, Markets and Economic Cooperation: Linking Development Policy to Theory and Praxis", *Journal of Development and Change*, Vol.36, no.1, 2005, p.3

guards and installation of security equipment to combat terrorism. The West Gate attack, previous attacks and current terrorist threats are an indication that the threat is real and there is need for an international cooperation on how it can be mitigated against. This highlights the need for public private partnership in dealing with threat of terrorism; it also highlights the need to investigate the state of current security arrangement within the retail sector. The unstable public, private partnership, absence of markets and adequate levels of demand as well as the presence of high risks and costs explained earlier limit to a great extent the benefits hoped from an active private sector in growth and development. It is upon this background that this study sought to establish the Public private partnership in dealing with the regional threat of terrorism with special reference to retail trade in Kenya.

While there has been much research on the combative military counterterrorism and the public security (police and national security intelligence), there has been less focus on the involvement of the private sector in the fight against terror, particularly the retail sector which is often targeted by terrorists. The research paper therefore seeks to fill in the gap by examining the private – public partnership (PPPs) in the protection of the customers, businesses and the prevention of further attacks in the areas of target by terrorist activities.

1.3 Objectives of the Study

The main objective of the study was to establish the private public sector partnership in dealing with regional threat of terrorism with special focus on retail trade in Kenya. The specific objectives that guided this study are:

- i. To determine the extent to which terrorism affects performance of retail business

- ii. To examine the effectiveness of partnership between public sector and retail sector in counter-terrorism
- iii. To recommend policy adjustment that encourages partnership between public sector and retail sector in countering terrorism

1.4 Research Questions

The study addressed the following research questions:

1. How widespread is terrorism in Kenya?
2. What motivates terrorists to engage in terrorist activities?
3. What strategies are being employed in counter-terrorism?
4. How effective are the public private partnerships (PPPs) in counter-terrorism?

1.5 Justification and Significance of the Study

The research study is expected to bridge the knowledge gap existing on the Public/ private partnership in dealing with the regional threat of terrorism. The study will answer questions on the existing literature to better understand terrorism including its cause and effect. Supermarkets in Kenya have become a prime target for terrorists going by frequent threats received of intended attacks. This is evident from the heavy costs incurred when terrorist launched an attack in September 2014 at Westlands area of Nairobi on the Westgate Shopping Mall .The attack led to temporary closure of the Nakumatt Supermarkets among other businesses, both local and international in nature. The losses incurred on property and

goods as well as loss of the lives of customers and staff prompts the retail sector to jump into the global war on terror to prevent and minimize the effects from terrorist activities. Though the private sector is large and other sectors such as transportation- aviation and tourism are also greatly affected and targeted, the study focuses on the retail trade due to its vulnerability as a soft target coupled with weaknesses in internal controls and lack of strong elaborate security mechanisms that calls for very effective PPPs. The effects of terror attacks on the retail trade sector impacts heavily on other sectors due to derailment in supplies and price changes among other effects discussed in the study.

The fight against terrorism is of invaluable importance as well as the recognition of terrorism as an international concern and the high cost of insecurity in the retail sector is high. The global objective of attaining peace and security is the prerogative of States, the UN and other international organizations. The study therefore examines whether the Kenyan Retail sector is able to sustain the fight against terrorism single handedly. The study has also examined the role of retail sector in the Global War on Terror - GWT. Thus the research borrowed from other PPPs in the world such as the case with Homeland Security and APEC, as well as the lesson learnt from initiatives such as the G8 in 2006. The study is therefore important in that it will equip conflict managers and security experts with additional knowledge, create awareness and increase responsiveness in addressing the threat of terrorism.

1.6 Literature Review

This section analyses the impact of regional non-private sector operations as discussed by various scholars and critically analyses their views under the following themes:

- i. Effects of terrorism on performance of retail business
- ii. Role of retail sector in mitigating terrorism

1.6.1 Terrorism

Terrorism has been most concisely defined as the intentional use of, or threat to use violence against civilians or against civilian targets, in order to attain political aims. Between 1972 from the hostage takeover during the Munich Olympics to the 2002 and 2005 tourist bombings in Bali, the world has witnessed nearly 20,000 terrorist incidents, and these incidents have caused serious injuries and more than 90,000 casualties worldwide.⁹ Although the basic objectives of terrorism have remained largely unchanged over the years, technological progress has allowed terrorists to employ more sophisticated and at times devastating tactics. This, along with the increasingly global scope of terrorism, has raised important questions about its economic impacts in countries around the world.

Throughout history, terrorism has been one of the most significant problems not only for Governments but also for civilians. However, in the last three decades, it has become a more prevalent problem; in fact, after September 11, terrorism has turned into an evil all over the world.¹⁰ Many academic studies have been done to understand the roots of the problem but they have been able to offer only several short-term responses to terrorist acts. In fact, they focused mostly on the idea of being tough on terrorism which utilizes the army to defeat terrorists. However, the use of force may cause many casualties, thus escalating the

⁹ Peter Navarro and Aron Spencer. September 11, 2001: *Assessing the Costs of Terrorism*, Santa Monica, CA: Milken Institute,

¹⁰ Volker Nitsch and Dieter Schumacher. "Terrorism and International Trade: An Empirical Investigation", *European Journal of Political Economy*, Vol. 20, (2004: 423-433).

resentment among the public and the terrorists alike. This animosity can then help terrorist organizations motivate potential members to join them. Moreover, the use of force causes terrorists to justify attacking civilians. For example, a terrorist who has lost a family member from the use of army force may be eager to attack random targets which may include innocent civilians.¹¹

Even though terrorism does not cause as many casualties as traffic accidents, it spreads a massive amount of fear to the public.¹² The FBI defines terrorism as intimidating and coercing the government and the civilians in furtherance of certain political goals of the terrorist groups. This intimidation and coercion takes the form of killing one of the top government representatives and utilizing high tech communication devices to send their message around the world in a very short time. Although the media plays the positive informative role of reporting and airing the occurrences of terror activities, it also plays the negative role of spreading the fear of terror as intended by the terrorists. In today's world, from the previous terrorism activities, it is easier to understand that there have always been underlying reasons for terrorism to occur.

1.6.2 Impact on the Tourism Sector

Studies done by Enders and Sandler indicate that a terrorist attack decreases the number of visitors to Spain by 140,000.¹³ Additionally, the impact of terrorism in foregone tourism

¹¹ Jim Saxton, "The Economic Costs of Terrorism," Joint Economic Committee U.S. Congress, May. 2002 Available from <http://www.house.gov/jec/terrorism/costs.pdf>.

¹² Ahmet Yayla 'Terrorism as a Social Information Entity: A Model for Early Intervention'. PhD Dissertation, University Of North Texas. (2005)

¹³ Walter Enders and Todd Sandler .. Causality Between Transnational Terrorism and Tourism: The Case of Spain, *Terrorism*, Vol. 14:1, (1991): 49-58.

revenues is considerable. Specifically, between 1974 and 1988, Austria suffered \$4.5 billion in lost revenue, Italy lost \$1.1 billion and Greece lost \$0.8 billion, while continental Europe as a whole suffered losses of \$16.1 billion.¹⁴ Evidence on the costs of terrorism to Israel's tourism sector is provided by Fleischer and Buccola¹⁵ who find that while local demand for hotel rooms is inelastic with respect to terrorism, foreign demand for hotel rooms in Israel decreases in response to terrorism. This result may account for the overall small effect of terrorism on the Israeli tourist industry that is found in Drakos and Kutan's study.¹⁶

Africa has also experienced the negative impact of the tourist sector due to terrorism activities. Kenya which has been under terrorist attacks and many other related threats has its tourism sector affected due to these insecurities. Kenya relies on tourism as the second most income earner which has greatly reduced over the recent past with most states issuing travel advisories for their citizens not to visit Kenya.¹⁷ These effects also include the decline of the country's tourism industry and the attendant loss of jobs and foreign exchange.

1.6.3 Private Sector

Given the large influence of the private sector in the dynamics of conflict and peace, it is only reasonable to explore the avenues through which it can become a constructive actor. Within that context, it is important to note that peace building is multitasked and requires diverse needs that are mostly and readily available in the capacities, skills and resources of

¹⁴ Enders, Walter, Gerald F. Parise, and Todd Sandler .. A Time-Series Analysis of Transnational Terrorism: Trends and Cycles, *Defense Economics*, Vol. 3(4) (1992): 305-20.

¹⁵ A. Fleischer and S. Buccola, War, Terror, and the Tourism Market in Israel, *Applied Economics*, Vol. 34(11) (2002): 1335-43.

¹⁶ Konstantinos Drakos and Ali M. Kutan .. Regional Effects of Terrorism on Tourism in Three Mediterranean Countries, *Journal of Conflict Resolution*, Vol. 47(2003): 621-641.

¹⁷ Ibid

the private sector. Researchers and development actors agree that the private sector through its economic influence, political contacts, financial resources, skilled workforce and its link to all levels of society is ideally poised to be a positive actor in bringing about peace.¹⁸

Local small and medium enterprises are often victims of violent conflicts and have a strong interest in ending such conflicts. Local business people are therefore particularly well suited partners for peace building¹⁹. Since the overwhelming majority of companies are negatively affected by conflict, most business actors have an inherent interest in peace and stability. Local business people can play an important role in peace building. The concept of peace entrepreneurship covers a range of interventions by domestic business seeking to promote peace in a variety of violent conflict settings, in this case terrorism.²⁰

There are different ways that the private sector can get involved in violent conflict situations. Its involvement in development can alleviate some post-conflict problems and no lasting economic recovery is possible without it. At the same time, the private sector needs to understand that peace processes are inherently and inevitably political, hence skilful economic initiatives can support but not replace the political process.²¹ On the other hand for example, the private sector can play an essential role in Demobilization, Disarmament and Reintegration (DDR) projects particularly the reintegration of ex-combatants in post-conflict situations by providing jobs, transferring skills or even supporting self-employment. It is also

¹⁸ Bray, J Public-Private Partnerships in State-Building and Recovery from Conflict, Chatham House: International Security Programme, ISP BP 06/01, September 2006, p.2. and Nick Killick, VS Srikantha and Canan Guenduez, The Role of Local Business in Peacebuilding, Berghof Research Center for Constructive Conflict Management (2005): 4

¹⁹ J. Bray, The role of Private Sector Actors in Post-Conflict Recovery, Conflict, Security and Development, Vol. 9, no.1 (April 2009): 5

²⁰ Ibid: 12

²¹ Ibid: 12- 13

important for the private sector to incorporate specific components that would strengthen the role of the state in the process of DDR²². The private sector in violent conflict such as terrorism continues to provide through decent work a cushion against the worst falls into de-integration and de-development. This is true for most local businesses that continue to work and earn income.

By supporting the public sector in its peace building task, the private sector contributes to strengthening the legitimacy of the state²³. Businesses can lead to more or less conflict through either direct or indirect engagement in violent conflict as explained earlier. Recent studies and experiences have exposed the positive aspect of private sector engagement in conflict especially the developmental dimensions brought by the sector. The private sector can contribute significantly to stabilization efforts of the public sector through its classic role in income creation, reconstruction, and filling gaps in public service provision. Another dimension for private sector contribution is the evidence about its contribution to state-building, conflict-resolution and peace building.

Initiatives for engaging the private sector in conflict resolution and peace building should clearly define the role of the private sector and take into consideration the interests of businesses in peace. As explained earlier, despite their different incentives most business enterprises, particularly the local ones, have a vested interest in peace. There are two main groups of views or approaches concerning the level of engagement required by the private sector. The first views are that the private sector involvement in conflict should continue to

²² Stockholm Initiative on Disarmament Demobilization Reintegration, Ministry of Foreign Affairs, Sweden, 2006

²³ OECD, Concepts and Dilemma of State Building in Fragile Situations: From Fragility to Resilience, 2008.

do what it is best at doing and that is earning profit and creating jobs. The private sector is not required to have direct involvement in conflict resolution and peace building dialogue and processes²⁴. According to Bray²⁵, the most important contribution that companies can make to peace building is to concentrate on the responsible fulfillment of their core commercial activities – whether these concern telecommunications, financial services or mineral development – thus increasing wealth and creating the economic conditions for post-conflict recovery²⁶. Bray further states that, wealth creation is not in itself sufficient to resolve conflict, that indeed it may actually help to create the conditions for conflict if the benefits of short-term economic recovery are unevenly distributed.²⁷ Furthermore, business is most effective when it avoids the appearance of partisanship in the sense of supporting one particular actor or political party but instead points to the economic costs of failing to end conflict – and to the dividends that accrue from achieving peace. However, enterprises should be conflict sensitive and realize that they might have a significant impact on conflict.

In regard to the private sector involvement, there have been both global and national initiatives that call for the involvement of the private sector in counter-terrorism. The Group of 8 (G8) formed in 1975 which comprises of eight (initially six members) of the leading industrialized states: United States, United Kingdom, Japan, France Germany, Italy, Canada (1976) and Russia (1998-2014).²⁸ The G8 through its meetings discuss global issues, crisis

²⁴ John Bray, Op Cit, (2009): 1-26.

²⁵ Ibid

²⁶ Ibid: 16

²⁷ Ibid.

²⁸ C. Hemmens, J. Maahs, Scarborough, K.E., Collins, P.A., Watching the Watchmen: State Regulation of Private Security 1982-1998. Security Journal, Vol. 14, no. 4 (2001): 17-28.

management, global security, energy and terrorism. In 2006 the G8 led an initiative for private-public partnership in counter-terrorism. The G8 Summit Declaration stated of the G8 call for attention to the importance in the globalized world of working closely with our private sector partners in our efforts to counter- terrorism in order to strengthen the capacity to protect citizens and businesses as they pursue their endeavors. Other initiatives include the United Nations Global Counter-Terrorism Strategy adopted by the UN General Assembly in September 2006 that persuade and support its member states to reach out to the private sector for contributions to capacity-building programs, in particular in the areas of security. Others include Japan's peak industry association, Keidanren. In May 2000, it identified the importance of ensuring that information-security be enhanced in the face of terrorist threats. United States also formed the Department of Homeland Security in 2001 to empower a security framework with a primary mission to protect the American homeland from terrorism. Homeland security thus coordinates communications with state and local governments, private industry, and the American people about threats and preparedness to potential threats. The United States also, under the 9/11 Commission in November 2003 called for major focus on partnerships between federal states and all local levels of government as well as between the public and private sector and between civilian emergency responders and the military. The Asian Pacific Economic Cooperation (APEC) has also emphasized how crucial public-private partnerships are in deterring terrorism. The growth trend of PPPs is growing and the paper does comparative study of different PPPs in counter-terrorism in the next chapters.

1.7 Theoretical Framework

Theories are useful for this study because, as Hollis and Smith 1990 affirms, theories attempt either to explain and predict behavior or to understand why things happen the way they do. The study is therefore guided by the application of the Rational Choice Theory as it seeks to establish the public-private sector partnership in dealing with the Regional threat of terrorism with special reference to retail trade in Kenya.

The application of Rational Choice Theory to the study of terrorism depends on a basic but profound assumption: rational choice or rationality in making choices. In the standard view, rational choice is defined to mean the process of determining what options are available and thereby choosing the most preferred one according to some consistent criterion. In a certain sense, this rational choice model is already an optimization-based approach. Rationality implies that, rather than making choices at random and independent of any information or payoffs, people choose the best action available to them based on their information and constraints.²⁹ For example, while a suicide bombing may not seem reasonable or logical to many people, rationality simply dictates that, if the bomber truly values a suicide event above all other actions, he will choose to commit suicide. By adding structure and placing limits on observable behavior, rational choice models can provide testable predictions.³⁰

Certainly, rational choice models are hardly perfect tools for predicting terrorist behavior. There may be people in the world who, while acting rationally, are acting under a different

²⁹ M. Arce, Daniel G. and Sandler, Todd.. Counterterrorism: A Game-Theoretic Analysis. *Journal of Conflict Resolution*, 49(2): (2005): 183-200.

