

**REGULATORY PRACTICES AND LOGISTICS SERVICE DELIVERY: A
CASE OF KENYA'S CLEARING AND FORWARDING INDUSTRY**

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DECLARATION

This research project is my original work and has not been submitted to any other University for the award of any degree.



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DEDICATION

To my departed brothers Mr. Tom Mark Mboya Nombi and Mr. Maurice Otunga Nombi,
may you continue to rest in peace.

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LIST OF ABBREVIATIONS AND ACRONYMS

AEO	Authorised Economic Operator
ASEAN	Association of Southeast Asian Nations
CONFIAD	Confédération des Agents en Douane
EAC	East African Community
EACFFPC	East Africa Customs and Freight Forwarding Practicing Certificate
ELA	European Logistics Association
EU	European Union
FEAFFA	Federation of East African Freight Forwarders Association
FIATA	International Federation of Freight Forwarders Associations
GDP	Gross Domestic Product
IGC	International Growth Centre
ITC	International Trade Centre
KAA	Kenya Airports Authority
KAM	Kenya Association of Manufacturers
KIFWA	Kenya International Freight and Warehousing Association
KPA	Kenya Ports Authority
KRA	Kenya Revenue Authority
LPI	Logistics Performance Index

MCC	Modernised Customs Code
NTSA	National Transportation and Safety Authority
OECD	Organisation for Economic Co-operation and Development
SLA	Singapore Logistics Association
USITC	United States International Trade Commission.
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
WB	World Bank
WTO	World Trade Organization

ABSTRACT

The logistics service industry has in the recent past faced numerous challenges depicting that Kenya is hitherto to reap the full benefits of international commerce. The opportunities that have presented themselves in the form of improved infrastructure, e-commerce and regional integration are yet to be fully exploited. The prominence of efficiency in the logistics service industry is underscored by its role in manufacturing. Trade, particularly international trade, contributes significantly to access to raw materials, machinery and other factors of production necessary in manufacturing. For Kenya, enhancing manufacturing is a priority in the Big Four Agenda as well as the Vision 2030. The effectiveness and efficiency of the logistics services in Kenya has been an issue that all sub-sectors of the economy continue to grapple with. This study was set to determine the effect of self-regulation on logistics service delivery industry in Kenya; to assess the effect of stakeholder training on logistics service delivery industry in Kenya and to establish the effect of compliance with the code of conduct on logistics service delivery industry in Kenya. The study was conducted in Kenya's clearing and forwarding industry on a sample population of 950 staff. The study used descriptive research design. Research instruments was subjected for test of validity by use of pilot test, review and judgement from experts. The test-retest method was adopted to determine reliability. Use of semi-structured questionnaires was employed for data collection and analysis done through qualitative and quantitative means. Measures of percentages and frequencies analysis captured quantitative data. For qualitative data, thematic analysis was considered. Results demonstrated that the frequency of logistics service industry training is undertaken more than once annually. It was noted that a majority of respondents believed that lack of uniform regulations for all the government agencies causes delays in the logistics service industry. The findings further show that the regulatory framework in Kenya, not only fails to provide for the management of customs agents and freight forwarders, but also does not recognize logistics service as a separate industry. The study concludes that self-regulation and accreditation are sustainable models of regulation and best alternatives to revive and develop the industry because it will ease compliance enforcement and monitoring, enhance efficiency by minimizing clearance time and make it easier to deal with rogue agents. The study recommends the implementation of self-regulation and a defined frequency and quality of training of key stakeholders and agents in the logistics service industry in Kenya to keep them up to date and improve the know-how of its work force.

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

An efficient logistics service is vital to world trade. Customs clearing agents and freight forwarders are a critical intermediary in the global supply chain. They are intermediaries between customs, the owners of goods, shipping companies, warehouse operators and transporters among other stakeholders (Beaumont 2008). Regulation of the logistics service industry is characterised by many endogenous features, such as political priorities of the government of the day, legacies from historical times, cultural norms and the multi-sectoral nature which is not transparent. These features are difficult to consolidate thus there exist no simple model brought forward to regulate logistical matters across countries. In the logistics service industry, regulation of trucking business licence is done by the ministry of transport but still the operator needs a confirmation from the customs for them to comply with regulations and have a bonded warehouse licence (Arnold et al., 2011).

The World Bank report (2013), reveals that a weak regulatory framework has brought about the inefficiencies faced by most clients in the logistics and transport sector. In the East African Community for instance, the logistics service industry has been characterised by lack of enough regulatory assessment, incompetent skilled operators entering the industry with limited professional qualification, quality and efficiency in service provision (Arnold et al., 2011). Logistics facilities have been known for being the strength of many sectors including the economy. It usually involves many industries, these includes all services that touch on transport, warehousing, packaging and even

distribution. The logistics service industry is crucial to the success of the agricultural and manufacturing sectors. Looking at the supply chain, numerous intermediaries get involved in the logistical process and they include agents to do clearance and truckers for transportation purposes. Despite that, in developing countries, regulations to cater for logistics provision of services are not well illustrated as the framework to regulate the industry is vague (Kunaka, et al., 2013).

Globally, self-regulation in the logistics services industry is not a new concept. In Singapore for instance, there is a voluntary self-regulatory body known as the Singapore Logistics Association (SLA) that draws its membership from organizations that fulfil its membership criteria. The SLA contributes to making logistic sector more professional within the logistics industry by adopting manuals that define best practices for the logistics industry. On its part, the body mandated to ensure quality standards in the industry is the SLA (Quindimil, 2017).

According to Gwardzińska (2014), the national member states will adhere to the EU legislation and that any differences arising from the legal and formal requirements by the customs brokers are to be met by the member states in question and the principle of subsidiary of the EU, they will be subject to the legislation of the Member states. Some member states in EU have it that the customs broker profession is regulated by the state and entry into the industry requires registration as a prerequisite for practising. As at 2018, France introduced a requirement that customs brokers must be registered in advance and they have to fulfil certain conditions including customs expertise criteria (Watanuki, 2015). In other countries such as Germany, no such restrictions exist. This

has meant that for a customs broker to conduct his or her functions in the community, there are several requirements that need to be met at the same time, the process of standardizing the custom service profession and ensuring some level of competence is on-going (Gwardzińska, 2014).

For quite some time, despite the European profession being regulated by a uniform European Customs Brokers Code of Conduct which was instituted by CONFIAD not all custom brokers have adopted it (Gwardzińska, 2014). CONFIAD Pan European Network was founded with the main purpose of coordination of professional interests and defence of members' interests, harmonizing the legislation and regulating the customs professional regulations at European level. In its Preamble, the Code sets its aim as setting "business ethics" procedures for customs brokers, coming up with values, rules and principles of behaviour in order to attain high professional conducts and perform their duties well while protecting the rights of customers and the financial interests of the state and revenues

In Kenya, The Economic Pillar as set out in the Vision 2030 remains pivotal to the attainment of county's goal of 10% Gross Domestic Product (GDP) growth. Critically, the Economic Pillar considers manufacturing as a great sector among the six priority areas which jointly account for 57% of the country's GDP. However, according to the Vision 2030, the greatest challenge to the manufacturing industry in Kenya is the inefficient flow of goods and services compounded by challenges experienced in logistical and local transport section (Kenya Vision, 2030. Furthermore, the government of Kenya in 2017 announced its plans to focus on four priority areas dubbed "the Big

Four Agenda” one of which is enhancing manufacturing to catapult GDP growth from 9.2% to 20% by 2022. As identified by Kenya Vision 2030, one of the challenges in the manufacturing industry is that goods and services flow inefficiently thus hindering manufacturers’ competitiveness at the market globally and regionally (Kenya Vision, 2030).

The Kenya Association of Manufacturers (KAM) identifies logistics as a cross-cutting challenge in the Textile and Apparel Sector; Timber, Wood and Furniture Sector; Energy, Electrical and Electronics Sector; Chemical and Allied Sector and the Small and Medium Enterprise Sector (KAM, 2018). The overall objective of the Study is to critically analyse the regulatory environment of the clearing and forwarding industry and evaluate the effects self-regulation would have on the industry if taken up as an alternative.

Logistics service industry reaching smooth operations not only reduces the cost of import but is also crucial to ensure that the goods and services reaches the global market. Different dimensions are involved in improving logistics and these includes: improvement of logistics capabilities, the rehabilitation and development of the physical infrastructure, and having the streamlined events related to trade (WB, 2005). As noted in the 2005 World Bank Study, the main obstacles for transport operators are: limited space at the container terminal; flow of procedures and documentation; organization of transit cargo and procedures; and implementation of logistic policies. Those challenges in addition to weak enforcement mechanisms still subsist unabated within the industry. Private sector is capable of delivering up to quality standard logistics services and come out to be known at national, regional and global as the regulatory fragmentation of

logistics supply chain is handled by the governments and progress to be able to access strategic infrastructural facilities (ITC, 2017).

Although studies such as those documented by the World Bank, document the challenges in the logistics services industry, the proposals forwarded to address these challenges centre on improvement of infrastructure and simplification of procedural complexities. There is however, limited material documenting the effect of the regulatory framework with regard to improving service delivery within the industry. This study, amongst other objectives, aims at highlighting how changes to the regulatory framework could play a significant part in achieving not only the Big Four Agenda, but also a timely delivery of the Vision 2030.

1.2 Statement of the Problem

As stated in the Kenya's Vision 2030, one of the challenges in the manufacturing industry is the inefficient flow of goods and services which has greatly hampered how manufacturers locally compete and access the global and even regional markets. The overall growth and development of economic potential of the region in East African Community (EAC) is however, limited due to the low-quality existence which inhibits potential trade growth as seen today (Arnold et al., 2011).

According to USITC report, (2005), three levels for logistics service activities exist, these levels include, key logistics services which forms the service providers for logistics services (tier1); transportation services that allow goods to move (tier2); and input or value addition services (tier 3). Services provided by logistic companies are provided either through a combination of the tiers 2 and 3 or one of them which highly depends on

the operators' ability and most significantly, the legal status of the service providers for each service.

Regulations on logistics are not transparent to the service providers and often times spread across multiple sectors. In Kenya for instance, regulation of the logistic service sector falls both under the National Treasury through the Kenya Revenue Authority and the Ministry of Transport through the National Transport and Safety Authority. As a result of this institutional fragmentation seen in different agencies and ministries, there is less transparency especially on compliance terms and regulations which makes it difficult for the team on logistics to offer door-to-door services that are integrated in such control circumstances (Kunaka et al. (2013). This means the logistics services provided in such a fragmented environment need a series of combined activities in the supply chain that can work in this existing legal framework.

Away from the multi-sectoral problems, national prioritization is key in implementing domestic policies and international transport agreements, that includes regimes on transit. Taxes obtained from the movement of goods internationally create a good share of national revenue especially in developing countries thus these countries are keen on regulating international transport services. There are several options used by policy makers using their political power to decide on agreements that relate to transport. In case of high political turnover in governments this affects the priorities on policy in some countries (Watanuki, 2015).

For international trade to flow efficiently, there must be a range of skilled service providers who work together in an integrated manner. In East African Community

(EAC), the quality of international trade on logistics is low which hampers the growth of trade in the region which in turn affects the overall economic growth and development in the region (Arnold et al., 2011). Article 10 (6) of the World Trade Organization (WTO) Agreement on Trade Facilitation (2013) requires each Member state: not to make it a must to use brokers at the customs; to ensure a publication and notification of the measures they use when dealing with brokers at the customs and; to operationalize objective and transparent rules on licensing brokers.

Kenya's clearing and forwarding industry much like the other East African Community member states is characterised by fragmentation of policies. Despite introduction of a Common External Tariff, little has been done by way of harmonisation of law and practice across the region. This has meant that practitioners in the industry have been required to understand how each country's law are applied to importation or exportation of cargo (Business Daily, 2017)

1.3 Objectives of the study

- i. To determine the effect of self-regulation on logistics service delivery industry in Kenya.
- ii. To assess the effect of stakeholder training on logistics service delivery industry in Kenya.
- iii. To establish the effect of compliance with the code of conduct on logistics service delivery industry in Kenya.

1.4 Research questions

- i. How does self-regulation affect logistics service delivery industry in Kenya?

- ii. To what extent does stakeholder training affect logistics service delivery industry in Kenya?
- iii. How does compliance with the code of conduct affect logistics service delivery industry in Kenya?

1.5 Justification and significance of the study

This study is important in the context of current efforts to address the rising problems on effect of regulation on logistics services of the clearing and forwarding sector globally. It helps to fasten service delivery in the clearing and forwarding industry by providing means for strengthening policy implementation. It enriches current knowledge of issues pertaining to clearing and forwarding industry in Kenya. Kenya like many other countries in the world, is struggling to strengthen service provision. The findings of this study are important in informing policy decisions aimed at achieving better operation in the clearing and forwarding industry.

International trade remains one of the key policy concerns of many governments across the globe. Critical to the success of international trade is the smooth movement of goods and services. The movement of goods from one jurisdiction to another is a process that involves; ensuring the efficiency of support structures of trade are improved, including how logistics services would catalyse economic growth particularly in developing countries. With Kenya aiming to enhance manufacturing in a bid to spur GDP growth to over 20% by 2030. At the heart of this ambitious goal of enhancing manufacturing, is an inefficient logistics services industry which has been identified by the KAM as a challenge that has affected all manufacturing sub-sectors.

This study examined the challenges within the clearing and forwarding industry and provides policy makers and other stakeholders in logistics services with useful information upon the decision on how to approach the regulatory puzzle. The Study would also add value to academia and researchers by identifying trends and patterns in the development and regulation of the clearing and forwarding industry.

1.6 Limitations of the Study

The study has potential limitations in the form of sample profile, sample size, lack of availability of data, lack of prior research and bias in responses from the respondents.

The sample profile proposed by the study may not take into account nuanced issues such as industry experience. Additionally, the sample size may not adequately extrapolate generalizations of the results to the overall population. As at 2018, there were over 800 Customs Agents licensed by KRA; the study however, proposes to sample five clearing and forwarding firms. To overcome this limitation, the researcher administered questionnaires and conducted in-depth interviews with union representatives who derive their membership from most of the licensed firms.

Lack of availability of data on the effect of the regulatory regime. Although the logistics services industry has generally been termed “inefficient” there is insufficient information on the effect of this inefficiency. Furthermore, although studies have been conducted on the causes of inefficiency in logistics services industry, some of the studies were conducted as far back as 2005. With the world changing rapidly due to technological advancements, some of the results of the study may not be applicable today. There is also

insufficiency in prior research on self-regulation as an option to improve the logistics services industry.

In conducting the Study, the responses collected by the researcher may carry the element of bias due to respondents' predispositions.

1.7 Scope of the Study

This study examined the challenges within the clearing and forwarding industry in Kenya with focus on Nairobi. The county has been purposively chosen by the researcher due to the concentration of clearing and forwarding companies as well as government regulators in Nairobi. The study focused on the developments in the regulatory landscape in the industry in Kenya, regionally and internationally. The regional and international outlook has been selected by the researcher in addition to the national perspective because there are commitments through international treaties that affect the regulatory approach that this Study sought to test.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

Chapter two provides a detailed review of the relevant and current literature and theories that positively guided the study. The chapter further examines in details the concept of regulation through a thorough interrogation of state regulation and self-regulation, their effects in the jurisdictions where they have been effectively applied and illustrates the theoretical and conceptual framework that was adopted by the study.

