

Kenya

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|--|-------|--------------------------------------|-------------|
| Status Index (Democracy: 6.45 / Market economy: 5.11) 5.78 | | Management Index 4.53 | |
| HDI | 0.474 | Population | 32.7 mn |
| GDP per capita (\$, PPP) | 1037 | Population growth¹ | 3.2 % |
| Unemployment rate | - | Women in Parliament | 7.1 % |
| UN Education Index | 0.66 | Poverty² | 22.8 % |
| | | Gini Index | 42.5 (1997) |
| Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003. ² Population living below \$ 1 (1990-2003). | | | |

A. Executive summary

Since 2002, Kenya's once-promising political and social development prospects have been shattered. In December 2002, East Africa's most important country proved that fair elections and peaceful change could be achieved even after long years of autocratic rule in a region ridden by civil war and unrest. President Daniel arap Moi handed over power to Mwai Kibaki and his opposition coalition, the National Alliance Rainbow Coalition (NARC). Moi's time as head of state and commander of the armed forces ended after 24 years of dictatorship-like rule. His party, the Kenya African National Union (KANU), was in power since independence for almost 40 years. Expectations in the new government were high. NARC had promised to tackle corruption and the many other urgent problems of the country, such as unemployment and high crime rates. Kibaki pledged to finalize the constitutional reform process in 100 days, to draw up an economic recovery program for the fight against unemployment, poverty and hunger, to privatize non-performing parastatal companies, to step up the campaign against HIV and AIDS and to restore law and order.

However, two years down the road nearly all hopes in the new government have evaporated. Social unrest, disputes over land, cattle and water, strikes and crime are again on the increase and an impediment to the country's modernization process. The constitutional reform, which intended to reduce the president's power and install a prime minister with executive functions, has failed. In fact, the NARC-coalition is divided over nearly all-important political issues. Since 2003, Kenya's highly paid parliamentarians have not passed more than ten bills. However, they were quick to raise their own salaries, and gravely disappointed the electorate, of which more than 60% had given their votes to NARC.

In certain sectors, the Kibaki regime achieved limited progress. Of note is the introduction of free primary education. There has been some success in reforming

the public transport sector, especially by tightening rules and regulations for minibuses operators, and by reconstructing roads. A better performing economy, based on tea, coffee, and horticulture production, tourism, a strong U.N. presence, industry, and a vibrant informal sector, contributed to economic growth rates which were unheard of in previous years. Surprisingly, the private sector seems to be rather independent from the political misery in Kenya. However, economic growth has not improved the lives of the majority of Kenyans who continue to live below the poverty line.

In late 2004, the Nobel Peace Prize being awarded to Kenya's famous ecologist, the Assistant Minister of the Environment and founder of the Green Belt Movement, Wangari Maathai, boosted Kenya's image abroad. However, it did not help her to reform the environmental sector. On the contrary, her new role as the country's flagship ministry led to her political isolation in the government.

In short, the Kibaki government, since it came to power in 2002, has failed to achieve almost all of its targets and promises. In his bid to fight corruption, Kibaki had appointed the former head of the national corruption-watchdog Transparency International, John Githongo, as permanent secretary for ethics and good governance in the office of the president. After receiving death threats, Githongo stepped down only two years later. He disclosed later that he no longer believed in the government's will to fight corruption. During his tenure, the corrupt judicial system was cleaned up, and several judges were barred from practice. Unfortunately, the lack of judges led to chaos in the courts, with trials dropped and having to be heard again. High government officials were often named as being involved in shady procurement deals with, for example, suppliers of forensic laboratories, a security system for passports and many more. Reminiscent of Moi days, donors lost trust in the government and to date are holding back millions of U.S. dollars urgently needed for the country's reform process.

Maathai and Githongo are good examples of what happened to the formerly strong civil society movement in Kenya. Today, many organizations are weakened because their charismatic leaders went to serve in the new government. Since the early 1990s, Kenya is wellknown not only for a strong civil society but also for an independent press, which is still a major asset to the country. However, even the freedom of the press has been threatened considerably by the new regime.

Moi headed an autocratic system that ruined the country, but his regime functioned with an inherent logic: Moi's decisions led to action. Kibaki is heading the same autocratic system, but without his predecessor's political authority. Kibaki failed to drive the constitutional process forward and after suffering several strokes, he has not been able to rule the country adequately. The ruling clique around the president, the so-called "Mount Kenya Mafia," cannot fill this

power vacuum. In the meantime ethnical and social disaggregation increases. For the reasons stated above there has been very little if any transformation progress in Kenya since the beginning of 2003. Little progress is to be expected until the elections in 2007, as the different parties and political personalities are already busy preparing their electoral campaigns. Despite the irreversible democratization process, it is not clear how this will lead to better political leadership.

