STAKEHOLDERS PERSPECTIVES OF DEVELOPMENTS AND STRATEGIES FOR ADDRESSING CHALLENGES ALONG THE NORTHERN CORRIDOR IN EAST AFRICA

BY

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DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

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SUPERVISOR'S DECLARATION

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

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DEDICATION

My study is dedicated to my late grandfather – Wahinya Kihanda, nephew Kevin Njuguna, niece Njeri Njuguna and all other members of the Njuguna Family (Jane Njeri, Irene Wanjiru, Maurice Njenga and the late Joseph Njuguna).

Thank you and God bless you abundantly.

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ACRONYMS

ADB	Asian Development Bank
AfDB	African Development Bank
ASEAN	Association of South East Nations
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EALA	East African Legislative Assembly
GATT	General Agreement of Tariffs and Trade
GDP	Gross Domestic Product
ILO	International Labour Organization
IMF	International Monetary Fund
JICA	Japan International Co-operation Agency
KAM	Kenya Association of Manufacturers
KTA	Kenya Transporters Association
LAPSSET	Lamu Port Southern Sudan Ethiopia
NTBs	Non Tariff Barriers
OSBP	One Stop Border Post
PTA	Preferential Trade Agreement
RTA	Regional Trade Agreement
SEZ	Special Economic Zone
SSA	Sub Saharan Africa
TMEA	TradeMark East Africa

ABSTRACT

The Northern Corridor is fundamental to the logistics of the EAC region. Logistics has been defined as: the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory (and the related information flows) through the organisation and its marketing channels in such a way that current and future profitability are maximised through the cost-effective fulfilment of orders (Christopher, 1992).The study sought to find out the factors are hindering the growth of business along the northern corridor. To achieve this, the study was guided by two objectives which include: To determine the developments along the Northern Corridor and; to establish stakeholders' perspectives of strategies for improving the Northern Corridor. This research adopted a descriptive survey design which sought seek to identify the challenges affecting the Northern Corridor and stakeholder perspectives on the solutions suggested so as to address the aforementioned challenges. The population in this study comprised of 190 organisations that are members of the East African Business Council. The sample comprised all Kenyan business and trade promotion bodies that are members of EABC; they are 16 in total. The study utilized primary data collected through questionnaires. The data was analysed using descriptive measures of central tendencies (mean). Analysis also utilized frequency distribution and percentages then was presented in the form of tables and graphs. Most of the organizations had business plans in place to allow adjustments with changes in the environment. With regard to challenges and proposed solutions, the study findings established that high interest rates, dilapidated infrastructure, government regulations/bureaucracy, power outages and weakening of the Kenya Shilling had affected the businesses to a great while the effect of Inflation and internet down time was. The study established that the biggest contributor to the cost of doing business in Kenya was the infrastructural inefficiencies followed by GoK regulations/taxation the study findings further established that all the organization s knew about the Northern Corridor. The study findings concludes that dilapidated infrastructure, corruption and traffic jams hinder the businesses along the Northern Corridor to a great extent as while many police road blocks, Many stops due to number of weighbridges and inconsistent weight limit regulations hindered the businesses to a moderate extent. The study further concludes that delays due to multiple clearing sites, customs inefficiencies and excessive bureaucracy while exporting and importing cargo affect the businesses to a great extent while the effect of traffic jams, unexpected tariffs & high port and manual systems is moderate in addition, the study concludes that upgrading of highways to bitumen standards would resolve some of the highlighted problems to a great. This study recommends that the policy makers should enact policies that do away with these limiting hindrances. Policy makers should come up with policies that effectively fight corruption, and improve infrastructure so as to aid in reducing traffic jams. This study recommends that further studies be done on the effectiveness of the existing policies toward realization of vision 2030 and creation of Special Economic Zones.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The Northern Corridor begins at the port of Mombasa and extends into Uganda, Rwanda and Burundi through the Malaba border. Exports to Southern Sudan are also transported through the Malaba border. The Busia border point is also connected to this corridor. Tanzania is connected through the Taveta and Isbenia border points. The Northern Corridor is therefore fundamental to the logistics of the EAC region. Logistics has been defined as: the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory (and the related information flows) through the organisation and its marketing channels in such a way that current and future profitability are maximised through the cost-effective fulfilment of orders (Christopher, 1992).

Lipsey (1960) put forward the hypothesis of natural trading partners. This hypothesis indicated that the higher the volume of trade within a region, the lower it is with the rest of the world. Wonnacot and Lutz (1989) did present a modified version of the natural trading hypothesis that incorporated location and transport costs. They noted a tendency where countries create blocs with others in the same geographical proximity. Deardoff and Stern (1994) also held view that geographical proximity among countries does reduce trade diversion. Trade is also enhanced as transport costs tend to be lower. At present one of the biggest challenges within the EAC are high transport costs.

High trade and transport costs have resulted in Kenya's trade competitiveness being relatively low. However, translation of policy into action is required so as to address these challenges resulting in gains to the economy. It has been shown that increasing logistics performance can boost trade by about 15% (Hoekman, Bernard, Alessandro Nicita, 2008). The EAC is comprised of 5 nations, each with small economies. Burundi, Rwanda, and Uganda, the three landlocked countries, represent about 40% for the EAC's population and about 30% of its economic activity (World Bank, 2010). East African countries are currently amongst the least competitive in terms of trading across borders. The most competitive of the 5 is coastal Tanzania which ranks 92nd out of 183 countries surveyed (World Bank, 2010). The poor ranking reflects the very high cost of transport, long delays along the main routes to and from seaports, and excessive bureaucracy and paperwork associated with importing and exporting.

1.1.1 The Concept of Strategy

According to Johnson and Scholes (2002), strategy may have three different perspectives. In the first perspective, strategy is seen as a design. In this case, strategy is seen as a forward plan, coming before the events it governs and also being a result of systematic, rational analysis and choice. Strategy here is also the result of positioning and repositioning a company over a period of time. Further, strategy results from deliberate managerial effort. Under the second perspective, strategy is about the long term direction of an organisation; this long term may not be decided or shaped at one point in time. In this case, strategy may develop and adaptive fashion with new strategies developing from existing ones. Lastly, strategy may also be seen as ideas. The ideas lens views strategy as the emergence of order and innovation from the variety of ideas that exist in and around companies.

However, other scholars have different perspectives of strategy. Normann and Ramirez (1993) perceive strategy as the way a company defines its business and links together the only two resources that really matter in today's economy: knowledge and relationships or an organization's competencies and customers. They believe that strategy is the art of creating value and identifying opportunities for bringing value to customers and for delivering that value at a profit (Normann and Ramirez, 1993, p. 65). Another strategic approach is prospecting; prospecting is about searching for and taking advantage of new business opportunities for growth and profitability. Miles and Snow (1978) were among the first to describe this sort of strategic behavior. According to Miles and Snow (1978), firms tend to display stable patterns in their adaptive behavior, which they classify into prospectors, defenders, analyzers, and reactors. A prospector firm focuses on product innovation and market opportunities, and tends to emphasize creativity and flexibility over efficiency in order to respond quickly to changing market conditions and take advantage of new market opportunities. Courtney (2001) argues that in dealing with uncertain environments companies take one of two basic strategic postures: shaping or adapting. He observes that executives have regarded the question, of whether to shape or adapt, as perhaps their most fundamental strategic choice. Courtney argues that whether a company should attempt to shape or adapt depends largely on the level and nature of the uncertainty it faces. Eisenhardt (2002) argued that the acceleration of environmental change, the emergence of new economics, globalization, and rapid technological change were fundamentally changing the nature and dimensions of strategy. She asserted that strategy should become simple, i.e. using one or two critical strategic processes and a handful of unique rules to guide them. Secondly, strategy becoming organizational i.e. choosing an excellent team, picking the right roles for team members, and then letting their moves emerges. Thirdly, strategy becoming temporal, i.e. composed of a series of strategic moves by altering one or more of organizational unique mix of products, brands, technology, capabilities, etc.

1.1.2 The Northern Corridor

Kenya is the regional hub for trade, finance and relief/development aid operations in the greater eastern Africa. The port of Mombasa serves as a vital regional gateway and is a critical node for import/export operations. The northern transport corridor, starting in Mombasa and running east-west across Kenya, is a major trade and economic artery serving Uganda, Rwanda, Burundi, eastern Democratic Republic of Congo, South Sudan, and parts of southern Ethiopia and Northern Tanzania (TMEA, 2012). This represents a consumer base of than 250 million people. Key cities located along this corridor (Kisumu and Mombasa) will in future host Special Economic Zones (SEZs) (Nation Correspondent, 2013).

There have been complaints from neighbouring countries to the effect that goods imported through the port of Mombasa were subjected to unfriendly tariffs, traffic jams and all manner of delays. The introduction of progressively larger container vehicles and growth in in container freight volumes due to increased regional economy and trade has created challenges (JICA, 2010). Further, insufficient water depths to accommodate large vessels and limited storage facilities for the high volumes of containers handled are all factors that have created delays at the port (ADF, 2006). In the process, the port of Mombasa has lost business to the port of Dar-es-Salaam (Mwajefa, 2013). This situation may worsen as Tanzania is now in the process of constructing a $11 billion port at Bagamoyo (Mutiga, 2013).

The prominent corridors within the EAC are the Northern and Central corridors. According to Ishida (2009), such corridors encourage trade, investment, and other economic activities and thus can promote economic development and growth. The Arusha-Namanga highway is one of the recently completed corridor projects.

Construction of the Taveta-Arusha highway is expected to begin in 2014. Corridors extend the scope for regional cooperation beyond the provision of collective infrastructure projects to promote economic activities around them and to improve soft infrastructure (Ishida, 2009). Regional infrastructure projects are defined as projects that involve physical construction works and/or coordinated policies and procedures spanning two or more neighbouring countries (ADB, 2009). They may also be defined as projects that have a significant cross border impact: they stimulate significant amounts of regional trade/income, designed to connect to the network of a neighbouring or third country and their planning, implementation and coordination involves more than one country (ADB, 2009). Increasingly, nations are moving away from integration strategies that are based solely on formal trade agreements and towards strategies that include at least some integration of infrastructure policies (Moreira, 2007). Inadequate or poorly performing infrastructure can be a serious burden on the economy; it can undermine competitiveness, cause economic stagnation and seriously undermine the evolution of competitive markets (Kessides, 1996; Calderon and Serven, 2004; Straub, 2008).

According to an assessment carried out in 2010, 45% of the road capacity in the Northern Corridor was rated as poor and received a Level of Service (LOS) grade E or F; the grades range from A (best operating conditions permitting free flow or traffic with high average speeds) to F (worst operating performance) (Nathan Associates, 2011). In addition to a high percentage of the highways being unpaved, there have also been persistent problems in maintenance due to capacity problems of road bureaus and private companies undertaking road repair projects (Nathans Associates, 2011). The absence of a well developed railway network results in cargo being ferried by trucks; this has contributed greatly to the wear and tear of the existing tarmac roads.

The main rail artery in Kenya is the Mombasa-Kisumu line. This track also extends into Uganda. However, the initial design of this railway has since been become obsolete as it is the “narrow” gauge type which cannot handle modern railway wagons. There are plans to rebuild it so as to replace it with the standard gauge so as to meet international standards. The poor condition of this track has resulted in the imposition of speed restrictions and unpredictable times (Nathan Associates, 2011). A private company (Rift Valley Railways) currently is operating the Railway line system in Kenya under a 25 year concessionary agreement continues to underperform. According to the Kenya Economic Survey 2013, 1.62 million tonnes of cargo were moved over rail in Kenya compared to 1.63 million tonnes transported in 2008. The said survey further reports that between 2008 and 2012, the cargo handled at the port of Mombasa increased by 40% however; there was no matching growth in the cargo transported through rail (Mumo, 2013).

1.1.3 Kenya’s Business Context

Despite promising regional trade trends, Kenya’s export sector continues to underperform. Kenya’s exports as a share of GDP declined from 40% in 1960 to 26% in 2009. Domestic consumption continues to drive growth, accounting for the largest share of GDP at 75%. Kenya’s trade within the EAC has grown rapidly with exports to EAC countries increasing at an annual average of 13.5% between 2004 and 2008, with Tanzania and Uganda as significant export destinations (UN Comtrade, 2012). Exports to Uganda (Kenya’s single largest trading partner) grew to Kshs 50.4 billion in the first 10 months of 2011; an increase on 42% when compared to 2010 (Omondi, 2011). The value of Kenya's imports from within the EAC also quadrupled from 2004-2007. Kenya firms have also increasingly established branches in the regional market (World Bank, 2012).