2.2 Empirical review

2.2.1 Logistics service Delivery

Internationally, the up-and-coming trends in the international rulemaking is demonstrated by the Trans-Pacific Partnership Agreement. The future trade deals have been made possible by the improved commitments on supply chain criteria that treats logistics sector solely and ensuring that trade facilitation and logistics are parallel (Williams, 2015). There are indications to state that some countries have already embraced this approach. There is public access to information in the WTO on Trade in Services Agreement that shows this is negotiated based on logistics being looked at as a sector that can be on its own (Grygorak, 2018).

Scholars in the trade sector have developed an index of regulatory-restrictiveness where boundaries on regulations are grouped in specific key headings: investment, customs, people movement and restrictions which come specifically for the aviation, maritime and the road transport sectors. Heavy customs measures are the most significant obstacle of

regulation as being reported. This is especially true for the Association of Southeast Asian Nations (ASEAN) region (Zhang and Geng, 2019). The cross-sectional investment regulations and licensing requirements are a barrier to raise in investment where they limit ownership of equity of the firm or regulate how the establishment is done.

According to Grant (2014), labour policies limit how the key personnel move and engage. Hiring local residents is an option usually exploited by foreign companies in most countries. All logistics service providers meet the investment, customs and how people move requirement while other regulatory barriers are specific to the aviation, maritime and road transport sector. The barriers identified may hinder the efficient function and quality of logistics services being offered. Governments in developing countries need to appreciate the rapid transformation that is ongoing in the logistics industry as the industry has to adjust in response to the appropriate policies being developed.

According to Nordengen (2014), the range and nature of services is being altered by the integration of logistics services. The larger interdependence of businesses has been brought about where the performance of a company on large network is affected. There is ever-growing competition among service providers for logistics as the global demand on efficiency expected of logistics supply chain increases. As the integration of logistics services changes, the structure of the organization also changes and attention in the companies shifts to its core operations as they outsource the non-core components. According to Krahnemann, (2016), regulation of several service providers by most governments is done by authorities that are independent. Interested companies that

provide amalgamated solutions to clients are required to meet several regulatory obligations from different agencies of government.

According to Lakshmanan *et al.* (2017), need for compliance desires, is responsible for a raise in the cost and the delays seen. The interests of supply chains are not maintained due to the inadequate coordination in the mandates set in different government agencies. Guidelines are set up to meet the requirement in regulation of a specific segment, regularly causing contradictory regulations that leads to the disintegration of logistic services. In some instances, it is found that the scope of an activity can be limited by government system where domestic operators are expected to be used only for specific sections in the supply chain instead of them offering a wide range of services. This means that the provision of logistics services that are integrated is affected that affect also the synchronicity and simultaneity of efficient logistics chain as conflicts in different logistics segment is *caused*.

Freund and Rocha, (2010) argues that there exist insufficient organizations in central and local governments and also the local governments being unable to adopt policies that affect logistics thus making the operation across the region difficult. There is a gap seen in the framework of regulations and the reality of business as an evolution occurs in the logistics services flowing towards a process of integration. The entry is regulated by governments by use of licensing and registration which can occur at the point of entry or during intervals regularly.

Molinuevo and Sáez, (2015) argues that the need for registration can have an impact on the operators that already exist when new services are proposed. Certain transport

operation types require specific permissions or licences for them to be effected. The government can be able to know the would-be financial and technical suitability of a company in the industry by looking at the criteria used to register and licence. This can also affect the competition stage in the sector. Future planning of policies can also be informed by the entry requirements of the companies and how the sector performs (Eckerd & Heidelberg, 2015). Environmental concerns are also addressed in the regulations of entry especially if the numbers of trucking licences are frozen. Investment is affected by barrier of entry as seen from a trade perspective. Market access curbs and/or biased to national against foreign rules, for instance, foreign investment joint venture, prescription on specific types of legal entity authorized to provide services and boundaries on foreign ownership are some of the barriers presented. The impact of these on transport services is felt.

Many countries, sought to control the operation of logistics companies on a constant basis, (Lakshman *et al.*, 2015). This is done through mandatory reports on periodic reporting system, how licences are renewed, conducting audits and making amendments to minimum capital requirements. The oversight of regulations related to operation is done by several industry players. As presented by an evaluation conducted by the OECD, the regulatory oversight role of companies of logistics is done by as many as 23 agencies in some developing countries.

According to Buhari *et al.* (2017), a subsequent example of such regulations given in the United Nations Economic and Social duty for Asia and the Pacific (UNESCAP) was in a recent publication. The state controls many segments of deliverables of logistics given in

a related issue. The state-owned enterprises in some countries take charge of managing important services that include the port, railways and also postal services. In as much as there are several policy considerations to maintain this, the efficiency in the regulations is hampered, markets distorted and vested contentment promoted (Scherbakov, 2015). There is monopoly in the control of railway container transport in many developing countries which is a key area in multimodal transport. The government control is seen in the allocation of capacity and control of rates of transport of rail freight which are do not get subjected to competition in the market. Logistics presentation states a concern in the incompetence of rail freight. Estimation is made that to lower costs and increase the performance of logistics, there needs to be a significant increase in rail performance (Cohen & Sundararajan, 2015).

Kenya's logistics services industry is state regulated compounded with legislative structure consisting of state actors playing different roles such as licensing and registration. (Freund et al, 2010).

The regulatory framework in Kenya, not only fails to provide for the management of customs agents and freight forwarders, but also does not recognize freight forwarding as a separate industry. The circumstances have meant that the difference in the roles performed by customs agents, freight forwarders and persons (natural and legal) that act as both customs agents and freight forwarders has become blurred. For good organization to be realised in logistics services, the government authorities such as KRA and NTSA, the KAA and KPA as well as other industry players concerned need to carry out their role seamlessly (Grant, 2014).

KRA for instance, is established by the Kenya Revenue Authority Act and its mandate relating to licensing of customs agents is derived from the Customs and Excise Act. Prior to licensing, customs agents are required to make an application accompanied with documents including: certificate of incorporation; evidence of membership with KIFWA; letter from Domestic taxes Department confirming that the Company and all its Directors have lodged current returns (Eckerd *et al*, 2015).

The mandate of the NTSA in the logistics chain is licensing motor vehicles as derived from the National Transport and Safety Authority Act. The Act provides that a person shall not operate any class of vehicle unless the vehicle is licensed by the Authority. The mandates of KRA and NTSA however, do not extend to ensuring professionalism, standardization and efficiency challenges, currently facing the logistics services industry. In addition to KRA and NTSA, the KAA and KPA are mandated to offer reasonable facilities that take care of cargo and other warehousing and handling by the Kenya Airports Authority Act and Kenya Ports Authority Act respectively (Donaldson *et al*, 2017).

2.2.2 Self-regulation and logistics service delivery

Globally, service provision within the logistics service industry is known as key to many sectors. Logistics services involves many aspects, for example all service related to transportation of goods and distribution of services, how they are packaged and stored (Kunaka *et al.*, 2013). Studies conducted by World Bank have revealed that lack of a statutory supported regulatory framework are key reasons for the challenges that

countries continue to grapple with in the logistics service industry. A classic example is in the several administrative agencies that exist, that has resulted into overregulation and duplication in the sector (Eckerd, & Heidelberg, (2015).

According to Watanuki (2015), there are countries such as China and Indonesia where the industry is state regulated and others such as Singapore and India that are self-regulated. From Singapore, rules and regulations has fronted low requirement for market entry. Singapore Logistic Association (SLA) encourages members to have in the company providing logistics services that one of the directors have years of experience in a management position (UNESCAP, 2011). In terms of leadership for members and the public, SLA has a Constitution with requirements including: forms of partisanship; members' rights and responsibilities and termination of membership. SLA has come up with the SLA Portal Operation Manual that is availed only to the SLA members (Watanuki, 2015). Training and other educational qualification for the staff is however, rarely a part of the government regulations in the quest to licence and register the staff (UNESCAP. 2011).

According to Buhari (2014), companies and citizens daily lives in Europe's markets are centrally dependent on logistics. The policy on logistics in Europe allows for an environment where the companies that deal with transport are able to conduct their businesses in an efficient manner for them to grow and be innovative for Europe to be competitive in the global arena and also the adoption of legal and regulatory framework by the clearing and forwarding industry

Due to inefficient coordination by regulatory bodies in the logistic sector, unqualified personnel have been admitted in the industry with the lack of necessary ability to do their duties effectively (Arnold et al., 2011). The transit regimes such as international transport agreements and bilateral and national prioritization are affected in the multi-sectorial arena. The taxes obtained from the international movement of goods are huge hence third world countries are keen on making sure regulations on international transport are in place. Several options are at the disposal of policy makers to take advantage of their political power when deciding agreements on transport. Elevated political outcomes in many governments are responsible for priorities on policy in some countries. Regulations may become less consistent and opaque (Williams, 2015). Regulation protects consumers and investors, avoids regulatory capture and develops serious commitment.

Buhari et al. (2017), economic interests creates opportunity for policy makers to take account when they allow foreigners to spur investment in their economy. Regulators try to protect certain sectors from the invasion by investors from foreign countries. Involving foreign countries in the operations of a country leads to economic development however, local business operators can be at a risk of losing their businesses. Due to this, creation of economic opportunity for the local service operators, foreign operators most of the time face tougher terms before they are allowed entry into the business.

The in-depth study of Knaack (2015) provides that there are three major areas where regulations can be employed, these includes, coming up with frameworks to ensure operations in the logistics sector are effective while creating a competitive environment; having a safe friendly environment, that is energy-efficient, that has reduced negative

externalities to guide the department of logistics; and coming up with policies when market mechanisms have failed.

According to Zheng *et.al* (2014), the process where a group of firms in an industry or even the entire industry decides to act in accordance to set principles or rules is referred to as industry self-regulation. He further argues that participation by firms may be voluntary or legally required. The Oxford Dictionary of Sports Science and medicine, for example, defines self-regulation as the regulation of one's own goals without immediate external control. (Kent, 2016).

According to Molinuevo and Sáez (2014), logistics services that are regulated are: market entry and operations. Market entry deals with: regulations on the institution of an authorised business which aims at excluding operators with low qualification from the industry by ensuring that only operators with verified qualities are accepted. Operations deal with liability, staffing, quality control and disclosure of information. Category of regulations based on operations has a broader scope than the criteria for entry into the market. Measures regarding operations are likely to lead to rise in costs because they cause rise in prices; but on the other hand, they generally are better for high competitive market. In the logistic service industry, self-regulation has time and again led the industry to institute principles and allow rules of operation to govern the operators. Developing operational manuals is a great method to appreciate and adopt industries common practice. (Zheng *et al*, 2014).

In the international front, services on logistics contribute to ensure competition in both the production process and delivery of exports in order for logistics and transport services

to be improved which could increase trade (Shen *et al.*, 2014). Due to globalization, those who produce and consume the goods are residents of separate countries thereby necessitating international commerce. The adoption of quality and efficient logistics services can be a matter of concern for as a hindrance to global trade integration, can be caused by having weak infrastructure on logistics and other operation processes affecting international trade (Weng, & Hu, 2015).

Third world countries are more and more troubled about the unpredictable development patterns they experience (Boeva, 2015). Different important indicators that are lagging are seen by the governments who are looking for mechanisms to implore start-ups in order to stir growth internally (Brar *et al.* 2010). The situation is particularly true for middle-income countries that are large, where apparently a large percentage of the world's low level income earners people reside (Brar *et al.* 2010).

Adoption of the Agreement on Trade Facilitation influences members to utilize applicable standards in whole or parts set internationally on transit, import and export official procedure and measures, the manner of acceptance is at the discretion of each country. In the absence of uniform procedures, countries are left to decide the manner in which to manage clearing and forwarding industry. The WTO Agreement on Trade Facilitation however, has provided basic rules that would be implemented to improve logistics services. Such services include; publishing and making easy to get to relevant information, consultation of stakeholders before introduction or amendment of law and discipline on fees and charges imposed (Berkowitz *et al.*, 2019).

In various economies, logistic companies that deal with international trade face challenges that reduce their potential to grow and even their competitiveness which include costs of transport, regulations and logistics being high (WB, 2019). This is predominantly true for Africa where the International Growth Centre (IGC) argues that, the potential gains obtained from international trade are hindered due to the cost of getting goods from and to the borders and ports being too high (Zheng *et al*, 2014). The high costs of transport are contributed to by having the roads quality being poor, the trucks and logistics too being poor and long queues seen at the border crossing points that lower adoption of regulatory measures put in place in Africa. The negative impact is felt by consumers who stay in remote areas which further impacts on inequality regionally (Donaldson *et al*, 2017). To put the economic effects of the logistics in context, when times of travel inland are reduced for a day, there will be an increase in exports of 7% (Freund and Rocha, 2010).

Realizing the importance of clearing and releasing goods and expediting the movement, WTO members agreed on the Agreement on Trade Facilitation which was enacted in 2017. The highlights of the Agreement which Kenya, Uganda and Rwanda have ratified are: publishing and availing information; discussion prior to legalization; measures for appeal and review; ways to enhance impartiality; discipline on charges and dues; goods being cleared and released; autonomy of transportation; and customs assistance. Relevant to this Study is the differentiation made to accommodate developing countries in terms of assisting and offer support to build their capacity to help implement the provisions of the Agreement (Berkowitz *et al*, 2019).

An in-depth assessment of the Kenya's framework reveals that Kenya is compliant in some areas of the Agreement on Trade Facilitation. For instance, KRA has fulfilled the requirement for each member to publish information on: procedures, rates, fees, rules, laws and regulations, restrictions, penalties, procedure for appeal or review in a manner that is accessed easily which does not discriminate to allow traders, the government and other parties that are interested to be made familiar to them (Watanuki, 2015).

On the other hand, the model adopted by the European Union (EU) is equally as complex as it is fascinating. The legal customs policy framework and measures in the EU customs region is enclosed in the Union Customs Code (UCC). Article 18 of the UCC provides that member states may resolve, in agreement with Union law, the circumstances under which a customs representative may provide services in the Member State. Therefore, despite the existence of the customs code for EU member states, the framework allows each member to determine how industry players may provide their services (Buhari, S. O., Okeke, O. K., & Samuel, M. W. 2017).

According to Wolfgang and Harden, (2016), the Logistics Performance Index (LPI), is an important resource in gauging how efficiently logistics services are being delivered across the globe. In many occasions, the Logistics Performance Index has been used by various bodies such as the World Bank, as a tool to benchmark interactively to assist countries recognize the opportunities they have and the challenges they face on trade performance on trade logistic and measures to undertake. According to the latest ranking, EU member states are far better placed than the EAC counterparts (Donaldson et al, 2017).

2.2.3 Stakeholder training and logistics service delivery

Training is an important aspect of human resource development as a means towards ensuring efficiency in service delivery. In order to maintain and enhance momentum, the logistic service industry should pursue a policy of continually upgrading the human resource competencies, knowledge, skills and attitude with the aim of addressing identified gaps.

According to Williams (2015), the legal profession model should be adopted for regulating the logistic service industry, the main focus areas would be: instilling industry practitioners with appropriate knowledge and skills through training programmes as a pre-requisite for practice; continuing professional development as a pre-requisite for renewal of practising license; disciplinary procedures and the maintenance of industry standards. By anchoring this in a regulatory framework, such as the case of the legal profession in Kenya, enforcing its structure, content and outreach becomes less difficult.