B. History and characteristics of transformation

Kenya is still suffering the legacy of almost 70 years of colonial rule (1896-1963). Land and property issues and the question of a legal system that combines British law and tribal traditions have never been addressed properly and instill violent conflicts. There has been no compensation for the victims of colonial terror and misrule for the victims of the Kenyatta and Moi era. After 39 years of autocratic rule under Jomo Kenyatta (1963-78) and Daniel arap Moi (1978-2002) there is still no tradition to resolve conflicts in a democratic way. The currently ruling coalition of NARC, which includes the 16 NARC coalition member parties plus Ford People and some KANU politicians, has not implemented the instruments needed to run such a complicated political alliance and does not even seek to develop such mechanisms. While Kenyatta featured mainly his tribe, the Kikuyus, and brought them into government positions, Moi changed the ethnic balance by patronizing the smaller tribes such as his own Kalenjin group and the Massai. Kibaki is forced to focus even more on the ethnic balance in his government, because it is composed of so many groups and parties. Unlike his predecessors, he is known for a much more laid back governance style and – due to his deteriorating health - gives a lot of freedom to his ministers. In a presidential system, this leads to a power vacuum and not to successful reforms. Due to its inability to achieve consensus, the coalition cannot achieve much and its laws are regularly blocked in Parliament.

After a failed coup in 1982, Moi's style became increasingly authoritarian and he implemented a system based on terror and torture. Since Kenya was strictly anti-communist, he managed to secure the support of the western world, which turned a blind eye on the human rights abuses and anti-democratic tendencies. Moi hired and fired judges, and he ruled through his notorious roadside announcements. When traveling the country he used to stop somewhere along the road and explain one of his newest presidential decrees. The regime's character changed after the end of the Cold War in 1989. By then civil society, churches, academia and non-governmental organizations (NGOs) had gained some strength and struggled for democratization. Pressure from governments of the major donor countries forced Moi to allow multiparty elections in 1992. He won the elections because the opposition remained split and results were rigged through inciting ethnic conflicts and terrorizing the opposition. KANU remained in power after the next elections

five years later. Again, attempts to unite the opposition had failed with parties presenting 16 presidential candidates.

The blockade of democratic and economic reforms and the continued plundering of state and other resources over previous decades have made Kenya one of the poorest countries in the world despite its development potential. Kenya boasts a comparatively well educated work force, strategically important harbors, some industry, and a strong agricultural sector and is seen as a haven of peace in an otherwise war-torn region. In 1970, Kenya's social and economic status was at the same level as Singapore. Today, Kenya ranks 148th in the United Nations Development Program's (UNDP) Human Development Index, behind Uganda, while Singapore is among the top 30 in the world. Many years of development were lost in an attempt to stem the effects of the exploding population growth. Today there are four times as many people living in this mostly semi-arid country than in 1963. The HIV and AIDS pandemic spread for nearly 20 years without any effective government policy to curb it. Only after 2000, was the pandemic declared a national disaster. Of the 2 to 3 million infected Kenyans, a mere 100,000 receive treatment. Due to recurrent extreme weather conditions such as droughts or floods, between 2 to 4 million Kenyans depend on food aid every year. The World Food Program feeds more people in Kenya than in neighboring South Sudan after nearly 40 years of civil war.

C. Assessment

1. Democracy

The general elections of 2002 represented a consolidation of democracy in Kenya, proving that democratic change is possible and increasing the trust of the population in democracy. The dominance of the former unity party Kenya African National Union (KANU) was set back so severely as to prevent a quick rebound. However, by offering posts to KANU hardliners, President Kibaki tried to weaken the ethnic Luo group in NARC under its leader Raila Odinga. By including KANU politicians in the government in 2004, President Kibaki showed a lack of respect for the electorate's will to keep KANU away from power. In addition, this action weakens the opposition and contributes to a lack of check and balances within the democratic system.

The lamentable performance of the new government has led to growing alienation between politicians and the electorate, who doubt that democratic change can bring social reform and an end to endemic corruption. Kenyan citizens are very concerned about who might succeed the ailing 73 year-old Kibaki in 2007. Civil society has been weakened by the fact that its important leaders took over

government posts. Trade unions have not yet recovered from many years of corruption and weak leadership.

1.1. Stateness

There are no challenges to the territorial integrity of the country and no ethnic group is denied citizenship, but the lack of federal institutions leads to discrimination against certain regions and groups. In several areas, the state's sovereignty is questioned by armed gangs fighting for land or cattle. Tension exists in western Kenya, along the Ethiopian and Somali borders in the North and Northeastern Provinces, and in the Rift Valley Province. Crime is a major concern in Nairobi. The government seems to be unable to stem the influx of small arms from Somalia. Small fundamentalist Islamist groups are believed to be operating in Kenya, but they have not been able to gain political influence. State administration exists in all regions, but remains largely ineffective; the administrative system has yet to be reformed and still suffers from years of nepotism, lack of funds and qualified, committed personnel.

1.2. Political participation

Democratic elections are held regularly at national, regional and local levels in Kenya. The national elections held in December 2002 were regarded as largely free and fair. The government's attempt to jeopardize the chances of the opposition by denying access to state-controlled media did not bear fruit. Parliament consists of 20 different parties or groups, 16 of which belong to the NARC coalition umbrella. Political parties in Kenya are not distinguished by law from soccer clubs or funeral savings associations, for example.