Congestion and inefficiencies at the port of Mombasa are major contributors to transport costs. The largest single largest cost component for transporting along the corridor is fixed port charges and time delays. These may represent at least 40% of total costs (TMEA, 2012). Given that about 55% of the northern transport corridor is in Kenya and more than 90% of the delays are at the port of Mombasa, it is clear that Kenya must provide leadership in tackling the greater proportion of the transport and trade facilitation challenges along the Corridor (Nathan Associates, 2011). At present, the port of Mombasa handles 600,000 containers annually; in contrast the proposed Bagamoyo port will handle 20 million containers annually (Mutiga, 2013). Tanzania also plans to build modern weighbridges along her major highways so as to better serve her landlocked neighbours. Delays at weighbridges is a major NTB hence the need for modern weighbridges (Koech, 2013). This development will result in greater competition to the port of Mombasa.

According to Mwijagye (2009), customs inefficiency, corruption, roadblocks and weighbridges are often cited as key barriers to business development in the region. In 2008, the EAC set up a time bound system for the elimination of NTBs (excessive bureaucracy, lengthy licensing procedures, import and export bans) and set up national monitoring committees to spearhead the process. However, the committees have little or no policing powers and the progress towards total elimination of NTBs has been sluggish at best (Mumo, 2013). Informal NTBs such as non-acceptance of rules of origin certificates, cumbersome bureaucratic procedures have similarly affected integration negatively (Khandelwal, 2004).

At present there are some measures that have been taken to address these challenges in Kenya. Firstly, example, there are plans to put up modern weighbridges (at Mariakani, Mlolongo and Gilgil) that allow trucks to be weighed while in motion (Koech, 2013). One Stop Border Posts (OSBP) are under construction at the Namanga, Malaba and Taveta crossing points. The OSBPs will reduce the time taken to clear goods at the border points (Andae and Wanjala, 2013). The government of Kenya has also directed that trucks leaving the port of Mombasa should take a maximum of only 5 days (instead of the current 18) to reach the Malaba border point (Kitimo, 2013).

The formulation of the "Biashara Bill" is another measure that has been taken so as to reduce the cost of doing business in Kenya. This bill is intended to address: skills and business development, product standardisation, branding access, access to credit, business incubation services and market access (Sunday, 2013). The East Africa Community Vehicle Load Control Bill, 2012 and EALA have now harmonized the law permitting seven axle vehicles to carry a maximum load of 56 tonnes (Barasa, 2013). Initially, Kenya had set a limit of 48 tonnes; however, after protests from KTA, this had been adjusted upwards to 52 tonnes.

The proposed creation of Special Economic Zones will make it easier to do business in Kenya (Wahome, 2013). The said Zones will include industrial parks, science and technology parks and free trade areas. A free trade zone will be set up in Mombasa by 2015 (Nation Correspondent, 2013). In the 2013/14 government of Kenya budget prioritized infrastructure and also made provisions for long term plans. Development of infrastructure is expected to greatly reduce the cost of doing business in the long run (Anami, 2013). The government of Kenya has been requested to build a one-stop shop for inspection agencies at the port of Mombasa so as to cut down on bureaucracy. This measure would bring together all agencies responsible for the importation and exportation of goods under one roof and also reduce the number of documents involved in doing business (Kitimo, 2013). Further, customs officials at the Documents Processing Centre at the Nairobi headquarters have been relocated to the port and border exit/entry points.

A new standard gauge railway line connecting Kenya, Uganda and Rwanda will be completed over the next 5 years. Kenya introduced a railway development levy of 1.5% on all imports to fund this project. Uganda and Rwanda are expected to introduce a similar levy. The line will boost the northern corridor with cargo trains able to travel at a speed of 120 kilometres per hour (Gibendi, 2013).

A Kshs 257 billion National Broadband Strategy is being implemented so as to boost Kenya's bid to become a knowledge based economy through the provision of high speed and reliable internet services broadband by 2017. This plan will ensure that the government has at least 70% of its services available virtually (Wokabi & Mumo, 2013). This project will result in efficiency in government services, create economic growth, improve education and training and job creation. Lastly, there is a plan to have customs and clearing agents of the EAC partner states based in Mombasa so as to implement the Single Customs Territory under the EAC agreement. This measure was agreed on after tripartite talks between Uganda, Rwanda and Kenya (Nyassy, 2013).

1.2 Research Problem

A general purpose of business strategy can be put as the ongoing delivery of a flow of unique or superior customer value, as reflected in company's offerings, at superior rewards for the contributors' profit for shareholders, fulfillment for members, fair share for partners and development for the corporation. All this achieved under conditions of changing and uncertain business environment. The purpose of strategy is centred on customer value (value creation), as well as stakeholders value (value capture and distribution), with continuity and uniqueness or superiority as necessary conditions for long lasting success (A. S. Khalifa, 2008).

At present Kenya has not maximized her strategic position along the Northern corridor due to several factors. Poor, unsafe and inadequate infrastructure; and costly and unreliable energy, low skills base for competitive trade are among reasons for this underperformance (World Bank, 2010). Kenya's geographical location gives her a competitive advantage over other countries within the EAC. However, strategic responses from the government will be necessary so as to address inhibiting factors as mentioned earlier.

Previous studies on the business climate have tended to cover the EAC region as a whole. One such study was done by Dobronogov and Farole (2012). Another research by Koskey Kipketer (2008) looked at responses by Mombasa based clearing and forwarding firms to changes in the environment. However, there is a research gap when it comes to addressing the Northern corridor and the recent measures that are being taken to improve the business climate. This study therefore focused on the Northern corridor and its importance in supporting logistical functions and trade.

This research sought to answer the following questions:

i. What factors are hindering the growth of business along the Northern Corridor?

1.3 Research Objectives

i. To determine the developments along the Northern Corridor;

ii. To establish stakeholders perspectives of strategies for improving the Northern Corridor.

1.4 Value of the study

The study would increase the current body of knowledge in matters pertaining to regional integration. It would also serve as a platform for further research on the challenges and opportunities for Kenya on matters pertaining to regional integration.

Potential investors from outside the EAC might find studies on this study helpful as it highlights the key challenges that prevent regional trade from being maximised. The combined market of the five EAC member states is significant in terms of absorption capacity and purchasing power boosted by factors such as the recent oil and gas discoveries. This study would also be beneficial to other stakeholders such as the Kenya Association of Manufacturers (KAM), Kenya National Chamber of Commerce (KNCC) and the Kenya Transporters Association (KTA).

The study would assist authorities to come up with ideal policies for boosting trade. Policy makers such as the EAC, government of Kenya would be appropriately guided when making long term plans, EAC articles and legislation pertaining to regional business.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter examined the role of Special Economic Zones in overcoming barriers to economic growth. The importance of Value Chains and Supply Chains is also included in this chapter. The crucial role of ports in the supply chain is also examined. The final section discusses Stakeholder Management.

2.2 Special Economic Zones (SEZs)

One instrument used internationally to overcome barriers to investment and agglomeration is special economic zones (SEZs). Special economic zones are spatially delimited areas within an economy that function with administrative, regulatory, and often fiscal regimes that different (typically more liberal) from those of the domestic economy. They operate through a variety of different forms such as: “export processing zones”, “economic processing zones”, “free zones” and “foreign trade zones” (Dobronogov and Farole, 2012).

Competitiveness of a nation can be achieved through its trade, especially export competitiveness (Nihon et al., 2005), infrastructure development, and providing special economic privileges viz lower taxes and rebates for a liberalized economy. Country-wide development of infrastructure is expensive and implementation of structural reforms requires time due to various socio-economic and political factors. Export processing zones (EPZs) are therefore considered a strategic tool for promotion of exports (Mondal, 2001). In order to promote export competitiveness, economic zones have emerged as a trade policy with special emphasis on outward orientation. Since 1960, the impact of these specific areas of lower taxes and rebates have become more evident on a global basis and gained special terminology such as free economic zones (Gunagwen, 2001).

SEZs aim to overcome barriers that hinder investment in the wider economy, including restrictive policies, poor governance, inadequate infrastructure and problematic access to land. They have been an important policy instrument for many governments seeking to attract foreign investment, promote export-oriented growth and generate employment (Dobronogov and Farole, 2012). Their popularity as a policy tool has grown enormously in the past 20 years – in 1986, ILO's database reported 176 zones in 47 countries; by 2006, it reported 3,500 zones in 130 countries (Boyenge, 2007). Evidence suggests that SEZs can be highly effective when targeting regions that have natural or economic geography advantages. In China, SEZs targeted coastal trade gateways which have proved to be powerful catalysts for growth (World Bank, 2008).

According to Dobronogov and Farole (2012), SEZs may assist in overcoming barriers such as: lack of reliable infrastructure, in particular transport, power and telecommunications; difficulty in accessing serviced industrial land and slow, cumbersome processes to secure it; red tape and slow decision making relating to licenses, permits and other aspects of starting and operating a business and information failures that prevent the private sector from co-ordinating investment activity.

Two recent concepts have been proposed with regard to the SEZs. These are Charter Cities (Romer, 2010) and Early Reform Zones (Auty, 2010). Charter Cities are born from the observation that bad rules and bad enforcement of rules is one of the most critical factors holding back growth in many developing countries. Inspired by the success of colonial trade hubs like Hong Kong SAR, China and, more recently, China's SEZs, they aim to use unoccupied land as a chance to establish a new city that operates outsise the existing arrangements of the country, establishing their own tax regimes and legal structures (Romer, 2010). Under the concept, countries can act as host, source and guarantor. The host country provides the land, source countries provide the residents, and guarantor countries ensure that the charter is enforced. Honduras recently voted a constitutional amendment to allow for the creation of charter cities in the country (Romer, 2010).

Early Reform Zones (ERZs) are geographical areas located within distorted economies, where post reform conditions (comprising: world class infrastructure; business-friendly services; and property rights and the rule of law) exist. The ERZ is executed as part of an economy-wide dual track strategy, where ERZs are used to kick start a dynamic economy, which forms Track 1 and rapidly expands employment, skills, taxes and exports (Auty, 2010). Track 1 also builds a pro-reform political coalition that can eventually take on opponents of reform and neutralize and/or co-opt them. Meanwhile, reform proceeds slowly in the rent distorted sector (Track 2) in order to avoid early confrontation with rent seekers, which a reforming government is likely to lose. Successful dual track economic reform in economies diverse as Mauritius, Malaysia and China shows that SEZs can grow a dynamic market economy within fifteen years to a scale that can dominate the total economy (Auty, 2010).

According to Dobronogov and Farole (2012), the presence of SEZs may result in several benefits. Firstly, taxes and fees may result in revenue to all partners in the SEZ i.e. private public sector partnerships. The land value of the host country may also appreciate rapidly. This may be important in a case where it is to be used as collateral for a loan. Thirdly, there may significant employment opportunities in areas where the SEZ is located and also from the peripheral regions. SEZs also result in major infrastructure and logistics developments. Regions around the SEZ tend to benefit the most from this arrangement. There may also be improved trade environment for businesses in the periphery especially where a zone developed along a corridor model. Lastly there are spillovers in the form of supply links, technology and knowledge. In this case, regions in close proximity to the SEZ will benefit most. However, supply links may extend well into the periphery.

SEZs also result in several revenue streams in the form of – customs revenue, corporate tax, municipal taxes, value added taxes, personal incomes, service fees and land lease taxes. The said revenue is shared between the National and Local governments, SEZ developers, SEZ authority, individual government agencies and municipalities (Dobronogov and Farole, 2012).

2.3 Value Chains and Supply Chains

Several researchers have come up with different definitions of value chains. Brown (1997) defines the value chain as a tool to disaggregate a business into strategically relevant activities. This enables identification of the source of competitive advantage by performing these activities more cheaply or better than its competitors. Its value chain is part of a larger stream of activities carried out by other members of the channel-suppliers, distributors and customers. On the other hand, Walters and Lancaster (1999a, 1999b) define a value chain as a business system which creates end-user satisfaction (i.e. value) and realises the objectives of other member stakeholders. Supply chain management is the management of the interface relationships among key stakeholders and enterprise functions that occur in the maximisation of value creation. This is driven by customer needs satisfaction and facilitated by efficient logistics management; the management of activities and costs that occur within the supply chain. Logistics management is the management of activities and costs that occur within the supply chain.