In comparison, those applying to be licensed to carry out clearing and forwarding activities in Kenya must: be registered members of KIFWA; undertake the EACFFPC course/training; and the FEAFFA Code of conduct signed on behalf of the East African customs and freight forwarders Associations. The differences between the clearing and forwarding industry and the legal profession include the absence of: legislation specifically dealing with practitioners; and continuing professional development in the clearing and forwarding industry (Buhari et al, 2017).

The recent stalemate between transporters and the Ministry of Transport regarding the directive requiring all goods to be transported by the standard gauge railway, is indicative

of the need to have a multi-faceted approach to the regulation issue. It is argued that an increase in the volume of trade together with the economies of scale and the productions and distribution scope activities can be increased by enhanced trade related logistics, shared with a liberalized monetary environment (Lakshman et al., 2001). Better logistics services in the nonattendance of liberalization in the economy could have the effect of creating instability in the sector and discouraging investment. Other studies have indicated quality control as one of the benefits of self-regulation. Self-regulators help train on operational rules by setting up principles that lead the industry regularly. This is done with the help of operational manual where an understanding and sharing of common practices in the industry is done (Buhari, 2017).

2.3.4 Compliance with the code of conduct and logistics service delivery

Code of conduct are generally the set of rules that guides the operations of an organization, whose breach may lead to sanctions being imposed. Muthaka *et.al* (2004), opines that a breach in policies and codes of conduct may lead to punishment through suspension from practice or payment of fines. This has been the practise as far as regulation of professionals such as lawyers, doctors and nurses, engineers, accountants and others, is concerned. Most of the requirements used for regulating professionals are documented in the law and even seen as the minimum requirements for them to be allowed to operate. Regulations from different jurisdictions specifies that how the operators of businesses that are starting (entering and access to the market) and to continue with their operations. Moreover, operators from foreign countries in many instances, encounter other requirements in a formal way that do not apply to domestic persons, for self-regulations, they are equally applied to all the operators (Grespin, 2016).

According to Watanuki (2015), constitutional regulations provide a basis to establish rules or orders to be enforced by governments. For an industry, it is the voluntary will of the association partners and firms to make sure measures that benefit other members of the association to grow the industry at large is seen as industry self-regulation. Government regulation as well entails the registration of an entity to enable it to conduct business and granting of license against the suitability of an applicant (UNESCAP, 2011).

According to Shen *et. al* (2014), examining Article 7 of the Agreement on Trade Facilitation which provides for the Release and Clearance of Goods is critical in assessing the international framework in regulation of the logistics industry. Paragraph 7 of the Article elaborates on the Facilitation Measures for Authorized Operators. There are various parameters that allow one to be considered an authorized operator, these includes, having a record of compliance with laws and regulations at the customs; having a system that enables internal record controls to be done; providing enough security and guarantee thus achieving financial solvency; and having security in the supply chain.

There are two major reasons that hinder the effective implementation of policies that work on improving performance of logistics. These include, a widening scope for the implementation need switching from infrastructure and trade facilitation as traditionally seen; and more attention given to resilience and sustainability across board by countries that are already developed, thus training and development of skills, the dimensions of logistics spatially and the framework legally and regulations specificity (Arvis *et al.*, 2018). In the EU, the challenges enumerated include administrative burden where they state that the raise in the custom procedures is a barrier in transport across the border thus affecting efficient logistics services.

In Kenya, the challenge of inefficiency continues to plague the logistics services industry. A report by the World Bank in 2005 highlighted the following challenges: manual customs operations; not keeping pace with shipping and trading community needs at Mombasa port; collapse of Kenyan Railways leaving the freight market to the road sector; backlog in road infrastructure; and border transit and crossing procedures having a constrain. Today, these challenges still persist in one form or another despite efforts to address them (Watanuki, 2015).

As argued by Des Powel, (2015), governments ought to have an understanding that would necessitate deliberation of change from stringent exercise of requirements institutionally that are forceful to a process of accreditation in a more self-regulating programme and also methods such as participants adopting codes. This way will prove quite relevant to the logistics and transport industry. Institutionalizing initiatives driven by the industry itself, as done on principles used globally, ensures that businesses are easier to run and ensure for those who do not comply enforcement is focused on them, (Powell, 2001).

2.2.5 Summary of literature gaps

Extensive studies have been conducted by organizations such as the World Bank and WTO on the logistics service industry and various reports published highlighting the scope, drivers, challenges and propositions on improving the sector. However, a few of those studies have been conducted in the East African region and Kenya in particular, and little focus has been paid to cost reduction and the legal and policy frameworks as well as efficiency in the logistic service industry in Kenya.

2.3 Theoretical framework

2.3.1 Rational choice theory

The guiding theory for the study was the rational choice theory also referred to as rationalism. The theory suggests that there is a wide range of policies for policy makers to choose from. The choice of the policy maker should achieve maximum social benefit resulting in gains to society that exceed costs. According to (Mercier, 2008) there are four sequential stages presented by the rationalist model on the decisional process as given; values and objectives to be achieved are identified; doing an analysis of all possible means to attain the objectives; conducting a research and based on the information obtained concerning the effectiveness and efficiency of the available alternatives; the alternatives are compared in terms of their consequences; a choice is made where the alternative that best utilizes the objectives and values is chosen; implementation follows; and feedback is provided.

The analysis of interactions of individuals which are mutually interdependent is the mathematical framework provided by the Rational choice theory as a fundamental element of game theory. It is seen that preferences on outcomes and actions available to individuals define them. In the game theory as stated by its name, the study of social institutions that provide rules which have a relation to the actions taken by agents in response to outcomes is represented. These institutions can be looked at as to resemble parlour games of poker, bridge and tic-tac-toe. In the game theory, there is an assumption that the rational agents have a like mind and each of them is aware of what the opponent prefers and his/her strategies. The strategy here is given as the plan to be implemented by

each game plan or what is set as instructions that could be executed on behalf of the agent where the best preferences of the individual are considered in line with the structures of the game.

2.3.2 Stakeholder Theory

The Stakeholder Theory of overall organisational management and business principles, which addresses values and morals in managing the organization, was first documented by R. Edward Freeman in 1984. His award-winning book *Strategic Management: A Stakeholder Approach* recognises and designs the groups a company's stakeholders, as well as describing and recommending methodologies for management to consider those groups' interests. Stakeholder Theory is a way of looking at capitalist system that emphasizes the interrelated correlations between a business and its consumers, suppliers, employees, investors, communities, and other stakeholders. According to the theory, a company could perhaps generate value for all stakeholders, not just shareholders. Numerous scholars have used the theory as a foundation for further research and development in their research and authored work, and it has become a key consideration in the study of business ethics. Ever since 1980s, the hypothesis has grown in popularity, with academics around the globe proceeding to question whether concentrating on stockholders' wealth as the most fundamental goal of business is sustainable.

2.3.3 Agency theory

The association between agents and principals is studied using agency theory. In a particular commercial transaction, the agent represents the principal and is supposed to act in the principal 's best interest without regard for self-interest. The disparities in

preferences between principal and the agent may cause friction, as some agents may not always act in the principal's best interests. Miscommunication and disagreement that results from this can lead to a variety of issues and discord within businesses. Irreconcilable wants and needs can create a chasm between interested parties, resulting in inefficiencies and financial losses. This is where the issue arises. When a principal's and an agent's preferences clash, the principal-agent problem occurs. Businesses should strive to keep these circumstances to a minimum by enforcing sound corporate policies. Ordinarily ethical people are exposed to perverse incentives as a result of these conflicts. Incentives can be used to reroute the agent's actions and align his or her interests with the principal's worries.

Good governance can be used to alter the agent's operating rules and restore the principal's interests. The principal must overcome a lack of information about the agent's performance of the task by utilizing the agent to represent the principal's interests. Agents need opportunities to motivate them to act in the principal's best interests. By considering what interests motivate the agent to act, agency theory can be used to create these incentives adequately. Incentives for bad behavior must be removed, and rules prohibiting perverse incentives must be executed. The benchmark of "agency loss" has surfaced as a widely used measurement for determining whether or not an agent acts in their principal's best interests. The difference between the optimal results for the principal and the consequences of the agent's behavior is referred to as agency loss. Agency loss is zero, for instance, when an agent consistently performs with the principal's best interests in mind. However, the larger the agency loss, but the farther an agent's actions diverge from the best interest of the principal.

2.3.4 Theory of Compliance

A sound theory of compliance must, at the very least, clarify both occurrences of international complying and instances of contravention. Conventional justice theories of compliance, as discussed in the previous Part, have been unable to provide a constructive theoretical model for compliance, in part because they are unable to explain occurrences of contravention. Constructivists, on the other hand, believe that foreign law has no bearing on national behavior, thus explaining why international law is broken but not followed. This section introduces a mathematical framework of compliance that explains how international law can influence state behavior as well as why states may break it. First, it creates a one-period model showing how global law's irrelevance is styled.

Furthermore, the assertion of a single period is relaxed, illustrating how one can develop a theory in which international law matters in a framework with repeated state interactions. In terms of government actions, the model assumes that governments are rational, act in their own identity, and are aware of the effect of international law on their actions. Even though it is assumed that states act in their own self-interest, no assumptions are made about how they identify their own self-interest. The old paradigm of state interest assumes that the government is interested in the public good. A different perspective, public-choice theory, sees government decisions as the result of interest-group politics and argues that, in broad sense, these decisions will not lead to behavior that is consistent with the national interest.

Decision-makers are modeled as individuals pursuing their own goals rather than as loyal agents of their precincts in this consumer's perspective. A public-choice method has the

benefit of being able to provide a positive account of government activity that is difficult to explain using conventional methods of state actions. Nevertheless, trying to apply public choice to socially constructed analysis is difficult because the result of interest-group politics is difficult to anticipate. Because this study does not attempt to design the method by which states establish their national goals, it is not essential to choose between the public-interest and public-choice models for the context of this research. Somewhat more, this theory assumes that national goals exist, and the model explains how pursuing those goals leads to compliance with international law. As a consequence, the investigation can consider both theories of state conduct.

2.4 Conceptual framework

The hypothetical representation of how the variables under study relate and the theory being reviewed is called the conceptual framework (Flick, 2015). Figure 1 below depicts the effect of an effective regulatory framework on logistics services in Kenya's clearing and forwarding industry as guided by the relevant existing literature.

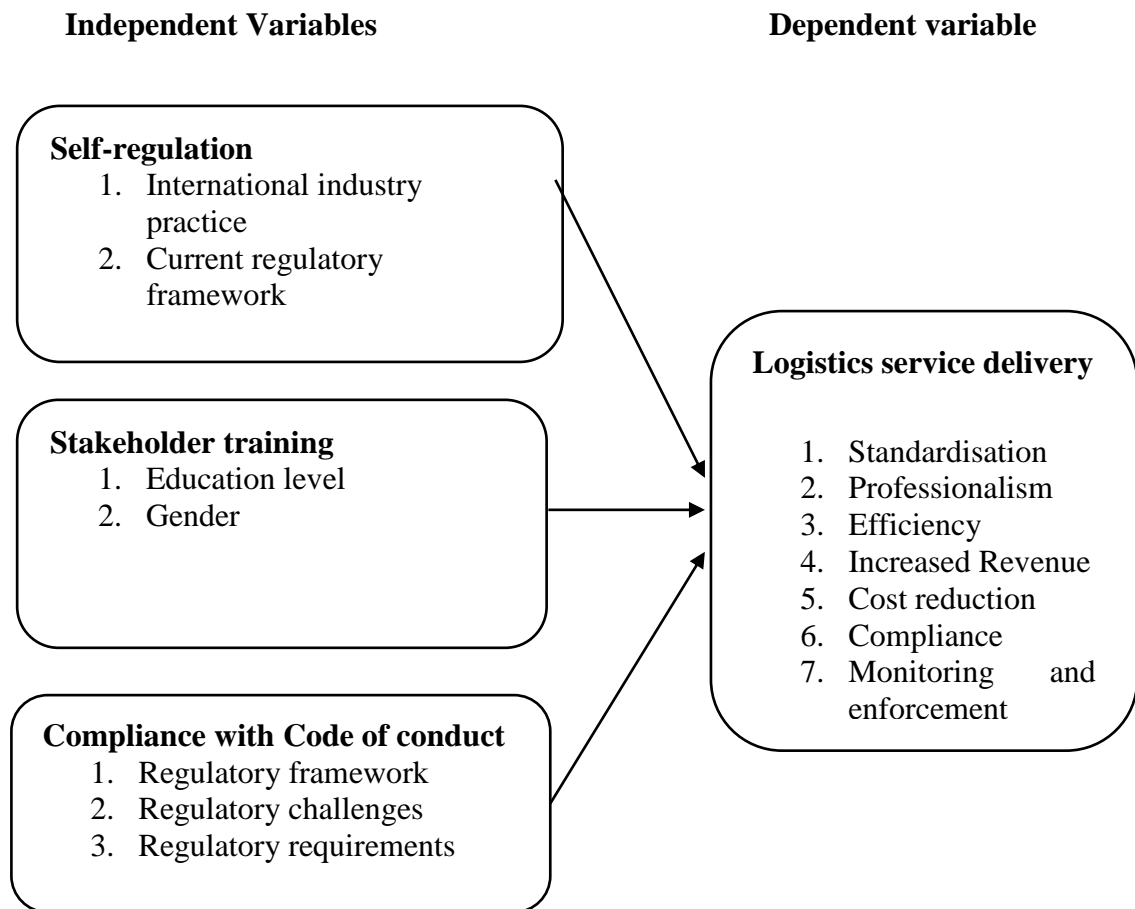


Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines the methodology on how the study was conducted. Details on data collection and analysis are given in order to draw sensible conclusion from the study in regards to the effect of the regulatory practices on logistics services. A discussion on the design used in the research, the population targeted, the design for getting a sample, the data collection instruments and its procedures and other procedures done after data has been obtained are given in this chapter.

3.2. Research Design

This study utilized the descriptive case study research design. As a strategy, descriptive case studies have been found to ensure that the investigator retains the real-life events in a holistic way and meaningful characteristics also retained (Yin, 2003). The approach of a case study was seen appropriate in this case as the objective of taking a critical examination of the regulatory framework in Kenya's clearing and forwarding industry and propose self-regulation as an alternative. This research sought to review Kenya's regulatory framework on the logistics service industry, with inclination to international framework. The methodology used was a combination of the literature review including online research, existing relevant studies and stakeholder interviews.

3.3 Site of the study

The site this study was done was Nairobi County in the Republic of Kenya. The site is purposively chosen because of the heavy presence of clearing and forwarding

stakeholders in the Nairobi, being the largest city in Kenya is also the capital city and also hosts an international airport.

3.4 Target population

As defined by Mugenda and Mugenda (2003), a complete set of individuals or objects or cases that have some characteristics that are observed common among them is known as population. In this case, the study population was 950 and included trade organizations representing industry players.