Women are still underrepresented in politics and administration. In 2002, of more than 1,040 parliamentary candidates only 44 were women. Only 18 of the 222 members of parliament are women, but they hold more government positions than ever before. Between 1963 and 2002, there were only two female ministers in Kenya. In 2005, the government included six female ministers or assistant ministers.

Civil society groups primarily exist in the capital Nairobi and in larger towns. They are often consulted in the government's reform processes, as in the attempt to formulate a new forest bill. Many of the groups fighting for women's rights, democracy or the environment depend heavily on international funding. Religion is a significant factor in Kenyans society, and Christian churches, the Council of Imams, and an increasing number of sects play an important role in the formation of public opinion. Media is granted the right to free expression, although the

government has tried to intimidate critical journalists by arresting them or taking them to court. There are three television stations, numerous radio stations and four relevant competing daily newspapers. The media currently seems rather confused by the political situation in Kenya, offering less guidance than before.

1.3. Rule of law

Rule of law has not been enforced since 2003, with both the judiciary and police to blame for this deplorable state of affairs. Before 2005, only high-ranking officers within the police force were replaced, as when an ethnic Somali from the armed forces took command, but the middle and lower ranks have remained in office. Pay, equipment and training of the police force are insufficient. Many cases cannot be brought to court or have to be dropped because of lack of evidence. Nairobi's crime rates have been compared with those of Johannesburg, and the United Nations has downgraded it to a "C" duty station. In the crime-prone slums of Nairobi, home to an estimated two million Kenyans, people must survive without recourse to the rule of law. Large parts of the country are not under government control, especially the northeastern province bordering Somalia. In several areas of the country, it has taken the police weeks or even months to end an increasing number of clashes and conflicts over land, water and cattle.

The government has set up several commissions for inquiry into past corruption scandals, such as land grabbing or the notorious Goldenberg scandal. Thousands of Kenyans arrived to watch the Goldenberg Commission inquiries personally to find out how Kenya lost up to \$1 billion through faked diamond deals in the early nineties. Although these new commissions have delivered their reports in time, their actions have had no further consequences to date, with findings either remaining unpublished or evidence declared insufficient to convict the perpetrators.

Attorney General Amos Wako, a relic from Moi days, has been criticized because of his absolute power over indictments. Kenyans accuse him of having been involved in the legal abuses of the Moi era and of protecting former colleagues as well as actors of the new regime. While it would be advisable for the new government to replace Wako, if only for the appearance of a political clean up, instead he enjoys a safe tenure and can even dismiss cases which are brought against him.

Apart from several political demonstrations, which were dispersed violently by police, no political human rights violations by the government have been reported. However, Amnesty International lists several accounts of torture and ill treatment while in police custody in its 2005 report. The police allegedly continue to

commit extralegal killings, and prison conditions remain harsh. An estimated 50,000 prisoners are being held in the country's 92 prisons, which have a capacity of 19,000. Women and children are increasingly becoming victims of rape and gang rape following armed robberies. The majority of the 42 Kenyan ethnic groups still practice female genital mutilation, although it has been forbidden by law since 2001.

1.4. Stability of democratic institutions

Democratic institutions are well accepted but not performing. Parliament meets only twice per week and rarely passes any laws, although it is composed of far more representative politicians than during the Moi era. Various factions within the ruling NARC coalition block almost all initiatives before they can be brought forward. It is not certain that NARC will prevail until the end of its term in 2007.

The government is bloated, consisting of too many ministries. Coordination within the governing coalition is not well established. The presidency is weakened by the president's fragile health and by shifting and unreliable majorities in Parliament. The president can dissolve Parliament and call for fresh elections, which pose a threat to the legislative during the currently unstable conditions. Many members of Parliament have accrued large debt in financing their election campaigns; if Parliament were dissolved, they would have no guarantee of re-election, which would mean financial ruin for many. In other words, they are not independent representatives of their electorate.

The judiciary enjoys veto powers, particularly the Attorney General Amos Wako. He has delayed constitutional reform, is able to initiate and curtail investigations, and can solely determine whether cases are brought to court or not. The inefficient judicial branch takes too long to deliver judgments and hampers development.

1.5. Political and social integration

There are more than 50 different political parties in Kenya, of who approximately 20 are relevant. These parties are formed around tribal allegiances or leading personalities rather than programs, and most are unaware of exactly how many members they have. Apart from the opposition party KANU, notable parties include Kibaki's Democratic Party (DP) and Raila Odinga's Liberal Democratic Party (LDP). NARC member and Nobel Prize winner Wangari Maathai founded a green party, Mazingira, after her election to Parliament in 2002, but the party is not publicly visible and it has not served as an additional forum for its prominent founder. Since the party system is very open to changing coalitions, polarization is moderate. All parties agree on the country's major political issues, such as the

fight against corruption, but they have lost their credibility and are only seen and accepted by the population as representatives of tribal cleavages.