Walters and Lancaster (1999a, 1999b) also came up with three categories of value: Firstly, value is determined by the utility combination of benefits delivered to the customer less the total costs of acquiring the delivered benefits. Value is then a preferred combination of benefits (value criteria) compared with acquisition costs. Relative value is the perceived satisfaction obtained (or assumed to be available) from alternative value offers. Lastly, a value proposition is a statement of how value is to be delivered to customers. It is important both internally and externally. Internally, it identifies the value drivers it is attempting to offer a target customer group and the activities involved in producing the value, together with the cost drivers involved in the value-producing activities. Externally it is the means by which the firm positions itself in the minds of customers. Normann and Ramirez (1993) see the value chain as both an analytical and a facilitating concept in which value strategy is primarily the art of positioning a company in the right place on the value chain -the right business, the right products and market segments, the right value-adding activities.

Michael Porter (1985) stated that a value chain describes the activities within and around an organization which together create a product or service. He stated that it was the cost of these value activities and value that they deliver that determines whether or not bets value products or services are developed. Porter's value chain was divided into two: primary activities and support services. Primary activities are directly concerned with the creation or delivery of a product or service and can be grouped into five main areas (Inbound Logistics, Operations, Outbound Logistics, Marketing and Sales, Service). Value Chain concept by Porter (1985) was used and developed in relation to competitive strategy.

Inbound logistics are the activities concerned with receiving, storing and distributing inputs to the product or service. They include materials handling, stock control, transport etc. The second area is operations where various inputs are transformed into the final product or service: machining, packaging, assembly, testing etc. Outbound logistics collect, store and distribute products to customers. For tangible products, this would be warehousing, materials handling, distribution etc. In the case of services, they may be more concerned with arrangements for bringing customers to the service if it is a fixed location. Marketing and sales provide the means whereby consumers/users are made aware of the product or service and are able to purchase it. This would include sales administration, advertising, selling and so on. In public services, communication networks which help users access a particular service are often important. Lastly, service includes all those activities which enhance or maintain the value of a product or service, such as installation, repair, training and spares (Porter, 1985).

Each of the foregoing groups of primary activities is linked to support services (Porter, 1985). Support services help to improve the effectiveness of efficiency of primary activities. They can be divided into four areas (Procurement, Technology Development, Human Resource Management, and Infrastructure). Procurement refers to the processes for acquiring the various resource inputs to the primary activities. All value activities have a technology, even if it is just know-how. The key technologies may be concerned directly with the product (e.g. process development) or with a particular resource (e.g. raw materials improvements). This area is fundamental to the innovative capacity of the organisation. Human resource management is concerned with those activities involved in recruiting, managing, training, developing and rewarding people within the organisation. Infrastructure refers to the systems of planning, finance, quality control, information management important to an organization's performance in its primary activities. Infrastructure also consists of the structures and routines of the organisation which are part of its culture.

According to Cox (1997a), supply chain management is devoted to discovering tools and techniques that provide for increased operational effectiveness and efficiency throughout the delivery channels that must be created internally and externally to support and supply existing corporate product and service offerings to customers. This approach (often referred to as ""lean thinking") is based on attempts to replicate Toyota's waste minimization techniques (Womack and Jones, 1996). The "lean approach" has eight defining characteristics (Cox, 1997a).

The first is to strive for perfection in delivering value to customers; only produce what is pulled from the customer just-in-time and concentrate only on those actions that create value flow; focus on the elimination of waste in all operational processes, internally and externally, that arise from overproduction, waiting, transportation, inappropriate processing, defects and unnecessary inventory and motion; recognize that all participants in the supply chain are stakeholders and that we must add value for everyone in the business; develop close, collaborative, reciprocal and trusting (win-win), rather than arms length and adversarial (win-lose) relationships with suppliers; work with suppliers to create a lean and demand-driven logistics process; reduce the number of suppliers and work more intensively with those given a preferred long-term relationship and lastly, create a network of suppliers to build common understanding and learning about waste reduction and operational efficiency in the delivery of existing products and services.

It can be argued that companies are only successful if they possess power over something or someone. This is because only by having the ability to appropriate value from relationships with others -whether these are with customers, employees or suppliers -can business success be sustained (Cox, 1997a). Further, in recognizing that there is a strategic as well as an operational way of thinking about supply chains, it is essential that practitioners recognize that what is appropriate in one context may be inappropriate in another (Cox, 1997b; 1998; 1999). There are also different types of supply chains, and companies must do what is appropriate given the relative power structures that operate within them (Cox, 1997a).

Ports are important parts of supply chains. Cullinane and Song (2002) point out that ports constitute a critical link in the supply chain and that their level of efficiency and performance influences, to a large extent, a country's competitiveness. According to Stopford (1997), a port is "a geographical area where ships are brought alongside land to load and discharge cargo – usually a sheltered deep water area such as a bay of river mouth". Often ports comprise multiple terminals, a terminal being "a section of the port consisting of one or more berths devoted to a particular type of cargo handling" (Stopford, 1997). There are more than 2,000 ports around the world, from single berth locations handling a few hundred tonnes a year to some of the world's largest ports such as Shanghai, Singapore and Rotterdam, which individually handle multiples of this (in the case of Shanghai, for example, the 2005 estimate is 443 million metric tones) Some 6 billion tonnes of freight moves by maritime transport each year and is estimated to comprise 45 per cent liquid bulks, 23 per cent dry bulks and 32 per cent general cargo (World Bank, 2001).

Recent years have seen significant reform concerning the ownership and management of the ports sector with, according to Brooks and Cullinane (2007), the relationship between ports and government changing profoundly over the past quarter of a century. They note that many governments have moved to extract themselves from the business of port operations and have concentrated on monitoring and oversight responsibilities. Cullinane and Song (2002) caution that privatization is only a partial cure for what ails the world's ports and that, if implemented in isolation, it simply cannot deliver the much-needed panacea for all of the industry's woes. It is now generally that supply chains, and not individual firms or products, are the basis of marketplace competition (Christopher, 1992). Transport services (links in supply chains) and transport infrastructure (nodes in supply chains) are key elements in efficient logistics systems. Maritime transport (comprising ports as nodes and shipping services as links) is the dominant mode for international freight movements and is thus crucial to international trade and a vital component of many supply chains.

Looking beyond the ports physical boundaries, Notteboom and Rodrigue (2005) argue for a new phase in port development, viz regionalization, where the reach of the port extends beyond the port perimeter and involves, inter alia, market strategies and policies linking it more closely to inland freight distribution centres. Sanchez et al. (2003) in the context of a number of Latin American countries showed that port efficiency is a relevant determinant of a country's competitiveness and interestingly they add that, unlike most other relevant variables, port efficiency can be influenced by public policies. It has also been recognised that the gateway position of major seaports offers opportunities for the development of value-added logistics and other activities proximate to ports. Port clusters (de Langen, 2002) have thus evolved which Haezendonck (2001) defines as: the set of interdependent firms engaged in port related activities, located within the same port region and possibly with similar strategies leading to competitive advantage and characterised by a joint competitive position vis-a` -vis the environment external to the cluster.

2.4 Stakeholder Management

Sustainable development can only be given real meaning and achieved through a multi-stakeholder approach (Rotheroe *et al.,* 2003). Freeman (1984) defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Savage et al. (1991) defined stakeholders as groups or individuals who "have an interest in the actions of an organization and the ability to influence it". Both definitions suggest a two-way relationship between the organization and its stakeholders including "voiceless" stakeholders (although the ability to influence is not much visible directly), reflect the "interdependence" of firms and stakeholders (Cheney and Christensen, 2001), and justify the necessity of engaging stakeholders in an organization's decision-making process.

Bryson (1995) acknowledges attention to stakeholders is important throughout any strategic management process because "success" for public organizations depends on satisfying key stakeholders according to their definition of what is valuable. However, until relatively recently the question of what the public sector added for the benefit of the variety of stakeholders was largely ignored (Ferlie *et al.,* 2003). As Rainey (1997, p. 38) argues: public agencies are born of and live by satisfying interests that are sufficiently influential to maintain the agencies' political legitimacy and the resources that come with it. That the public sector has multiple stakeholders is not in dispute: yet, managing these multiple relationships is problematic. Consequently, Bryson (2004), citing the work of Nutt (2002), explains that failure to attend carefully to stakeholder interests and information can easily lead to disaster.

Stakeholders can be identified and categorized in different ways. Waddock (2001) distinguishes between primary stakeholders that constitute the business (owners, employees, customers and suppliers) and critical secondary stakeholders on whom the business depends for infrastructure (e.g. communities and governments). Henriques and Sadorsky (1999) class four critical stakeholder groups: regulatory stakeholders (e.g. governments, trade associations, informal networks, a given firm's competitors); organizational stakeholders (e.g. customers, suppliers, employees, and shareholders); community stakeholders (e.g. community groups, environmental organizations, and other potential lobbies); and the media.

However, as stakeholders are socially constructed (Fineman and Clarke, 1996), stakeholder identification and classification become far more complicated in both its rational and methodology. Stakeholder groups themselves cannot be assumed to be either homogeneous or stable because the individuals who constitute them belong to and interact with more than one group (Crane and Livesey, 2003). Crane and Livesey (2003) specifically highlight that: stakeholders are understood not to be just related to the firm but are also recognized to be related in many ways to each other, whether by exchange, communication or whatever other form of interaction. Thus, just as firms have relationships with diverse stakeholders, so too do those stakeholders have relationships with their own stakeholders and these stakeholders in turn have relationships with a further set of stakeholders and so on.

The ISEA (1999, p. 91) defines stakeholder engagement as "the process of seeking stakeholder views on their relationship with an organisation in a way that may realistically be expected to elicit them". According to AA1000 standard (Accountability Standard 1000 developed by the ISEA in 1999), stakeholder engagement is not about organisations abdicating responsibilities for their activities, but rather using leadership to build relationships with stakeholders and hence improving their overall performance, accountability and sustainability. Meaningful engagement needs to: allow stakeholders to assist in the identification of other stakeholder; ensure that stakeholders trust the social and ethical accountant (internal or external) that is collecting and processing the findings of the engagement; be a dialogue, not a one-way information feed; be between parties with sufficient preparation and briefing to have well-informed opinions and decisions; involve stakeholders in defining the terms of the engagement; allow stakeholders to voice their views without restriction and without fear of penalty or discipline; include a public disclosure and feedback process that offers other stakeholders information that is valuable in assessing the engagement and allows them to comment upon it (ISEA, 1999, p. 21).

Corporate sustainability in the dynamic complexity of the twenty-first century economy means that businesses need to, through developing and sustaining relationships with key stakeholders, establish a corporate culture "consistent with the concept of sustainable development" (Welford, 1995, p. 114). To achieve this, Welford (1995, p. 117) identifies the following "six shifts": shift from objects to relationships; shift from parts to the whole; shifts from domination to partnership;

shift from structures to processes; shifts from domination to partnerships and shift from structures to processes. Effective stakeholder dialogue is a critical element of sustainable development at the corporate level. AA1000 standard supports the development of true and equal dialogue between organisations and their stakeholders that involves the stakeholders in defining the terms of their engagement.

The AA1000 standard stresses the principle of inclusivity in the dialogue process, so that organisations should seek to include as wide a collection of stakeholder groups as possible. The inclusivity principle of AA1000 states that: Inclusivity concerns the reflection at all stages of the process of the aspirations and needs of all stakeholder groups. Stakeholder views are obtained through an engagement process that allows them to be accurately and fully expressed without fear or restriction. Inclusivity requires the consideration of "voiceless" stakeholders including future generations and the environment. Dialogue-based engagement may, on the one hand, have paralysing effects on organisations and their stakeholders, presenting them from reaching consensus and action; or, on the other hand, may result in them splitting and falling apart (Crane and Livesey, 2003). The engagement process needs to include "a public disclosure and feedback process that offers stakeholders information that is valuable in assessing the engagement" (ISEA, 1999, p. 64).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the methods that were used to collect data from various stakeholders who depend on the Northern Corridor. The areas covered are research design, population, sample design, data collection and analysis.