³⁰ Jon Cauley and Im, Eric I.. Intervention Policy Analysis of Skyjackings and Other Terrorist Incidents. *American Economic Review*, 78(2) (1988): 27-31.

value system than the one specified by the model. For example, returning to the American and English policies described above, if terrorists care about other things besides concessions, there may be incentives to take hostages despite a no-negotiation policy³¹. Similarly, if the terrorists do not value their own lives, as suicide bombers do, decisive military action will probably not serve as a deterrent. There may also be a lack of information or incorrect beliefs: terrorists may not believe a stated no-negotiation policy. In addition, while some rational people may simply have different values, others may be irrational and will make choices at random. These are all possible explanations of why terrorist behavior may not follow a rational choice model perfectly.

Despite the qualifications discussed above, this paper uses a rational choice model to make and test predictions about terrorist behavior. If the model has an incorrect value system or a majority of terrorists are irrational, there should be no observable elements of rational behavior in the data. However, if a rational choice assumption is valid, one would expect to see empirical evidence of rationality. In fact, earlier empirical work suggests that this expectation is not unreasonable: Enders and Sandler³² have shown that terrorists rank tactics with respect to expected costs and even substitute activities as relative costs change.

If actors are acting rationally, game theory is especially well suited for analyzing terrorism because of the emphasis on strategic interaction. In any game model, the outcomes depend on the strategies of the players, so there is often an incentive to behave strategically: to predict, anticipate, or respond to an opponent's actions. The terrorism applications of game theory are

³¹ Walter Enders and Sandler, Todd.. Patterns of Transnational Terrorism, 1970-1999: Alternative Time-Series Estimates. *International Studies Quarterly*, 46(2): (2002): 145-165.

³² Walter Enders and Sandler, Todd.. Patterns of Transnational Terrorism, 1970-1999: Alternative Time-Series Estimates. *International Studies Quarterly*, 46(2) (2002): 145-165.

quite diverse, ranging from elaborations of the rational choice model to examinations of the optimal level of deterrence for the global community. Most applications have been models; few have empirically tested predictions.

The first major application of game theory to terrorism research is by Landes.³³ Presenting a rational choice model in which terrorists maximize utility by choosing between legal and illegal activities. He finds that an increase in expected costs or risks for terrorists actually deters aircraft hijackings. Sandler, Tschirhart, and Cauley,³⁴ apply the rational choice model to hostage negotiations.³⁵ They conclude that a no-negotiation policy will not always be optimal for the government depending on the risk attitude of the terrorists. They also conclude that simply raising the expected costs or risks to terrorists may not deter future events unless terrorist resources are also limited.³⁶

Other works done on a global level examine intergovernmental choices on counter-terrorism. The models used by Cauley³⁷ and others, all contain multiple countries deciding on the optimal level of deterrence or preemption. Using separate but closely linked methods, the studies eventually conclude that the optimal level of deterrence is not always chosen in equilibrium. The studies examine the temporal patterns of transnational terrorism and find

³³ William M Landes. "An Economic Study of U.S. Aircraft Hijacking, 1961-1976," *Journal of Law and Economics*, University of Chicago Press, University of Chicago Press, vol. 21(1), April 1978: 1-31.

³⁴ Todd Sandler, John T. Tschirhart, and Jon Cauley.. "A Theoretical Analysis of Transnational Terrorism." *American Political Science Review*. 77, no.1 (1983): 36-54.

³⁵ Walter Enders and Sandler, Todd.. Is Transnational Terrorism Becoming More Threatening? A Time-Series Investigation. *Journal of Conflict Resolution*, 44(3) (2000): pp. 307-332

³⁶ Scott E. Atkinson,.; Sandler, Todd and Tschirhart, John T.. Terrorism in a Bargaining Framework. *Journal of Law and Economics*, 30(1) 1987: 1-21

³⁷ Jon Cauley and Im, Eric I. 1988. Intervention Policy Analysis of Skyjackings and Other Terrorist Incidents. *American Economic Review*, 78(2): 27-31

that cycles exist. Several of these papers also find evidence of substitution between different types of attacks depending on the relative expected costs.³⁸

1.8 Hypotheses

The study tested the following null research hypothesis:

H₀₁ There is no partnership between the state and the retail sector on counter-terrorism in Kenya

H₀₂ The Public-Private Partnerships (PPPs) on counter-terrorism in Kenya is faced by institutional and polity challenges

H₀₃ There has been no increase in public/private sector cost related to terrorism

1.9 Research Methodology

The research methodology addressed the research objectives and questions. The study sample and instruments for the study drew data from both primary and secondary sources. Primary data was derived from interactive interviews and administration of questionnaires from staff in retail sector in Kenya, Ministry of Defense and Ministry of Internal Security. Secondary data was sourced from a collection and review of published and unpublished material, journals, academic papers and periodicals. Secondary data was obtained from The National Treasury on the Government spending on security.

The methodology components of the study on (Public-Private Partnerships) PPPs involvement in counter-terrorism in the retail sector include: research design, population,

³⁸ Cindy C. Combs and Slann, Martin W.. Encyclopedia of Terrorism. New York, NY: Facts on File. (2002)

sample and sampling design and data collection. The research design primary intention is to curb the problem by coming up with sustainable solutions in counter-terrorism particularly through PPPs. The available population for this research is the private sector and in this regard, the retail sector which has been affected by the acts of terrorism both directly and indirectly. The target population was the policy makers and the leadership in public security, private security and retail trade. The sample size was 70 respondents comprising of senior private and public officials. The sampling design involved interviewing the respondents that had been affected by terrorism and to which the study recommends their involvement in partnering with the public sector in counter-terrorism. The questionnaires were also administered and collected. The findings were analyzed and presented by use of tables, charts and, graphs.

A variable is an object, idea, feeling, time period or any other category that is being measured in research methodology. Variables are of two types: Independent and dependent variables. Independent variables stand alone and are not changed by the other variables being measured. In this study, the Public-Private Partnerships (PPPs) is an independent variable because counter-terrorism and the effectiveness thereof are dependent on these partnerships. Thus the PPPs will cause change in terrorism by preventing it or curbing it, or even minimizing the effects of it. For instance, PPPs in the security sector will ensure that the accessibility of shopping malls by terrorists is close to impossible as the armament of private sector agents and high technology investments in surveillance cameras, metal and explosive detectors will enhance better protection of the retail market.

The dependent variables for this study are the variables that are dependent on other factors in order to be effective. Such is counter-terrorism which is weak because of its traditional methods of reactive public sector approach and it is therefore in need of the private sector strengthening. This can be done through training and finance contribution or policies that incorporate both sectors. The time schedule for the study was six months.

1.9.1 Scope of the Study

The study focused on public and private partnership in dealing with the regional threat of terrorism within the retail sector in Kenya. The retail sector was chosen because it is a prime target of terrorism owing to its cosmopolitan patronage and represents diverse interests of various stakeholders.

1.9.2 Limitation of the Research

One of the limitations of the study was collection of primary data especially in the Ministries due to government bureaucracy. Another challenge was the unwillingness of the respondents to disclose information deemed sensitive and a threat to the National Security.

1.10 Chapter Outline

Chapter one details the introduction, literature review, theoretical framework, problem statement, objectives of the study, justification of the study, hypotheses and the methodology.

Chapter two presents a discussion of the overview of terrorism security situation in Kenya.

Chapter three provides an overview of the effects of terrorism conflict on the performance of retail business.

Chapter four provides a critical evaluation of the impact of regional conflict on private sector operations.

Chapter five offers summary, conclusions and recommendations on the study.

CHAPTER TWO

AN OVERVIEW OF TERRORISM IN KENYA

2.1 Introduction

Insecurity in the African states has deep roots in the socio-economic and political instabilities as well as weak institutions. As such, liberation movements, guerrillas, bandits, criminal gangs, cattle rustlers, pirates and vigilantes as well as state terror, have long been included in the nomenclature of terrorism. The stretch of Islamic radicalism in the 1990s gave ‘terrorism’ an indelibly Muslim face in the Horn of Africa. As experimented by Alex de Waal³⁹, Islamism has changed the Horn into a veritable arena of conflict between jihadists and their enemies, evoking the Huntingtonian ‘clash of civilizations’ among the West and the rest in the reordering of international security and power relations.⁴⁰

An amalgamation of endemic poverty, chronic underdevelopment and a deep sense of marginalization, in the radiance of the negative forces of financial globalization, closeness to and historical linkages with the Middle East, have changed the region into an incubator of radical Islamists ideas and local cells of international terrorist networks.⁴¹ Kenya has not been immune to such turbulences. Indeed Kenya has been host to security situations from independence, ranging from food insecurity- as seen in reoccurrence famines, social-economic threats to security as is the case with ethno-politics and frail institutions which among other causes worsened the electoral disagreement in 2007/8. New threats have emerged such as terrorism. However, terrorism is not new in Kenya as this part of the study

39 A de Waal (ed), *Islamism and its enemies in the Horn of Africa*, Shama Books, Addis Ababa, 2004.

40 S Huntington, *The clash of civilizations and the re-making of world order*, Simon & Schuster, New York, 1996.

41 C de Coning, *Poverty and terrorism: The root cause debate?* *Conflict Trends*, 3, 2004: 20-29.

shows. The magnitude of the effects and threats is higher, thus the call for different ways of dealing with terrorism, such as PPPs as recommended in this study.

2.2 Kenya as a Terrorist Target

Kenya remains a potentially prime goal for terrorists in its own right. It has substantial Western tourist bustle, the head office of the United Nations Environment Program and the United Nations Habitat Program, an outsized number of Western embassies and several international businesses. Kenya suffered dreadful impact in casualties and destruction of business and property in the bombing of the American embassy in 1998. That act and the 2002 attack on Israeli facilities in Mombasa, exposed the extent of terrorist cells operating in Kenya.⁴² The cells have taken root in the Muslim community which traces its roots to the Middle East. The community has undergone a fixed decline in political and financial influence since Kenyan independence as Kenya's African populace gained supremacy and competition for jobs enlarged. As conditions have declined, religious interest has risen. Muslim religious and social groups have taken on more responsibility and influence and there has been more exchange between young people in search of opportunity in the Middle East. The radical cells that urbanized in this milieu represent only a small portion of the Muslim community which itself is only about 10 percent of the Kenyan population. All the

⁴² Donald Rothchild and Edmond J. Keller, eds., *Africa-US Relations: Strategic Encounters* (Boulder: Lynne Rienner Publishers, 2006): 60–61.

same, the outsiders directly involved in the bombings of 1998 and the Mombasa attacks were clearly assisted by Kenyan citizens.⁴³

2.3 The Increasing Problem of Youth Radicalization in Terrorism

The word radicalization is one that is contested by many.⁴⁴ Arguably one of the most complete definitions is coined by Allen⁴⁵, as it summarizes a lot of elements used by most scholars in security and conflict studies. According to Allen, radicalization is “the process of adopting an extremist belief system, including the willingness to exploit, hold up, or facilitate violence as a method to outcome societal change.”

East Africa’s growing youth population is increasingly defining the region’s security environment. Population development over the precedent several decades has made East Africa one of the youngest regions in the globe and is projected to go on. At the same time, violent extremist organizations (VEOs) stay vigorous in the region and have unmitigated their influence in a number of areas. The Preventing Youth Radicalization workshop set out to recognize the general challenges facing East Africa’s youth and to look at strategies intended at enhancing their opposition to radical ideologies. Although violent extremists in East Africa adhere to diverse ideologies, the strategies that they employ to enlist youth into their ranks are often alike. Radical organizations comprehend and prey upon a variation of political realities, socioeconomic factors, and individual distinctiveness that render youth in

43 Johnnie Carson, “Kenya: The Struggle Against Terrorism,” in Rotberg, ed., *Battling Terrorism*, pp. 173–192. See also Gilbert Khadiagala, “Kenya: Haven or Helpless Victim of Terrorism,” in *Terrorism in the Horn of Africa*, United States Institute of Peace, Special Report no. 113, January 2004.

44 Mark Sedgwick, “The Concept of Radicalization as a Source of Confusion,” *Terrorism and Political Violence*, vol. 22, no. 4 (2010): 479 – 494

45 Charles E. Allen, “Threat of Islamic Radicalization to the Homeland,” Testimony before the U.S. Senate Committee on Homeland Security and Government Affairs, March 14, 2007, p. 4.

East Africa vulnerable to VEO recruitment.⁴⁶ A primary target of the Preventing Youth Radicalization workshop was to prop up understanding of the drivers of youth radicalization, recognize East African youth's resiliencies and coping mechanisms to these drivers and to engender policy recommendations intended to mitigate the drivers.

Radicalization has been worsened by Somalia's increasing Islamist radicalism spreading in Kenya. The Al-Shabaab as a militant movement has made a cross-border presence plus a clandestine support of network among the Muslim populations in the northern east part of Kenya, Nairobi as well as on the coast region. It is as well trying to radicalize and employ youth from the communities in these regions, regularly capitalizing on the long eminence complaint against the central governing state. The dilemma can nurture further, worsened by the Kenyan government's October 2011 decision to intervene directly in Somalia. Radicalization is indeed a grave threat to Kenya's security. Alongside seeking a permanent solution, formulating as well as executing sound counter-radicalization plus de-radicalization policies before it is very late should be a priority.

Al-Shabaab recruiters and radicalizers have for some time been enthusiastically looking beyond the Somali community for potential jihadists and in line with its regional agenda, Kenya's (and Tanzania's) coastal Muslims are an increasingly important aim. There is budding evidence to propose that attacks in the North Eastern region of Kenya are a joint operation inclusive of the Kenyan Swahili and the Somali jihadists. The Swahili members are more easily capable of evading security as they pose as the locals because the Kenyan security officers often count on outdated profiles that the Al-Shabaab members are Somalis.

46 The Africa Center for Strategic Studies (ACSS), "Preventing Youth Radicalization in East Africa" Work Shop in Kigali, Rwanda 22-27 Jan 2012, Program Report, 7-12:8

In different events some may have returned to Coast region and thus the current abductions at tourist resorts can be counted to that. The Al-Shabaab plot to strike at the foundations of the region, even if not the prospect of Somalia jihad veterans returning, should be a reason of concern.⁴⁷ It is clear that radicalization and recruitment is not slowing down and all relative counter-measures need to be taken.

2.4 Kenya's Counter-Terrorism

Ever since the 1998 bombing of the U.S. Nairobi embassy which killed 225 and injured over 4,000 and the 2002 assault on the Israeli-owned Paradise Hotel resort on the coast which killed fifteen Israelis and about 80 natives, countering terrorism has been a main concern. The Government has really enlarged its capabilities with extensive foreign help.⁴⁸ Since 11 September 2001, Kenya has dynamically assisted Western efforts to spot, arrest as well as detain suspected terrorists. This became very significant with the fall of the Union of Islamic Courts in Somalia in December 2006 when Kenyan officials arrested and detained more than 150 persons fleeing that country, a number of whom were eventually handed over to Ethiopian military forces.⁴⁹ This policy was extremely not liked among Kenyan Somalis and Muslims in common. In part due to shortage of resources, government counter-terrorism efforts carry on to focus on policing and border security rather than programs designed for counter-radicalization or de-radicalization of those who have attached to radical groups.⁵⁰

⁴⁷ Ibid

⁴⁸ "Kenyan Somali Islamist Radicalisation" *Crisis Group Africa Briefing* No. 85, 25 January 2012. pp. 11

⁴⁹ "Why Am I Still Here? The 2007 Horn of Africa Renditions and the Fate of Those Still Missing", *Human Rights Watch*, October 2008.

⁵⁰ Jeremy Presthold, "Kenya, the United States and Terrorism", *Africa Today*, vol. 57, no. 4 (summer 2011).