Parties are not officially funded by the government, depending instead on the money their leading members are willing and able to contribute. Party platforms do not bridge social and ethnic divisions, representing little more than ethnic and regional interests spearheaded by leading politicians. The attempt to form a single strong party from the NARC coalition failed due to ethnic divisions and leading members following their own personal agendas. Consequently, structural instability prevails in Kenya's party system.

Existing interest groups are weakened by both the lack of a network and the association of many with the former government, such as the women's organization *Maendeleo ya Wanawake*. A broad spectrum of human rights organizations, women's initiatives and other groups composing the vibrant Kenyan civil society has been included in the drafting of the new constitution, but these groups only enjoy limited political influence. Trade unions are not gaining momentum because they were totally discredited under Moi; many were corrupt, and most are further weakened by the fact that the informal sector is the biggest employer in Kenya. The umbrella organization for trade unions, COTU, receives only \$13,000 in revenues per month and does not include the powerful teachers' association with its more than 260,000 members.

Churches are generally growing, but Catholics and Anglicans are losing members to sects and Pentecostal churches. Running a small church in Kenya has become a profitable profession because the preachers are fed and paid by their congregations. In some cases, they are criminals who use their religious organizations as a shield. In 2004, British police detected a child trafficking ring behind a so-called church that was operating in Kenya and the United Kingdom.

The number of self-help organizations is high. There are 3,000 self-help groups operating in the agricultural sector alone of some of the 70 districts, trying to organize better marketing for their products and assist their members, mostly without any government funding. The micro-credit sector, funded by NGOs or the United Nations, has gained importance and supports self-help groups. In addition, neighborhood committees in crime-ridden Nairobi have taken security measures into their own hands, while tourism operators along the coast have organized themselves in order to market their area more effectively. However, self-help groups have not been able to form umbrella organizations or exert political influence because of ethnic and regional segregation.

In general, support for democratic principles and norms is high in Kenya. According to a survey conducted by the PEW Center's Global Attitudes Project at the end of 2002, 77% of Kenyans said the country should rely on democracy,

while only 22% preferred a “strong leader.” Over two-thirds of Kenyans are strongly in favor of free speech and a free press, and Kenyans generally rank “good democracy” (49%) and a strong economy (47%) as equally important. More recent opinion polls reflect continuous support for democracy, but reveal disappointment with the democratic and economic performance of the Kibaki government.

2. Market economy

2.1. Level of socioeconomic development

Kenya remains one of the poorest countries in the world, as its per capita income of \$395 per year clearly indicates (Central Bank, 2003). A majority of the population, and at least one-third of urban residents, lives below the poverty line. Women and children are hardest hit by poverty, as Kenya’s low GDI Index demonstrates. Women head approximately 40% of all households, but only own about 4% of the land titles. Arable land is the most important base for social security and many if not most Kenyans survive based on subsistence farming and cattle herding.

Since 2001, the life expectancy has declined from 48 to 45 years, mainly because of poverty and the HIV pandemic. While official figures indicate that the infection rate decreased to 7% in 2004 from 13% in previous years, as in many African countries AIDS statistics seem to be unreliable. It is estimated that in Nairobi alone the infection rate within the female population between 15 and 40 years old is above 35%. In the slum areas where most Nairobians live clinics report 70 out of every 100 patients are HIV positive, and an estimated one of every four babies dies of malnutrition, AIDS-related diseases, malaria or other infection before the age of five. The public and private workforce is impacted by the loss of qualified personnel due to AIDS.

2.2. Organization of the market and competition

Kenya has a dual economy, consisting of a formal and an informal sector. The informal sector is one of the biggest economic sectors in Kenya, with more than five million jobs. The majority of the population is excluded from the formal economy, and only a minority can exercise any “freedom of choice.” The government claims that more than 800,000 new jobs have been created since it took power, but the de facto situation does not correspond with these figures. Despite some indications of economic recovery, unemployment seems to be increasing. The textile industry alone expects to lose approximately 40,000 jobs due to sharper competition in international markets. Parastatals and the public

sector need to dismiss tens of thousands of employees in order to work more cost effectively, but these unpopular measures will hardly be taken before the general elections in 2007. The high cost of credit, electricity, communication, transport, water and security remains a big burden for Kenya's economy.

Kenya has always supported a market economy and continues its process of liberalization, particularly in the export and import sectors and in telecommunications. However, despite several announcements, the new government has refused to tackle the inefficient and bloated parastatal sector; not one parastatal company has been privatized since 2003. None of the state-owned monopolies have been broken, including Kenya Railways, Mombasa Harbor or the Pyrethrum Board, though nearly all of them are losing money, including the electricity company. This is a major concern, since the parastatals were well known for having been plundered by the government and their own management during former regimes. They were also used as supply base for jobs that were given to KANU officials and their allies. Without privatization and broad reform of the parastatal companies, Kenya's economic recovery cannot be sustained, since the important agricultural sector depends too much on very unreliable weather conditions. Agriculture accounts for 80% of rural employment, 45% of government revenue and 60% of export earnings, but over the last 40 years, Kenya has suffered a severe drought every four years. Tea, coffee and tourism are unpredictable income earners due to international deviations and political factors (e.g. terrorism, crime). By delaying the promised privatization process, Kenya risks losing 125 million euros of budgetary support from the European Union.