3.2 Research Design

This research adopted a descriptive survey design which sought seek to identify the challenges affecting the Northern Corridor and stakeholder perspectives on the solutions suggested so as to address the aforementioned challenges. The descriptive survey design was successfully used by Muya (2006) in his study of SIM practices adopted by the hospitality industry in Kenya. This method was also used by Koskey Kipketer (2008) in his study that looked at responses by Mombasa based clearing and forwarding firms to changes in the environment. This method was also used by Ugboma, Ibe and Ogwude (2004) in their study: "Service quality measurements in ports of a developing economy: Nigerian ports survey."

3.3 Population

The population in this study comprised of 190 organisations (www.eabc.co.ke) that are members of the East African Business Council (EABC). These organisations are drawn from the current EAC countries.

3.4 Sample Design

The purposive sampling technique was used in this study. The sample consisted all Kenyan business, industry and trade promotion associations/organizations that are members of EABC; they are 16 in total (see appendix 2).

3.5 Data Collection

The study utilized primary data collected through questionnaires (see appendix 1). The questionnaire is divided into three parts containing closed and open ended questions derived from chapters one and two of the study. Part one focused on the general business environment and matters pertaining to integration. Part two focused on the operating environment. Part 3 looked at the challenges that impede business and an assessment of the impact of the suggested strategies for improvement. The questionnaires were addressed to Chief Executive Officers CEOs and Operations Managers. Follow up of the said questionnaires was through email, telephone and personal visits.

3.6 Data Analysis

Questionnaires returned by the survey respondents were edited so as to ensure completeness and consistency. Thereafter, the findings therein were analysed and interpreted so as to provide answers to the research questions. The said data was analysed using descriptive measures of central tendencies (mean). Analysis also utilized frequency distribution and percentages. Analysed data was presented in the form of tables, charts and graphs.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents analysis of the data on factors hindering the growth of business along the Northern Corridor. The study targeted a sample of 16 respondents out of which 11 respondents gave their responses giving a response rate of 68.75 %. This response was good and representative of the population and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and above is excellent.

4.2 General Information

4.2.1 Type of Organization

The study sought to find out the type of organization in the study. The findings were presented in the table below.

Table 4.1: Type of Organization

	Frequency	Percent
Commercial	1	9.1
NGO	2	18.2
Government	2	18.2
Others	6	54.5
Total	11	100.0

From the study findings, 18.82% of the respondents indicated that their organization were Government organizations, 18.82% indicated NGO, 9.1% indicated that their organizations were commercial while 54.5% indicated that there organizations were of other types.

4.2.2 Registration

The study sought to determine the registration of the organizations. The results are shown in table 4.2.

Table 4.2: Registration

	Frequency	Percent
Company	5	45.5
Association	4	36.4
Others	2	18.2
Total	11	100.0

From the data findings, majority (45.5%) of the respondents indicated that their organizations were registered as companies, 36.4% indicated association while 18.2% indicated others. this implied that most of the organizations were registered as companies.

4.2.3 Geographical Area of Location

The study sought to find out the geographical location of the organizations. The findings were presented in the table below.

Table 4.3: Geographical area of location

	Frequency	Percent
Kenya only	3	27.3
Kenya and East Africa	4	36.4
Global	2	18.2
Others	2	18.2
Total	11	100.0

From the data findings, 36.4% of the respondents indicated that their organizations were located in Kenya and East Africa, 27.3% indicated that their organizations were located in Kenya only, while those who indicated that their the geographical location of their organizations was global as well as others were 18.2% in each case. This implied that majority of the companies were located in Kenya and east Africa and that even organizations located from other geographical areas were as well represented in the study hence the information obtained from them was reliable in addressing the objectives of the study

4.2.4 Years in Operation

The study sought to find out the number of years in which the organizations were in operation. The findings were presented in the figure below.

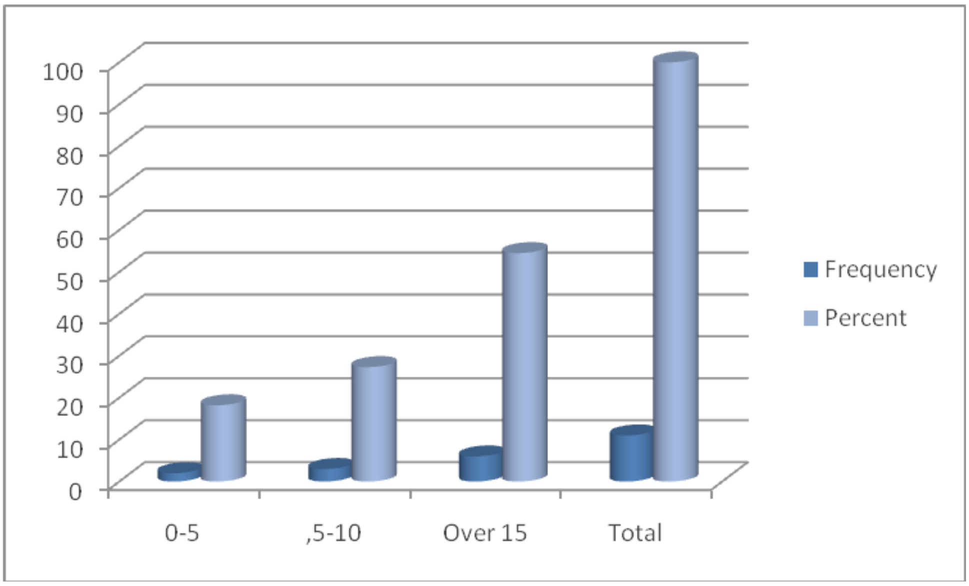

Figure 4. 1: No of years in Operation

From the data findings, majority (54.5%) of the respondents indicated that their organizations had been in operation for over 15 years, 27.3% indicated that their organization had been in operation for 5-10 years while 18.2% indicated that their organization had been in operation for 0-5 years. this was an indication that the organization had been in operation for a duration long enough hence the information they provided was reliable and informative.

4.3 Operating Environment

4.3.1 Business Operating Environment Description over the Last 5 Years

The study asked the respondents to describe the business operating environment over the last 5 years. The findings are presented in the table below.

Table 4.4: Business Operating Environment Description Over the last 5 years

	Frequency	Percent
Relatively stable	10	90.9
Irregular	1	9.1
Total	11	100.0

From the data findings, majority (90.9%) of the respondents described their business operating environment over the last 5 years as relatively stable while 9.1% of the respondents described their business operating environment over the last 5 years as irregular. This implied that the business operating environment over the last five years had been relatively stable for most of the organizations.

4.3.2 Business Operating Environment Description over the Next 5 years

The study further asked the respondents to describe the business operating environment over the next 5 years. The findings are presented in the table below.

Table 4.5: Business operating environment description over the next 5 years

	Frequency	Percent
Relatively stable	9	81.8
Irregular	1	9.1
Others	1	9.1
Total	11	100.0

From the data findings, majority (81.1%) of the respondents described their business operating environment over the next five years as relatively stable, 9.1% indicated irregular while 9.1% of the respondents described their business operating environment over the next 5 years others. This implied that the business operating environment over the next five years was expected to be relatively stable for most of the organizations.

4.3.3 Business Plans

The study inquired on whether the organizations had business plans in place to allow adjustments with changes in the environment. The findings are presented in the figure below.

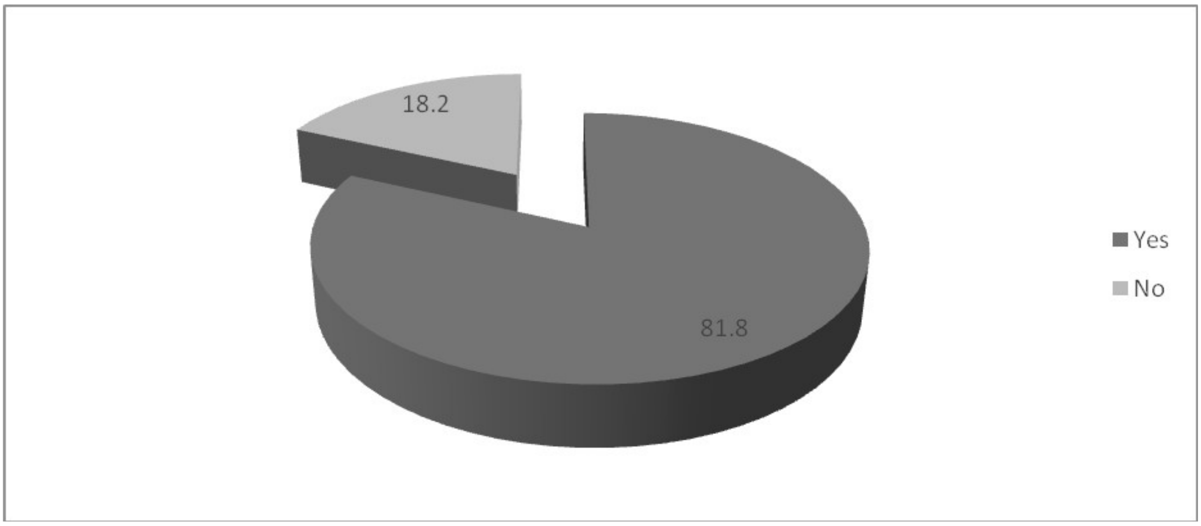

Figure 4.2: Business Plans

From the data findings, 81.8% of the respondents indicate that their organizations had business plans in place to allow adjustments with changes in the environment while 18.2% of the respondents indicated that their organizations had no business plans in place to allow adjustments with changes in the environment. From the findings, it can be deduced that majority of the organizations had business plans readiness to adjust to changes inn the environments

4.3.4 Description of the Current Business Environment

The study asked the respondents to describe the current business environment. The findings are presented in the table below.

Table 4.6: Description of the current business environment

	Frequency	Percent
Turbulent	3	27.3
Relatively stable	7	63.6
Irregular	1	9.1
Total	11	100.0

From the data findings, 63.6% of the respondents described the current business environment as relatively stable, 27.3% described it the current business environments as turbulent while 9.1% described the current business environments as irregular. From the findings it can be deduced that the business environment as at then was relatively stable according to majority of the organizations.

4.3.5 Awareness of the Government of Kenya Vision 2030

The study further asked the respondents whether they were aware of the government of Kenya Vision 2030. Presented in the table below are the findings.

Table 4.7: Awareness of the government of Kenya Vision 2030

	Frequency	Percent
Yes	11	100.0

From the data findings, all (100.0%) of the respondents indicated that their organizations were aware of the government of Kenya Vision 2030.

4.3.6 Expected impact of Vision 2030 to Organizations

The study also asked the respondents what kind of impact they expected the Vision 2030 to have on their organizations. The table below presents the data findings.

Table 4.8: impact expected from Vision 2030 to organizations

	Frequency	Percent
Major	11	100.0

From the data findings, all (100.0%) of the respondents indicated that they expected a major impact of vision 2030 to their organizations.

4.4 Challenges and Proposed Solutions

4.4.1 Factors affecting the business

The study required the respondents to indicate the extent to which the following key factors had affected their business over the last five years.

Table 4.9: Factors affecting the business

	Mean	Std. Deviation
Government regulations/bureaucracy	3.6364	.92442
Dilapidated Infrastructure	3.7273	.78625
Power Outages	3.5455	1.03573
Internet Down Time	2.8182	1.07872
Inflation	3.4545	.93420
High Interest Rates	3.9091	1.22103
Weakening of the Kenya Shilling	3.5455	1.29334

The study findings established that high interest rates had affected the businesses to a great extent as indicated by mean of 3.9091. Dilapidated infrastructure had affected the businesses to a great extent as shown by mean of 3.7273. Government regulations/bureaucracy had affected the businesses to a great extent as indicated by mean of 3.6364. Power outages and weakening of the Kenya Shilling had affected the businesses to a great extent as indicated by means of 3.5455 in each case while Inflation and internet down time had affected the businesses to a moderate extent as indicated by mean of 3.4545 and 2.8182 respectively

4.4.2 Biggest Contributor to the Cost of Doing Business in Kenya

The study asked the respondents to on the biggest contributor to the cost of doing business in Kenya. The findings are presented in the figure below.