The judgment in October 2012 to set out thousands of military troops in Somalia's Juba Valley in order to fight Al-Shabaab is the major security 'gamble' the country has taken since independence. Operation Linda Nchi (Protect the Country) is perilous since the possibility of getting bogged in Somalia is quite high; the likelihood of an Al-Shabaab retaliatory terror campaign is real; the idea of a practical extremist-free and stable polity up-and-coming in the Juba Valley are slim at least in the short term.⁵¹ If it costs many Kenyan lives or triggers a mass terrorist attack, it will precipitate a backlash against Kenyan Somalis and further radicalize the community. It has already triggered a figure of attacks on both civilian and government targets in North Eastern Province.

The fight in opposition to Al-Shabaab has led to an augment in ethnic profiling and discrimination against Somalis in particular and Muslims in common.⁵² Kenyans have historically been suspicious of the Somali community and police harassment and discrimination in the name of "Global War on Terror" go on with deep-rooted trends dating back to the Shifta War. Somalis are often without distinction labeled "Al-Shabaab".⁵³ Resentment to them is exacerbated by their viable success in Nairobi and other major urban areas as well as their assumed but unproven association with piracy, extremism and terrorism. Though the government has repetitively urged Kenyans not to stereotype or distinguish against Somalis, politicians' statements and media rhetoric risk further

⁵¹ Robert Young Pelton, "Kenya modified Invasion to suit US concerns", *Somalia Report*, 11 November 2011. In, Kenyan Somali Islamist Radicalisation" *Crisis Group Africa Briefing* No. 85, 25 January 2012: 10

⁵² Crisis Group observations; "Kenya: Security Forces Abusing Civilians Near Somalia Border", Human Rights Watch, 12 January 2012.

⁵³ Guled Mohammed, "Hounding Somalis hurts terror fight", *The Star*, 2 November 2011.

demonizing them. Deputy Defense (former and late) Minister Joshua Orwa Ojode, for instance, likened Al-Shabaab to a snake with its tail in Somalia and head in Eastleigh.⁵⁴

Indeed, the processes of globalization have facilitated the stretch of terrorism that spread across and beyond the national borders – as is the case with the recent Westgate attack– blurring the boundaries among national and transnational terrorism. This then holds as a minimum two significant effects on how policy analysis and security agents and all worried stakeholders think about and arrange reactions to acts of terrorist by groups such as Al-Shabaab. There is a vital need to better comprehend their power, command and control they have in their relationships of the global arrangement of the jihad network. The other implication is the actual need for states fighting terror such as Somalia to be helped out in spiraling the intelligence, policies and civilian institutions in the states in order to promote the rule of law in addition to addressing the issues that are underlying: existential and ideological circumstances that increases radicalization of Islamist groups and fuel terrorism without borders.⁵⁵

Although Al-Shabaab has been destabilized, it remains a formidable adversary that comprehends local dynamics better than its foreign foes and can maximise its asymmetric benefit.⁵⁶ One strategic change has already been clearly noted; rather than the open fighting, Al Shabaab has thawed into the background, making Kenyan mechanised infantry to go deeper into the heartland. The Al Shabaab fighters intermingle into the Kenyan civilian

⁵⁴ Tom Odula, “War fears: Somalis in Kenya afraid of xenophobia”, Associated Press, 11 November 2011.

⁵⁵ S.J. Hansen *Al-Shabab in Somalia: The History and Ideology of a Militant Islamist Group, 2005-2012*. (Oxford: Oxford University Press, 2013)

⁵⁶ M. Rudner “Al-Qaeda’s Twenty-Year Strategic Plan: The Current Phase of Global Terror.” *Studies in Conflict and Terrorism* 36(12) (2013): 953-980.

population and share out weapons⁵⁷. Al Shabaab utilize unconventional means of warfare and indiscriminately attack their victims. This is an effect of lessons learned during the December 2006 Ethiopian intervention when the Union of Islamic Courts deployed several of its combatants, including Al-Shabaab, conventionally in the huge arid plains of the southwestern part of Somalia and the fighters were decimated by ground and air fire.⁵⁸ That almost ended Al-Shabaab, but it adapted, becoming a competent guerrilla force.

To date, the KDF has not succeeded in the crucial task of winning hearts and minds in Somalia. The window for possibly being viewed as liberators and before it can look forward to be considered an invader is very narrow and closing fast. Al-Shabaab has begun a campaign of painting the Kenyans as an occupying force.⁵⁹ Even if Kenya captures all or large chunks of southern Somalia, it will have to provide a plausible alternative political leadership in a region where Al-Shabaab has been relatively fruitful. The allied Somali militias are implausible to accomplish the compulsory unity and will be hard pressed to provide security. Something alike happened in 2006 when Ethiopian troops were sucked into an ostracized “occupation” that turned local Somalis against them and the TFG of President Abdullahi Yusuf that they were propping up.⁶⁰

The situation might have been controlled by the Kenya military that was based on the cases of piracy occurring in the Indian Ocean. However statistics show a different perspective since Kenya has had to deal with a numerous terror attacks in the main towns such as Nairobi, to which the militia group has claimed accountability regardless of there being no evidence to

⁵⁷ “Somalia”, *The New York Times*, Topics, 25 January 2012

⁵⁸ I. M. Lewis, *A Modern History of the Somali* (Oxford, 2002), 183-201.

⁵⁹ “Somalia”, *The New York Times*, Topics, 25 January 2012.

⁶⁰ Ibid

proof so. The attacks include grenade attacks and small bomb blasts in buildings and cars. In addition, terrorists shooting innocent civilians (including children) in churches as well as other gatherings with example of the Mpeketoni occurrence where more than 50 persons were shot dead as they watched a world cup match.⁶¹

On 21 September 2013, Kenya recorded its deadliest terrorist incident since the 1998 Al-Qaeda bombing of the US embassy in Nairobi. At least 70 people were confirmed dead, 175 others reported wounded, and several held in hostage as a grouping of terrorists- Islamists fighters, entered into the Kenya's high-end Westgate mall in Westlands Nairobi and opened fire at random on the shoppers who were not only local but international (foreigners).⁶² The Islamist fighters reportedly shouted in the local Swahili that Muslims would be permitted to leave while all others were subjected to their bloodletting. At least 18 foreigners were killed in the horrific attack, including citizens from Britain, China, Canada, the Netherlands, Australia, New Zealand, Peru, Ghana, India, South Africa, and France.⁶³ The Somali-based Islamist group Harakat Al-Shabaab al-Mujahideen (aka Al-Shabab, aka the youth, aka mujahidin Al-Shabaab Movement, aka Mujahideen Youth Movement, aka Hizbul Shabaab, aka Hisb'ul Shabaab, aka Youth Wing) have claimed responsibility for the attack through its now closed Twitter account.⁶⁴

⁶¹ Kenyans for Peace with Truth and Justice (KPTI) Press 20-06-2014. 'Press Statement on the Mpeketoni and the Deteriorating state of Security in Kenya.'

⁶² M. Mamdani. "Senseless and (Sensible) Violence: Mourning the Dead at Westgate Mall." Aljazeera, September 26. Available at <http://www.aljazeera.com/indepth/opinion/2013/09/senseless-sensible-violence-mourning-dead-at-westgate-mall-201392563253438882.html> (Accessed 27 September 2013).

⁶³ Ibid

⁶⁴ D.E. Agbibo "Al-Shabab, the Global Jihad, and Terrorism without Borders." Aljazeera, September 24. Available at: <http://www.aljazeera.com/indepth/opinion/2013/09/Al-Shabab-global-jihad-terroris-1392484238627603.html>. (Accessed 26 December 2013).

In a communication via social media, Al-Shabaab announced on tweeter that, the Mujahideen entered Westgate Mall at noon and that they were inside the mall, fighting the Kenyan ‘Kuffar’. In another tweet they stated their refusal to negotiate and they later on said that for long the terrorists had waged war against the Kenyans in their land and now was time to shift the battleground in addition to take the war to their land.⁶⁵ Al-Shabaab has recently released the names and nationalities of the Islamist fighters who attacked the Westgate mall in Nairobi.

Kenya’s operations resulted in Al-Shabaab’s loss of the strategic seaport of Kismayo from which it had derived substantial revenues through the international charcoal trade⁶⁶. In July 2012, the KDF in southern Somalia, numbering about 4,000, were incorporated into the African Union Mission in Somalia (AMISOM) force of over 17,000 soldiers with a UN mandate to protect the weak Transitional Federal Government (TFG). Kenya is among the five troop contributing countries (TCCs) to the AMISOM that since 2011 has forced Al-Shabaab to retreat from Somalia’s capital, Mogadishu, as well as other strongholds.⁶⁷

Kenya being a democracy, the opposition has continued to mount pressure on the government calling for drastic changes in the security department, a call which the president and the deputy have heeded and now the focus shifts on the government call for citizens to be vigilant and embrace self-protection groups such as, Nyumba Kumi Initiative of looking after one another with the president leading in this media campaigns done on local TV networks.

⁶⁵ Edmund Blair and Lough, Richard. “Islamists claim Gun Attack on Nairobi Mall.” Reuters, September 21. Available at: <http://www.reuters.com/article/2013/09/21/us-kenya-attack-idUSBRE98K03V20130921> (Accessed 25 September 2013).

⁶⁶ Ibid

⁶⁷ F. Onuoha. “Westgate Attack: Al-Shabab’s Renewed Transnational Jihadism.” Al Jazeera Center for Studies, 10 November (2013). Available online at, <http://studies.aljazeera.net/ResourceGallery/media/Documents/2013/11/11/2013111123040955734Kenya.pdf> (Accessed 20 November, 2013).

Under the spirit of active citizenship, Kenyans are required to back the governments call in these initiatives as a secure nation foresees security that is sustainable to future generations and efficiency in business and political success.⁶⁸

The terror attack by Al-Shabaab in Westgate Shopping Mall in Westlands Nairobi can be attributed to the violent retaliatory actions as an outcome of the Kenya's military operations in their intervening in the southern part of Somalia that began in the year 2011. The Kenya Defense Forces (KDF) are now part of the African Union Mission in Somalia (AMISOM) which is actually led by the AU and UN backed peacekeeping forces. Termed 'Operation Linda Nchi', the original purpose of the intervention was to pursue Al-Shabaab militants who had been accused of kidnapping several foreign tourists and aid workers in Kenya. Nevertheless, it is important to note that the militant group is actively recruiting Kenyans from different ethnic groups into its terrorist operations.⁶⁹ A report by the UN Monitoring Group for Somalia and Eritrea noted that, since 2009, the Al Shabaab group had rapidly expanded in influence and expanded its membership to non-Somali Kenyan nationals who currently constitutes the biggest and most structurally organized non-Somali group in the Al-Shabaab terror network.⁷⁰ Termed by the Al Shabaab leadership as the 'Kenyan Mujahideen' by who have converted to Islam form around 10% of the group's overall forces.⁷¹

Poverty is a key factor attributed to the reasons for recruitment into terrorism. Furthermore, the terror groups easily blend within the broad Kenyan population without building up much

⁶⁸ Ibid

⁶⁹ Ibid

⁷⁰ UN Report of the Monitoring Group on Somalia and Eritrea: Somalia, 2013. July 12, 2013. Available at <http://www.cfr.org/somalia/un-report-monitoring-group-somalia-eritrea-somalia-2013/p31449>

⁷¹ Ismail Taxta and Abdi Sheikh / Reuters. Somalia's Al-Shabab vows huge blast in Kenya. Thursday 27 October 2011. Available at <http://www.arabnews.com/node/396232>

suspicion. In one example, Elgiva Bwire Oliacha, a Kenyan from Busia was convicted of carrying out grenade attacks in Nairobi and jailed for life in 2011. He said he went to schools in Nairobi and was actually brought up in an environment of strict Catholic family.⁷² A variety of reports show that Al-Shabaab's objective is to set up a multi-ethnic generation in East Africa. Between 2011-2013, Kenyans in various parts of the country suffered a number of deadly and non-lethal attacks within churches, bars, mosques and other public spheres and places emanating from Al-Shabaab terror attacks.⁷³

The establishment of Jubaland is described by Kenyan diplomatic and intelligence bureaucratic as occurring through two phases. The first is meant to be a 'buffer zone' to defend Kenya from negative impact brought about by the 'lawlessness in Somalia' – which include religious extremism, the uncontrolled flow of small arms and contraband, piracy, terrorism, and refugee burden – and to protect Kenya's economic interests. The other phase is to seek to establish the root conflicts in Somalia in order to reconstruct social, economic and political structures for a solid Somalia. The 'Jubaland Initiative' is meant to be formed on the experience of Puntland and Somaliland. Both Puntland and Somaliland are two provinces in northern Somalia that broke away from the greater Somalia and declared and acknowledged their own autonomous governments. A politically steady Somalia is key in increasing Kenya's trade growth in the Horn of Africa.⁷⁴

⁷² Ibid

⁷³ Edoardo Totolo. Kenya's 'Economic' Conflict with Al-Shabaab Available at <http://www.isn.ethz.ch/Digital-Library/Articles/Special-feature/Detail/?lng=en&id=143305&contextid774=143305&contextid775=143303&tabid=1452421382>
Accessed July 15th 2014

⁷⁴ Ibid

Kenyans continues to condemn the increasing insecurity that impacts their socio-economic structures. They fault their government for not having forensic laboratories that are useful in recording data with profiles of suspected terrorists, their sponsors and sympathizers. Simiyu Werunga former security expert and director of African Centre for Security and Strategic Studies, affirms on the difficulty for Kenya to win the war on terror in the absence of a proper mechanism to profile terror suspects, which in turn creates a reserve of information that eventually can be used by the security organs to refer to in future.⁷⁵ On the other hand, the Anglo-Leasing scandal during Kibaki's government in his first term is responsible for having hindered the creation of such labs. The National Intelligence Service (NIS) is also questioned for failing to justify its huge annual budget allocations of over Ksh10 billion, in relations to curbing and reduction insecurity. During the year 2013 to 2014 fiscal year, a total amount of Ksh1.2 billion was allocated to erect a National Forensic Laboratory to facilitate criminal investigations so as to get justice for victims of crime.⁷⁶

The Kenyan government must therefore have a new approach in fighting terrorism by technologically advancing its weaponry, gathering intelligence which can be done by infiltrating terrorist cells and also by being ahead of attacks possibly every time. Kenya is an important ally of the West in the global war on terror (GWT), thus it should seek further assistance in terms of finance and equipments. In October 2012, the former president Kibaki

⁷⁵ Ibid

⁷⁶ Samuel Kumba. C.S Lenku: Let Us All Unite to Fight Crime. Kenya School of Government Weekly Bulletin. Vol.3 Issue 20

concluded with the Prevention of Terrorism Act, 2012 which is purposed to lawfully disrupt the networks of financiers.⁷⁷

2.5 Private – Public Partnerships on the Mitigation of Terrorism

The use of public-private partnerships to counter terrorism is not a new concept but the record has been patchy to say the least. There have been doubts and suspicions on both sides in working toward practical measures, not to mention very real concerns in government circles about compromising the security of state operations. There has also been a lack of precision on what the appropriate form of cooperation might be, especially when more than one government needs to be involved. Indeed, international cooperation in counter-terrorism work involving only governments still faces many challenges. This section gives a brief overview of related developments before the St. Petersburg summit.

In Asian Japan exemplified the issue of preparedness using various methods. In May 2000, Japan's peak industry association, Keidanren, identified the importance of ensuring that information-security be enhanced in the face of terrorist threats. It was essential that government institutions and private corporations collaborate to devise countering measures targeted at hackers and cyber terrorists. For the sake of national security, Keidanren called for better cooperation amongst industries, academia and government in the area of research and development to increase the level of information-security.⁷⁸

In the United States, the 9/11 Commission reported in November 2003 that in order to prevent another catastrophe, major focus ought to be placed on partnerships - partnerships

⁷⁷ Ibid

⁷⁸ M. Rudner. "Al-Qaeda's Twenty-Year Strategic Plan: The Current Phase of Global Terror." *Studies in Conflict and Terrorism* 36(12) (2013): 953-980.

between federal states and all local levels of government and between the public - private sector as well as between civilian emergency responders and military.⁷⁹ The Commission noted that interdependencies of the public and private sector are crucial in ascertaining the security of the national workforce as well as infrastructure.⁸⁰ The report identified three key areas for improving private sector cooperation: these are the sharing information on private sector 'targets' and improving internal security measures as well as creating resilient and robust system.