The banking sector is improving slowly, though services remain too expensive and fall short of international standards. Banks are no longer plundered by business people who enjoyed political protection, refused to pay back their loans and caused losses leading to the bankruptcy of banks. The Central Bank is nominally independent, but its directors are appointed by the government. However, the bank seems to implement effective control mechanisms and to follow reasonable fiscal policies.

2.3. Currency and price stability

Inflation has become a major obstacle to development. In October 2004, it reached a peak of 18.96%, which eased to 14% by the beginning of 2005. It is expected to remain at a two-digit level on average, due to high oil prices and high food costs after poor rains.

The Kenya shilling is freely convertible, and maintains relative stability against the U.S. dollar, the pound and the euro (\$1 = 74.8 shilling, 1 British pound = 142.7 shilling, 1 euro = 98.8 shilling in March 2005).

The 2005 government budget reached a surplus of more than 1% of GDP due to better performance in tax revenues and lower than targeted expenditures. Because of higher imports than exports, the balance of trade since 2003 has remained negative, amounting to a negative \$375 million in 2004. Foreign debt amounts to \$6 billion and debt servicing totals 15% of yearly export revenues. In 2004, Kenya received foreign aid worth approximately \$395 million, but some payments were held back because of alleged corruption and delayed reforms.

2.4. Private property

Private property is guaranteed by law. Since 2003, no new cases have become publicly known of the formerly rampant land-grabbing by government or ruling party officials and their cronies. However, several new factors put private land ownership at risk. In fact, the question of land ownership has become one of the most explosive issues in Kenya. The government has staunchly defended landowners who have come under fire for owning tribal land. Security forces have stepped in to end farm invasions and land disputes. The conflict has not been resolved, however, only postponed. The Massai and other ethnic groups are claiming land they say was stolen from them under colonial rule. Large-scale farmers of British origin in particular have increasingly come under pressure, as have new landowners, who bought or were given their property during the Kenyatta and Moi eras. In addition, an estimated 200,000 title deeds have been questioned because land was allegedly acquired by illicit and corrupt means. Because title deeds have been faked in many cases or there are court cases pending about legal land ownership, the purchase of land and real estate has become a rather risky business. Overpopulation and poverty are increasing the pressure on land further, as owning a piece of fertile land has become the only form of social security.

2.5. Welfare regime

There is no welfare regime in Kenya, and only the employees of the public sector enjoy any form of social security, such as health insurance and pensions. The public health sector is ruined, actually posing a threat to public health rather than delivering proper services. The government has not fulfilled its promise to allocate more funds to the health sector. Salaries of average Kenyans are often too low to make a living, sustain a family, or make provisions for sickness and old age; deaths have been reported because people cannot afford the 600 shilling required for treatment or transport to a hospital. The legal minimum wage is little more than 40 euro per month. Attempts by the Ministry of Health to implement a nationwide health insurance were blocked by the president, and would not have

passed in Parliament because the funding mechanisms remained unclear. Consequently, social security is based on the help of extended families and private initiatives such as savings clubs, self-help associations or charity.

Social advancement still depends a great deal on ethnicity, family connections and political opportunism rather than qualifications. By rewarding discredited members of the Moi government with ministerial positions, the new regime sent out a devastating message from the start that even non-performers could succeed. Women are greatly underrepresented in politics and the private sector. Because the few outstanding female leaders in politics and civil society – like Wangari Maathai, Martha Karua and Charity Ngilu – have already joined the government, it is hard to see who might further strengthen the gender balance in Kenya.

2.6. Economic performance

In the last two years, Kenya's economy has demonstrated its potential for development. Tourism and agriculture have gained momentum and contributed to better growth rates. While the social situation is worsening, Kenya has experienced economic growth of 1.8% in 2003 and 2.6% in 2004, with real GDP growth for 2005 expected to exceed 3.5% according to figures published by the Central Bank in 2005. While the government published even higher figures, estimating 4.3% growth in 2004, international experts have questioned these higher estimates. Given stability in oil prices and interest rates, as well as good rain, Kenya's Minister of Planning is expecting 4.5% to 5% growth in 2005. The government expects further growth due to the recovery in tourism, higher revenues in key sectors like tea, horticulture and textiles, investment in infrastructure such as roads and telecommunications, benefits from the East African regional integration, the African Growth and Opportunity Act (AGOA) and development in neighboring southern Sudan after the Sudan Peace Agreement in January 2005.