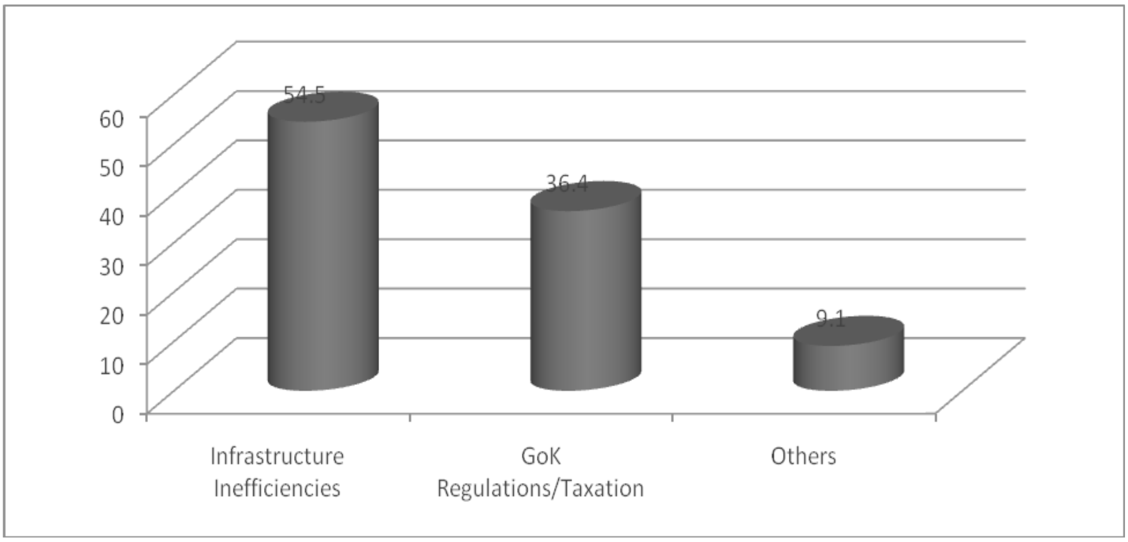

Figure 4.3: Biggest contributor to the cost of doing business in Kenya

From the study findings, majority (54.5%) of the respondents indicated that the biggest contributor to the cost of doing business in Kenya was the infrastructural inefficiencies, 36.4% indicated GoK Regulations/Taxation while 9.1% indicated other contributors. this was an indication that inefficiencies in infrastructures was the biggest contributor to the cost of doing business in Kenya.

4.4.3 Knowledge of the Northern Corridor

The study further asked the respondents on whether they knew about the Northern Corridor. The findings were presented in the table below.

Table 4.10: Knowledge of the Northern Corridor

	Frequency	Percent
Yes	11	100.0

From the data findings, all (100.0%) of the respondents indicated that they knew about the Northern Corridor.

4.4.4 Hindrance to Business along the Northern Corridor

The study required the respondents to indicate the extent to which the following key factors hindered the businesses along the Northern Corridor. The data findings are presented in the table below.

Table 4.11: Hindrance to business along the Northern Corridor

	Mean	Std. Deviation
Many stops due to no of weighbridges	3.0000	1.34164
Inconsistent weight limit regulations	2.7273	1.27208
Many police road blocks	3.4545	1.03573
Dilapidated infrastructure	4.0000	1.26491
Traffic jams	3.5455	1.21356
Corruption	3.8182	1.07872

From the study findings, the respondents indicated that dilapidated infrastructure hindered the businesses along the Northern Corridor to a great extent as indicated by mean of 4.0000. Corruption hindered the businesses along the Northern Corridor to a great extent as indicated by mean of 3.8182. Traffic jams hindered the businesses along the Northern Corridor to a great extent as indicated by mean of 3.5455. Many police road blocks hindered the businesses along the Northern Corridor to a moderate extent as indicated by mean of 3.4545. Many stops due to number of weighbridges hindered the businesses along the Northern Corridor to a moderate extent as indicated by mean of 3.0000 while inconsistent weight limit regulations hindered the businesses along the Northern Corridor to a moderate extent as indicated by mean of 2.7273.

4.4.5 Challenges in Exporting and Importing Cargo

The study sought to establish the extent to which the organizations were affected following challenges while importing or exporting cargo. The data findings are presented in the table below.

Table 4.12: Challenges in Exporting and Importing Cargo

	Mean	Std. Deviation
Customs inefficiencies	3.5455	1.43970
Excessive bureaucracy	3.6364	1.36182
Delays due to multiple clearing sites	3.6364	1.43337
Manual systems	2.4545	1.29334
Traffic jams	3.1818	1.53741
Unexpected tariffs & high port charges	3.0000	1.41421

From the data findings, the respondents indicated that delays due to multiple clearing sites and excessive bureaucracy while exporting and importing cargo affected the businesses to a great extent as shown by a mean of 3.6364 in each case. Customs inefficiencies affected the businesses to a great extent as shown by a mean of 3.5455. Traffic jams affected the businesses to a moderate extent while exporting and importing cargo as shown by a mean of 3.1818. Unexpected tariffs & high port charges affected the businesses to a moderate extent while exporting and importing cargo as shown by a mean of 3.0000 while manual systems affected the businesses to a moderate extent while exporting and importing cargo as shown by a mean of 2.4545.

4.4.6 Business lost by Port of Mombasa to the Port of Dar-Es-Salaam

The study sought to establish the respondents' level of agreement on whether the port of Mombasa was losing business to the port of Dar-es-Salaam and, could lose even more in future if there were no improvements. The findings were presented in the table below.

Table 4.13: Lost business by port of Mombasa to the port of Dar-es-Salaam

	Frequency	Percent
Strongly agree	1	9.1
Agree	5	45.5
Neutral	5	45.5
Total	11	100.0

From the study findings, 45.5% of the respondents agreed that the port of Mombasa was losing business to the port of Dar-es-Salaam and, could lose even more in future if there were no improvements, 45.5% were neutral while 9.1% strongly agreed.

4.4.7 Impact of the Construction of Port by Republic Of Tanzania

The study sought to establish that views of the respondents on the expected impact in the long run of constructing a port at Bagamoyo port by the Republic of Tanzania that will handle 20 million containers annually (Mombasa port handles 600,000 containers annually). The study findings were presented in the figure below.

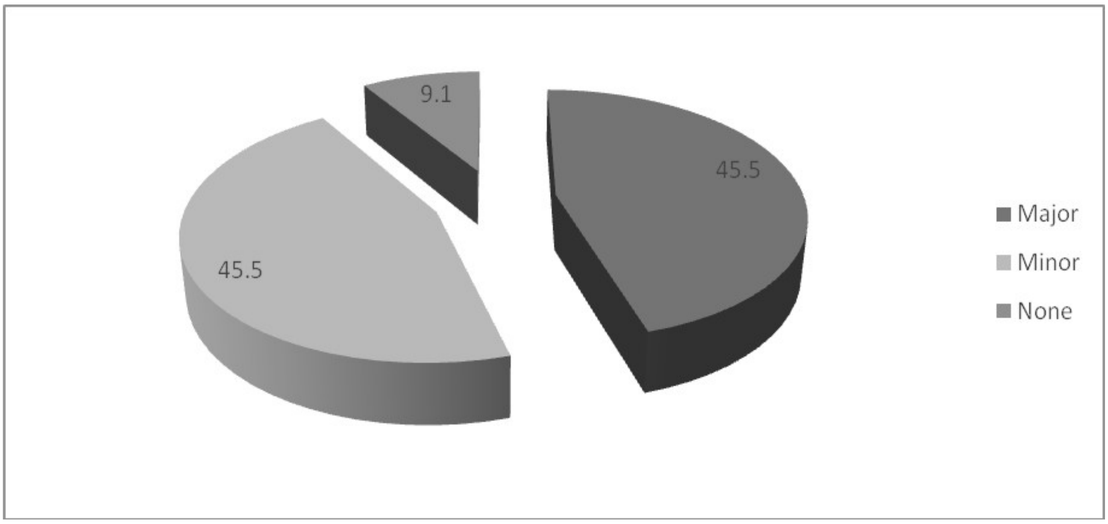

Figure 4. 4: Impact of Port Construction by the Republic of Tanzania

From the study findings, 45.5% of the respondents indicated that the long run impact of the constructing a port at Bagamoyo port by the Republic of Tanzania that will handle 20 million containers annually will be major, 45.5% indicated that the impact will minor while 9.1% indicated that there will be no impact.

4.4.8 Operation of Business within EAC

The study inquired from the respondents on whether their organizations did any business within the EAC. The study findings were presented in the table below.

Table 4.14: Operation of business within EAC

	Frequency	Percent
Yes	11	100.0

From the data findings, all (100.0%) of the respondents indicated that their organizations had businesses within the EAC.

4.4.9 Importance on goals of the EAC

The study sought to assess the respondents rating on the importance of the stated goals of the EAC to their organizations. The study findings were presented in the table below.

Table 4.15: Importance on goals of the EAC

	Mean	Std. Deviation
Customs Union	2.5455	3.14209
Common Market	1.8182	1.60114
Monetary Union	2.1818	1.66242
Political Federation	2.3636	1.50151

From the study findings, the respondents indicated that Common Market and Monetary Union were important EAC goals to their organizations as shown by means of 1.8182 and 2.1818 respectively while Political Federation and Customs Union were less important EAC goals to their organizations as indicated by means of 2.3636 and 2.5455 respectively.

4.4.10 Tariff and Non Tariff Barriers

The study asked the respondents on whether they encountered tariff and non tariff barriers. The study findings were presented in the figure below.

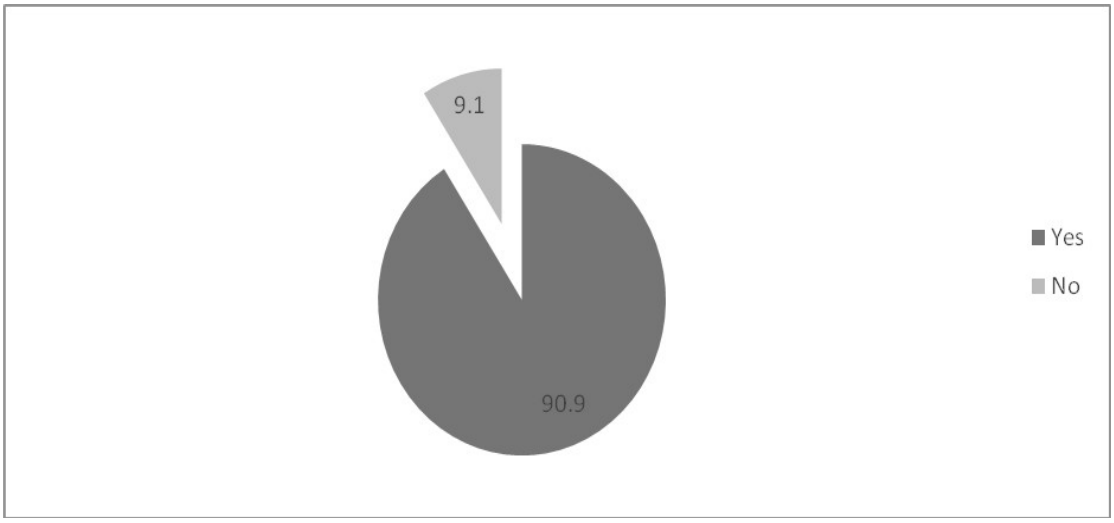

Figure 4.5: Tariff and Non Tariff Barriers

From the data findings, 90.9% of the respondents indicate that their organizations encountered tariff and non tariff barriers while 9.1% indicated that their organizations didn't.

4.4.11 Severity of Tariff and Non Tariff Barrier

The study sought to establish the respondents rating on the severity of Tariff and Non Tariff Barrier (NTBs) listed below on the operations of the organizations. The study findings were presented in the table below.

Table 4.16: Severity of Tariff and Non Tariff Barrier

	Mean	Std. Deviation
Non acceptance of rules of origin certificates	3.1818	1.83402
Lengthy licensing procedures	3.7273	1.55505
Low level of implementation of EAC market protocols	3.7273	1.34840
Manual systems	4.7273	2.28433
Traffic jams and police road blocks	3.5455	1.29334
Import/export bans	3.2727	1.27208
Inconsistent customs and excise duties	3.1818	1.40130
Different standards requirements for goods despite harmonization at EAC	3.5455	1.43970
Multiple clearing sites	4.0000	1.26491

From the data findings, Manual systems affected the operations of the organizations to a very great extent as indicated by a mean of 4.7273. Multiple clearing sites affected the operations of the organizations to a great extent as indicated by a mean of 4.0000. Lengthy licensing procedures affected the operations of the organizations to a great extent as well as Low level of implementation of EAC market protocols indicated by means of 3.7273 in each case. Different standards requirements for goods despite harmonization at EAC affected the operations of the organizations to a great extent as well as Traffic jams and police road blocks indicated by means of 3.5455 in each case. Import/export bans affected the operations of the organizations to a moderate extent as shown by a mean of 3.2727 while non acceptance of rules of origin certificates and inconsistent customs and excise duties affected the operations of the organizations to a moderate extent as shown by means of 3.1818 in each case.