Table 3.1: Target Population

Respondents	Frequency
KAA Officials	10
KRA Officials	30
KPA Officials	20
NTSA Officials	10
Clearing and Forwarding Agents	860
Industry Trade Unions	10
Total	950

3.5 Sampling techniques and sample Size

For the right respondents to be picked for the study, the sample was chosen using purposive sampling. This sampling procedure is chosen to ensure that the participants of the study are individuals who have the necessary knowledge and expertise needed concerning the subject of study and are also willing to participate in the study. The purposive selection of respondents was on the basis that they are officials or employees of government authorities directly involved in the clearing and forwarding process, officials or employees of the companies involved in clearing and forwarding industry and officials of industry trade unions. The respondents are deemed to have relevant

experience in the logistics service industry hence they would provide information that was useful and reliable for the study purposes. A sample of 95 respondents was used by the researcher. This is a manageable number and present a fair representation of the entire study population. According to Mugenda and Mugenda (2003), a 10% of the targeted population is fair sample to represent a study population of a study.

Table 3.2: Sample Size

Respondents	Frequency	Ratio	Sample
KAA Handling Officials	10	0.1	1
KRA Customs Officials	30	0.1	3
KPA Handling Officials	20	0.1	2
NTSA Licensing Officials	20	0.1	2
Customs Agents	860	0.1	86
Industry Trade Union Officials	10	0.1	1
Total	950		95

Source: (KRA)

3.6 Data collection techniques

In this study, the researcher had an analysis of primary as well as secondary data. To allow for collection of primary data, the researcher used questionnaires and an interview guide for the same. The questionnaire generated contained open together with close-ended questions to help the researcher garner qualitative data at the same time that of quantitative nature. A high degree of data standardization is possible when using questionnaires, since they are faster and affordable to administer. According to (Kombo & Tromp, 2006), the best way to get a self-report on the opinions people have, their attitudes, values and beliefs is using a self-administered questionnaire. The use of face to face interviews was used for officials as they have various responsibilities in the clearing and forwarding process.

To supplement the data collected using questionnaires and interviews, the researcher used publicly available data from websites and institutional publications documenting information on logistics services.

3.7 Validity and reliability of the research instrument

The accuracy seen in the data collected as per the variables in the study is referred to as validity while the extent to which the research instruments are able to offer constant results even after repeated trials are done is called reliability (Mugenda & Mugenda, 2003). A valid data collection instrument is seen when it is able to attain the standards of which it was intended to do.

To achieve the elements of validity and reliability of the data collection instrument, there was a pilot test done at the KIFWA offices before the commencement of the real data collection. For the pilot test, a 2% sample size of the respondents participated in it to test the questionnaires. As given by (Mugenda & Mugenda 2003), using 1% to 10% sample of the final size of the sample of the study population is relevant for a successful pilot study. The findings from the pilot test allowed for correction of any inconsistencies and made the tools more valid. The piloting also ensured an improvement on how the response rate was and also ensured that the questionnaires administered collect reliable information.

3.8 Data collection procedures

Authorization to conduct the study was sought from Kenyatta University, thereafter a permit was sought from the National Commission for Science, Technology and Innovation to give direction on the data collection. Preparation of the questionnaires and

recruitment of Research Assistants (RAs) followed. Thereafter and together with the RAs the researcher used the drop and pick and drop method in the data collection. This meant the respondents was given two weeks' time to respond to the questions then a follow-up was done so as to enhance the response rate. This made sure that the respondents have enough time to respond to them in a free environment on their own.

3.9 Data analysis

Data garnered of quantitative nature was programmed and analysed using descriptive statistical techniques, where percentages of frequency of responses were recorded and presented by way of pie charts, tables and bar graphs.

3.10 Logistical and ethical considerations

The study adhered to all ethical practices by conforming to standards. A letter was obtained from the National Commission for Science, Technology and Innovation (NACOSTI) which granted permission to conduct the study and also Kenya's Clearing and Forwarding Industry. For the study participants, the researcher sought their informed consent to participate in the study where an explanation of what is required of them and the purposes of the study be explained and their voluntary involvement was sought. It meant that matters of anonymity, ability to withdraw from the study and the confidentiality of study participants was safeguarded by the researcher including their personal integrity. The names and addresses of respondents were not used in the questionnaires but codes as identification tags (Babbie and Mouton, 2001). All complete questionnaires were coded.

The researcher assured the participants that the information provided by them will not be accessed by anyone else who is not part of the study and will only be used for study purposes (Bless and Higson-Smith, 2000). This means that matters of infringement of confidentiality and privacy of respondents was strictly adhered to and all information provided treated with utmost confidence with a respect to views given by each participant and used only for study purposes.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

The scope of the study was Kenya' clearing and forwarding industry. The study used a descriptive research design in which semi-structured questionnaires are used for data collection. Analysis was done through qualitative method by use of thematic analysis and quantitative method where percentages and frequencies analysis were used.

The purpose of the study was to examine and analyse the effects of the regulatory practices on logistics services, the development and growth of the clearing and forwarding industry and the effectiveness of self-regulation in the logistics services if adopted as an alternative in Kenya.

The total number of male and female respondents were 70.6% and 29.4% respectively as shown in Figure 4.1. Male participants were more than the women at 70.6% and 29.4% respectively from the respondents sampled. The findings confirm the question whether transportation and logistics is it still a man's job. The outcome of the study shows that of the two gender under investigation, men are the majority. However, statistics show that although it is perceived so, the sector is slowly closing the gender gap. That the path to gender equity in the profession can be narrowed by intervention at cultural level to demystify gender bias perception in order to build a more truthful image of the profession. Female gender, from the very beginning do not get favoured to take up such courses or even trying to look for a job with the imagination that it requires lots of physical strength, loads and heavy vehicles to handle. To lead the sector makes the women who are already in the sector struggle to establish themselves and grow in as

much as they are equally talented like their male colleagues. United Nations Economic and Social Commission for Asia and the Pacific (2011) showed that for those female who work in the transport and logistics sector, they are a rare section which is quite unfortunate in fact less than it was in the past. According to EU in 2018, the presence of women offering service in the logistics sector is still limited, with an average standing at around 22%. This meagre percentage is still a distant from actually closing male female employment gender gap. Despite a low proportion of female gender, the trend line appears seems to be on an upward trend. There are companies causing this the change in image construction in the logistics industry that should take the credit, as they hold high values of inclusivity and gender equality. With the realization that the transport world is beyond loading and unloading, operation on transport, warehousing and physical handling of goods it should not hinder the females from engaging in the sector. There are several attributes and skills needed in the logistics sector and other responsibilities in the sector that include; patience, managing stress, communication, empathy, organizational skills, listening skills and ability to know different languages among others. With such qualities, they are not attributable to any specific gender. The percentage of female personnel has had an upward trend as the years go where FERCAM Company reported in the transport and logistics industry to report such increase. As a result, there has been an increase in the narrowing of the gender gap that is widespread in the recent past. A survey conducted in Italy in September 2020 dubbed "Great Place to Work" revealed that the Company FERCAM treats its employees with impartiality without considering their gender. Further, the company ensures that the reward process is purely evaluated and accorded based on individual performance (Lagneaux, 2004).

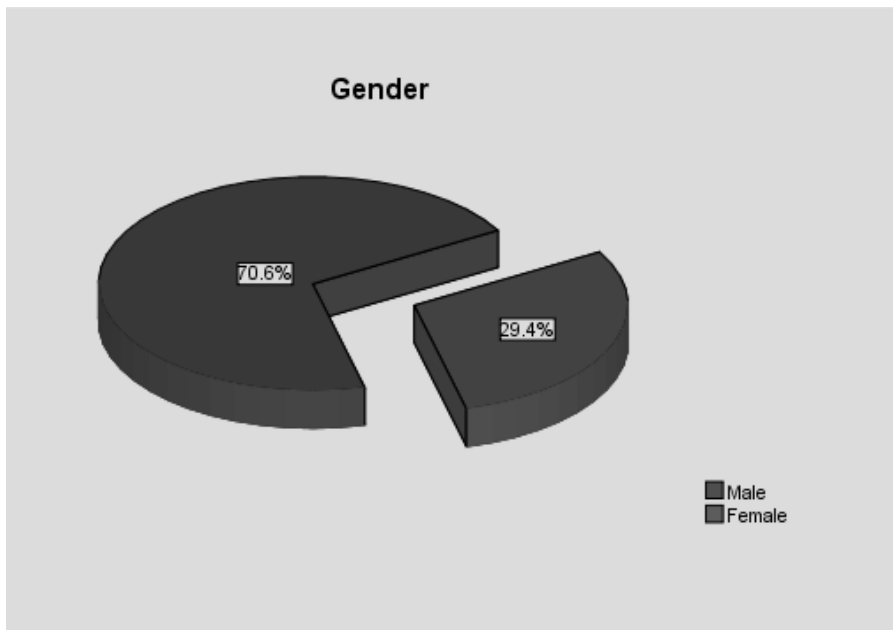


Figure 4.1: Gender of the respondents

Logistics theatres play a crucial role in the corporate operations thus is complex and requires competitiveness and companies are obligated to recruit staffs who are well trained and educated workforce in order to register growth. The study establishes that the levels of education of the respondents in the logistics service industry varies with majority holding undergraduate degrees at 50.0%, followed by postgraduate qualification holders at 29.4% and qualification in technical or vocational 20.6% as shown in Figure 4.2. In the study on factors affecting logistics management in the service sector in Kenya: a case of agility logistics, Isaboke (2017) found that there were 38% respondents who had tertiary certificate while those who had diploma qualification at 32% whereas those who had a bachelor’s degree were 20% and lastly at 10% were those with post graduate qualification. The broad spectrum reach of the industry is conveyed by the great need for an extensive gamut of proficient labour force to fill the range of job functions. This band

includes technical colleges, post-secondary and graduate-level programs, as well as professional industry certifications. From the analysis on levels of education of the respondents, it was noted that 20.6% of the sample held qualification in technical or vocational, 50.0% were undergraduate degrees holders and 29.4% were postgraduate qualification holders as shown Figure 4.1.

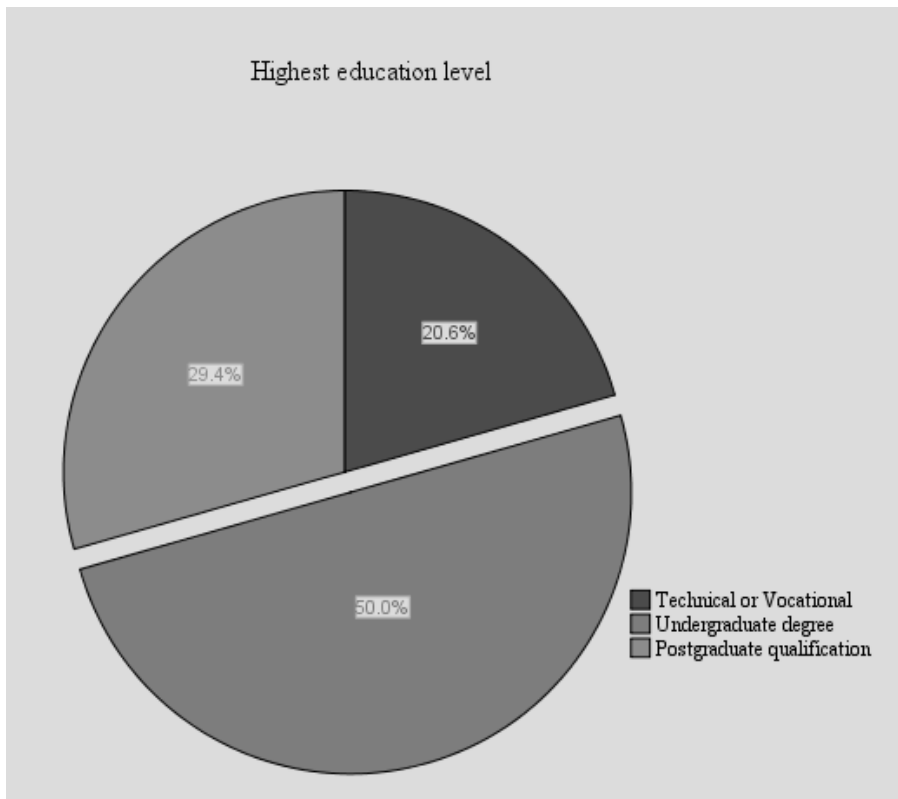


Figure 4.2: Education level

Analyzed findings show that 1.1% of the respondents were KAA handling officials, 3.2% were KRA customs officials, 2.1% KPA handling officials, 2.1% NTSA licensing officials, 90.5% were customs agents, and 1% industry trade union officials as shown in Figure 4.3.

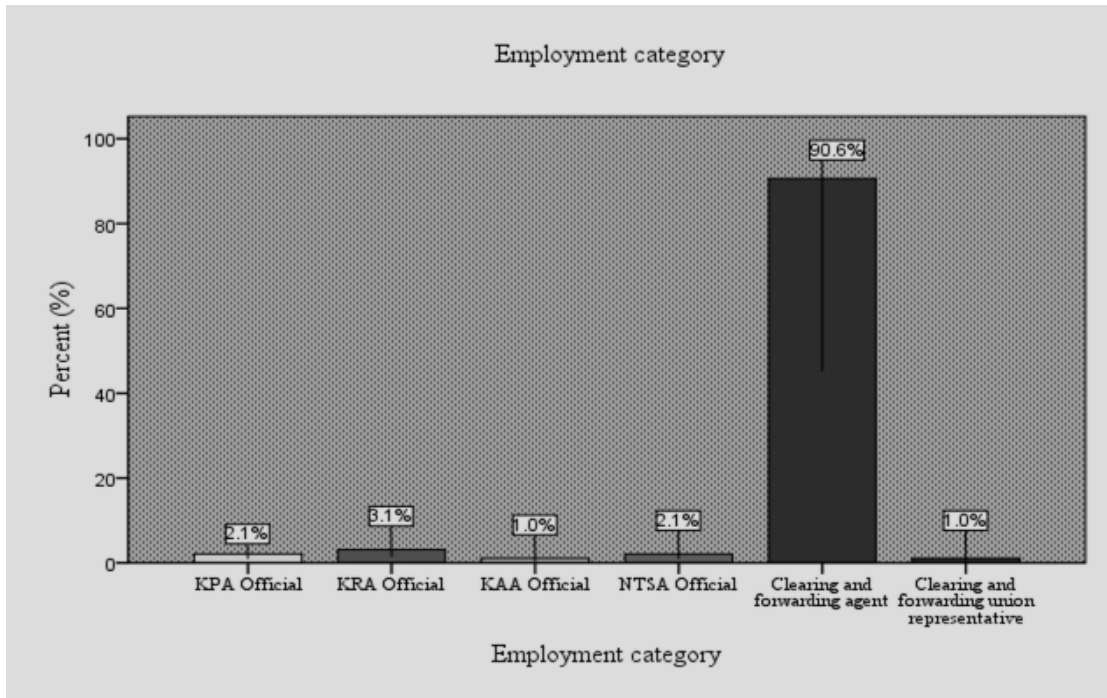


Figure 4.3: Employment category

Those who have been employed for Over 10 years constituted 35.3%, between 6-10 years constituted 23.5%, between 1-5 years constituted 32.4 % and below 1 year 8.8% of the respondents as shown in Figure 4. For the duration of employment in logistics service industry, this study established that those who had worked for more than ten years were the majority at 35.3%, followed by between 1-5 years at 32.4%, between 6-10 years came third at 23.5% and then below one year at 8.8% as shown in Figure 3. In a case study of Agility Logistics, it was found that there were 59% of individuals with experience of more than five years, while 23% had experience of 3-4 years while those with 1-2 years of experience represented 18%. These findings on Agility Logistics compare positively with the findings of this study.