Mismanagement, crime, unreliable weather conditions, a politically volatile situation and corruption remain major threats to further development. Kenya is still rated by Transparency International as one of the most corrupt countries in the world (129th of 146 countries in 2005), and the government's failure to implement more effective measures against high-level corruption undermines donor trust. It is likely that donors will suspend or freeze promised support, which could lead to serious budgetary problems and reduce the country's ability to invest in its decrepit infrastructure. Public spending remains too high, with the gap between income and expenditure reaching \$300 million in 2004. Kenya complies with only four of its 16 public spending targets. The government cannot meet its financial targets without reducing the bloated public sector and laying off up to 40,000 employees.

2.7. Sustainability

Kenya's environmental situation remains very precarious. Environmental legislation in place is not implemented or enforced. The conservation of the country's last forests is a question of survival, a fact that is widely ignored by the political establishment. Only 2% of Kenya's territory remains covered with forests; since independence, Kenya has lost 90% of its forests, with deforestation continuing even today. The Aberdares, Mount Kenya and the Mau Complex are the last water catchment areas, with significant importance for the country's climate, water and energy supply, since Kenya's electricity is generated primarily by water.

Nevertheless, credible reports highlight that parts of the Mau Complex are being cut down without any government intervention. A long-awaited forest bill was not passed by Parliament in 2004 because of political bickering within the ruling coalition that was hardly related to the issue of conservation. It was a major boost for environmentalists when Kenya's Assistant Minister for the Environment, Wangari Maathai, was awarded the Nobel Peace Prize, but nothing has improved in terms of environmental politics. Since 2002 the minister responsible for the environment has changed three times, the ministry's competencies were reduced several times, and no attempt has been made to streamline the responsibilities of the six different ministries that deal with environmental issues. A vast amount of the 33 national parks and reserves remain largely intact, along with many private conservancies, although pressure from cattle herders and neighboring small-scale farmers has been growing. The parks are one of the country's biggest assets and a major attraction for the domestic and international tourism that is crucial for the economy.

The educational sector briefly became one of the few success stories of the Kibaki regime, when free primary education was introduced in 2003. Within weeks the number of primary students rose from 5.9 to 7.2 million, but two years later the schools were not yet equipped with additional classrooms or teachers. Many teachers were required to work two or three shifts a day, classes were overcrowded, and the quality of public primary education became very questionable. Parents who had hoped to save money through free education were forced to enroll their children in costly private schools once again. Poverty and drought eventually led to a high number of school drop-outs, since many children were too hungry to learn, and girls were forced to spend their days searching for water instead of going to school. Ambitions for a better-educated population have also been undermined by the lack of investment in secondary education and universities. Vocational training has not improved, remaining highly dependent on expensive private institutions. Although greater political freedom motivated a number of university teachers to return home from exile after 2002, the brain drain continues. Nurses and doctors in particular seek greener pastures abroad,

where payment and facilities are better. Notwithstanding these impediments, Kenya still produces a larger number of qualified personnel than many African countries, because education, though under-funded, was a political priority for many years and still consumes the largest portion of the annual budget.

3. Management

3.1. Level of difficulty

The government is confronted with a high degree of structural and political difficulty due to bad governance during the former regime and the impact of the ongoing power struggle within the current government. Major challenges include constitutional reform, poverty, poor infrastructure, the impact of HIV and AIDS, and the dependency of important income sectors (tourism, tea, coffee) on unreliable external factors. Favorable factors include potentially high donor support and the government's willingness to formulate strategic long-term planning initiatives, such as the Economic Recovery Program or the Poverty Reduction Strategy. Unfortunately, planning does not lead to political action because the actors within the NARC government block each other, representing ethnic groups rather than political programs. Civil society is not strong enough to drive real constitutional reform or improve the current AIDS policy. Unlike in other African countries, the well-disciplined Kenyan army does not play any role in politics – an advantage for the civil government.

Profile of the Political System

| | | | |
|------------------------|---------------------------|--------------------------------------|----------------------|
| Regime type: | <i>Democracy</i> | Constraints to executive authority: | 2 |
| System of government: | <i>Presidential</i> | Electoral system disproportionality: | 5.8 |
| | | Latest parliamentary election: | 27.12.2002 |
| | | Effective number of parties: | 2.2 |
| 1. Head of State: | <i>Emilio Mwai Kibaki</i> | | |
| Head of Government: | <i>Emilio Mwai Kibaki</i> | | |
| 2. Head of Government: | | Cabinet duration: | <i>07/04-present</i> |
| Type of government: | <i>unified government</i> | Parties in government: | <i>1</i> |
| | | Number of ministries: | 29 |
| | | Number of ministers: | 29 |

Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Electoral disproportionality (Gallagher index) reflects the extent to which electoral rules are majoritarian (high values) or proportional: $\sqrt{\frac{1}{2} \sum (v_i - p_i)^2}$; v_i is the share of votes gained by party i ; p_i is the share of parliamentary mandates controlled by party i . For presidential/ semi-presidential systems, the geometric mean of presidential election and parliamentary election disproportionality is calculated. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = $1 / (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i . Number of ministries/ ministers denotes the situation on 1 January 2005.