4.4.12 Kenya's Greatest Comparative Advantage within the EAC

The study required the respondents to indicate Kenya's greatest comparative advantage within the EAC. The study findings were presented in the table below.

Table 4.17: Kenya's greatest comparative advantage within the EAC

	Frequency	Percent
Agriculture	4	36.4
Media & ICT	1	9.1
Financial Services	5	45.5
Manufacturing	1	9.1
Total	11	100.0

From the data findings, 45.5% of the respondents indicated that financial services were the Kenya's greatest comparative advantage within the EAC, 36.4% indicated Agriculture, while 9.1% indicated manufacturing as well as media and IT.

4.4.13 Importance of Infrastructural Items

The study sought to establish the rating of the respondents on the importance of the following infrastructural items. The study findings were presented in the table below.

Table 4.18: Importance of infrastructural items

	Mean	Std. Deviation
Roads & Highways	1.4545	1.21356
Fiber Optic Cable	2.5455	2.97871
Landlines	1.7273	.90453
Cell Phone Masts	1.8182	1.16775
Ports (Including Air)	1.6364	1.20605
Railway Lines	1.8182	1.25045
Power Connections	1.4545	1.21356

From the study findings, Roads & Highways and Power Connections was the most important to the organization as indicated by means of 1.4545. Ports (Including Air), and Landlines were important as indicated by means of 1.6364 and 1.7273 respectively. Cell Phone Masts and Railway Lines were important as indicated by means of 1.8182 in each case while Fiber Optic Cable less important as indicated by mean 2.5455.

4.4.14 Infrastructure Categories Preventing Kenya from Exploiting Her Comparative Advantage

The study sought to establish the infrastructure categories which had prevented Kenya from exploiting her comparative advantage. The study findings were presented in the table below.

Table 4.19: Infrastructure categories preventing Kenya from exploiting her comparative advantage

	Frequency	Percent
Dilapidated Roads & Highways	2	18.2
Underdeveloped Ports & Railway Lines	1	9.1
Expensive & Unreliable Power Supply	8	72.7
Total	11	100.0

From the study findings, 72.7% of the respondents indicated that Expensive & Unreliable Power Supply prevented Kenya from exploiting her comparative advantage, 18.2% indicated Dilapidated Roads & Highways while 9.1% indicated Underdeveloped Ports & Railway Lines.

4.4.15 Infrastructure for Prioritization by the Government of Kenya in the 2014/2015 Budget

The study inquired the respondents to indicate which infrastructure related item they wanted for the government of Kenya to prioritize in the 2014/2015 budget. The study findings were presented in the figure below.

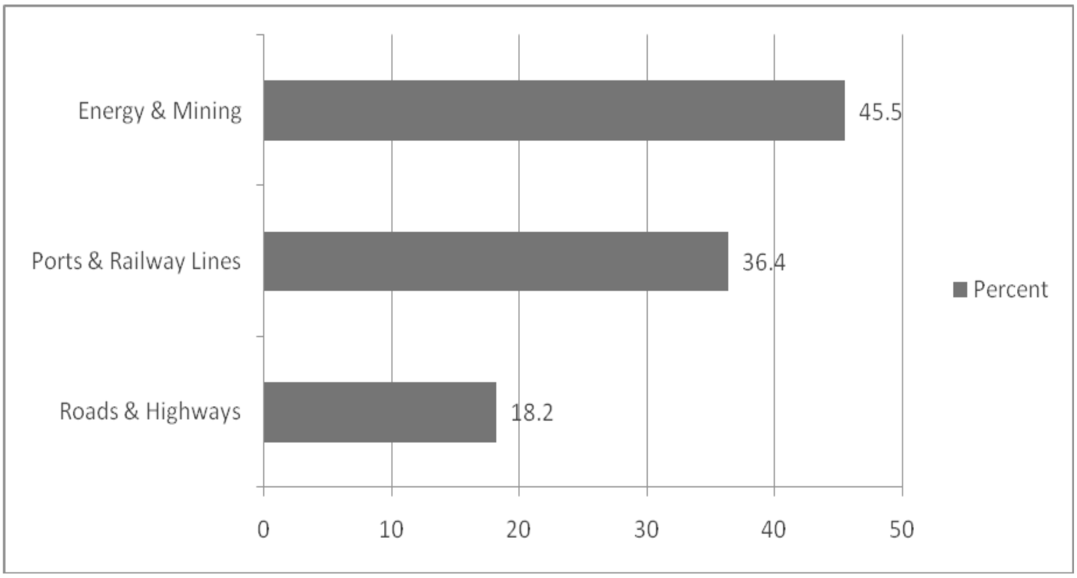

Figure 4.6: Infrastructure for Prioritization by the Government of Kenya in the 2014/2015 Budget

From the study findings, 45.5% of the respondents indicated that the government of Kenya should prioritize energy and mineral in the 2014/2015 budget, 36.4% indicated port and railway line while 18.2% indicated roads and highways.

4.4.16 Awareness of Measures to Improve Business Environment

The study asked the respondents whether they were aware of the measures that the government of Kenya was taking to improve the business environment through the soon to be tabled "Biashara Bill". The study findings were presented in the table below.

Table 4.20: Awareness of Measures to Improve Business Environment

	Frequency	Percent
Yes	7	63.6
No	4	36.4
Total	11	100.0

From the study findings, majority (63.6%) of the respondents indicated that they were aware of of the measures that the Government of Kenya was taking to improve the business environment through the soon to be tabled "Biashara Bill while 36.4% of the respondents indicated that they were not aware.

4.4.17 Expected Impact of Biashara Bill

The study sought to establish the expectations of the respondent on the impact of the areas that the "Biashara Bill" listed below on their organization and the economy in general. The study findings were presented in the table below.

Table 4.21: Expected Impact of Biashara Bill

	Mean	Std. Deviation
Skills & Business Development	1.1818	.40452
Product Standardization	1.2727	.46710
Branding	1.3636	.50452
Access to Credit	1.0909	.30151
Business Incubation Services	1.0909	.30151
Market Access	1.0000	.00000

From the study findings, the respondents expected the impact of Skills & Business Development, Product Standardization, Access to Credit Branding and Market Access to their organization to be major as indicated by means of 1.1818, 1.2727, 1.3636, 1.0909, 1.0909 and 1.0000 respectively.

4.4.18 Maximization of Kenya's Comparative Advantage Through Biashara Bill

The study asked the respondents on whether they believed that the "Biashara Bill" would assist in maximizing Kenya's comparative advantage within the EAC and internationally. The study findings were presented in the table below.

Table 4.22: Maximization of Kenya's Comparative Advantage through Biashara Bill

	Frequency	Percent
Yes	10	90.9
No	1	9.1
Total	11	100.0

From the study findings, 90.9% of the respondents indicated that they believed that the "Biashara Bill" would assist in maximizing Kenya's comparative advantage within the EAC and internationally while 9.1% indicated that they didn't believe.

4.4.19 Maximization of Competitive Advantage through Creation of Free Trade Zones

The study further asked the respondents on whether they believed the creation of Special Economic Zones/Free Trade Zones (at Mombasa, Konza and Kisumu) would result in Kenya maximizing her competitive advantage within the EAC and internationally. The findings were presented in the figure below.

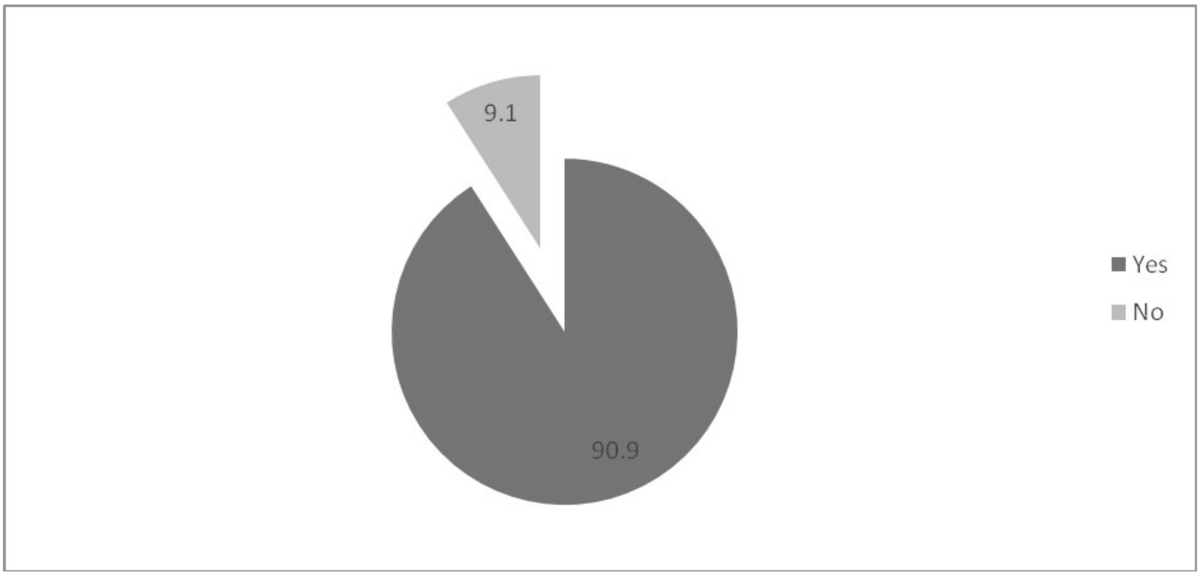

Figure 4.7: Maximization of Competitive Advantage through Creation of Free Trade Zones

From the data findings majority (90.9%) of the respondent indicated that they believed the creation of Special Economic Zones/Free Trade Zones (at Mombasa, Konza and Kisumu) would result in Kenya maximizing her competitive advantage within the EAC and internationally. The findings were presented in the table below while 9.1% indicated that they didn't believe.

4.4.20 Contribution of Measure Put In Place to Resolve Problem

The study sought to establish the extent to which the following measures that had recently been put in place so as to address the challenges afflicting the port of Mombasa, Northern Corridor and Border Posts would resolve some of the highlighted problems above. The findings were presented in the table below.

Table 4.23: Contribution of Measure Put In Place to Resolve Problem

	Mean	Std. Deviation
Introduction of weighbridges that can weigh a vehicle that is in motion	4.3636	.80904
Harmonization of the axle limits to 56 tonnes across the EAC	4.0000	1.09545
Reduction of police road blocks	4.1818	.75076
Presidential directive that trucks take a maximum of 5 days to reach Malaba	4.0909	1.04447
Relocating the Nairobi based customs officers to Mombasa	4.0000	.89443
Construction of One Stop Border Posts so as to have customs officials from different countries in one building	4.1818	.87386
Creating a one stop shop for inspection agencies at the port of Mombasa i.e. having all of them under one building	4.2727	.90453
Lobbying the EAC so that existing protocols are implemented in full	4.000	1.0000
Implementation of the Single Customs Territory i.e. having customs and clearing agents from Uganda & Rwanda based at the port of Mombasa	4.0909	1.22103

From the study findings, the respondents indicated that introduction of weighbridges that can weigh a vehicle that is in motion would resolve some of the highlighted problems to a very great extent as shown by mean of 4.3636. Creating a one stop shop for inspection agencies at the port of Mombasa i.e. having all of them under one building would resolve some of the highlighted problems to a very great extent as shown by mean of 4.2727. Reduction of police road blocks and construction of One Stop Border Posts so as to have customs officials from different countries in one building would resolve some of the highlighted problems to a great extent as shown by mean of 4.1818 in each case. Presidential directive that trucks take a maximum of 5 days to reach Malaba and implementation of the Single Customs Territory i.e. having customs and clearing agents from Uganda & Rwanda based at the port of Mombasa would resolve some of the highlighted problems to a great extent as shown by means of 4.0909 in each case. Harmonization of the axle limits to 56 tonnes across the EAC, Relocating the Nairobi based customs officers to Mombasa and Lobbying the EAC so that existing protocols are implemented in full would resolve some of the highlighted problems to a great extent as shown by means of 4.000 in each case.