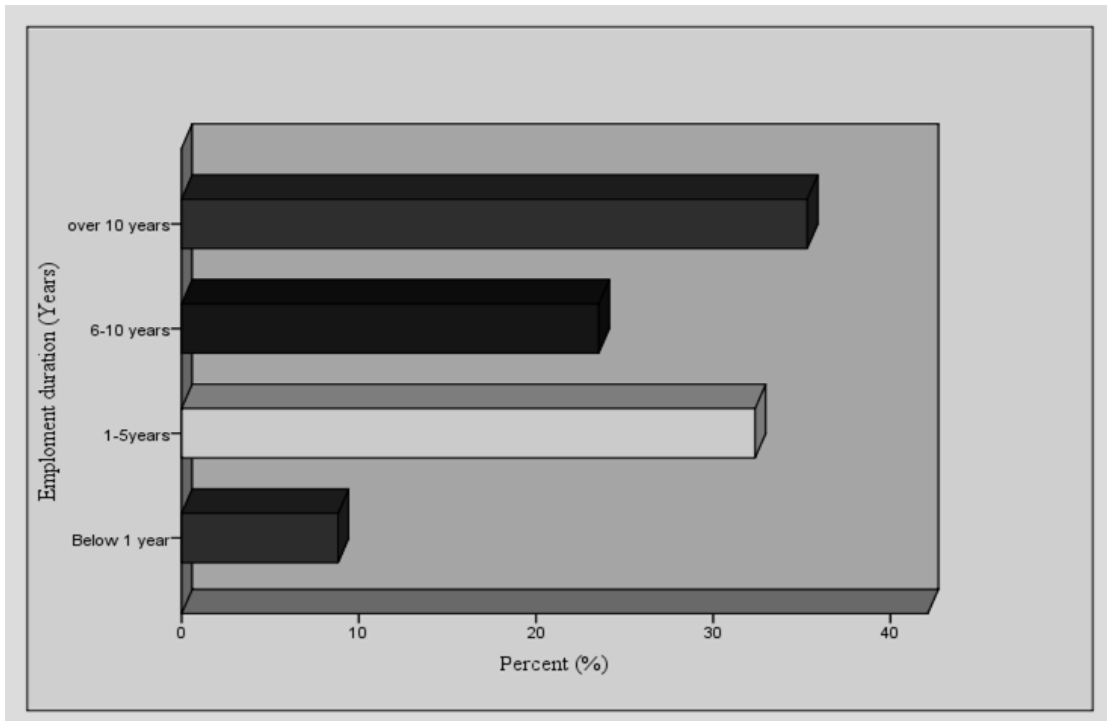


Figure 4.4: Employment duration

Frequency of logistics service industry training more than once annually for the employees accounted for 41.2%, annually was 35.3%, sporadically and never each counted for 11.8% as shown in Figure 5. In relation to quality, logistics industry deserves human resources that is highly qualified. There's been a skewed view when need for training especially on short-term basis is mentioned for staff where most companies focusing on international transport, supply chain information system and management. Of businesses that lack qualified staff especially those lacking knowledge in logistics, in Vietnam it goes up to 53.3% while those in comedy industry about 16.7% as surveyed by the City Development Research Institute in Ho Chi Minh City. Upon retraining of employees, at least 30% of enterprises must have faith in their qualification. Results from the survey doesn't fully agree with the Research and Development Institute of the

National Economics University that stated that training of staff in the logistics area is done through the work they do daily at 80.26%, those who are trained in domestic courses cited at 23.6%, there was 6.9% where foreigners were hired to do the training while the least 3.9% allowed staff to attend training overseas. The study further revealed that, the direct implementation of daily work accounted for 80.26% of the workforce in logistics seen as unofficial professional training. Moreover, it is seen that training for specialists in logistics is not done in universities and specialized logistics institutions but in several sources. The managers get training and are even retrained but most of the knowledge and experience they get is from the business itself and therefore lack a lot on quality and the methodology to use. It is established that individuals who do jobs relating to logistics graduated at the university with majors that are outside of logistics (Tien, 2015; Tien, 2017).

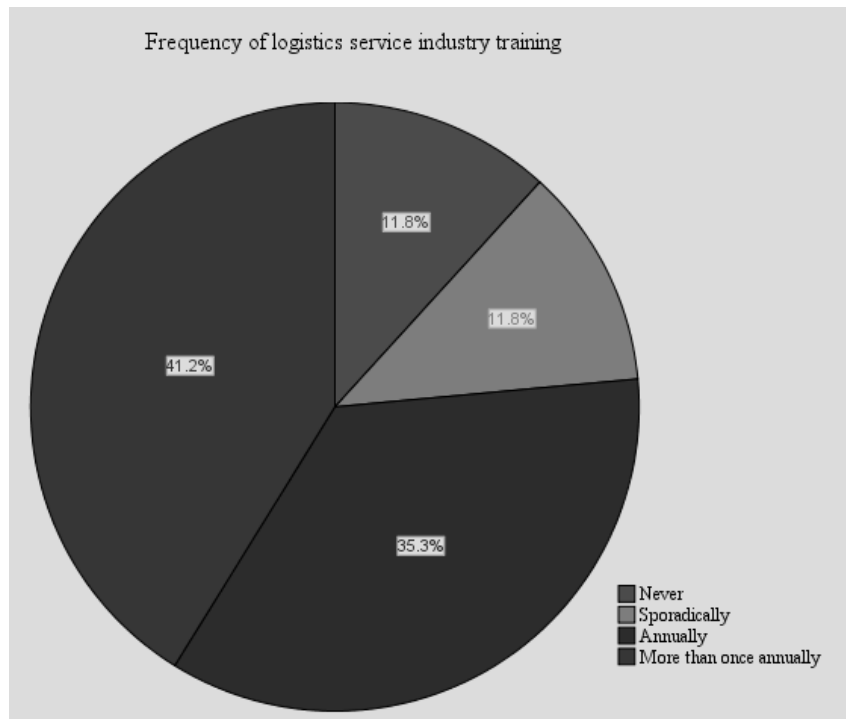


Figure 4.5: Frequency of logistics service industry training

The respondents who understand the level of regulatory framework of logistics service industry very well stood at 64.7%, moderately stood at 17.6%, slightly at 8.8%, well stood at 5.9%, and not at all stood at 2.9% as shown in Figure 6. The study establishes that majority [64.7%] of the agents and personnel in the Kenya's clearing and forwarding industry, understands the existing regulatory framework very well. Whereas the rest have moderate or slight understanding. However, the agents strongly disagree [50.0%] and disagree [47.1%] that the regulatory framework is adequate and sufficient.

For the reason that of the complex nature of logistics services, the policies governing the sector are quite unreliable and far worse in developing countries. World Bank patron countries are finding it a challenge to come up with matters that are making it hard to make improvements in the logistics competence. Consequently, it is constructive to

comprehend the regulations in the logistics industry and areas to focus on in order to improve the competence in the area. Watanuki (2015) suggests that, when coming up with policies to regulate the sector, a consideration of what the nation agrees with on freight forwarding business, thus a clear division is streamlined including relevant stakeholders and fit into the context of the particular country.

The World Bank report, *connecting to compete* [2018], the movement of goods across and within borders of the nation and the entire support services in a network is understood as logistics. It encompasses an assortment of events beyond conveyance, that cover brokerage, warehousing, delivery in an express way, terminal operations and data relating to managing information.

It is not surprising that it's been recognized that the effectiveness of the logistics sector has led to its recognition as a core development enablers according to publication of The World Bank in *connecting to compete* [2018]. Further, The World Bank also adds that when better policies are implemented, the performance in the logistics sector will greatly improve. With introduction of such policies, they will shelter the regulating services; the quality of (PPPs) public-private partnerships will raise; infrastructure on transport will be provided; controls implemented especially for goods from the international ground.

Effective policy implementation to cause an improvement in how logistics perform is quite a task today compared to in 2007 according to The World Bank Report (2018). The scope of implementation has widened from what was traditionally focused on facilitating trade and infrastructure. Presently, a lot of consideration is given on resilience and all through developed nations as well as in developing countries. The remaining challenges

we have now are training and development of skills, spatial dimensions of logistics as well as specifying the legal and regulatory framework.

The World Bank Report (2018) findings are in concurrence with the outcome of this study by reporting that reforms are affected by several stakeholders and agencies thus the implementation is slowed down, thus even reversing if mechanisms are not cooperative is unsustainable. This delinquent is eminent in countries yet to develop especially in the transport sector and single-window trade facilitation.

World Bank Report (2018) portend that the soft reforms translate to returns on investment more quickly and at a higher rate compared to hard infrastructure. Eventually, for nations where logistics is an integral part of the economy, there are far-reaching changes introduced. These countries happen to have a combination of policy perspectives for example facilitating trade, reforms in the regulatory sector as well as trade and planning on the investments. These nations offer interagency coordination seamlessly and also create very strong public-private dialogue.

Among the eight challenges at the top in the logistics sector, one is government regulations as stated by Capgemini (2015) affecting a third of logistics. Compliance regulations as put by the federal, state and even local authorities are faced by carriers.

Global shipments are to a great extent influenced by governments. There are more than 40 agencies that have release and hold authority as well as getting involved in shipment globally as reported by Wall Street Journal, in the US. Approval is obtained from EPA, FDA, US Consumer Product and Safety Commission, and Department of Agriculture even if shipments have been cleared from the ports. To add on that, an impact on logistics

is brought by law permits on zoning and taxes on shipping internationally and domestically.

According to Hollweg and Wong (2009) publication on measuring regulatory restrictions in logistics services, local, state federal and authorities impose stringent measures to logistic carriers. There comes a challenge for personnel in companies to familiarise with security rules and regulations as they vary across the countries. In the long run, these regulations act as a limitation to the autonomy and scope of companies in logistics and also hinder the freedom they have in exploring options and opportunities that are available.

According to Hollweg and Wong (2009), precincts to trade in logistics services are barricades that constrain logistics services providers (LSPs) from inflowing or operating in a market. There have been documented different restrictions to trade that range from various sources such as the infrastructure being poor thus slowing down transport of goods, this study is largely focused on the ones that come from the government where the entry and operations of the logistics industry are restricted. These regulations imposed by governments could either be discriminatory or non-discriminatory especially against suppliers of Foreign Services. Prejudiced guidelines affect only suppliers of foreign nature and favour them less compared to the domestic suppliers. We find some economies even prohibiting these foreign suppliers from availing their own services related to the ports such as handling cargo which is quite discriminatory. On the other hand, non-discriminatory regulations work in favour of both foreign and domestic providers in equal measure and can as well be restrictive.

With these regulatory restrictions the market efficiency in the logistics industry is reduced as well as competition. It's realized that, sometimes these regulations imposed by government to limit competition are there to help tackle market failures or meet an objective socially. However, as they act like that, they tend to restrict trade in logistics therefore as such form part of the scope upon which this study is limited to (Hollweg and Wong, 2009).

Priest, (1998) opines that, stronger business ethics and values result from self-regulating measures, but can as well lead to an unsuccessful environment if the business culture is not well rooted. The author, Priest 1998 further argued that, weak compliance can result when regulations brought by governments do not command support fully by the businesses that they affect. With mechanisms that are self-regulatory in the compliance part could yield to stronger benefits because the members are likely to buy-in and also could have helped to design them and as such have vested interest upon them succeeding.

OFT, 2009 reported that, consumers could as well benefit from the degree of commitment as in most cases it could lead to 'raise the bar' of the business and fuel them to greater standards.

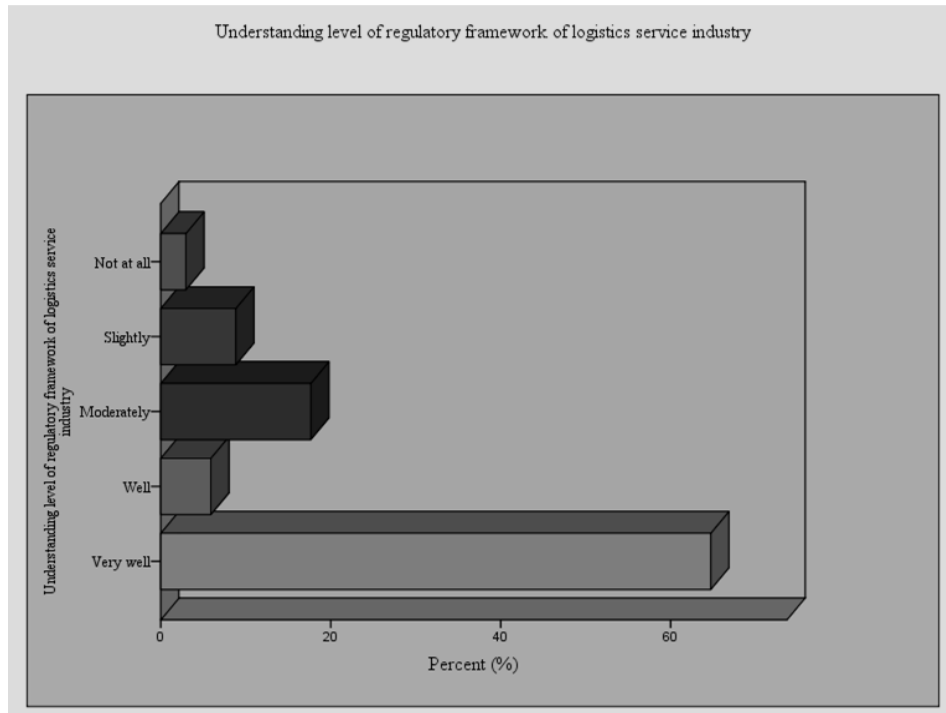


Figure 4.6: Understanding level of regulatory framework of logistics service industry

Concerning, regulatory challenges experienced, from the analysed data it was noted that a majority of respondents in the sample population standing at 91.2% believed lack of uniform regulations for all the government agencies causes delays, 5.9% opined that lack of proper vetting of clearing agents and 2.9% of the respondents did not know regulatory challenges experienced as Figure 4.7. Isaboke (2017) was out to find out the effect brought by regulations and procedures imposed by the government on the customs and clearance on the company. From the study, a great number of the participants believed in a strong way that the regulations and procedures on the custom clearance affected the management of operations in logistics at 71% while only 27% had a different opinion.

The challenges countries experience in their logistics and transport industry is largely influenced by the regulatory frameworks that are weak as reported by studies from World Bank. In a country like Greece to set as an example, there are various agencies acting in the industry leading to duplication of these frameworks and regulations thus creating overregulation (World Bank, 2013). On the other hand, the Community of East Africa has very little regulatory oversight thus we find operators who are not fully skilled entering easily and operating the industry whereby they lack relevant quality, professionalism and efficiency in the services they provide (Arnold, et al., 2011). The publication of requirements needed to license the service providers of logistics is rarely done at a central place. The study finds that regulations covering businesses in truck lie under the transport ministry, those that cater for bonded warehouse licensing for this specific operator are under the compliance of customs. The operator of warehousing still has to follow guidelines on fire regulation provided by the fire department. The study finds that operators of foreign origin are given more strict measures compared to the domestic ones. The foreign operators follow regulations that are given by the ministry of commerce. In short, the study rarely finds a “one stop shop”, to be called the ministry of logistics.