3.2. Steering capability

The landslide opposition victory in 2002 has not been followed by a political transformation of the country. The new regime's main objectives were to fight corruption, revitalize the economy, create 500,000 jobs per year, democratize the leadership and administration through constitutional reforms, fight HIV and AIDS, and modernize education in order to support young people, whom the president has called "the country's only capital". The government defined timetables and identified certain targets to be reached at specific intervals, such as 500,000 jobs to be created in one year or a new constitution in 100 days. This has given the opposition, the media and civil society the chance to measure the government's success. Most targets have not been reached, or were not sustainable once achieved.

For example, reforms in 2004 within the public transport sector, which forced minibus owners to install speed governors and safety belts, led to fewer accidents and traffic deaths. However, the minibuses (*matatus*, in Swahili) had gone on strike for weeks to avoid the new security measures, and tens of thousands of employees had to walk to work, some for six hours each day. The *matatu* companies ignored the minister's order to resume work, and the strike ended only when the president stepped in and publicly supported his minister. One year later, however, many *matatus* were seen speeding again as before, and many routes are controlled by mafia-like gangs. This is a typical example of how politics work in Kenya. Without the president's personal intervention, the leadership in Parliament or at the lower levels of the executive does not enjoy much respect. Ministers and assistant ministers of the new regime are often blocked by their subordinates. In addition, the government's infighting prevents much-needed reforms, since no reliable majority exists in Parliament. A great deal of time and resources are diverted to deal with conflicts between the Luo-dominated LDP faction and the Kikuyu-dominated NAK faction within the ruling NARC coalition, instead of being used to govern the country effectively.

Another example of poor implementation is the HIV/AIDS policy. The new government announcement that it would fight the HIV/AIDS pandemic was not followed up with convincing measures. A majority of infected people does not receive medical treatment. Public campaigns to raise awareness may have contributed to a lower infection rate, but they are in no way comparable to the successful campaign in neighboring Uganda, labeled "ABC" which stands for abstinence, be faithful or use condoms. Insufficient public health care, and HIV and AIDS remain one of the biggest impediments to development.

3.3. Resource efficiency

Resource efficiency is not a priority in Kenya. In May 2005 the cabinet consisted of 31 ministers; including assistant ministers and permanent secretaries the country's political leadership consisted of some 70 people, a number of whom – as the media highlighted – did not know what their jobs were or where to find their offices. The bloated cabinet is symptomatic of the situation throughout the public sector and state-owned companies. Nairobi City Council is said to employ 600 drivers for some 20 functioning cars. State-owned Telkom allegedly employs 40,000 staff to take care of 300,000 telephone lines. Salaries and debt service represent most of the state's expenditures.

Kenya is divided into eight provinces and 70 districts which depend on government funding and lack the decentralized power to implement a local agenda. There is no financial adjustment between regions, which hampers development in underprivileged areas.

High-level corruption remains an obstacle to development. In June 2004, the British Ambassador Edward Clay estimated that corrupt procurement deals have resulted in losses of \$188 million since 2003. In addition to this budgetary impact, important procurements have often been delayed or cancelled because of corruption claims and investigations. Although low-level corruption is declining, the police force, the Teacher Service Commission, the Nairobi City Council and many other public institutions are still being blamed for extracting huge amounts of money from citizens that could have been spent in other ways (TI 2005). Since 2003, Kenya has not been able to adequately tap into the \$300 million in funds provided by donors, and the country's own development budget has not been fully utilized.

3.4. Consensus-building

Major stakeholders agree on democracy and a market economy, but some support for protectionist measures to save the sugar sector and other weak performers within the agricultural and manufacturing sectors also exists. Salary increases and job security have increasingly become issues causing social unrest and strikes. Public servants in particular, such as teachers and nurses, are demanding better pay and are willing to take action, though unions remain weak. The government's reactions have been contradictory; it has both cracked down on strikers by threatening to fire them immediately, as well as promising to pay better salaries.

Deep divisions within the ruling coalition indicate Kenya's politicians fight for power and position rather than for concepts and ideas. The leadership was not able to maintain the momentum of unity within the NARC coalition, which spurred

democratic change in 2002. The KANU opposition is also weakened by the fact that some of its party members are serving as ministers.

The public often remains uninformed about government plans and strategies. President Mwai Kibaki has given very few interviews since he took power in 2002, and never speaks live on television. He rarely attends Parliament and is mostly represented by his Vice President Moody Awori. The absence of the country's most powerful person justifying his policies in person has led to a lack of political integration. Unlike his predecessor, Kibaki rarely tours the country to meet the people, probably due to health reasons. The president officially interpreted the Nobel Peace Prize awarded in 2004 to the Kenyan ecologist Wangari Maathai as an award for all Kenyans; this might have contributed to a better image of his government, since Mrs. Maathai is part of it. However, Kenya's bid for the Olympic Games 2016 was seen by media and the public as a joke rather than a serious political initiative.