Other multilateral efforts in PPP to counter terrorism include the Asian Pacific Economic Cooperation (APEC), which has been key in stressing how crucial public-private partnerships are in deterring terrorism. Public-private partnerships dominated the discussion at the Fourth Secure Trade in the APEC Region (STAR) Conference in February 2006.⁸¹ Participants such as the Russian officials urged that more partnerships at both the domestic and the inter-regional levels are crucial. They emphasized that the private sector including small and medium enterprises should not be viewed simply as fund providers but as partners in implementing security measures and included in the decision-making process.

One of the best examples for PPPs is the Homeland initiative in America. With the idea that all disasters start locally, the Homeland security takes to account that extremist group terrorism, attacks on information infrastructures and other possibilities, threats now involve non nation-based individuals or groups with a reach that directly affects our security at home.

The initiative was created on October 8, 2001, when an executive order was signed creating

⁷⁹ GAO. Experts' Views on How Future Federal Funding Can Best Be Spent to Improve Security, a report to the Committee on Environment and Public Works, U.S. Senate. (2003)

⁸⁰ DHS. National Preparedness Guidelines. Department of Homeland Security (2007).

⁸¹ Simon Tisdall, Available at <http://www.guardian.com.html>. Accessed on September 22nd 2013

the White House Office of Homeland Security. The formation focused attention in setting goals and priorities for homeland security. Analysis, preparation, and implementation of strategies in regard to the issue of terrorism are key to the homeland security. This new reality means rethinking policies, planning, allocating resources and formulating partnership strategies among federal, state, local, and private sectors.⁸²

From this, it is clear that governments and industries must work together toward common goals. For instance, sharing of information between the private and public sectors is critical in mitigating risks. The private sector should share more and more information with the public sector and vice versa. All of this requires trust among the parties involved.

In Kenya, PPPs are inadequate in regard to mitigation of terrorism. Indeed even the Public Private Partnerships Act⁸³ emphasizes on economic partnership for infrastructure and general development but not in regard to security. Its provisions do not holistically capture the issues of security partnerships; furthermore, the counterterrorism partnerships are not detailed at all, despite the act being a 2013 endorsement at a time where terrorism activities and impacts were quite well conversant with. As noted the APEC region partnerships tend to view the private sector as ‘funders’ a problem that is shared in Kenya, where the PPPs rarely focus on counterterrorism even under the areas of focus for PPPs under the Kenya Vision 2030.⁸⁴

The private security sectors such as G4S and KK Security need to partner with the government in Kenya and have their guards properly trained and licensed to use arms. Some

⁸² DHS. National Preparedness Guidelines. Department of Homeland Security (2007).

⁸³ The Public Private Partnerships ACT, 2013 No. 15 of 2013 Date Of Assent: 14th January, 2013

⁸⁴ Public Private Public Private Partnerships in Kenya, Presented by Esther Koimett, CBS Investment Secretary Ministry of Finance, Kenya. 2012

of the private guards have no knowledge on terrorism and even sheer knowledge on weapons such as explosives. The transport industry also is important in partnership with the public sector. A good example is FedEx which is also actively involved with governments on initiatives to increase trade and security. In partnership with the private sector, the Customs-Trade Partnership against Terrorism is a program managed by the US Department of Homeland Security which aims at trying to secure the entire logistics chain. C-TPAT requires cooperation by government, importers, carriers, brokers, warehouse operators and exporting manufacturers.⁸⁵

2.6 Factors affecting the Effectiveness of the Security Sector

There are a number of factors affecting the security sector in Kenya which comprise of: the lack of modernization and upgrading of the security system and structures and serious lapses of coordination and harmonization between the intelligence, the executive and the police. In general, there is no centralized harmonization in the security sector. Even worst, is that there is poor or no coordination at all of the private and public security sectors in the intelligence realm, poor funding and training as well as armament in regard to terrorism. In addition, there is the element of shifting blame and giving excuses for example lack of awareness, information and intelligence in the top security apparatus. The former Internal Security minister is noted to have acknowledged that the National Police Service does not have enough personnel as well as equipment to combat crimes in the Kenya, that there are

⁸⁵ HSPD-7. Homeland Security Presidential Directive 7: Critical Infrastructure Identification, Prioritization, and Protection. Washington, DC. (2003)

approximately 80,000 regular administration police (AP) for a population of over 40 million Kenyans.⁸⁶

The security agencies in Kenya are more reactionary and not proactive thus to a good extent, they do not use and apply early warning systems. The issues of Poor governance as well as the use of security forces by the politicians to actually divide those who are to elect them are as well part of the problems in the sector. For instance there was biased deployment of security officers by government of Kibaki in ODM strongholds during the 2007/08 post-election violence. In addition, the violent eviction of persons from the Maasai community who were evicted from their ancestral land in Narasha, a village in Naivasha on July 2013 in which the eviction happened in the presence of security officers, definitely showed the bias of security officers in different scenarios.⁸⁷

International views have also been on record regarding various events. Simon Tisdall⁸⁸ reported that the attack on the Westgate shopping mall in the city of Nairobi is a direct outcome of the long-running weaknesses of western powers as well as African Union states to end prolonged and persistent conflict in the failed state of Somalia. It is also noted as to reflect the effect of a fierce power struggle within Al-Shabaab that eventually brought the group's hard-lined global jihadist wing to the forefront. Tisdall proposes that Al-Shabaab has had internal leadership disputes and that the attack in Westgate was an effort to stamp its authority, having been weakened by the Kenyan military. Previous to the KDF intervention, the Al Shabaab controlled large portions of Somalia, imposing a ruthless and often cruel

⁸⁶State Report : Kenya. Available at <http://www.state.gov.html>

⁸⁷ Naivasha Evictions. Available at <http://www.standardmedia.co.ke/ktn/index.php/video/watch/2000068247/-naivasha-evictions> on August 25th 2014

⁸⁸ Simon Tisdall Available at <http://www.guardian.com.html> on September 22nd 2013

version of Islam religion in their territory.⁸⁹ They beheaded and injured civilians, buried teenage girls up to their necks in the sand and stoned them to death. However in the past two years, the AU forces, comprising of Kenyans, pushed Al Shabaab out of most of their strong settings. The Westgate attack signalled a comeback.⁹⁰

The fight against insecurity cannot be fought solely by one state especially insecurities that have international characteristics. Fortunately, many states are placing substantial resources within the borders of Kenya. Stability within Kenya has the probability to create an example for many African nations. While the statistics of insecurity in Kenya are some of the worst in the Horn and East Africa, there is still significant potential for a stable Kenyan economy, government and an effective police unit. For this to happen, the ratio of police to citizens needs to improve significantly. It is very unlikely for such a small number of police to really make an imperative difference in Kenya's security. Additionally, there is need to hire and employ more police personnel as well as raise their salary and improve their living conditions. Lack of this only breeds a considerable amount of corruption which eventually affects the economy negatively especially due to the insecurities suffered by the economic sector. Till the association between the police and the Kenyan people gets better, it is difficult for crime levels to decline. Besides, the judicial system in Kenya needs further restructuring and overhaul since the utilization of police prosecutors has demonstrated itself to be quite inefficient and ineffective.⁹¹

⁸⁹ Ibid

⁹⁰ Jeffrey Gettleman and Nicholas Kulish. Somali Militants Mixing Business and Terror. The New York Times, 30th September 2013

⁹¹ Crime and Development in Kenya, 2010, Vol. 2 No. 09. pp.1-2

The UN Secretary General Ban Ki-moon in his statement on the current state of Kenya, affirmed of the United Nations' determination in working with Kenyan government in mitigating terrorism. He also affirmed of the UN's will to support Kenya's efforts to fight the global vice by improving the capacity of the state's security agencies. This was after he had a meeting with President Uhuru Kenyatta, which he stated as being quite productive talk on the main security and political issues about counter-terrorism in South Sudan, Somalia as well as the Great Lakes region. The talks were an exchange of views in depth about how the United Nations and Kenya can work jointly in countering terror attacks waged against the people and the country and beyond.⁹² This visit by the UN security General and his statements indeed show of the importance of putting more focus on counter-terrorism under the assurance of international backing in the global war on terror.

2.7 Conclusion

A secure country from terrorism will restore the affected industries such as tourism, the retail industry and transportation sector which had earlier thrived economically. The effects of terrorism are costly as the attacks are more inclined to put businesses at risk with many areas being targeted like the Westgate Mall attack whereby foreign investors are more likely to withdraw investments if terrorists carry on attacks. This in turn reduces the country's gross domestic product (GDP) and subsequently leading to unemployment.⁹³ From the above discussion of the current security situation in Kenya, it is quite clear that the reputation of

⁹² Kazungu Chai. UN to help Kenya Fight Terrorism, says Ban Ki-Moon. Daily Nation Saturday, June 28, 2014

⁹³ Aghiboa, D.E.. "Al-Shabaab, the Global Jihad, and Terrorism without Borders." Aljazeera, September 24 (2013) Available at: <http://www.aljazeera.com/indepth/opinion/2013/09/Al-Shabab-global-jihad-terroris-201392484238627603.html>. (Accessed 26 December 2013).

Kenya's security is generally at stake. This may be one of the reasons why the concerned body of experts, the government and its citizens may need to urge everyone around to embrace nyumba-kumi initiative and the likes since it is very significant and many things are glued together by this factor.

CHAPTER THREE

EFFECTS OF TERRORISM ON PERFORMANCE OF RETAIL BUSINESS

3.1 Introduction

From a managerial economics perspective, retail companies incur a wide range of significant business costs both fixed and variable due to the threat of global terrorism. One fixed cost involves upgrading the physical security infrastructure of the firm's personnel, property, plant and equipment located in areas where the incidence/likelihood of terrorism against a retail firm – its employees and property is well above average risk.⁹⁴ It can be very costly for a retail firm to develop an effective physical security plan. The process normally involves a detailed initial security survey of office spaces, buildings and other property owned by the firm. From the initial security study, the corporate management may decide to make hardware improvements to physical security including installing closed-circuit surveillance cameras, establishing metal detectors at building entrances and possibly installing reinforced doors in executives' offices.⁹⁵ Therefore in terms of response to the threat of global terrorism, most multinational retail corporations spend most company funds on equipment-based security—installation of security devices and other physical protection of corporate assets.⁹⁶

⁹⁴ Ganor. Defining Terrorism: Is One Man's Terrorist Another Man's Freedom Fighter? 1998
<http://www.ict.org.il/articles/define.htm>.

⁹⁵ Including the bombing of the U.S. Marine Corps barracks in Beirut in 1983, the bombing of the World Trade Center in 1993, the Oklahoma City bombing of 1995, the bombing of the U.S. embassy in Nairobi in 1998 and the Sept. 11 attacks of 2001.

⁹⁶ Prior to 1998, MIPT data included all international terrorist incidents and only some domestic incidents. This explains the significant increase in the number of incidents, fatalities and injuries after the inclusion of domestic incidents in 1998.

International firms may also decide as part of improving their physical security to hire additional security personnel to guard their property and employees overseas. This decision not only involves direct costs in terms of fees for additional outside security services but it also may create some unintended costs for the corporation. The hiring of additional security personnel may signal to corporate employees that the firm is under threat of imminent attack causing negative psychological effects in some employees that will in turn, possibly reduce their job performance. Retail executives may also be forced by circumstances to yield some of their decision-making power to hired security personnel—perhaps a necessity for security reasons but not necessarily efficient for conducting business operations.⁹⁷ From these views, it is clear to see that the mandate of the retail sector in the pursuit of their businesses is costly as most of the companies invest heavily on the physical security. Thus the additional security measures taken to match up the greater threat of terrorism is often very costly.

3.2 Security Consultants

Many retail companies employ additional security consultants for advice on confronting the threat of terrorism posed to the companies. Security consultants therefore provide detailed economic and political analysis of high-risk areas of interest to retail firms.⁹⁸ Outside security consultants deepen the global managers' understanding of emerging and existent terrorist threats to business operations. Security consultant services enable international managers to conduct more accurate terrorism risk modeling and in turn make more informed business decisions. The fees charged by security consultants are fixed, short-term costs for client

⁹⁷ Ganor. Defining Terrorism: Is One Man's Terrorist Another Man's Freedom Fighter? 1998. <http://www.ict.org.il/articles/define.htm>.

⁹⁸ Though the panel data correlations between the number of incidents and the number of fatalities and injuries when divided by both GDP and population are positive and statistically significant, they are not perfectly correlated.

firms; however, the short-term costs seem a small price to pay for the long-term cost savings of avoiding a terrorist attack.⁹⁹

Retail corporations increasingly view the sometimes expensive short-term cost of security consultant services as a necessity for conducting international business. By January 2003, seven major international retail corporations had joined The Corporate Preparedness, Security and Response Network. Each of the seven members of the network were willing to pay an annual fee of \$10,000 to be provided with information on best corporate security practices as well as a chance to exchange security ideas.¹⁰⁰

One example of such security consultancies is the World Markets Research Center (WMRC), a commonly used security consultant firm which provides its Global Terrorism Index as a basic service to client firms for \$1500. The Global Terrorism Index used by WMRC summarizes the results of risk modeling for 186 countries. The index assigns a ratings scale for global managers to compare risk levels across regions. The index not only quantifies and compares the business risks of terrorism but it also helps companies make informed decisions and seize business opportunities¹⁰¹. World Markets Research Center and other consultant firms provide additional analysis services for increased fees. This though may avert further costs on risks associated with terrorism as well add cost to the company budgets.

⁹⁹ Alberto Abadie and Javier Gardeazabal. Terrorism and the World Economy, Working Paper Harvard Kennedy School of Government, 2005. Available at, <http://ksghome.harvard.edu/~aabadie/twe.pdf>.

¹⁰⁰ Barro, Robert. .1991. Economic Growth in a Cross-section of Countries, *Quarterly Journal of Economics*, Vol. 106, pp. 407–443.

¹⁰¹ Claude Berrebi and Esteban Klor. The Impact of Terrorism Across Industries: An Empirical Study, Discussion Paper No 05.03, 2005Maurice Falk Institute for Economic Research in Israel.

3.3 Global Supply Chains

Global supply chains are especially vulnerable to terrorist attacks. The costs of securing the global supply chain vary with the amount of global commerce utilized by a particular retail firm. The supply chain costs caused by terrorism stem not only from securing the transportation of goods but also from the risk of delay or disruption of global supply sources due to terrorist activity. The shipping industry directly experiences and passes along to its customers the higher cost pressures due to the risk of terrorism. Few sectors of the global economy are untouched by international shipping; the United Nations estimated in 2001 that ocean-going vessels carry 80 percent of the world's traded cargo.¹⁰²

Ocean trade paths have become increasingly susceptible to piracy, especially in the Southeast Asia region. The region experienced a thirty-seven percent increase in incidents of shipboard piracy during the first half of 2003 with the pirates displaying a tendency to board the ship, steal the cargo, ransom the crew as hostages, then refit the captured ship and use it for their own illegal operations. The Southeast Asia piracy incidents may not have been motivated simply by criminal intent. Aegis Defense Services, a security consultant firm postulated that some of the piracy incidents were actually training missions for future terrorist attacks on the high seas¹⁰³. In the post-September 11th era, the U.S. Federal Government imposed more restrictive shipping regulations and standard practices with the intent of increasing security, but the government's policies have created unintended costs and complexities for

¹⁰² Andrew Chen, and Thomas Siems .. The Effects of Terrorism on Global Capital Markets, *European Journal of Political Economy*, Vol. 20, 2004: 349-366

¹⁰³ Konstantinos Drakos and Ali M. Kutan .. Regional Effects of Terrorism on Tourism in Three Mediterranean Countries, *Journal of Conflict Resolution*, Vol. 47, 2003: 621-641

international business. Since September 16, 2001, the U.S. Coast Guard has regularly escorted gas tankers heading into the port of Boston from 200 miles away from the harbor in order to prevent terrorists from taking control of a tanker and using it as a weapon of mass destruction.¹⁰⁴ New initiatives from the U.S. Customs Department, such as the Customs - Trade Partnership against Terrorism, the Container Security Initiative, and the Twenty-Four Hour Rule for advance filing of manifests, have made it more difficult for terrorists to wreak havoc on America's ports but have also increased compliance costs for participating corporations.¹⁰⁵ There are over 46,000 merchant ships operating on the open seas and over 4,000 ports worldwide.¹⁰⁶ As the United States and other countries institute stricter commerce security policies, it is no small or inexpensive task for international; businesses to ensure the security of their sea-borne transportation chains.