As a country, Kenya started to localise a bill in the region to code measures and standards to handle the freight forwarding industry. In order to bring professionalism in the industry, The East African Customs Agents and Freight Forwarders Management Model Bill, 2017 was established and was to be adopted by all 6 East African Community states. The same of the Kenyan version was later tabled in October 2019 and was expected to start operations as 2020 began. This Bill has an intension of creating a board for self-

regulation and the clearing agencies need to acquire new licences for them to practice. The licence is to be renewed each year. In the Bill, the agents involved in clearing will be responsible for any lost cargo and also require the freight forwarders to have no complains made against them. From the findings of this study, an enormous 70.6% of the respondents disagreed that each East African Community member state should independently determine which regulatory model to follow as shown in Figure 4.6.

The finding of this study strongly support that self-regulation, if taken as an alternative to government regulation, will enhance professionalism and compliance hence boost revenues for both customs and agents, thereby making dealing with rogue agents easier.

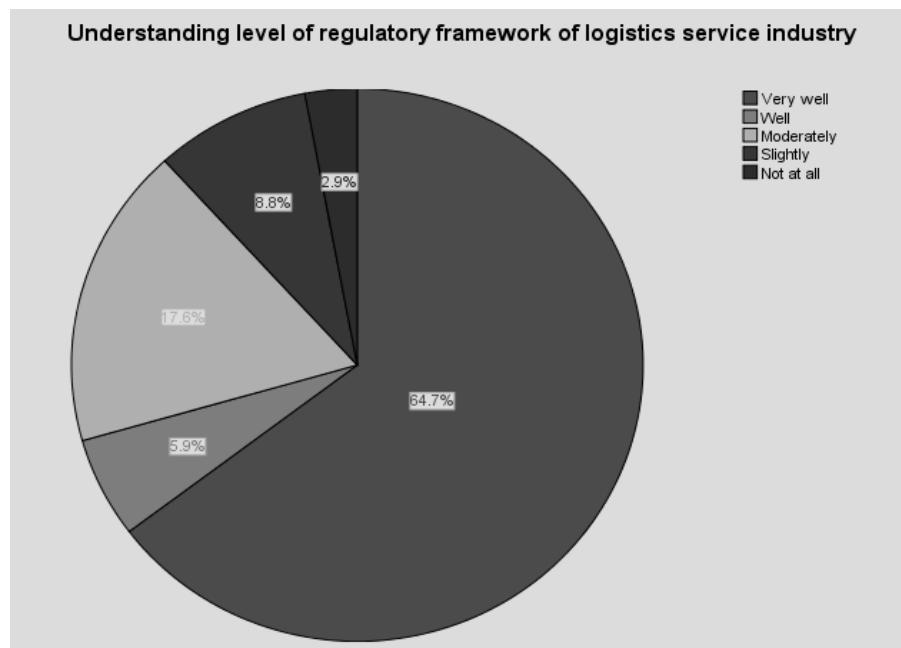


Figure 4.7: Regulatory challenges experienced

The research sought to establish major breaches of conduct common in the logistics service industry. Analysed data indicate that duplication and too many bureaucracy among partner government agencies is the major breach at 91.2% followed by none payment of customs to commissioner customs at 5.9% and the respondents nor aware of the breaches stood at 2.9% of the sample population as shown in Figure 4.8. Reduction of transport costs leading to low payment of customs duty and taxes is a major item in logistics. Freight forwarders and agents tend to have a negotiation for the most amounts in the transportation of cargo. With the rise in the cost of fuel, the consequence is seen as it makes it difficult to transport goods and materials across places especially when it comes to the imports and exports. The study finds that some players in the industry are not aware of what stakeholders in the logistics industry are supposed to comply with in terms of regulations and laws. The rules set on carrying goods vary across different countries to the destination of the goods. As a result, the experts in logistics need to be aware of the laws that currently apply and any upcoming updates on these aspects. It will really cost the business if a mistake is made in the documentation or lack of it. This is a challenge faced by all the companies in the logistics industry and a huge responsibility bestowed upon them.

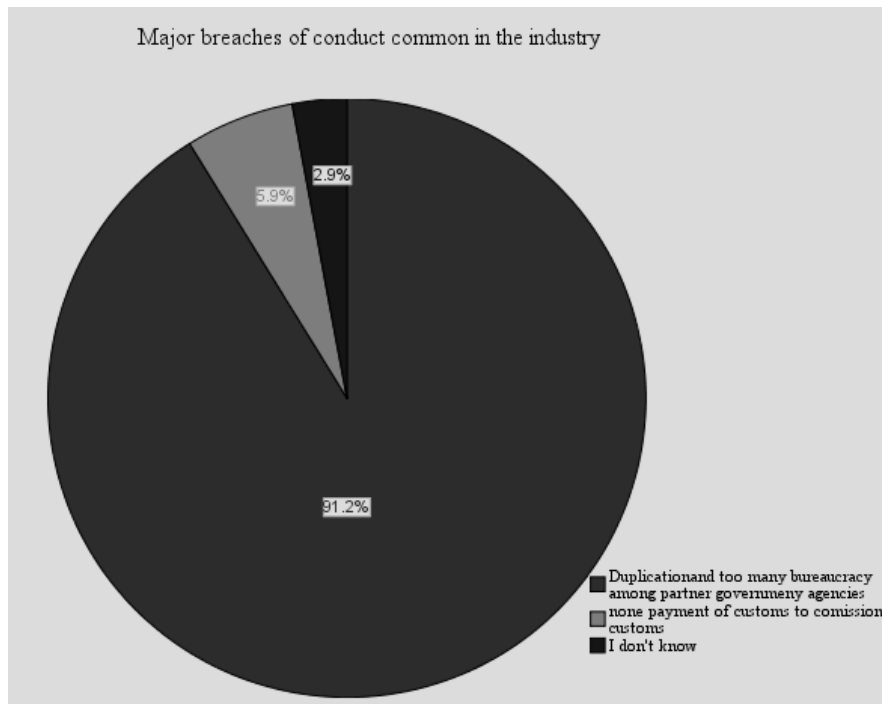


Figure 4.8: Major breaches of conduct common in the industry

An analysis into adequacy of the regulatory framework revealed that a larger pie of the interviewed population at 50.0% strongly disagreed negating that the regulatory framework is adequate to address the major breaches of conduct. This percentage was followed closely by those who disagreed at 47.1%. The fraction of those unsure were 2.9% of the sample as shown in Figure 4.8.

Regarding adequacy of the regulatory framework, there are mixed findings. This study finds that a slim majority disagree. It is evidenced of the comprehensiveness of the frameworks of regulations in the logistics industry. The rapid growth noticed in e-commerce is also seen as a fulfilment in online businesses and hubs as innovations in the logistics industry sprout. This does not mean there are no challenges on-going experienced by providers of logistics. To state an example of the challenges we have; the

players in logistics have difficulties in getting cleared at the customs as there exist no standard procedures for clearance used by customs officers at the ports; these cause lots of delays simply because the custom orders and procedure keep changing and notification of the same not done prior. This means that the providers of logistics need to keep checking these procedures and adapt to the changes made (Jawi et al., 2012).

The complex environment of regulations that providers of logistics operate in causes many disadvantages. Resources are required when dealing with various authorities by the company in terms of financing and time. The company also has to do a research on what requirements are needed by them for operations to take place and apply for the relevant permits in addition to fulfilling the actual regulatory procedures. With the limited personnel and financial resources the (SMEs) small and medium sized enterprises have this is quite a challenge for them. There is also the longer processing time for authorities due to the duplication of information regarding regulations. There is also a possibility of human error and authorities having conflicting information. We have countries that provide for system of one window which lessens the regulatory burden on companies at least allowing them overcome barriers and offered efficient service delivery by authorities (Watanuki, (2015).

The study has a number of factors that affect regulations in the logistics industry that make the regulatory framework quite complicated. These include; the nature of the process being multi-sectorial, fragmentation, priorities of the national politics, cultural norms and historical legacies. These numerous factors are the reason for not having a simple model used by the logistics regulations in the different nations. These regulations

get to span across multiple sectors and often are not transparent to service providers (Watanuki, 2015).

Watanuki, (2015) elucidates that Ministries of Transport frequently do licensing at the national and sub-national levels which is double. to take Sudan as an example, the companies in the trucking sector have to get registered at a state level then again at the business level. For this to be done, the companies need to register at the national level at the national level with the ministry of transport to get vehicle registration and inspection. Transport policies and strategic plans are developed by the ministry of transport which is seen as a supervisor and regulator of businesses in transport while on the ground level; the freight forwarders consider the regulator of their business to be the state traffic authority. With this varying layer of licensing regulations, there's unclear understanding of who really regulates the industry and thus can distort the roles played by the regulators. There could also be a duplication of procedures for licensing both at the national and regional level. For a study in Greece on the assessment of logistics, (World Bank, 2013), it pointed out that some truckers licenses were issued by municipalities, and the operators needed to follow similar and parallel procedures to get those licenses whereby one was at the local authority level and the other from a department of transport at the ministry.

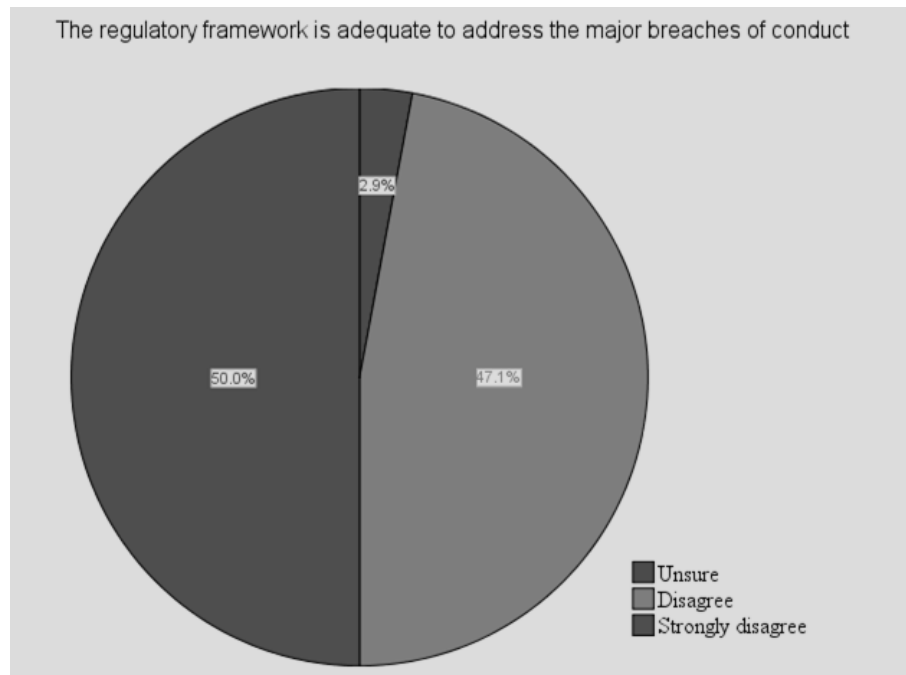


Figure 4.9: The regulatory framework is adequate to address the major breaches of conduct

The study sought to understand whether self-regulation and accreditation are viable alternatives to address the major breaches of conduct. The findings show that 61.8% of the sample strongly agreed that self-regulation and accreditation are viable alternatives, 32.4% agreed while 5.9% disagreed as shown in Figure 4.9.

According to Watanuki, (2015) there are two sections that provide regulations for the freight forwarders; one is the regulations that the governments stipulate and others established by voluntary industry associations or self-regulators. These two forms of regulations coexist within the same place with different enforcement capacity.

Further, Watanuki, (2015) provides that official orders and rules that are enforced by governments are called statutory regulations. Governments are regulators as the laws

possess power to enforce compliance. For the implementation of services in the logistics services, the transport ministry and other government agencies stand as a responsible party in its enforcement.

For foreign operators of logistics, there are statutory regulations they operate within them that are found as a part of foreign direct investment (FDI) laws. These FDI laws make a limitation to foreign operators of logistics as they enter the market, and as such the laws working for foreign operators are stricter and rigorous resulting from several layers of restrictions related to FDI.

According to UNESCAP, (2011) the industry of logistics services are open to regulations made by voluntary associations not just the laws. These voluntary associations in the industry aim at uniting members and look after their wellness as their primary interests. These regulations can be seen as being authoritative rules that have procedures detailed in them that aim at controlling specific things. These voluntary associations that act as self-regulators come up with rules and they oversee their implementation. In comparison to laws, self-regulations do not have the power legally to motion sanctions and penalties for operators that do not comply and as such do not have the enforcement powers in implementing regulations.

The voluntary industry associations also represent the industry for lobbying purposes apart from playing the regulator role. In cases where the laws as imposed by government exist, and there's need for improvement and reforms as projected by voluntary associations, these associations act to voice the views of businesses to government to effect these improvements. With these in mind, members of industry associations form

part of committees in government to air the views of members the industry (Watanuki, 2015).

In the enforcement of powers between laws and self-regulations, a mechanism of sanctions is implemented that is dependent on the capacity of those implementing it. Imposing of sanctions is done for operators of logistics who are not compliant to the laws and those who violate these laws. For self-regulations, since they lack the lawful power, they are not able to effectively sanction offenders. In terms of compliance, however, we find laws working better in comparison to self-regulations. Weak implementation capacity of governments could make it impossible to put the laws into full implementation (World Bank 2014).

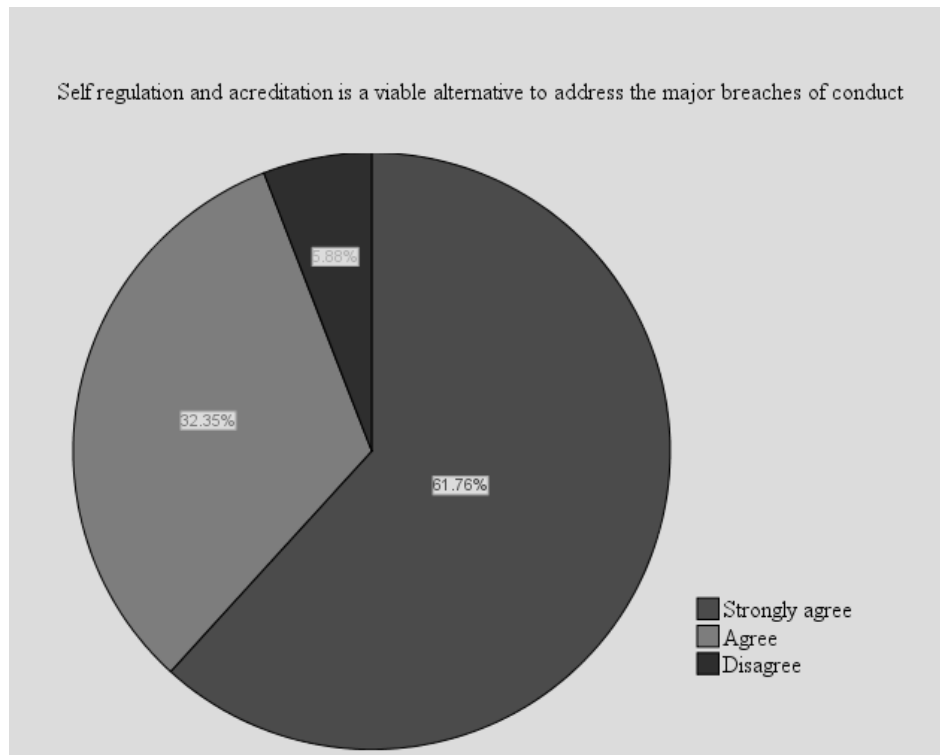


Figure 4.10: Self-regulation and accreditation is a viable alternative to address the major breaches of conduct

Of the sample population interviewed, 64.7% strongly agreed that with self-regulation compliance was easier to monitor and enforce, 23.5% agreed while 11.8% disagreed as shown in Figure 4.10.