4.4.21 Measures being taken to address the Infrastructure Related Challenges

On the following measures being taken so as to address the infrastructure related challenges in Kenya, the respondents were asked to indicate the extent to which they believe that the measures will resolve some of the highlighted problems above. The findings were presented in the table below.

Table 4.24: Measures being taken to address the Infrastructure Related Challenges

	Mean	Std. Deviation
Construction of more berths at the port of Mombasa & the Dongo Kundu Bypass at Miritini	4.3636	.67420
Upgrading of highways to bitumen standards i.e. Mwatate-Taveta-Arusha	4.0909	1.13618
1.5% Railway Development Levy on imports to fund the standard gauge railway from Mombasa to Kigali	4.2727	.78625
Creation of special Special Economic Zones/ Free Trade Zones Mombasa/Kisumu/Konza City	3.8182	.87386
Increasing energy output through geothermal, wind, solar and coal sources	4.2727	.78625
Implementation of key Vision 2030 programs such as LAPSSET	4.6364	.50452
Increasing the broadband capacity for faster internet connectivity through the National Broadband Strategy	4.3636	.67420

From the study findings, Implementation of key Vision 2030 programs such as LAPSSET is believed to it would resolve some of the highlighted problems to a very great extent as indicated by mean of 4.6364. It was believed that Construction of more berths at the port of Mombasa & the Dongo Kundu Bypass at Miritini and increasing the broadband capacity for faster internet connectivity through the National Broadband Strategy would resolve some of the highlighted problems to a very great extent as indicated by means of 4.3636. The respondents believed that increasing energy output through geothermal, wind, solar and coal sources and 1.5% Railway Development Levy on imports to fund the standard gauge railway from Mombasa to Kigali would resolve some of the highlighted problems to a great extent as indicated by means of 4.2727 in each case. The respondents believed that upgrading of highways to bitumen standards i.e. Mwatate-Taveta-Arusha would resolve some of the highlighted problems to a great extent as indicated by a mean of 4.0909. the study findings further established that the respondents believed that creation of special Special Economic Zones/ Free Trade Zones Mombasa/Kisumu/Konza City would resolve some of the highlighted problems to a great extent as indicated by a mean of 3.8182.

4.5 Discussion of Findings

The study established that business operating environment over the last 5 years as relatively stable and that the organizations expected the business operating environment over the next five years to be relatively stable. The study established that most of the organizations had business plans in place to allow adjustments with changes in the environment. The respondents described the current business environment as relatively stable. These findings are consistent with the arguments of Cox (1997a) that the operating environment is never constant but rather volatile. For any organization to be successful on the market, it has to develop strategies that would propel it to its organizational goals and objectives (Porter, 1985).

The study established that the challenges facing organizations ranged from high interest rates, dilapidated infrastructure, government regulations/bureaucracy, power outages and weakening of the Kenya Shilling. The study established that the biggest contributor to the cost of doing business in Kenya was the infrastructural inefficiencies followed by GoK regulations/taxation. These finding are consistent with Christopher (1992), that transport services (links in supply chains) and transport infrastructure (nodes in supply chains) are key elements in efficient logistics systems. Maritime transport (comprising ports as nodes and shipping services as links) is the dominant mode for international freight movements and is thus crucial to international trade and a vital component of many supply chains.

The study established that delays due to multiple clearing sites and excessive bureaucracy while exporting and importing cargo affected the businesses in each case as well as customs inefficiencies. The effect of traffic jams, unexpected tariffs and high port and manual systems. The study findings also established the port of Mombasa was losing business to the port of Dar-es-Salaam and, could lose even more in future if there were no improvements and that the long run impact of the constructing a port at Bagamoyo port by the Republic of Tanzania that handles 20 million containers annually would be major. These findings are consistent with the arguments of Rotheroe *et al.,* (2003) who indicated that sustainable development can only be given real meaning and achieved through a multi-stakeholder approach. The manner in which the goods are cleared and transported to the point of destination affects the competitiveness of the Kenyan infrastructure. Development of proper transport infrastructure will improve the competitiveness of the country Kenya.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This study sought to determine the developments along the Northern Corridor and to establish stakeholders' perspectives of strategies of improving the Northern Corridor. The findings, discussions, conclusion and recommendations are presented below.

5.2 Summary of Findings

With regard to business operating environments, the study established that business operating environment over the last 5 years as relatively stable as indicated by 90.9% of the respondents and that the organizations expected the business operating environment over the next five years to be relatively stable. The study established that most of the organizations had business plans in place to allow adjustments with changes in the environment as indicated by 81.8% of the respondents. 63.6% of the respondents described the current business environment as relatively stable with 27.3% describing it as turbulent. All the respondents indicated that their organizations were aware of the government of Kenya Vision 2030 and expected a major impact of vision.

With regard to challenges and proposed solutions, the study findings established that high interest rates, dilapidated infrastructure, government regulations/bureaucracy, power outages and weakening of the Kenya Shilling had affected the businesses to a great extent as indicated by means of 3.9091, 3.7273, 3.6364 and 3.5455 respectively while the effect of Inflation and internet down time was moderate as indicated by mean of 3.4545 and 2.8182 respectively. The study established that the biggest contributor to the cost of doing business in Kenya was the infrastructural inefficiencies followed by GoK regulations/taxation as indicated by 54.5% and 36.4% of the respondents respectively. The study findings further established that all the organization s knew about the Northern Corridor. With regard to hindrance to businesses along the Northern Corridor, the study found out that dilapidated infrastructure, corruption and traffic jams hindered the businesses along the Northern Corridor to a great extent as indicated by means of 4.0000, 3.8182 and 3.5455 respectively while many police road blocks. Many stops due to number of weighbridges and inconsistent weight limit regulations hindered the businesses to a moderate extent as indicated by means of 3.4545, 3.0000 and 2.7273 respectively.

The study findings established that delays due to multiple clearing sites and excessive bureaucracy while exporting and importing cargo affected the businesses to a great extent as shown by a mean of 3.6364 in each case as well as customs inefficiencies as shown by a mean of 3.5455. The effect of traffic jams, unexpected tariffs & high port and manual systems were moderate as indicated by means of 3.1818, 3.0000 and 2.4545 respectively. The study findings also established the port of Mombasa was losing business to the port of Dar-es-Salaam and, could lose even more in future if there were no improvements and that the long run impact of the constructing a port at Bagamoyo port by the Republic of Tanzania that will handle 20 million containers annually would be major. With regard to goals of EAC, the study findings established that Common Market and Monetary Union were important EAC goals to their organizations as shown by means of 1.8182 and 2.1818 respectively while Political Federation and Customs Union were less important EAC goals to their organizations as indicated by means of 2.3636 and 2.5455 respectively.

On Tariff and Non Tariff Barriers, the study findings established most organizations encountered tariff and non tariff barriers as indicated by 90.9% of the respondents. the study findings further established that Manual systems affected the operations of the organizations to a very great extent as indicated by a mean of 4.7273 while Multiple clearing sites Lengthy licensing procedures, Low level of implementation of EAC market protocols, Different standards requirements for goods despite harmonization at EAC and Traffic jams and police road blocks affected the operations of the organizations to a great extent while import/export bans and non acceptance of rules of origin certificates and inconsistent customs and excise duties affected the operations of the organizations to a moderate extent. The study findings also established that financial services were the Kenya's greatest comparative advantage within the EAC followed by agriculture. From the study findings, roads & highways and power connections was the most important to the organization as well as ports (Including Air), and landlines, cell phone masts and railway lines while fibre optic cable less important. The study findings further established that respondents indicated that expensive & unreliable power supply prevented Kenya from exploiting her comparative advantage as indicated by 72.7% of the respondents while others indicated dilapidated roads & highways.

The study also established that the respondents expected the impact of skills & business development, product standardization, and access to credit, branding and market access to their organization to be major. The study findings established that most of the organizations believed the creation of Special Economic Zones/Free Trade Zones (at Mombasa, Konza and Kisumu) would result in Kenya maximizing her competitive advantage within the EAC and internationally. The respondents indicated that introduction of weighbridges that can weigh a vehicle that is in motion would resolve some of the highlighted problems to a very great extent as shown by mean of 4.3636. Creating a one stop shop for inspection agencies at the port of Mombasa i.e. having all of them under one building would resolve some of the highlighted problems to a very great extent as shown by mean of 4.2727. Reduction of police road blocks and construction of One Stop Border Posts so as to have customs officials from different countries in one building would resolve some of the highlighted problems to a great extent as shown by mean of 4.1818 in each case. Presidential directive that trucks take a maximum of 5 days to reach Malaba and implementation of the Single Customs Territory i.e. having customs and clearing agents from Uganda & Rwanda based at the port of Mombasa would resolve some of the highlighted problems to a great extent as shown by means of 4.0909 in each case. Harmonization of the axle limits to 56 tonnes across the EAC, Relocating the Nairobi based customs officers to Mombasa and Lobbying the EAC so that existing protocols are implemented in full would resolve some of the highlighted problems to a great extent as shown by means of 4.000 in each case.

Implementation of key Vision 2030 programs such as LAPSSET is believed would resolve some of the highlighted problems to a very great extent as indicated by mean of 4.6364. It was believed that construction of more berths at the port of Mombasa & the Dongo Kundu Bypass at Miritini and increasing the broadband capacity for faster internet connectivity through the National Broadband Strategy would resolve some of the highlighted problems to a very great extent as indicated by means of 4.3636. The respondents believed that increasing energy output through geothermal, wind, solar and coal sources and 1.5%. Railway Development Levy on imports to fund the standard gauge railway from Mombasa to Kigali would resolve some of the highlighted problems to a great extent as indicated by means of 4.2727 in each case.

The respondents believed that upgrading of highways to bitumen standards i.e. Mwatate-Taveta-Arusha would resolve some of the highlighted problems to a great extent as indicated by a mean of 4.0909. The study findings further established that the respondents believed that creation of special Special Economic Zones/ Free Trade Zones Mombasa/Kisumu/Konza City would resolve some of the highlighted problems to a great extent as indicated by a mean of 3.8182.

5.3 Conclusion

The study findings concludes that dilapidated infrastructure, corruption and traffic jams hinder the businesses along the Northern Corridor to a great extent as while many police road blocks, Many stops due to number of weighbridges and inconsistent weight limit regulations hindered the businesses to a moderate extent. The study further concludes that delays due to multiple clearing sites, customs inefficiencies and excessive bureaucracy while exporting and importing cargo affect the businesses to a great extent while the effect of traffic jams, unexpected tariffs & high port and manual systems is moderate. in addition, the study concludes that the port of Mombasa was losing business to the port of Dar-es-Salaam and, could lose even more in future if there were no improvements and that the long run impact of the constructing a port at Bagamoyo port by the Republic of Tanzania that will handle 20 million containers annually would be major. Also the study concludes that the biggest contributor to the cost of doing business in Kenya was the infrastructural inefficiencies followed by GoK Regulations/Taxation. The study findings also conclude that high interest rates, dilapidated infrastructure, government regulations/bureaucracy, power outages and weakening of the Kenya Shilling have affected the businesses to a great extent. The study concludes that business operating environments is relatively stable and that most of the organizations have business plans in place to allow adjustments with changes the study findings further concludes that organizations were area are of Government of Kenya Vision 2030 and expected a major impact of vision.

The study concludes that Common Market and Monetary Union are important EAC goals to the organizations while Political Federation and Customs Union are less important. The study further concludes that government of Kenya should prioritize energy and mineral in the 2014/2015 budget, as well as port and railway line development. The study further concludes that creation of Special Economic Zones/Free Trade Zones (at Mombasa, Konza and Kisumu) would result in Kenya maximizing her competitive advantage within the EAC and internationally and that introduction of weighbridges that can weigh a vehicle that is in motion would resolve some of the highlighted problems to a very great extent. the study further concludes that creating a one stop shop for inspection agencies at the port of Mombasa i.e. having all of them under one building would resolve some of the highlighted problems to a very great extent and that reduction of police road blocks and construction of One Stop Border Posts so as to have customs officials from different countries in one building would resolve some of the highlighted problems to a great extent. in addition the study concludes that presidential directive that trucks take a maximum of 5 days to reach Malaba and implementation of the Single Customs Territory i.e. having customs and clearing agents from Uganda & Rwanda based at the port of Mombasa would resolve some of the highlighted problems to a great extent and that harmonization of the axle limits to 56 tonnes across the EAC, relocating the Nairobi based customs officers to Mombasa and lobbying the EAC so that existing protocols are implemented in full would resolve some of the highlighted problems to a great.