The financial costs of security for shipping are quite high. A report in the summer of 2003 estimated that the shipping industry invested \$1.3 billion on improved security and the industry would from 2003 onward incur costs of \$730 million per year in order to maintain better security systems .¹⁰⁷ The risk for failing to secure the transportation of goods, however, greatly outweighs the compliance costs by most estimates. There exists a very real possibility that terrorists could plant a weapon of mass destruction within a shipping container. A terrorist incident of this magnitude could have long-term devastating effects on global

¹⁰⁴ A. Fleischer and S. Buccola. War, Terror, and the Tourism Market in Israel, *Applied Economics*, Vol. 34(11), 2002: 1335-43.

¹⁰⁵ Michelle R. Garfinkel. Global Threats and the Domestic Struggle for Power, *European Journal of Political Economy*, Vol. 20(2), 2004: 495-508.

¹⁰⁶ (*The Economist*, 2003a, par. 9)

¹⁰⁷ Volker Nitsch and Dieter Schumacher .. Terrorism and International Trade: An Empirical Investigation, *European Journal of Political Economy*, Vol. 20, 2004: 423-433.

trade¹⁰⁸. Deloitte-Touche Tohmatsu, a global consulting firm, estimated that retail corporations could potentially lose up to a collective \$1 trillion from a security breach of just one shipping container.¹⁰⁹

In addition to helping avoid the public relations catastrophe of a security breach, the expenditures made by international firms to protect their global supply chains may have an additional positive benefit. In some cases, the security expenditures may actually drive efficiency into the supply chain. International firms tighten internal supply controls and impose high performance standards on their transportation systems in order to comply with stricter security regulations. A U.S. Government and private joint protection initiative in 2004 was estimated to have actually generated cost savings of between \$378 and \$462 per shipping container.¹¹⁰ For the most part, however, the increased security costs passed along from the shipping companies to the retail corporations are a drawback to international operations. International firms rely too heavily on merchant shipping for their operations to be immune from the increased expenses and complexity of post-September 11th international commerce.

Apart from increasing shipping security costs, terrorism as well increases the risk of disturbances along the international supply chain. International shipping may be disrupted for various lengths of time in response to a major terrorist attack as in the case of the immediate aftermath of the September 11, 2001 attacks. During the days and weeks following

¹⁰⁸ Abu-Bakr Naji. *Managing Savagery – The Most Crucial Period to Be Faced by the Nation*, Center for Islamic Studies and Research. 2005

¹⁰⁹ P. Lenain, M. Bonturi and V. Koen. *The Economic Consequences of Terrorism*, OECD Working Paper 334, Organization for Economic Cooperation and Development, Paris. 2002

¹¹⁰ Paolo Mauro. *Corruption and Growth*, *The Quarterly Journal of Economics*, Vol. 110(3), 1995: 681- 712.

September 11th, many trucks were delayed at the Canadian border for security reasons prior to entering the U.S. The transportation delay caused an immediate massive shortage of globally sourced parts for the American retail industry.¹¹¹ Many international firms rely upon just-in-time inventory methods to hold down inventory costs but the cost advantage of lower on-hand inventory levels is counterbalanced by just-in-time's high vulnerability to terrorist disruption. Some managers choose a more costly method of simply holding excess inventory to hedge against the risk of terrorist disruptions.¹¹²

Other firms such as Motorola choose a more selective approach to increasing inventory levels. Such a firm increases its on-hand inventories of items with low holding costs and no danger of obsolescence. Firms behaving in such a manner also have redundancy in supply sources for items with high holding costs or a high rate of obsolescence. For instance, Motorola purchases handset components that have a high-volume input with a high rate of obsolescence from several vendors to hedge against supply disruption. The selective approach used by such firms' attempts to protect against terrorist attack without building up fast-depreciating inventory.¹¹³

In any case, the global supply chains of retail firms are beset with serious security and inventory pressures due to the threat of terrorism. International managers must strike a strategic balance between the competing goals of maximizing supply chain security and minimizing inventory costs. To successfully overcome the costs of terrorism and advance

¹¹¹ International Monetary Fund. How Has September 11 Influenced the Global Economy, *World Economic Outlook*, International Monetary Fund, Washington, D.C. 2001

¹¹² P. Lenain, M. Bonturi and V. Koen. 2002. The Economic Consequences of Terrorism, OECD Working Paper 334, Organization for Economic Cooperation and Development, Paris.

¹¹³ Paolo Mauro. Corruption and Growth, *The Quarterly Journal of Economics*, Vol. 110 (3), 1995: 681- 712.

their businesses, global firms must implement effective transportation security measures while maintaining appropriate inventory levels.¹¹⁴

3.4 Personnel Issues

The threat of terrorism causes some retail firms to make, at times, inefficient personnel decisions. The personnel decisions intended to mitigate the risk of terrorism often impose some unintended long-term costs on the firm. Terrorism causes global managers to consider carefully the use of expatriates in foreign assignments.¹¹⁵ Expatriates are defined as employees who live and work in foreign countries on short-term or long-term assignments. The use of expatriates helps make the executive corps of a retail firm more culturally aware and assists in expanding the firm's international operations by building interpersonal networks of global contacts.¹¹⁶

Generally, expatriates returning from successful foreign assignments advance within their particular corporations to upper management levels, bringing real international experience to the senior leadership positions of their firms. A lack of expatriates filling overseas assignments may create over time an isolationist orientation among the highest management levels of a particular retail corporation.¹¹⁷ An upper-management isolationist orientation will almost certainly create a drag on a company's international operations and global strategic decision-making processes. Thus, it would seem that assigning expatriates overseas is a

¹¹⁴ Bruno Frey, Simon Lüchinger and Alois Stutzer. Calculating Tragedy: Assessing the Costs of Terrorism, Center for Research in Economics Management and Arts Working Paper 2004-23, CREMA, Basel, Switzerland.

¹¹⁵ R. Michelle, Garfinkel,.. Global Threats and the Domestic Struggle for Power, *European Journal of Political Economy*, Vol. 20(2), 2004: 495-508.

¹¹⁶ Ibid

¹¹⁷ A. Fleischer, Buccola, S. War, Terror, and the Tourism Market in Israel, *Applied Economics*, Vol. 34(11), 2002: 1335-43.

practical necessity for retail corporations in order to maintain their competitive edge in the global market.

The competitive edge associated with assigning expatriates must be balanced, however, against the particular level of political risk involved.¹¹⁸ Sending expatriates into an already politically hostile foreign environment may actually encourage acts of terrorist violence against the retail corporation's executives, assets, or business interests. KBR lost forty-two employees by August 2004 due to terrorist violence in Iraq and Kuwait.¹¹⁹ By contrast, Aeon Corporation consciously did not assign expatriates to its Kuwait and Turkey offices at the outset of Operation Iraqi Freedom and thereby reduced its exposure to the elevated terrorist risk level associated with the conflict.¹²⁰

A retail firm must decide the maximum level of risk it is willing to accept before withdrawing expatriates from a particular geographic area of operations. The controversy of weighing the terrorist threat level versus the advantages of using expatriates also may create adverse selection problems. International firms may decide to only assign unmarried expatriates so as to avoid the additional risks involved with sending entire families overseas. The unmarried executives chosen may reduce the risk exposure of the firm but they may not actually be the best qualified or most capable for the particular job.¹²¹ Adverse selection costs to the business also become an issue on both ends of the risk-taker spectrum. Some less-than-

¹¹⁸ A. Fleischer, Buccola, S. War, Terror, and the Tourism Market in Israel, *Applied Economics*, Vol. 34(11), 2002: 1335-43.

¹¹⁹ Ibid: 1341

¹²⁰ Ibid

¹²¹ Michelle R. Garfinkel. Global Threats and the Domestic Struggle for Power, *European Journal of Political Economy*, Vol. 20(2), 2004: 495-508.

capable executives who are natural risk-takers may volunteer for overseas duty in dangerous places for the sheer thrill of the experience, not to advance the interests of the company. Natural risk-avoiders may be involuntarily assigned to dangerous areas and fail to react boldly to credible terrorist threats.¹²²

There are other personnel costs created by the threat of terrorism. If retail corporations decide to assign expatriates, the companies must develop and rehearse evacuation policies and procedures in the case of elevated terrorist threat advisories. The firms must decide in advance of the actual contingency many issues; such as determining the alternate location the expatriates will evacuate to, who among the overseas staff and their families is eligible to evacuate in an emergency and what kind of skeleton staff should remain in place to avoid a total breakdown of business operations.¹²³

Retail corporations usually experience difficulties in recruiting and retaining qualified personnel in certain geographic areas. Low morale (and resulting low job performance) may creep into the pools of overseas personnel who work in extremely risky locations and are forced to live under restrictive security measures limiting their freedom of movement.¹²⁴

When a global manager determines that the risk to expatriates is beyond acceptable limits, there will be costs to the firm to permanently relocate expatriates and their families.¹²⁵

¹²² Michelle R. Garfinkel. Global Threats and the Domestic Struggle for Power, *European Journal of Political Economy*, Vol. 20(2), 2004: 495-508.

¹²³ A. Fleischer and S. Buccola. War, Terror, and the Tourism Market in Israel, *Applied Economics*, Vol. 34(11), 2002: 1335-43.

¹²⁴ Michelle R Garfinkel. Global Threats and the Domestic Struggle for Power, *European Journal of Political Economy*, Vol. 20(2), 2004: 495-508.

¹²⁵ Konstantinos and Ali M. Kutan .. Regional Effects of Terrorism on Tourism in Three Mediterranean Countries, *Drakos Journal of Conflict Resolution*, Vol. 47, 2003: 621-641.

To ensure personnel safety, human resource managers constantly monitor situational trends outside the regular boundaries of the business. Human resource managers may be required to analyze trends such as government travel advisories affecting business travelers and recent local security and political developments.¹²⁶ The decision to suspend travel due to government advisories helps secure the safety of a firm's traveling personnel, but the decision usually involves an implicit cost of lost international business opportunities¹²⁷. Multinational retail firms may expend resources developing specialized safety training plans for overseas executives. The training programs may include teaching techniques to avoid falling victim to terrorist activities.¹²⁸ According to a Council on Competitiveness survey, sixty-three percent of multinational retail corporations observed a need to add a chief of security to their top-level management. The respondents were willing to accept the costs of additional salary and benefits for a vice-presidential level executive specializing in physical security.¹²⁹

Another personnel cost related to the risk of terrorism is the higher compensation international firms pay to employees who are third country nationals. Third country nationals are usually high-profile specialists who play a vital role in correcting operational problems for retail firms in locations around the globe.¹³⁰ The third country nationals' higher mobility

¹²⁶ Andrew Chen and Thomas Siems .. The Effects of Terrorism on Global Capital Markets, *European Journal of Political Economy*, Vol. 20, 2004: 349-366.

¹²⁷ Claude Berrebi and Esteban Klor. The Impact of Terrorism Across Industries: An Empirical Study, Discussion Paper No 05.03, Maurice Falk Institute for Economic Research in Israel. 2005

¹²⁸ Alberto Abadie and Javier Gardeazabal. 2005. Terrorism and the World Economy, Working Paper Harvard Kennedy School of Government, <http://ksghome.harvard.edu/~aabadie/twe.pdf>.

¹²⁹ Michelle R. Garfinkel. Global Threats and the Domestic Struggle for Power, *European Journal of Political Economy*, Vol. 20(2), 2004: 495-508.

¹³⁰ Alberto Abadie and Javier Gardeazabal.. Terrorism and the World Economy, Working Paper Harvard Kennedy School of Government, 2005. <http://ksghome.harvard.edu/~aabadie/twe.pdf>.

makes them especially vulnerable to terrorist attack. A survey of multinational retail corporations in 2002 indicated that third country nationals usually receive some additional benefits to compensate them for their increased exposure to terrorism. The increased compensation packages commonly included international medical plans, a two times salary death benefit and a sixty percent of salary long-term disability benefits¹³¹. Under most circumstances, retail corporations must pay higher compensation expenses to third country nationals to account for their higher susceptibility to terrorism.

3.5 Political Risk Insurance

Due to the uncertainty of terrorism and other geopolitical disruption factors, international businesses bear the costs of political risk insurance. Political risk is defined as the potential loss of one's investment in or managerial control over a foreign asset because of instability and political changes in the host country¹³². Political risk includes the threat of terrorism. Retail corporations with long-term projects in unstable developing regions such as oil companies are especially susceptible to political risk.

Generally, underwriters claim that terrorism is an uncertainty rather than an actual quantifiable risk; therefore, insurers claim they cannot accurately price the risk premium of terrorism. September 11th solidified the property-casualty insurance industry's opinion that terrorism risk is unquantifiable. William Berkley, chief executive officer of a prominent insurance company, predicted in the aftermath of the 2001 attacks, that, the September 11th

¹³¹ Alberto Abadie and Javier Gardeazabal.. Terrorism and the World Economy, Working Papera Harvard Kennedy School of Government, 2005, <http://ksghome.harvard.edu/~aabadie/twe.pdf>.

¹³² Michelle R Garfinkel.. Global Threats and the Domestic Struggle for Power, *European Journal of Political Economy*, Vol. 20(2), 2004: 495-508.

attacks, was going to change how people think about high-limit property coverage.¹³³ Several key insurance industry leaders wrote to the Bush Administration in October 2001, (Insurance) policies for acts of terrorism are impossible to price and therefore impossible to write. Underwriters also face significant financial exposure to terrorist attack as seen in the estimated \$50 billion to \$70 billion in claims filed as a result of September 11th. Thus, in the immediate period after September 11th, insurers either completely ceased offering terrorism insurance or charged higher overall insurance premiums to account for terrorism pricing problems and to reduce the potentially overwhelming claims made by those insured.¹³⁴

To alleviate the market problems of political risk insurance, to limit underwriters' costly exposure to terrorism and to increase the amount of risk insurance available to businesses post-September 11th, the United States Congress passed and approved the Terrorism Risk Insurance Act in November 2002. Under the TRIA legislation, the U.S. Government (for a limited three-year period) set maximum levels of insurer liability for terrorist attacks and agreed to reimburse insurance companies for large portions of losses due to attacks meeting certain Department of Treasury criteria.¹³⁵ The Congress intended to make terrorism insurance affordable and widely available. The Congress also intended to temporarily relieve the tremendous terrorism risk exposure of the insurance industry so the industry could develop fair terrorism insurance pricing methods.¹³⁶

¹³³ Alberto Abadie and Javier Gardeazabal.. Terrorism and the World Economy, Working Paper Harvard Kennedy School of Government, 2005. <http://ksghome.harvard.edu/~aabadie/twe.pdf>.

¹³⁴ Robert Barro. Economic Growth in a Cross-section of Countries, *Quarterly Journal of Economics*, Vol. 106, 1991: 407–443.

¹³⁵ Government Accounting Office, 2004, p. 2

¹³⁶ Michelle R. Garfinkel. Global Threats and the Domestic Struggle for Power, *European Journal of Political Economy*, Vol. 20(2), 2004: 495-508.