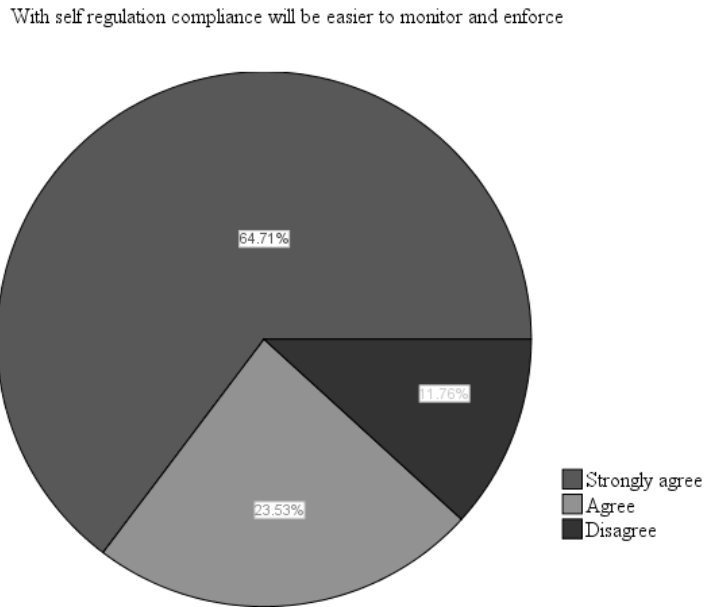


Figure 4.11: With self-regulation compliance will be easier to monitor and enforce

Self-regulatory, legally ethical binding codes and professional conduct are effective. It was noted that respondents who strongly agreed that self-regulatory, legally ethical binding codes and professional conduct are effective were 67.6%, while respondents who agreed were 20.6%, respondents who disagreed and unsure were 8.8% and 2.9% respectively as shown in Figure 4.11.

Self regulatory, legally ethical binding codes and professional conduct are effective

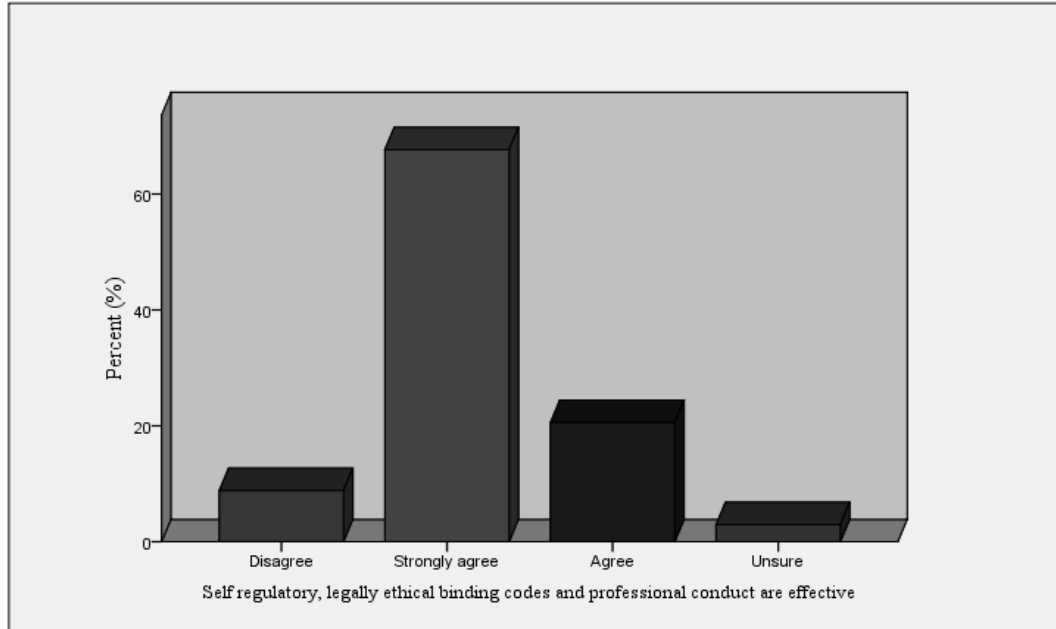


Figure 4.12: Self-regulatory, legally ethical binding codes and professional conduct are effective

The findings on investigation of self-regulation as a sustainable model of regulating the clearing and forwarding industry in Kenya show that 76.5% of the respondents strongly agreed, 17.6% agreed while 5.9% disagreed as evident in Figure 4.12.

Self regulation is a sustainable model of regulating the clearing and forwarding industry in Kenya

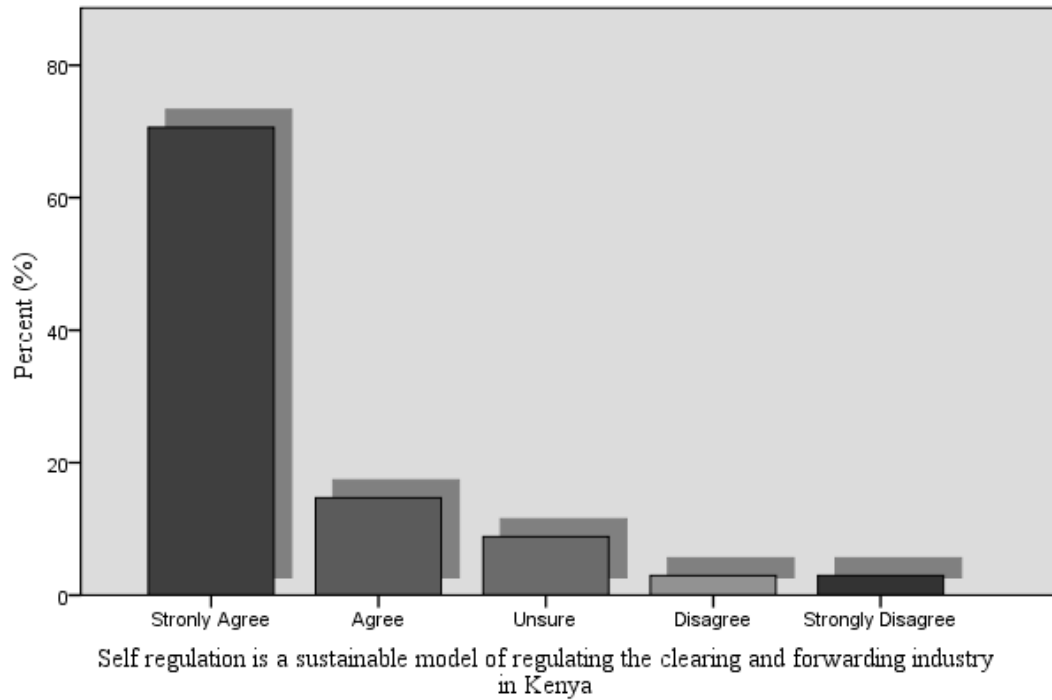


Figure 4.13: Self-regulation is a sustainable model of regulating the clearing and forwarding industry in Kenya

The study endeavored to establish the benefits of self-regulation. The findings show that majority of respondents in the logistics service industry at 88.2% agreed that self-regulation will enhance professionalism while a small percentage at 11.8% negated as shown in Figure 4.13.

Self regulation will enhance professionalism

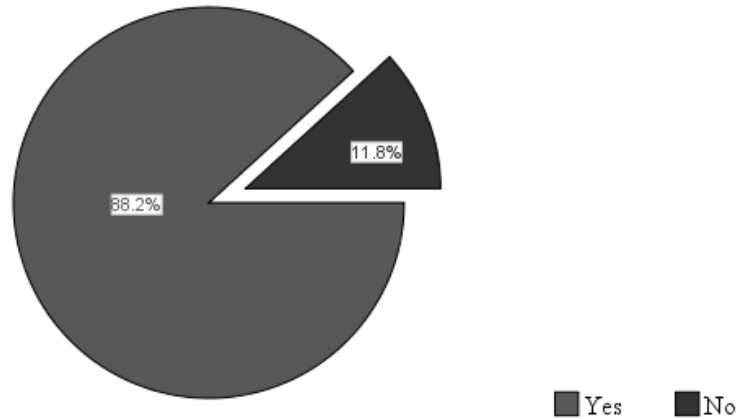


Figure 4.14: Self-regulation will enhance professionalism

It was evidenced that self-regulation will enhance compliance hence boosting revenues for both customs and agents. Respondents who agreed that self-regulation will enhance compliance hence boosting revenues for both customs and agents stood at 91.2% while those with contrary opinion stood at 8.8% as shown in Figure 15. The findings depict that majority of respondents agree that the current regulatory framework has enhanced revenue collection for both of customs and agents.

Self regulation will enhance compliance hence boosting revenues for both customs and agents

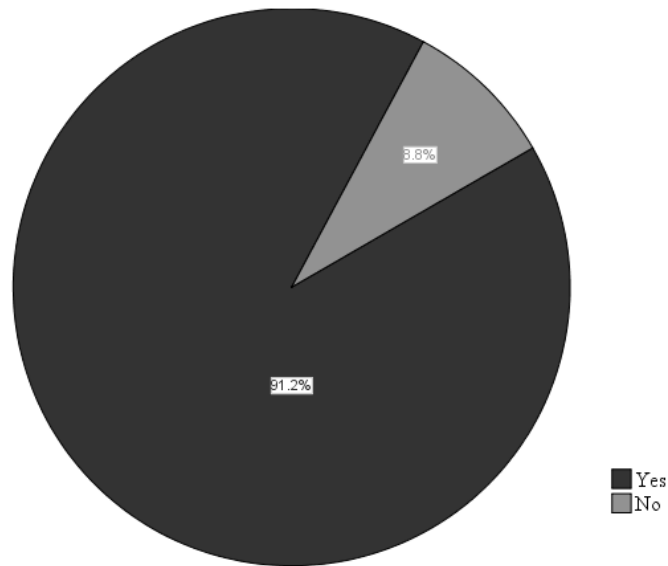


Figure 4.15: Self-regulation will enhance compliance hence boosting revenues for both customs and agents

It was revealed that Self-regulation will help in dealing with rogue agents will be easier. This benefit of self-regulation was supported by 88.2% while those who disagreed were 11.8% as shown in Figure 4.15.

Dealing with rogue agents will be easier

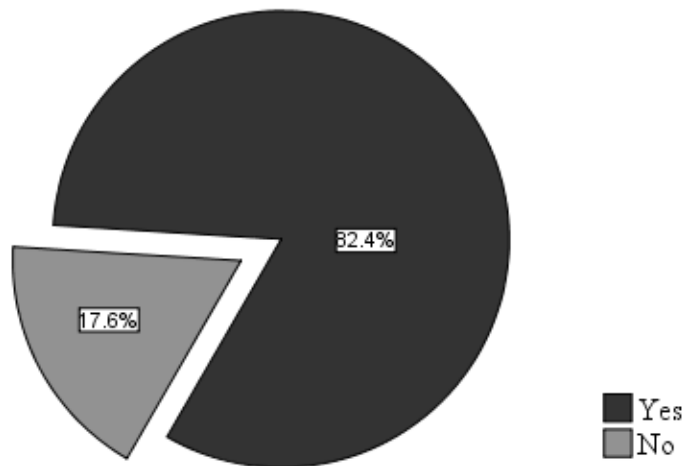


Figure 4.16: Dealing with rogue agents will be easier

Moreover, self-regulation will help in minimizing time taken to clear shipment hence reduce costs occasioned through errors. This was supported by 91.2% against 8.8% as shown in Figure 4.16.

Will help in minimizing time taken to clear shipment hence reduce costs occasioned through errors

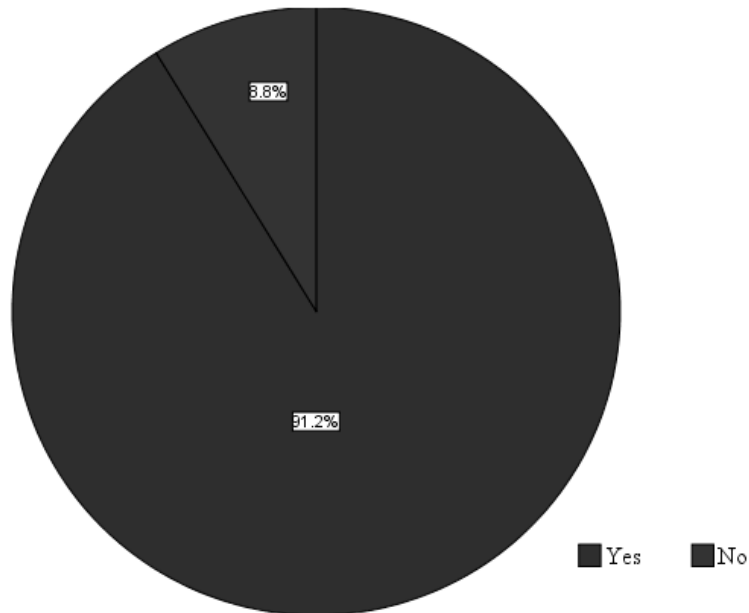


Figure 4.17: Self-regulation will help in minimizing time taken to clear shipment hence reduce costs occasioned through errors

Regarding adequacy of training administered in the logistics service industry, majority of respondents at 76.5% disagreed that the training administered is adequate for imparting necessary knowledge and skills to keep up with the industry needs, 17.6% strongly disagreed while 5.9% were unsure as shown in Figure 18.

To enhance professionalism in the logistics sector, The East African Customs Agents and Freight Forwarders Management Model Bill, 2017 set to be adopted by all 6 East African Community states. This Bill in Kenya was put on table in October 2019 and was to start operation as 2020 began. Continuous professional development was to be made a must by the Bill and have an incorporation of technical qualifications for individuals to work as

freight forwarders. The Bill creates a board of self-regulation that all agents for clearing need to apply for new licenses of practice. The obtained results from the study show that 41.2% of respondents in of logistics service industry undergo training more than once annually, 35.3% annually, 11.8% sporadically and 11.8% have never attended any training as shown in Figure 12. Logistics, an imperative action that make broad utilization of both human and material assets that exerts spur a country's economy. A few considerations have been embraced to endeavour to assess how logistics affect the economy and to what degree. It is established from the study that the training administered to the agents is not adequate for imparting the necessary knowledge and skills for keeping up with the industry needs. This is established in the frequencies of trainings offered from the sample population annually. This further, reveals there are some agents who get the training sporadically or not at all.

It was noted from the study that the training administered to the agents is not adequate for imparting the necessary knowledge and skills for keeping up with the industry needs. Majority of respondents at 76.5% disagreed that the training administered is adequate for imparting necessary knowledge and skills to keep up with the industry needs, 17.6% strongly disagreed while 5.9% were unsure as shown in Figure 18. In order to attain professionalism in the industry, The East African Customs Agents and Freight Forwarders Management Model Bill, 2017 set to be adopted by all 6 East African Community states. In the Kenyan part, this version came on table in 2019 October and was set to take effect as 2020 began. The freight forwarders were expected by the Bill to have technical qualifications and also undergo professional development in a continuous

manner. The agents doing clearing services are also required to take up new licenses of practice as stipulated by the Bill for the self-regulating board.