The study concludes that the Implementation of key Vision 2030 programs such as LAPSSET is believed that it would resolve some of the highlighted problems to a very great extent and that construction of more berths at the port of Mombasa & the Dongo Kundu Bypass at Miritini and increasing the broadband capacity for faster internet connectivity through the National Broadband Strategy would resolve some of the highlighted problems to a very great. The study further concludes that increasing energy output through geothermal, wind, solar and coal sources and 1.5% Railway Development Levy on imports to fund the standard gauge railway from Mombasa to Kigali would resolve some of the highlighted problems to a great extent. in addition, the study concludes that upgrading of highways to bitumen standards i.e. Mwatate-Taveta-Arusha would resolve some of the highlighted problems to a great extent and that creation of special Economic Zones/ Free Trade Zones Mombasa/Kisumu/Konza city would resolve some of the highlighted problems to a great extent.

5.4 Recommendations

These study findings established that dilapidated infrastructure, corruption and traffic jams hinder the businesses along the Northern Corridor to a great extent as while many police road blocks, many stops due to number of weighbridges and inconsistent weight limit regulations hindered the businesses to a moderate extent. This study therefore recommends that the policy makers should enact policies that do away with these limiting hindrances. Policy makers should come up with policies that effectively fight corruption, and improve infrastructure so as to aid in reducing traffic jams. The inconsistent weight limit regulations should be amended so as to improve the transportation.

Secondly, study further recommends that government of Kenya should prioritize energy and mineral in the 2014/2015 budget, as well as port and railway line and that creation of Special Economic Zones/Free Trade Zones (at Mombasa, Konza and Kisumu) should be effected as it would result in Kenya maximizing her competitive advantage within the EAC and internationally.

Thirdly this study calls upon for the upgrade of the port of Mombasa. Policy makers should enact policies that that will oversee a great improvement in the functioning of the port of Mombasa and improvement of the management.

5.5 Recommendations for further studies

This study recommends that further studies be done on the effectiveness of the measures being put in place to improve infrastructure (roads & ports) and the creation of SEZs.

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APPENDICES

Appendix 1: Questionnaire

PART I: GENERAL INFORMATION

Name of Organization:____

Type of Organization: [Tick One]
Commercial ☐ NGO ☐ Government ☐ Others ☐

(Please specify)__________________________

Registration: [Tick One]

Sole Proprietor ☐ Company ☐ Association ☐

Others ☐

(Please specify)___________________________

Location of head office: ____

Geographical area of operation: [Tick One]

Kenya Only ☐ Kenya & East Africa ☐ Global ☐

No of years in operation: [Tick One]

0-5 ☐ 5-10 ☐ 10-15 ☐ Over 15 ☐

PART II: OPERATING ENVIRONMENT

1. How would you describe the business operating environment over the last 5 years? [Tick One]

a] Turbulent ☐ b] relatively stable ☐

c] Irregular ☐ c] others [please specify] ☐

2. How do you see the business environment over the next 5 years? [Tick One]
a] Turbulent ☐ b] relatively stable ☐

c] Irregular ☐ c] others [please specify] ☐

3. Do you have business plans in place to allow adjustments with changes in the environment? [Tick one].

Yes ☐ No ☐

4. How would you describe the current business environment?

a] Turbulent ☐ b] relatively stable ☐

c] Irregular ☐ c] others [please specify] ☐

5. Are you aware of the government of Kenya Vision 2030? [Tick One]

Yes ☐ No ☐

6. What kind of impact do you expect the Vision 2030 to have on your organization? [Tick One]

Major ☐ Minor ☐ None ☐

PART III: CHALLENGES AND PROPOSED SOLUTIONS

7. Over the last 5 years which of the factors listed below has affected your business negatively the most? Kindly indicate the extent to which this has happened; tick the appropriate box by selecting from the 5 scale pointer below.

NB[**1**= Not at all, **2**= To a little extent, **3**= moderate, **4**= To a great extent, **5**= To a very great extent].

Key factors	**1**	**2**	**3**	**4**	**5**
Government regulations/bureaucracy					
Dilapidated Infrastructure					
Power Outages					
Internet Down Time					
Inflation					
High Interest Rates					
Weakening of the Kenya Shilling					

8. What is the single biggest contributor to the cost of doing business in Kenya? [Tick One]

Infrastructure Inefficiencies ☐ GoK Regulations/Taxation ☐ Labour Costs ☐ Others ☐

Please specify: ________________________________

9. Do you know about the Northern Corridor? [Tick One]

Yes ☐ No ☐

10. What is the biggest hindrance to business along the Northern Corridor? Kindly indicate the extent to which your organization is affected; tick the appropriate box by selecting from the 5 scale pointer below.

NB[**1**= Not at all, **2**= To a little extent, **3**= moderate, **4**= To a great extent, **5**= To a very great extent].

Key factors	**1**	**2**	**3**	**4**	**5**
Many stops due to no of weighbridges					
Inconsistent weight limit regulations					
Many police road blocks					
Dilapidated infrastructure					
Traffic jams					
Corruption					

11. Which is the biggest challenge that you encounter while exporting or importing cargo through the port of Mombasa? Kindly indicate the extent to which your organization is affected; tick the appropriate box by selecting from the 5 scale pointer below.

NB[**1**= Not at all, **2**= To a little extent, **3**= moderate, **4**= To a great extent, **5**= To a very great extent].

Key factors	**1**	**2**	**3**	**4**	**5**
Customs inefficiencies					
Excessive bureaucracy					
Delays due to multiple clearing sites					
Manual systems					
Traffic jams					
Unexpected tariffs & high port charges					

12. Do you agree that the port of Mombasa is losing business to the port of Dar-es-Salaam and, may lose even more in future if there are no improvements? [Tick One]

Strongly Agree ☐ Agree ☐ Neutral ☐ Disagree ☐

Strongly Disagree ☐

13. The Republic of Tanzania is constructing a port at Bagamoyo port that will handle 20 million containers annually (Mombasa port handles 600,000 containers annually). In your view, what is the expected impact of this development in the long run to the port of Mombasa? [Tick One]

Major ☐ Minor ☐ None ☐

14. Do you do any business within the EAC? [Tick One]

Yes ☐ No ☐

15. Below are the stated goals of the EAC. Please assess and rate each one of them in terms of importance to your organisation? Please tick one from the 5 pointer scale.

	IMPORTANT				UNIMPORTANT
Customs Union	1	2	3	4	5
Common Market	1	2	3	4	5
Monetary Union	1	2	3	4	5
Political Federation	1	2	3	4	5

16. Do you encounter Tariff and Non Tariff Barriers (NTBs)?

Yes ☐ No ☐

17. What is the severity of Tariff and Non Tariff Barriers (NTBs) listed below on your operations? Please tick one from the 5 pointer scale.

NB[**1**= None at all, **2**= To a little extent, **3**= moderate, **4**= To a great extent, **5**= To a very great extent].

Key factors	**1**	**2**	**3**	**4**	**5**
Non acceptance of rules of origin certificates					

Lengthy licensing procedures					
Low level of implementation of EAC market protocols					
Manual systems					
Traffic jams and police road blocks					
Import/export bans					
Inconsistent customs and excise duties					
Different standards requirements for goods despite harmonization at EAC					
Multiple clearing sites					

18. What is Kenya's greatest comparative advantage (business) within the EAC? [Tick One]

Agriculture	Media & ICT	Financial Services	Manufacturing

19. Among the infrastructure items listed below, which is the most critical to your organization in terms of importance rating? Please tick one from the 5 pointer scale.

	IMPORTANT				UNIMPORTANT
Roads & Highways	1	2	3	4	5
Fiber Optic Cable	1	2	3	4	5
Landlines	1	2	3	4	5
Cell Phone Masts	1	2	3	4	5
Ports (Including Air)	1	2	3	4	5
Railway Lines	1	2	3	4	5
Power Connections	1	2	3	4	5

20. Of the infrastructure categories below, which has prevented Kenya from exploiting her comparative advantage? [Tick One]

Dilapidated Roads & Highways	Underdeveloped Ports & Railway Lines
Underdeveloped ICT Sector	Expensive & Unreliable Power Supply

21. Which infrastructure related item would you like the government of Kenya to prioritize in the 2014/2015 budget? [Tick One]

Roads & Highways	Ports & Railway Lines	ICT & Communications	Energy & Mining

22. Are you aware of the measures that the government of Kenya is taking to improve the business environment through the soon to be tabled "Biashara Bill"? [Tick One]

Yes ☐ No ☐

23. Listed below are the areas that the "Biashara Bill" will address. Kindly indicate the expected impact to your organization and the economy in general. [Tick One]

Skills & Business Development	Major	Minor	None
Product Standardization	Major	Minor	None
Branding	Major	Minor	None
Access to Credit	Major	Minor	None
Business Incubation Services	Major	Minor	None
Market Access	Major	Minor	None

24. Do you believe that the "Biashara Bill" will assist in maximizing Kenya's comparative advantage within the EAC and internationally? [Tick One]

Yes ☐ No ☐

25. Do you believe the creation of Special Economic Zones/Free Trade Zones (at Mombasa, Konza and Kisumu) will result in Kenya maximizing her competitive advantage within the EAC and internationally? [Tick One]

Yes ☐ No ☐

26. Below are some measures that have recently been put in place so as to address the challenges afflicting the port of Mombasa, Northern Corridor and Border Posts. Kindly indicate the extent to which you believe that they will resolve some of the highlighted problems above. Tick the appropriate box by selecting from the 5 scale pointer below.

NB[**1**= Not at all, **2**= To a little extent, **3**= moderate, **4**= To a great extent, **5**= To a very great extent].

	1	**2**	**3**	**4**	**5**
Introduction of weighbridges that can weigh a vehicle that is in motion					
Harmonization of the axle limits to 56 tonnes across the EAC					
Reduction of police road blocks					
Presidential directive that trucks take a maximum of 5 days to reach Malaba					
Relocating the Nairobi based customs officers to Mombasa					
Construction of One Stop Border Posts so as to have customs officials from different countries in one building					
Creating a one stop shop for inspection agencies at the port of Mombasa i.e. having all of them under one building					
Lobbying the EAC so that existing protocols are implemented in full					
Implementation of the Single Customs Territory i.e. having customs and clearing agents from Uganda & Rwanda based at the port of Mombasa					

27. Below are measures being taken so as to address the infrastructure related challenges in Kenya. Kindly indicate the extent to which you believe that they will resolve some of the highlighted problems above. Tick the appropriate box by selecting from the 5 scale pointer.

NB[**1**= Not at all, **2**= To a little extent, **3**= moderate, **4**= To a great extent, **5**= To a very great extent].

Key factors	**1**	**2**	**3**	**4**	**5**
Construction of more berths at the port of Mombasa & the Dongo Kundu Bypass at Miritini					

Upgrading of highways to bitumen standards i.e. Mwatate-Taveta-Arusha					
1.5% Railway Development Levy on imports to fund the standard gauge railway from Mombasa to Kigali					
Creation of special Special Economic Zones/ Free Trade Zones Mombasa/Kisumu/Konza City					
Increasing energy output through geothermal, wind, solar and coal sources					
Implementation of key Vision 2030 programs such as LAPSSET					
Increasing the broadband capacity for faster internet connectivity through the National Broadband Strategy					

Thank you for taking time to fill in this questionnaire. Your feedback will be of use in making Kenya a better business destination in the years to come.

Appendix II: Selected Survey Respondents

1. American Chamber of Commerce Kenya
2. Association of East Africa Women Entrepreneurs
3. Association of Kenya Insurers
4. Confederation of Informal Sector Organizations
5. East Africa Tea Trade Association
6. East African Tourist Platform
7. East African Grain Council
8. Export Promotion Council
9. Federation of Kenya Employers
10. Industrial Promotion Services
11. Kenya Association of Manufacturers
12. Kenya Association of Pharmaceutical Industry
13. Kenya Investment Authority
14. Kenya National Chamber of Commerce
15. Kenya Private Sector Alliance
16. Kenya Shippers Council