In 2004, the Government Accounting Office (GAO) reported that the U.S. Federal Government's pledged support to the insurance industry had indeed led to increased availability of terrorism risk insurance. The GAO report also indicated, however, that the insurance industry had still not developed viable terrorism risk insurance pricing methods¹³⁷. Even with the American taxpayers serving as a temporary support mechanism for the insurance industry, retail corporations still currently face the cost of higher overall insurance premiums in the absence of an accurate industry-wide terrorism risk insurance pricing system.

3.6 Managing the Risk of Terrorism through Retail Industry

Political risk insurance is one of several methods global business leaders use to manage terrorism risk and minimize the costs of terrorism. Retail corporations also hire additional security personnel or security consultants; harden their physical assets and work sites and train personnel to avoid becoming victims of terrorism. Retail firms may also choose among other alternatives. First, firms may be able to discourage terrorist attack by maintaining an impeccable environmental and human rights standard within their areas of operations¹³⁸. Political risk can be managed if firms expend resources bolstering a positive reputation in their foreign locations rather than displaying only an exploitive public image.¹³⁹

Second, firms may use subcontractors to further manage risk. The subcontracting method is especially useful for extractive industries such as mining or oil. The large extractive firms

¹³⁷ Alberto Alesina, Sule Ozler, Nouriel Roubini and Phillip Swagel. .. Political Instability and Economic Growth, *Journal of Economic Growth*, Vol. 1(2), 1996: 189-211.

¹³⁸ Michelle R. Global Threats and the Domestic Struggle for Power, *European Journal of Political Economy*, Vol. Garfinkel 20(2), 2004: 495-508.

¹³⁹ Robert Barro. Economic Growth in a Cross-section of Countries, *Quarterly Journal of Economics*, Vol. 106, 1991: 407-443

may subcontract the prospecting phase of operations to smaller companies. The prospecting phase carries the greatest exposure to political risk due to the length of time and number of personnel required in dangerous locations. The smaller subcontractors inherit the majority of the political risk encountered during the prospecting phase. The larger extractive company then assumes the risk during the shorter (and somewhat less risky) extractive phase of operations.¹⁴⁰ The insurance policies should focus on property, personnel (retail industry) and customers.

Other methods have been put across such as effective partnerships with the government such as empowering security guards for instance arming them, a method used in Uganda where most private security guards are armed. Communication is also key as timely information is disseminated and acted upon effectively for the protection of the retail industry, its customers, property and personnel.¹⁴¹ Also the engagement of Police Officers stationed strategically around the outlets especially over the weekends as the government assigns more public security to guard the people and retail property which is a high target for attacks.

3.7 Conclusion

The multinational retail corporations experience a wide range of negative effects due to the threat of terrorism from improving the physical security of corporate assets to managing personnel issues in high-risk environments. As retail firms continue to function across global boundaries, they certainly continue to collide with fanatical terror groups aimed at achieving political objectives through violent ways. Even with the U.S and its allies militarily engaged

¹⁴⁰ Alberto Alesina, Sule Ozler, Nouriel Roubini and Phillip Swagel. .1996. Political Instability and Economic Growth, *Journal of Economic Growth*, Vol. 1(2), p. 189-211.

¹⁴¹ Interview with Mr. Simon Sang, Security Officer Uchumi Supermarkets

in the Global War on Terrorism (GWT), the people, the facilities, and the operations of retail firms will continue to be favorite targets of terrorist attack. Global terrorism causes international firms to divert scarce resources and management talent away from primary business operations to focus on mitigating the risk of terrorist attacks. Global terrorism creates significant business costs for retail firms that must primarily be understood by managers along with being minimized to the maximum possible extent. Failure to thus means an overall decline in the health of the global economy save for encouraging more terrorist attacks against retail companies in future.¹⁴²

¹⁴² Michelle R. Garfinkel. Global Threats and the Domestic Struggle for Power, *European Journal of Political Economy*, Vol. 20(2), 2004: 495-508.

CHAPTER FOUR

A CRITICAL ANALYSIS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents and findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size of 70 respondents from which 63 filled in and returned the questionnaires making a response rate of 90%. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to Mugenda and Mugenda¹⁴³, a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was considered to be excellent.

4.2 Period of Service in the Organization

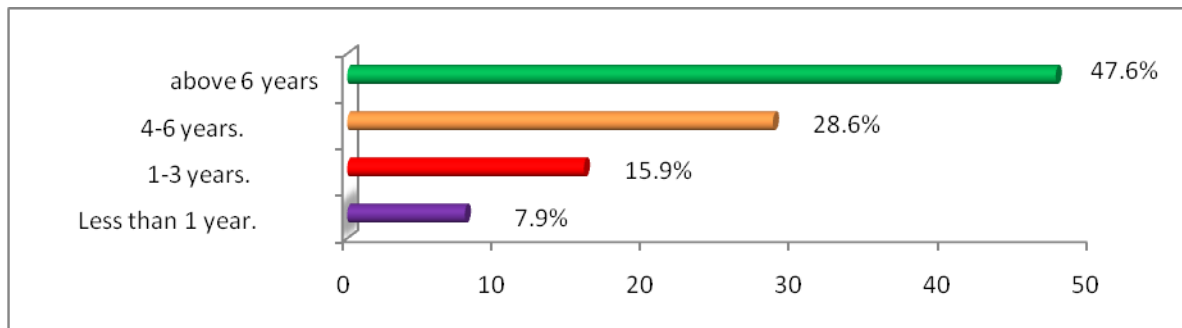


Figure 4.1: Period of Service in the Organization

The study requested the respondents to declare the number of years they had worked with the organization. From the research findings 47.6% of the respondents indicated that they had worked with the organization for more than 6 years, 28.6% of the respondents indicated that

¹⁴³ Mugenda and Mugenda. *Research Methods: Qualitative and Quantitative Approaches*. (Nairobi: Act Press., 1999)

they had worked with the organization for a period of 4 to 6 years, 15.9% of the respondents indicated that they had worked with the organization for a period of 1 to 3 years whereas 7.9% of the respondents indicated that they had worked with the organization for less than a year. This is an indication that majority of the respondents had worked with the SME sector for a considerable period of time which implies that they were in a position to give credible information relating to this study.

4.2 Terrorism Conflict

Table 4.1: Effects of Terrorism on the Performance of Retail Business

Opinion	Frequency	Percentage
Yes	54	85.7
No	9	14.3
Total	63	100

The study sought to establish whether terrorism affects the performance of retail business. From the research findings, majority of the respondents as shown by 85.7% indicated that terrorism affects the performance of retail business whereas 14.3% of the respondents were of contrary opinion. This is an indication that terrorism affects the performance of retail business.

Table 4.2: Extent to Which Terrorism Affects the Performance of Retail Business

Extent	Frequency	Percentage
Very great extent	25	39.7
great extent	32	50.8
Moderate extent	4	6.3
Little extent	2	3.2
Total	63	100

The study sought to determine the extent to which terrorism conflict affects the performance of retail business. From the research findings, majority of the respondents as shown 50.8% indicated to a great extent, 39.7% of the respondents indicated to a very great extent, 6.3% of the respondents indicated to a moderate extent whereas 3.2% of the respondents indicated to a little extent. This is an indication that terrorism affects the performance of retail business to a great extent.

Table 4.3: Statement Relating To Effects of Terrorism on the Performance of Retail Business

Statement	strongly agree	agree	moderate	disagree	strongly disagree	Mean	Std deviation
Terrorism has led to reduced sales in retail inventory levels, reduced orders as well as order cancellations.	16	41	2	3	1	1.92	0.27
Terrorist attacks have negative effects on investments, foreign direct investments, optimal allocation of capital, tourism, increased economic uncertainty and investors' decisions.	15	42	4	1	1	1.90	0.28
Terrorist activities, political unrest, and other economic or political uncertainties negatively affect retail business operations.	19	40	3	0	1	1.79	0.27
Increased terrorism risks and associated uncertainty reduce consumers' willingness to spend, particularly on discretionary items and major consumer durables, thereby reducing investment in consumer goods industries and depressing growth.	20	41	1	0	1	1.75	0.28
Effective action to combat terrorism can generate significant benefits for the retail industry, preventing losses from reduced trade flows and investment undermining economic growth.	12	48	2	1	0	1.87	0.32

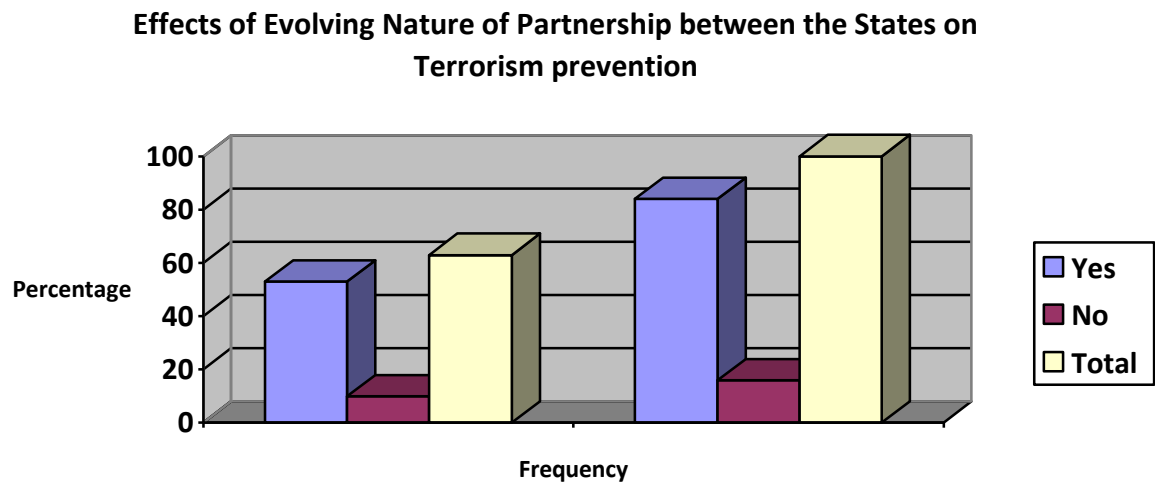
The study sought to determine the level at which respondents agreed with the above statements relating to effects of terrorism on the performance of retail business from the research. Majority of the respondents agreed that; Increased terrorism risks and associated uncertainty reduce the willingness of consumers to spend, mostly on discretionary items as well as chief consumer durables, thus reducing investment in the consumer goods industry and disappointing growth as shown by a mean of 1.75. Terrorist activities, political unrest, and other economic or political uncertainties negatively affect retail business operations as shown by a mean of 1.79. Effective action to combat terrorism can generate significant benefits for the retail industry preventing more losses from the reduced trade flows as well as investment depressing economic growth as shown by a mean of 1.87. Terrorist attacks have negative effects on investments, foreign direct investments, optimal allocation of capital, tourism, increased economic uncertainty and investors' decisions as shown by a mean of 1.90. Terrorism has led to reduced sales in retail inventory levels, reduced orders as well as order cancellations as shown by a mean of 1.92. The study further established that deterioration of consumer confidence which is associated with terrorism attack can consequently reduce the motivation to spend instead of saving. This is a process that can spread through the economy along with the rest of the country through normal business cycle and trade channels. Indirect outcomes of terrorism can be important and have the ability to change the economy in the medium term by deflation of consumer as well as investor's confidence. The above findings concur with Gabriella Blum¹⁴⁴. In the findings, Gabriella

¹⁴⁴ Blum is the author of *Islands of Agreement: Managing Enduring Armed Rivalries* (Harvard University Press 2007), and of the co-authored book (with Philip Heymann), *Laws, Outlaws, and Terrorists: Lessons from the War on Terrorism* (MIT Press),

asserts that effective action to combat terrorism can generate significant benefits for the retail industry, preventing the losses from reducing trade flows and therefore investment undermining economic growth.

4.3 Evolving Nature of Partnership

Figure 4.2 Effects of Evolving Nature of Partnership between the States on Terrorism Prevention



The study sought to establish whether evolving nature of partnership between the states affect retail sector in prevention of terrorism. From the research findings majority of the respondents as shown by 84.1% indicated that the evolving nature of partnership between the states affects retail sector in terrorism prevention whereas 15.9% of the respondents were of contrary opinion. This is an indication that evolving nature of partnership between the states affect retail sector in prevention of terrorism

Table 4.4: Extent to Which Evolving Nature of Partnership between the States Affect Retail Sector in curbing terrorism

Extent	Frequency	Percentage
Very great extent	18	28.6
great extent	38	60.3
Moderate extent	4	6.3
Little extent	3	4.8
Total	63	100

The study sought to determine the extent to which evolving nature of partnership between the states affect the retail sector in curbing terrorism. From the research findings, majority of the respondents as shown by 60.3% indicated to a great extent, 28.6% of the respondents indicated to a very great extent, 6.3% of the respondents indicated to a moderate extent whereas 4.8% of the respondents indicated to a little extent. This implies that evolving nature of partnership between the states affects retail sector in curbing terrorism to a great extent.

Table 4.5: Statement Relating to Effects of Evolving Nature of Partnership between the States and Retail Sector prevention of terrorism

Statement	strongly agree	Agree	moderate	disagree	strongly disagree	Mean	Std deviation
Political risk insurance is one of several methods global business leaders use to manage terrorism risk and minimize the costs of terrorism.	25	32	4	2	0	1.73	0.23
Insurance policies for acts of terrorism are impossible to price and therefore impossible to write.	27	34	1	0	1	1.63	0.26
Firms may be able to discourage terrorist attack by maintaining an impeccable environmental and human rights record.	22	30	5	1	5	2.00	0.20
Political risk can be managed if firms expend resources bolstering a positive reputation in their foreign locations rather than displaying only an exploitive public image.	21	37	3	0	2	1.81	0.25

The study sought to determine the extent to which respondents agreed with the above statements relating to effects of evolving nature of partnership between the states and retail sector in mitigating terrorism. From the research findings, majority of the respondents agreed that; insurance policies for acts of terrorism are impossible to price and therefore impossible to write a shown by a mean of 1.63. Political risk insurance is one of several methods global

business leaders use to manage terrorism risk and minimize the costs of terrorism as shown by a mean a mean of 1.73. Political risk can be managed if firms expend resources bolstering a positive reputation in their foreign locations rather than displaying only an exploitive public image as shown by mean of 1.81. Firms may be able to discourage terrorist attack by maintaining an impeccable environmental and human rights record as shown by mean of 2.00. The study also established that cooperation and coordination is critical among domestic authorities and across borders as this will raise regional awareness and develop a unified approach to counter terrorist financing.

4.4 State of Current Security

Table 4.6: Effects of the current state of security arrangements on the retail sector

Opinion	Frequency	Percentage
Yes	49	77.8
No	14	22.2
Total	63	100

The study sought to establish whether state of current security arrangement affect the retail sector. From the research findings, majority of the respondents as shown by 77.8% agreed that state of current security arrangement affect the retail sector whereas 22.2% of the respondents were of contrary opinion. This implies that state of current security arrangement affect the retail sector.

Table 4.7: Extent to Which State of Current Security Arrangement Affect the Retail

Sector

Extent	Frequency	Percentage
Very great extent	12	19.0
great extent	43	68.3
Moderate extent	5	7.9
Little extent	3	4.8
Total	63	100

The study sought to determine the extent to which state of current security arrangement affect the retail sector. From the research findings, 68.3% of the respondents indicated to a great extent, 19% of the respondents indicated to a very great extent, 7.9% of the respondents indicated to a moderate extent whereas 4.8% of the respondents indicated to a little extent. This implies that the state of current security arrangement affect the retail sector to a great extent.