Gitlow et al., 2005 reported that data and materials that flow through the organization are incorporated in the logistics service industry. This involves a series of processes from when the item or service to be rendered is developed, all through to how the incoming raw materials are handled, the creation process, storing of merchandise that is complete and then to conveying the same to the client and later on the provision of services after sale has been done. Thomke, 2007 reported that the pervasiveness of logistics service industry has advanced and intensified over time due to the rise of new-fangled developments and the expansion of energetic strategic alliances keeping in mind the end goal to contend on adaptability and responsiveness.

The World Bank report, *connecting to compete [2018]* published that today [since 2007], international logistics are increasingly intertwined with domestic logistics. This concurs with the study findings that provide quantitative evidence that Kenya should adopt international industry practice.

Doing business [2019] by the World Bank, established that most economies [mostly the developing countries] do not have legally binding regulations that mandates training for business registry offices. This fact tallies with our study data that evidently proves inadequacy of training the agents, for imparting the required knowledge and skills for keeping up with the industry needs.

According to the research findings of Isaboke (2017), it is important for operations in logistics management to be made more smooth, cost effective and convenient to the users

by governments and other organizations, thus the need of them seeking a way to better understand the challenges, dynamics and challenges of offering effective management of logistics in a pro-active and timely manner. There are potential gains when logistic activities are embraced, managed well and implemented in a proper manner that both private and public institutions need to appreciate that. This requires therefore that, the two entities need to set aside some resources to conduct research and development in the critical area of management of logistics. As a result of this, the future survival or demise of organizations will be determined.

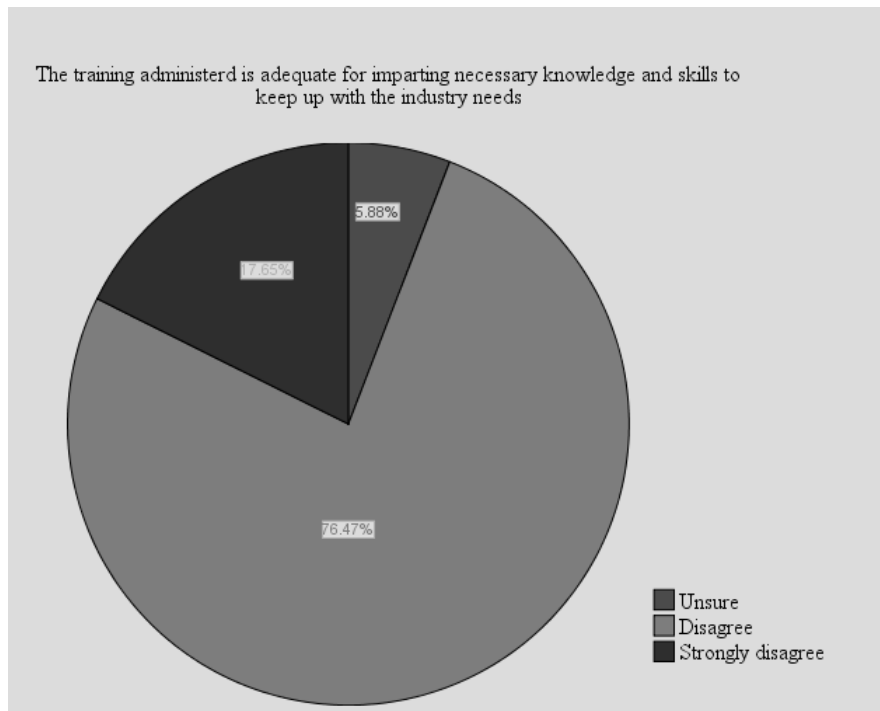


Figure 4.18: Adequacy of training administered in the logistics service industry

A high percentage standing at 79.4% strongly agreed that Kenya's clearing and forwarding industry should adopt international industry practice, 17.6% agreed while

2.9% were unsure as shown in Figure 19. Globally, it's seen that building a marketplace in an economic environment of growth, with trade among countries that transcend across its borders where in the previous moment there were barriers. The double-edge of globalization works that it offers comparative advantage opportunities as well as increasing the competition. It calls for governments to take note of these changes and how they impact areas of investment and infrastructure development as well as economic growth. For companies to penetrate through market that improve on returns, they use logistics as a key business tool. The status quo in the regional supply chain is challenged in terms of location of manufacturing, channels used for distribution, number of suppliers and the system of information as utilized by regional supply chains. An increase in outsourcing and change in structure terms has raised from evolution to intermodalism and rationalization of suppliers. This means that governments and the industry to work in tandem to ensure they manage changes together effectively in the industry to improve performance and effectiveness. The areas in which they can work together include implementation of logistics, developing policies and integration of infrastructure, removing impediments, improving the information and technology mechanisms, ensuring foreign investments is maximized and managing the change.

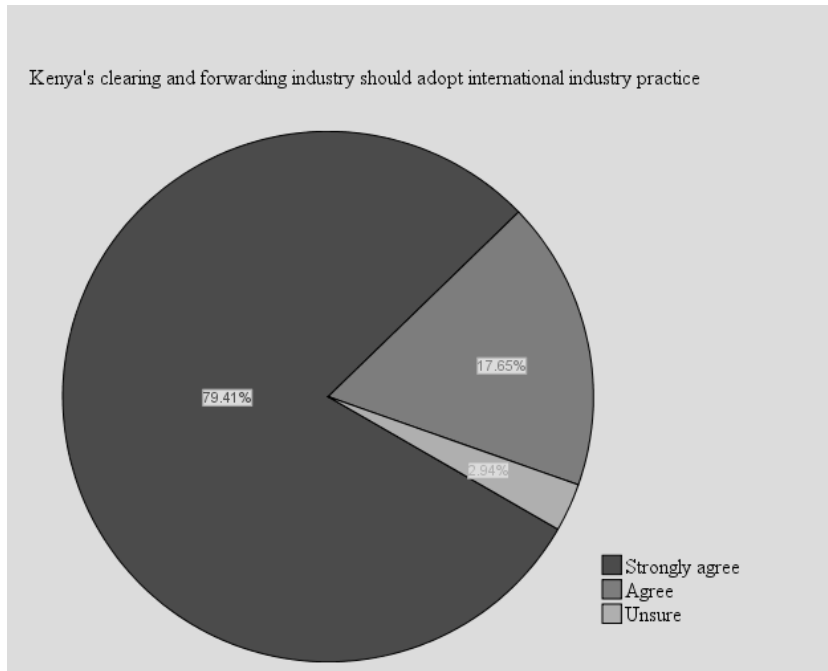


Figure 4.19: Kenya's clearing and forwarding industry should adopt international industry practice

An enormous 70.6% of the respondents disagreed that each East African Community member state should independently determine which regulatory model to follow, 26.5% strongly disagreed while 2.9% were unsure as shown in Figure 4.19.

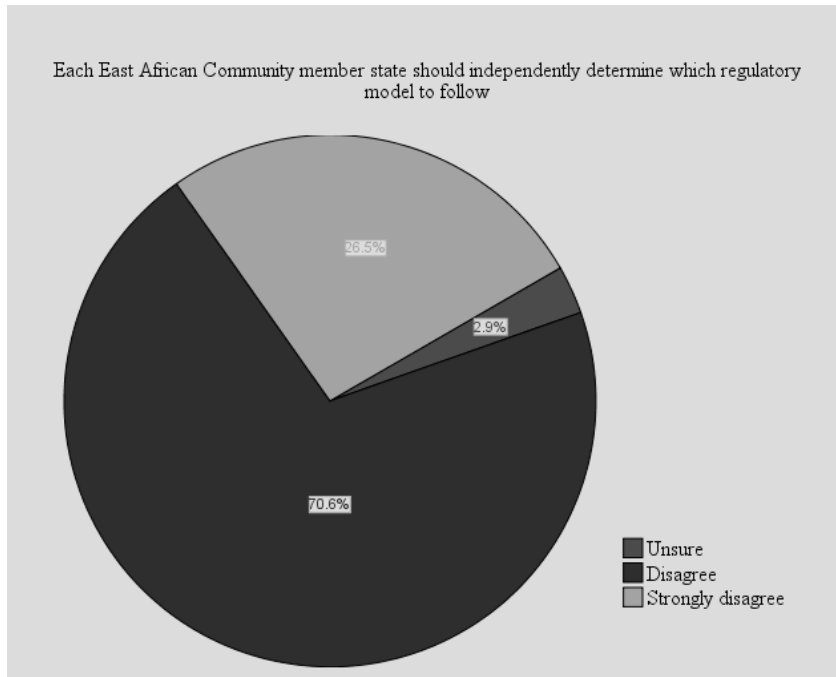


Figure 4.20: Each East African Community member state should independently determine which regulatory model to follow

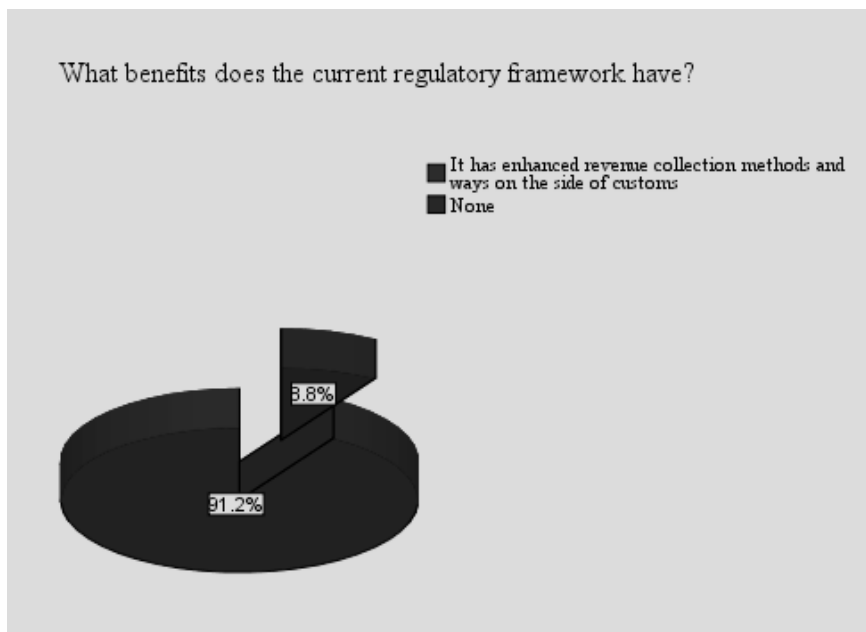


Figure 4.21: Benefits of the current regulatory framework

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This chapter provides a summary of findings, conclusions and the recommendations of this study. The study examined the regulatory challenges within the clearing and forwarding industry and provides policy makers and other stakeholders in logistics services with useful information upon the decision on how to approach the regulatory puzzle.

Existing regulatory practices in the Kenya's clearing and forwarding industry is fragmented and poses tough challenges with its shortcomings that render development stagnation in the industry. This in return lowers the economic growth of the country.

There is neither development nor growth in the Kenya's clearing and forwarding industry due to inadequate trainings, lack of uniformity in regulations among all government agencies, lack of proper vetting of clearing agents, duplication and too many bureaucracies among partner government agencies and non-payment of customs.

Self-regulation and accreditation are sustainable models of regulation and best alternatives to revive and develop the industry because it will ease compliance enforcement and monitoring, enhance efficiency by minimizing clearance time and make it easier to deal with rogue agents.

Adopting international industry practice will result to more economic opening and growth, than each East African member community independently determining its own regulatory model to follow.

The study results and findings evidently imply that it is beneficial for Kenya's clearing and forwarding industry, to implement self-regulation and accreditation and adopt international industry practice. Kenya should increase the frequency and quality of training to its agents to keep them up to date and improve the know-how of its work force.

5.2 Recommendations of the study

This study recommends that Kenya's clearing and forwarding industry to adopt self-regulation to enhance professionalism, boost revenues collection for both customs and agents, make dealing with rogue agents will be easier, will harmonize the sectors regulations, proper vetting of the forwarding and clearing gents. Similarly, this study recommends that the Government of Kenya to legislate Kenya's clearing and forwarding industry laws that avoid duplication and too many bureaucracies among partner government agencies. Lastly, this study recommends that self-regulation and accreditation of Kenya's clearing and forwarding industry should be entrenched in law as the viable alternatives for addressing major breaches of conduct in the industry.

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APPENDICES

Appendix I: Letter of Introduction

James Nombi,
0725 128903,
Nairobi.

Dear Respondent,

RE: DATA COLLECTION

I am a student at Kenyatta University pursuing a Master's Degree in Public Policy and Administration. I am conducting a study titled "the effects of the regulatory practices on the logistics service delivery" in partial fulfillment of the requirements of the award of the above-mentioned degree program. I would highly appreciate if you would spare a few minutes from your busy schedule to respond to the questionnaire provided.

Kindly provide responses to all the questions in the questionnaire as accurately and honestly as possible. The information in the questionnaire will be treated as confidential and is for academic purpose only.

Should you wish, I would gladly share the research findings with you and your organization upon conclusion of the study. Do not hesitate to contact the undersigned should you require any clarification. Your co-operation is highly appreciated.

Yours Sincerely,

James Nombi

Appendix II: Questionnaire

SECTION A: Background Information

1. Please state your gender:
Female
Male
2. In which of the following categories do you fall?
 - a) KPA Official
 - b) KRA Official
 - c) KAA Official
 - d) NTSA Official
 - e) Clearing and Forwarding Agent
 - f) Clearing and Forwarding Union Representative
3. How long have you worked within the clearing and forwarding industry?
Below 1 year
1-5 years
6-10 years
Over 10 years
4. What is your highest level of education qualification attained
Primary School
High School
Technical or Vocational Training
Undergraduate Degree
Post-graduate Qualification
5. How often are you trained about the logistics services industry?
Never
Sporadically
Annually

More than once annually

SECTION B

6. How well do you understand the regulatory framework of the logistics services industry?

Very well

Slightly

Well

Not at all

Moderately

7. What are some of the regulatory challenge(s) you have experienced in the clearing and forwarding industry?

8. What are the major breaches of conduct that are common in the industry?

9. Do you agree that the following aspects of regulation facilitate efficiency in the logistics services industry?

(Rate the statements below on a scale of 1-5, where: 1= Strongly Agree, 2=Agree, 3= Unsure, 4=Disagree, 5=Strongly Disagree)

	1	2	3	4	5
The regulatory framework is adequate to address the major breaches of conduct					
Self-regulation and accreditation is a viable alternative to address the major breaches of conduct					
With self-regulation, compliance would be easier to monitor and enforce					
The training administered is adequate for					

imparting necessary knowledge and skills to keep up with industry needs					
Self-regulatory, legally binding codes of ethical and professional conduct are effective					

10. Indicate to what extent you would agree with the following statements by ticking the option that is most applicable:

a) Kenya's clearing and forwarding industry should adopt international industry practice

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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Comment.....

(b) Self-regulation is a sustainable model of regulating the clearing and forwarding industry in Kenya

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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Comment.....

c) Each of the East African Community member states should independently determine which regulatory model to follow

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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Comment.....

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11. In your view, what benefits does the current regulatory framework have?


12. In your view, what benefits would a self-regulatory framework have?

.....

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Appendix III: NACOSTI Permit


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Ref No: **456075** Date of Issue: **15/December/2020**


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