3.5. International cooperation

Kenya has always been regarded as a center of relative stability in a problematic region, surrounded by war-torn countries such as Somalia, Uganda, Sudan, the DRC's troubled eastern region, Ethiopia, Burundi and Rwanda. It is a hub for organizations providing humanitarian assistance to the Horn of Africa, East and Central Africa, and Nairobi headquarters two U.N. programs and hosts more than 25 other U.N. outpost offices. The country has always cooperated with multilateral and bilateral donors, though it depends far less on development cooperation than Tanzania or Rwanda. ODA figures are not available for this report, but there are clear indications that the per capita ODA has risen from \$16.70 since 2002, since Kenya received more than \$390 million of development aid in 2004 and has been praised by donors for its democratic change. Former U.S. Secretary of State Colin Powell came to Kenya to congratulate Mwai Kibaki, who was also praised for his intention to stem corruption by German Chancellor Gerhard Schröder on a visit to Nairobi. Unfortunately, high-level corruption had prevailed, raising tensions between Kenya and its international donors once again.

Kenya's foreign policy is very stable, predictable, and cooperation-oriented. Kenya has maintained its role as a peaceful neighbor, and it is engaged in all relevant international and regional bodies, such as the East African Community or the Intergovernmental Authority for Development (IGAD). Economic cooperation with neighboring countries has increased in importance, particularly within the East African Customs Union. Kenya hosted and mediated the IGAD peace talks for South Sudan and Somalia successfully, gaining a great deal of international respect for attempting to bring regional peace efforts to a good end. Kenyan U.N. peacekeepers are respected for their discipline and good training. In order to gain

more independence from western donors and markets, Kenya is focusing on better cooperation with China and South Korea. The United States has threatened to suspend military support to Kenya because it has endorsed the International Criminal Court.

4. Trend of development

4.1. Democratic development

The opposition's electoral success in 2002 was labeled "the second liberation," but Kenya has not made much progress in terms of participation, rule of law or the development of democratic institutions due to delays in constitutional reform. There is more freedom of speech than before and oppression of the opposition has ended. In 2005, Kenya unveiled plans to abolish the death penalty, which had not been enforced since 1986, but the human rights situation in prisons and police cells remains precarious. Violence and rape against girls and women has dramatically increased. Female genital mutilation remains a widespread practice, although initiatives against FGM enjoy greater government support than before.

4.2. Market economy development

Corruption, crime, mismanagement and a decrepit infrastructure are hampering Kenya's economic potential. The economic growth that has been achieved is not sustainable, nor has it been significant enough to reduce poverty and spur further development. The outlook for the labor market is negative, with an estimated unemployment rate of 60% and continuing need to cut down the public workforce. While a small upper and middle class can enjoy the fruits of economic recovery, the majority of the population lives in dire poverty.

D. Strategic perspective

In Kenya's presidential democracy much depends on President Kibaki. Will he be able to ease conflicts in his ruling coalition and rule with a majority in Parliament until 2007? Currently, the NARC coalition seems to survive only because none of the incumbents want to lose his or her seat in Parliament or his or her ministry. Will Kibaki be healthy enough to finish his term? Is he willing to fight high-level corruption effectively so that donors gain trust and release funds for development?

It is expected that a new constitution will be in place by the end of 2005. However, most probably it will be a "soft version" of the former draft, sufficient to appease the public but insufficient to instill democratic progress. Instead of

dividing power and creating the position of a strong premier with executive powers, the new constitution will introduce a premier under the rule of the president who keeps the executive powers for himself. In order to gain further donor support the legislature might pass a bill on the privatization of parastatal companies, but it is highly questionable whether this act will be implemented effectively.

The Kibaki regime will take certain steps to fight corruption such as publishing the personal wealth of public servants including ministers and members of Parliament. However, it remains uncertain who will be able to prove such data and react accordingly. The government's credibility has suffered; it will hardly be able to find respected personnel to operate the numerous existing anti-corruption commissions and committees. Optimists in Kenya are talking about "the good guys and the bad guys" in government but even they are not sure which side will prevail.

In the meantime, the only relevant opposition party, KANU, is preparing to challenge the government in the 2007 general elections. So far, KANU remains deeply split between old hardliners that served under Moi, such as the notorious Nicholas Biwott and the younger faction under Uhuru Kenyatta, state founder Jomo Kenyatta's son. Uhuru failed to win the elections 2002, but in 2005, polls indicate that he is more popular than Kibaki and could win the elections. KANU's great advantage is the party's well-organized structure. Unlike the ruling NARC coalition, KANU is represented in all districts. Should Uhuru be able to use the chronic NARC crisis for his purposes he might get the chance to form a coalition with powerful NARC factions such as Raila Odinga's Luos and his Liberal Democratic Party (LDP).

Politically, Kenya faces difficult times and major challenges to the process of democratic consolidation and development. In 2002, to put an end to his predecessor's personal cult, Kibaki announced he would not allow his face to appear on the national currency. This was interpreted as a symbolic sign for his democratic approach. Eventually, Kibaki's features were embossed on the 40 shilling coin.