Table 4.8: Statement Relating to Effects of State of Current Security Arrangement on the Retail business sector

Statement	strongly agree	agree	Moderate	disagree	strongly disagree	Mean	Std deviation
Conflict management lays the ground for the more effective conflict resolution which is the resolution of the underlying incompatibility in a conflict and mutual acceptance of each party's existence.	17	40	3	2	1	1.89	0.26
Advanced customer information systems and other electronic identification techniques should speed up movements and, over time, lower business costs, as well as providing increased security.	18	38	5	1	1	1.87	0.25
Terrorism has significantly inflicted fear among customers and other stake holders thereby causing increase in prices of commodities in retail trade.	20	38	4	0	1	1.79	0.26

The study sought to establish the extent to which respondents agreed with the above statements relating to the effects of state of current security arrangement on the retail business sector. From the study findings, majority of the respondents agreed that; terrorism has significantly inflicted fear among customers and other stake holders thereby causing increase in prices of commodities in retail trade as shown by mean of 1.79. Advanced

customer information systems and other electronic identification techniques can speed up movements, lower business operations costs, as well as providing effectiveness in security matters as shown by a mean of 1.87. Conflict management lays the ground for the more effective conflict resolution which is the resolution of the underlying incompatibility in a conflict and mutual acceptance of each party's existence as shown by a mean by 1.89. The study further revealed that terrorism has significantly improved the cost of performing business for many types of small businesses and that terrorism activities committed against the owners of businesses, the employees, the customers as well as others who enter the premises are less common in Kenya but they are more tragic and traumatic when they occur.

4.5 Policy Adjustment

Table 4.9: The Role of Policy Adjustment in Encouraging Private Sector Involvement in terrorism prevention

Opinion	Frequency	Percentage
Yes	54	85.7
No	9	14.3
Total	63	100

The study sought to establish whether policy adjustment encourage the role of private sector in counter-terrorism. From the research findings majority of the respondents as shown by 85.7% agreed that policy adjustment encourage the role of private sector in prevention of terrorism whereas 14.3% of the respondents were of contrary opinion. This implies that policy adjustment encourage the role of private sector in prevention of terrorism

Table 4.10: Extent to Which Policy Adjustment Encourage the Role of Private Sector in prevention of terrorism

Extent	Frequency	Percentage
Very great extent	24	38.1
great extent	30	47.6
Moderate extent	6	9.5
Little extent	3	4.8
Total	63	100

The study sought to determine the extent to which policy adjustment encourage the role of private sector in prevention of terrorism. From the research findings 47.6 % of the respondents indicated to a great extent, 38.1% of the respondents indicated to a very great extent, and 9.5% of the respondents indicated to a moderate extent whereas 4.8% of the respondents indicated to a little extent. This implies that policy adjustment encourage the role of private sector in prevention of terrorism to a great extent.

Table 4.11 Statements Relating to Effects of Policy Adjustment on curbing terrorism

Statement	strongly agree	agree	Moderate	disagree	strongly disagree	Mean	Std deviation
The government should make an effort to raise the utility of those terrorists who choose to enter the programs offered.	23	37	1	2	0	1.71	0.26
The government should provide alternatives to those engaging in terrorism activities.	22	38	1	1	1	1.75	0.27
Regulation measures should be imposed to prevent terrorist events like increasing accountability on transparency on bank accounts including the lifting of bank confidentiality laws.	15	45	2	1	0	1.83	0.30
Global war on terror and the terrorism mitigation aspect are needed to arrive at a positive result.	14	42	3	2	2	1.98	0.27

The study sought to determine the extent to which respondents agreed with the above statements relating to effects of policy adjustment on mitigating terrorism. From the research findings, majority of the respondents strongly agreed that; the government should make an effort to raise the utility of those terrorists who choose to enter the programs offered as shown by mean of 1.71. The government should provide alternatives to those engaging in terrorism activities offered as shown by mean of 1.75. Regulation measures should be imposed to prevent terrorist events like increasing accountability on transparency on bank

accounts including the lifting of bank confidentiality laws as shown by a mean of 1.83. Counter terrorism aspects are needed to arrive at a positive result as shown by mean of 1.98. The study further revealed that fear of terrorism can impact both individuals and communities and can cause severe disruptions in society. It can provoke suspicion and erode trust in governmental institutions, catalyst support for offensive counter-terrorism policies and erode social cohesion. There is needed to make adjustments on the current policies so as to incorporate both the private sector in the war against terror activities. The new policies should categorically define the role which the private sector has to play so as to give clear aftermath analysis of terrorism activity whenever they occur.

In the Kenyan Government budget for year 2014/2015, the Government has allocated KSh 62.2 billion for policing, KSh71.3 billion for the KDF along with KSh17.4 billion for the National Security Intelligence; this is seen as a major boost to security sector in Kenya in the wake of terrorism. The National treasury Cabinet secretary while presenting the 2014-15 budget report in the National Assembly declared that the move was meant at making sure that the Country is completely secured against terror threats as in previous months.¹⁴⁵ Mr. Rotich also added that to improve police mobility; the Government would spend KSh6.7 billion to hire 2,700 motor vehicles along with aircrafts. This would improve ground patrol as well as crime response by the police in Kenya.¹⁴⁶ Through the budget, the priority has continued to be on the strengthening of Kenya's security systems. Key programmes that are being improved are the enhancement of surveillance through the installation of CCTV

¹⁴⁵ Budget Expenditure Estimates Books, 2014/15

¹⁴⁶ Henry Rotich, National Treasury Cabinet Secretary, Statement on the budget 2014/2015

cameras in the major cities across the state. To increase numbers of police officers, the government budgeted KSh2.9 billion for police training and further recruitment. Some more 10,000 officers are to be recruited in addition to the 8,000 officers who graduated this year-2014. To better Police operations, the Government budgets KSh3.3 billion and KSh3.5 billion for upgrading Police paraphernalia and modernization. The National Police Service have too been allocated KSh1.3 billion to cater for the officers' housing in order to empower the officers to be able to live in dignity. For enhancing security at the airport, Jomo Kenyatta International Airport has as well been allocated KSh1.3 billion. This follows the Government's commitment in dealing with insecurity across Kenya specifically on countering and preventing further terror attacks¹⁴⁷. Up till now, the allocation of the budget on counterterrorism is still low and constrained as well as the dire need for community policing initiatives like the Nyumba-Kumi initiative and creating awareness on the matters of preparedness and averting terrorism. Laws on anti-money laundering such as monitoring the source for NGOs funding as well as individuals in different scenarios are key in counterterrorism.¹⁴⁸

The security situation has widely impacted heavily on the economy of Kenya but with sufficient funding, the situation can actually improve. The new measures seek to improve the business situation in the country. Tax consultant James Mulili states that, “ the current budget on security can boost morale within the police service, especially the KSh1.6 billion medical

¹⁴⁷ Budget Expenditure Estimates Books, 2014/15

¹⁴⁸ Interview with Mr. Owiti, The Treasury (Kenya)

insurance”¹⁴⁹. The maintenance of law and order for the security of Kenyans, foreigners and property is an important factor in determining economic solidity, bringing about more investments, accelerating growth along with creating more employment. According to Mr. Henry Rotich, a National Treasury Cabinet Secretary, 4 billion will be spent on security equipment, 4.5 billion shillings for enhanced operations and 1.5 billion shillings for research into improving crime-prevention techniques. Additionally, 3 billion shillings will be spent leasing 1,200 police officers’ cars and 1.2 billion shillings is to build 2,000 housing units for police officers through the National Housing Corporation¹⁵⁰.

The East African Countries have considerably increased their spending on National Security compared to previous years in order to improve capacity in the face of terrorism along with political instability in the states of the Horn of Africa. Kenya for instant is the biggest spender with increased security budget by 24 per cent to \$1.7 billion from \$1.3 billion in an year.¹⁵¹ Rotich in the presentation of the budget to the parliament stated that security remains significant to the country’s economic growth which has been affected by terrorist attacks that have been experienced in Nairobi and Mombasa. Without security therefore, the economy cannot grow and development plans may not be realized as foreseen, unless the security sector is strengthened. The neighboring Uganda has allocated \$396 million to its security sector in the current 2014/2015 budget, which goes up from \$380 million last year.

¹⁴⁹ Daily Nation June 23rd 2014

¹⁵⁰ Budget Expenditure Estimates Books, 2014/15

¹⁵¹ East Africa Communities Budget Review 2014

Rwanda's military spending has also risen to \$94 million (2014/2015) from \$80 million in 2013/2014, according to Minister for Defence, General James Kabarebe's presentation made to the Parliamentary Standing Committee on Economy and National Budget. According to the budget \$800 million will be allocated to the military for its operations in Somalia; the Interior Ministry \$756 million for policing, immigration as well as prison services and the NIS approximately \$200 million for intelligence services. The security vote thus accounts for 8.3 per cent of Kenya's entire national budget at about 4.5 per cent of GDP in comparison Kenya having to face an increasing threat from global terrorism and more recently, home-grown terrorists who are sympathetic to the Al Shabaab militants, that the Kenyan Defence Forces are fighting in Somalia. In addition to the the military in Somalia, Kenya is also upgrading its defense capabilities resulting from the ongoing border tension with its neighbors and in combating cross-border raids from Somali as well as Ethiopian bandits. In addition, the increasingly unpredictable security situation in the region of the Horn of Africa has forced the military in Kenya to arrange for the deploying of three peacekeeping missions from 2014 to the year 2017. The very increase in the security vote may recompense for such spikes in the operational costs.

Approximately \$76 million has been budgeted to the Kenyan forces in Somalia, which are now part of AMISOM that includes soldiers from Sierra Leone, Uganda, Djibouti and Burundi. Under AMISOM, the Kenyan soldiers are under a comprehensive medical cover. They also have access to advanced military equipment and get a monthly allowance of \$1,000. In total from the 2013/2014 budget review paper, the military has so far spent about \$300 million in Somalia. From that expenditure, the Kenyan government provided \$215

million for the mission and the United Nations provided \$65 million with a definite assurance to pay back Kenya the total cost of the intervention¹⁵².

However, there has been delay in the reimbursement due to United Nations' insisting on proper verification of Kenya's claims, adding that Kenya spent \$147 million more since it made the demand last year.¹⁵³ Kenya and Uganda also plan to deploy IGAD's regional Rapid Force in South Sudan to ensure the two warring parties stick to a ceasefire agreement they signed in Addis Ababa recently. However, IGAD has concerns for lack of the funds to deploy the estimated 5,000 troops from Ethiopia, Djibouti, Burundi, Kenya, and Rwanda. The battalion force is supposed to operate beneath the overall management of the United Nations Mission in South Sudan (UNMISS) yet it has its command from Ethiopia.

Indeed states in the East Africa and the Horn have realigned their budgets to combating different security situations that are unique to them as well as those shared amongst them such as terrorism. In Kenya, the budget as shown has changed to focus more attention on equipping the security agencies whether it the police or military or even the intelligence-NIS. The Treasury notes that, previously the anti-terrorist police unit used to operate without a budget, an initiative that should have started after the 1998 U.S. embassy bombing. Mr. Joseph Owiti of Treasury also notes that with the current problem associated with low budgeting at only Ksh.1.5m on training for counterterrorism with no single budgeting on PPPs, Partnerships are thus highly encouraged. Some partnerships have been noted such as

¹⁵² Budget Estimates 2014/15, Controller of Budget Fourth Quarter Report FY 2014/15

¹⁵³ Health information available on Global Fund (GF) figures, so assumed. GF implemented at Finance absorption rate of .33

the Israeli security training to the security personnel in Kenya, in addition to the US and Britain's commitment to help counterterrorism in Kenya.¹⁵⁴

The terror attacks at Mpeketoni, a town on the mainland crosswise from Lamu Island which is popular among Westerners, left 50 locals dead many of who were Kikuyus of President Kenyatta's origin.¹⁵⁵ While the security agents scrambled to respond, the Al Shabaab carried out yet another wave of terror attacks in a nearby town the next day adding more deaths- 15 Reports points to a dozen women having been kidnapped. The terror attacks are similar to those perpetrated by Boko Haram in northern Nigeria, whose large-scale raids in addition to the abduction of women and girls have gotten international attention.

In the aftermath of the terror attacks on Mpeketoni, the Al Shabaab terror group achieved its aims; affected tourism in Kenya, which has provided 15% of GDP in past recent years. This accounts for the travel advisory in the June 2014 by Britain and other foreign governments leading to flustered tour companies and the evacuation of clients from Kenya's coastal tourist center Mombasa town.¹⁵⁶

The terror groups have since switched to softer targets, for instance commuter buses as well as open-air markets leaving the Kenyan government open to accusations of not securing the average Kenyans, a claim backed by Kenya's impoverished coastal citizens. The Al Shabaab terror group affirms that the attacks are retaliatory efforts of the continuing presence of Kenyan military in the southern Somalia where they have occupied the coastal port city of

¹⁵⁴ Interview with Mr. Joseph Owiti, The Treasury (Kenya)

¹⁵⁵ World Bank Indicators - Kenya - Defense & Arms Trade

¹⁵⁶ World Bank Indicators - Kenya - Defense & Arms Trade

Kismayo and its environs since 2011 in effort to conquer the group which still controls parts of Somalia¹⁵⁷.

Politics have been echoed by respondents in the interview as hindrance that has made counterterrorism difficult as the politicians rally their people against efforts to counter terrorism including a lot of resistance from the Somali MPs,

4.6 Effects of Terrorism on Retail Industry

Terrorism has impacted heavily on all sectors in Kenya. From fear among the population, despondency created by the impact of terrorism with target groups or those highly vulnerable being displaced and having to live on hand outs for example Mpeketoni. Tension amongst various groups who view each other suspiciously (Somali Muslims & Christians), economic growth especially on the tourism sector where tourists fear visiting the country and / or advised against visiting the country, displacement of population e.g. Somali muslims moved from Eastleigh to camps, deportation of foreign nationals without valid documents hence impact on the business they were running and other dependents and the very costly lives of citizens and foreigners.¹⁵⁸

The retail market has seen significant changes and effects as an outcome of terrorist activities, from the threats to the actual attacks. Retail giant Nakumatt Supermarkets was the most hit physically as it lost a minimum Sh4.3 billion in sales as well as saw revenue fall by nearly a tenth last year as its branches in Kenya felt the full effect of the Westgate Mall

¹⁵⁷ Jason Lakin And John Kinuthia,(2014) International Budget Partnership

¹⁵⁸ Interview with Mr. Mike Katusime, Police Inspector and the OC Station attached to Terrorist Unit

terrorist attack. The changes highlights the impacts on retailers in an environment characterized by insecurity concerns in addition to slow economic growth amidst rising fixed costs such as rental, wages, plus insurance. In their recent trading for year the 2013 year, the regional chains has reported gross sales of over \$600 million (Sh52 billion) for the fiscal year ended in February 2014, which is compared to the \$650 million (Sh56.5 billion) 2012, showing a drop of 7.7 per cent.¹⁵⁹

This is attributed by Nakumatt executives, to a deceleration in business operations at the malls where they are anchor tenants resulting from the destruction of their Nairobi outlet at the Westgate Mall in the terrorist attack by the Al Shabaab terror group in September 2013. More than a whopping Sh1.5 billion worth of stock was apparently vanished in a fire during an assault on the attackers by the security forces. However insurance payments for parts of the losses were made before the end of the financial year of about Sh1.41 billion.¹⁶⁰

Prior to the attack, the Westgate Mall branch had a turnover of approximately Sh450 million per month, thus the loss meant that Nakumatt had to miss out on at least Sh2.7 billion in sales. Nakumatt also attributes the larger drop in sales to a slower economy and fears amongst shoppers for Westgate-kind of assaults on other malls. According to Nakumatt Holdings managing director Atul Shah, the supply chain has managed to cross the \$600 million gross sales mark, however the loss at Westgate significantly slowed growth, alongside evident economic downside.

¹⁵⁹ Nakumatt Holding Annual report 2013

¹⁶⁰ Ibid

Retail outlets have been some of the hardest hit businesses because of security concerns. Kenya's retail sector currently joins tourism as one of the biggest casualties of the rising insecurity and its impacts, giving a clearer outlook of the economic impact of the Westgate attack, where at least 69 people lost their lives. According to the Economic Survey 2014, the growth in wholesale as well as that of retail trade stalled at 7.5 per cent in the end of 2013 compared to a 9 per cent in the year 2012.¹⁶¹

After the Westgate terror attacks along with other threats, the Uchumi Supermarkets have also been affected in many ways. For instance, the sales fell 4 per cent to Sh7.2 billion in just six months to December 2013, attributed to less customer spending due to insecurity. The Nairobi Securities Exchange actually listed retailer's net profit reduced by a 5 percent to Sh106.9 million in a half-year period compared to Sh131.9 million at December 2012. According to Eva Masinde, an analyst at NIC Securities, insecurities associated with terrorism in Uganda and Kenya negatively impacted retail outlets that saw patronage of shopping malls inevitably decrease¹⁶²

In an interview done with Mr. Simon Sang, Uchumi Supermarkets have has well been affected especially due to the low sales and low customer turn out attributed to low impulse buying as many customers fear shopping malls and do their shopping in smaller retail shops that are not highly targeted by terrorism.¹⁶³ Mr. Sang went on to add that before the Westgate attack, the sales dropped from Ksh.1.4b to ksh.1.2b. More specifically, Uchumi has increased

¹⁶¹ Nakumatt Holding Annual report 2013

¹⁶² Price Water House Cooper Report on Effects of Terrorism on Retail Industry in Kenya

¹⁶³ Interview with Mr. Simon Sang, Security Officer Uchumi Supermarkets

the expenditure on security by 91%. According to Mr. Sang, there has been higher spending by increasing the number of guards for hire, metal detectors, training on guards, consultation with security expertise and surveillance. The spending of security has been increased from Ksh. 2.72m to Ksh. 5.292m. ¹⁶⁴ The table below summarizes the increase in expenditure on security in the Uchumi Supermarkets.

Table 4.12 Uchumi Supermarkets Budget 2014/15 (Security) Summary

Particulars	QTR 1	QTR 2	QTR 3	QTR 4	Total
CIT Charges	11,672,100.00	14,672,100.00	15,272,100.00	16,472,100.00	58,088,400.00
Guarding Services	20,746,616.44	22,772,332.44	23,199,332.44	24,053,332.44	90,771,613.76
Police Hire	9,291,000.00	10,165,500.00	10,297,500.00	10,561,500.00	40,315,500.00
Police Lunches	3,993,000.00	4,488,000.00	4,587,000.00	4,785,000.00	17,853,000.00
Other Security Services (alarm backup)	1,076,879.69	1,214,504.69	1,241,754.69	1,296,254.69	4,829,393.75
Other Security Services	1,419,000.00	1,584,000.00	1,617,000.00	1,683,000.00	6,303,000.00
Radio Maintenance	0.00	0.00	0.00	0.00	0.00
CCK Licence (Alarm)	54,806.40	5,600.80	24,200.60	0.00	84,607.80
Motorolla Licence (Radio/Com)	0.00	0.00	0.00	0.00	0.00
Staff Incentives	1,881,000.00	2,161,500.00	2,211,000.00	2,310,000.00	8,563,500.00
Capex (New branches & Upgrading Old Stores)	56,205,000.00	95,200,000.00	0.00	0.00	151,405,000.00
Contingency	4,379,855.00	5,980,022.00	5,555,043.00	5,863,773.00	21,778,693.00

¹⁶⁴ Interview with Mr. Simon Sang, Security Officer Uchumi Supermarkets

Naivas supermarkets have not been immune to the impacts of terrorist activities. Indeed, the chain's financial performance was hit hard in 2012 due to the insecurities, reduction of disposable household income connected to inflation as well as tension associated with the March 2013 General Election in Kenya. The retail sector was largely affected in 2013 due to these insecurities and the tensions of the March elections. The year 2014 is more of a recovery year, as put by Willy Kimani, Business Development Manager at the Naivas supermarkets.¹⁶⁵ Security concerns have put a constraint on Kenya's growing 'mallings' culture in which consumers jam the shopping malls to indulge on meals, shopping, clothing and electronics as they socialize. Naivas supply chains, a privately-owned family enterprise, does not publish its financial results. The supply chain, which opened its 30th outlet in Garissa in 2014, is estimated to have collected Sh16 billion in sales last year- 2013.

The Naivas retail chains, however, are recovering and are now opening new branches targeting zones that were up till now were unserved. In this trend Nakumatt opened the first of its three branches it got from South African retail trader Shoprite for Sh3 billion financed through a loan from KCB Bank on 27th July 2014.¹⁶⁶ The new outlet located at Mlimani City Mall in Dar es Salaam brings total number of 48 the total number of Nakumatt stores across Kenya, Uganda, Tanzania and Rwanda. However growth can only be achieved through ongoing expansion projects as well as faster economic recovery coupled with secure environments.

¹⁶⁵ Price Water House Cooper Report on Effects of Terrorism on Retail Industry in Kenya

¹⁶⁶ Nakumatt Holding Annual report 2013

Nakumatt further plans to open new outlets at Shujaa Mall in Nairobi's Donholm estate, the SkyView Mall located in Highridge estate and a complex in Mombasa at Bamburi. Apart from the additional outlets it plans to expand its private brands portfolio such as Nakumatt Select, which is an exclusive line of home furnishing products, the DeliFrance, a contracted chain of bakeries, and Clarks and Skechers footwear outlets. In addition Nakumatt has partnered with Bank of Africa to bring in a hire purchase facility called Mkopo Poa where Nakumatt consumers can buy goods on credit and pay in twelve months at an interest rate of 1.5 per cent per month¹⁶⁷.

On the other hand, Uchumi Supermarkets Ltd equally opened its 37th branch in Shekilango Dares salaam on 25th July 2014, just two days before Nakumatt holdins Milimani official launch that's making its regional presence in Tanzania strong. Uchumi has now four fully operational outlets in Tanzania and intends to open three more branches in Tanzania before the end of the year. These are Arusha Moshi, Morogoro, and Mwanza¹⁶⁸

¹⁶⁷ Nakumatt Holding Annual report 2013

¹⁶⁸ Citizen newspaper of 28th July 2014, Interview with the Uchumi Country Manager Mr. Chris Lenana

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objectives of the study. This study sought to determine the extent to which terrorism conflict affects performance of retail business, to examine the effectiveness of partnership between public sector and retail sectors in mitigating terrorism, to investigate the current state of partnership between public sector and retail sectors in managing terrorism, to recommend policy adjustment that will encourage partnership between public sector and retail sectors in mitigating terrorism.

5.2 Summary of the Findings

The study revealed that terrorism conflict affects the performance of retail business to a great extent, the research also established that; increased terrorism risks and associated uncertainty decrease consumers' motivation to spend, specifically on discretionary items in addition to main consumer durables, by this means reducing investments in consumer goods industries and with stalling growth, terrorist activities, political unrest, and other economic or political uncertainties negatively affect retail business operations, effective action to combat terrorism can generate significant benefits for the retail industry, preventing losses from decreasing trade flows plus from the investment undermining the economic growth. Terrorist attacks have negative effects, foreign direct investments, optimal allocation of capital, tourism, increased economic uncertainty and investors' decisions. Terrorism has led to reduced sales

in retail inventory levels, reduced orders as well as order cancellations as shown. The study further established that deterioration of consumer confidence which is associated with terrorism attack can decrease the enticement to spend as opposed to actually saving, a process that can definitely spread by means of the economy as well as the rest of the country through normal business cycle and trade channels. Indirect effects of terrorism are key and have the potential to impact on the economy in the medium period by discouragement of consumer and investor confidence.

The study established that evolving nature of partnership between the states affect retail sector in mitigation of terrorism to a great extent. It was also noted that; insurance policies for acts of terrorism are impossible to price and therefore impossible to write. Political risk insurance is one of several methods global business leaders use to manage terrorism risk and minimize the costs of terrorism. Political risk can be managed if firms expend resources bolstering a positive reputation in their foreign locations rather than displaying only and exploitive public image. Firms may be able to discourage terrorist attack by maintaining and impeccable environmental on human rights. The study also established that cooperation and coordination is critical among domestic authorities and across borders as this will raise regional awareness and develop a unified approach to counter terrorist financing.

The study established that state of current security arrangement affect the retail sector to a great extent. The study also revealed that; terrorism has significantly inflicted fear among shoppers thereby causing increase in prices of commodities in retail trade. Advanced customer information systems and other electronic identification techniques can speed up movements, lower business operations costs, as well as providing effectiveness in security

matters. The study further revealed terrorism has significantly increased the cost of doing business for many types of small businesses and that terrorism activities committed against business owners, employees, customers, and others who enter the premises are less common in Kenya, but they are more tragic and traumatic when they occur.

The study established that policy adjustment encourage the role of private sector in counter terrorism to a great extent. Regarding counter-radicalization, the study also revealed that the government should make an effort to raise the utility of youths decide to leave terrorist groups. Regulations measures should be imposed to prevent terrorist events, like increasing accountability on transparency on bank accounts including the lifting of bank confidentiality. The study also revealed that fear of terrorism can and does impact on both individuals and communities and causes severe disruptions in society. It can provoke suspicion, erode trust in governmental institutions, catalyst support for offensive counter-terrorism policies and erode social cohesion. Such drastic consequences however are needed to make adjustments on the current policies so as to incorporate both the private sector in the war against terror activities. The new policies should categorically define the role which the private sector has to play so as to give clear aftermath analysis of terrorism activity whenever they occur.

The study established that the retail sector is picking up and expanding regionally into new unexploited markets. This calls for partnership with the regional governments to ensure that security of customers, property and the retail trade economy is well protected. Protection of cosmopolitan patronage in the malls is critical hence the public private partnership is essential to mitigate terror attacks in the Malls since this as impacted negatively on the states economies when the retail sector fails to perform well due to insecurity.

5.3 Conclusions

From the findings, the study revealed that terrorist activities, political unrest, and other economic or political uncertainties negatively affect retail business operations, thus the study concludes that terrorism has even a more negative effect on performance of retail business.

The study thus concludes that partnership between public sector and retail sectors was weak to fully prevent terrorism occurrence. The study also concludes that terrorism has significantly inflicted fear among shoppers thereby causing increase in prices of commodities in retail trade.

5.4 Recommendations

The government should continue to seek ways to advance its capability to identify, penetrate and destroy terrorist cells through structural reforms. There is need to develop new intelligence and law enforcement tools, and approaches that value information sharing, communication between private sector and the government so as to encourage prevention of terrorism related crimes. There is need to enhance greater regional cooperation and coordination as this can help in mitigating extremist incitement and terrorist activities throughout the East African Region.

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APPENDICES

Appendix I: Questionnaire

Kindly tick in the space provided (✓) the correct answers or supply the required information where, required, please specify and elaborate.

Part A: Respondents Information

1. Name..... (Optional)
2. Age of the respondent
Below 25 years () 26 to 35 years () 36 to 45 years ()
45 to 50 years above 51 years ()
3. What is your highest level of education?
Postgraduate [] Degree [] Diploma [] Form four []
Primary School () No school ()
4. How long have you worked in the organization?
Less than 1 year [] 1-3 years [] 4-6 years [] above 6 years []

Section B: Terrorism

5. Does terrorism affect the performance of retail business?

Yes []

No []

If yes please explain how?

.....
.....

To what extent does terrorism affect the performance of retail business?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

6. Indicate your level of agreement with the following statement relating to effects of terrorism and its effects on the performance of retail business (Scale 1=strongly agree 2=agree 3= moderate 4= disagree 5=strongly disagree)

Statement	1	2	3	4	5
Terrorism has led to reduced sales in retail inventory levels, reduced orders as well as order cancellations.					
Terrorist attacks have negative effects investments, foreign direct investments, optimal allocation of capital, tourism, increased economic uncertainty and investors' decisions.					
Terrorist activities, political unrest, and other economic or political uncertainties negatively affect retail business operations.					
Increased terrorism risks and associated uncertainty reduce consumers' willingness to spend, particularly on discretionary items and major consumer durables, thereby reducing investment in consumer goods industries and depressing growth.					
Effective action to combat terrorism can generate significant benefits for the retail industry, preventing losses from reduced trade flows and investment undermining economic growth.					

7. How else does terrorism affect the performance of retail business that is not mentioned above?

.....
.....

Section C: Evolving nature of partnership

8. Does evolving nature of partnership between the states affect retail sector in terrorism prevention?

Yes []

No []

If yes please explain how?

.....

9. To what extent does evolving nature of partnership between the states affect retail sector in reducing terrorist activities?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

10. Indicate your level of agreement with the following statement relating to effects of evolving nature of partnership between the states and retail sector in preventing terrorism
 Scale (1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree.)

Statement	1	2	3	4	5
Political risk insurance is one of several methods global business leaders use to manage terrorism risk and minimize the costs of terrorism					
Insurance policies for acts of terrorism are impossible to price and therefore impossible to write.					

Political risk can be managed if firms expend resources bolstering a positive reputation in their foreign locations rather than displaying only an exploitive public image					
--	--	--	--	--	--

11. How else does evolving nature of partnership between the states affect retail sector in terrorism prevention that is not mentioned above?

.....

.....

Section D: State of current security

12. Does state of current security arrangement affect the retail sector?

Yes []

No []

If yes please explain how?

.....

.....

13. To what extent does the state of current security arrangement affect the retail sector?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

14. How does state of current security arrangement affect the retail sector in your organization?

.....

.....

Section E: Policy Adjustment

15. Does policy adjustment encourage the role of private sector in conflict curbing terrorism?

Yes []

No []

If yes please explain how?

.....

.....

16. To what extent does policy adjustment encourage the role of private sector in curbing terrorism?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

Indicate your level of agreement with the following statement relating to policy adjustment on effects of terrorism (Scale 1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree.)

Statement	1	2	3	4	5
The government should make an effort to raise the utility of those terrorists who choose to enter the programs offered					
The government should provide alternatives to those engaging in terrorism activities.					

Regulations measures should be imposed to prevent terrorist event, like increasing accountability on transparency on bank accounts including the lifting of bank confidentiality laws.					
--	--	--	--	--	--

Thank you for your time

Appendix 2: Interview Guide

General Questions

1. What is the general impact of terrorism in Kenya?
2. What is the current security situation in Kenya?
3. What is the extent of the effectiveness of counterterrorism in Kenya
4. What are the challenges and hindrances to counterterrorism in Kenya and East Africa Region?

Specific Questions as per the Sectors

The Retail Business (Supply Chains)

1. How has terrorism affected the retail business and its performance?
2. What is the extent of these impacts?
3. What method is your retail business using in managing risks associated with terrorism?
4. What is the current expenditure on security and mitigation of terrorism?
5. Has the expenditure changed overtime, given the terrorist activities and threats in East Africa?
6. What are the costs of terrorism on the retail business in Kenya?
7. Has the retail business been involved in Public-Private Partnerships (PPPs), if yes, how?
8. What are your recommendations in managing risks associated with terrorism in retail business?

9. Other comments?

Private Security Sector

1. How has the private security sector evolved with new security threats posed by terrorism?
2. How effective is the private security sector in mitigating and countering terrorism?
3. What is the level of preparedness in the private security sector in regards to terrorist attacks?
4. Are there public-private security partnerships in Kenya on security and terrorism, if yes, which ones?
5. What are the strategies of the partnerships?
6. What are the challenges facing the operations and effectiveness of the partnerships?
7. Has the expenditure on security changed due to terrorism threats and activities?
8. What are the challenges that face the private security sector in mitigating terrorism?
9. Other comments

Public Security Sector

1. To what extent has the sector succeeded in the global war on terror (GWT)?
2. What is the role of the public security sector in the protection of the retail business and others sectors against terror attacks?
3. What ways has the public security sector partnered with the private sector on security?
4. What are the opportunities and challenges of such partnerships?

5. What is the current expenditure in counter terrorism in the public security sector (police department, military and intelligence)?
6. What challenges face the public security sector in the fight against terrorism?
7. Other comments?