4 CHAPTER FOUR – KENYA

4.1 Country Profile

Kenya boasts over fifty years of self rule with an economy that dates back to the pre-colonial era. For most part of it, Kenya has been considered as a stable nation in East Africa and in Africa as a whole because it has managed to maintain social tranquillity as well as showing fairly stable and mature political culture. The socio-economic gains since its independence have been modest, showing improved living standards except for pockets of high inflation pressure attributed to external and internal factors, hence slackening the economic growth especially in the 1980s.

According to the Economic Survey 2013, the Real Gross Domestic Product of Kenya grew by 4.6 percent in the year 2012 with all sectors of the economy recording a moderately positive growth trend with moderate expansion across economic indicators. This is attributed to favorable weather conditions and improved precipitation levels affecting Agriculture which is the backbone of the economy, cheaper energy costs and high confidence of the people in the likelihood of stable prices of essential goods and services.128

As regards the period under study, graph 4.1 shows the real growth rate as revealed by the Economic Surveys of the same period. It can be seen that the real growth rate of the GDP was 0.4% in 2000. It started a steady climb thereafter to 0.8% in 2002, 2.2% in 2004, 5.8% in 2005 and an all time high of 7.6% in 2007. However, owing to the fact that the country was plunged into post-election violence during the period 2007-2008, the real growth rate plummeted to 1.7% in 2008. Thereafter, it began another slow rise to close at a modest 5% in 2010

Like many third world economies, agriculture is the main backbone of the Kenyan economy. The agricultural centers in the country are mainly in Central Kenya, the Rift Valley, Western Kenya and Nyanza areas with the Rift Valley being considered as the granary of the country. Crop production of coffee is mainly from central Kenya, tea is largely produced in the Kenya highlands home to the Kenya Tea Zones; pyrethrum, maize and wheat are vastly cultivated in the Rift Valley. Sugarcane growing is popular in Nyanza and in Western Kenya, while livestock and livestock products production is widely distributed in the agricultural centers mentioned above.

It is further observed that these agricultural activities are heavily dependent on erratic rains which are due to the fact that rainfall precipitation is seasonal and occurs twice a year in the months of March to May for the long rains as opposed to the short seasonal rains later in the year from October to December.

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The tourism industry plays an essential role in the performance of the Kenyan economy. Kenya is home to beautiful and natural scenic national parks, game reserves, and historical sites among many others. Hence its contribution to the economy’s GDP is significant. As of 2012, the receipts accruing to the tourism sector stood at KSh.96.02 billion, thought this was a slight drop of 1.92% from KSh. 97.90 billion in 2011. This was mainly due to the Euro zone crisis, insecurity fears and uncertainties related to the general elections of Kenya in 2013.\textsuperscript{130}

The economy had already suffered a blow in 2007-2008 elections when the country was plunged into post election violence which rocked the country like never before. Over 1,200 people were killed and as many as 350,000 people were internally displaced and this has adversely affected the social fabric of the Kenyan society especially between ethnic groups in areas that were hit the hardest by the violence.

In the years 2000 to 2010, the Kenyan economy experienced an expansion in leaps and bounds as compared to the period preceding 2000, dating back to independence, mainly because of the approach that the new government, NARC- the National Rainbow Coalition government (2002) had with regard to economic policy. The NARC government brought in reforms across the board both in government departments and in those sectors that led to robust performance in the Economy resulting in the highest GDP growth rate so far of 7.6 percent in the year 2006-2007.

The government encouraged investment and introduced significant economic reforms in an attempt to accelerate economic growth and further increase external trade. The reforms included privatization of state corporations [some of which had become white elephants and some were failing], removal of most regulatory constraints that were hindrances to smooth operations, liberalization of foreign exchange controls, and, the creation of various economic incentives. Government policy encouraged the growth of the business sector by reducing controls over some

industries which promoted flexibility and responsiveness in business operations, cutting direct tax rates and providing financial incentives, particularly to export oriented business in a bid to promote and expand the sector. It is also noted that Kenya enjoys a free enterprise economy where state intervention is limited to semi-autonomous agencies that generally support services and infrastructure and serve as marketing, administrative and advisory boards.\textsuperscript{131}

4.2 Size and Location

Kenya is named after Mount Kenya or Kirinyaga – the mountain of whiteness – which is almost in the centre of the country. Lying on the East African Coast, to the Indian Ocean, Kenya straddles the Equator. Kenya is located approximately between 4\textdegree N to 4\textdegree S latitudes and 34\textdegree E to 41\textdegree E longitude and is the 2\textsuperscript{nd} largest country in East Africa after Tanzania. Situated next to the Indian Ocean at the East African Coast, it covers an area of 582,646 sq.km with 1,025km as the longest distance from North to South of the country and has water surface of 13, 393 sq.km. The country is bordered by, Ethiopia and South Sudan to the North, Uganda to the West, Tanzania to the South, and Somalia to the East and North East as well as the Indian Ocean to the South East with a Coastal line of 536 kilometers long.\textsuperscript{132}

R.T Ogonda and W.R Ochieng observe that the shape of the country is attributed to the political influence of the colonial powers at the twilight years of the 20th century. Colonial masters of Kenya, Great Britain, influenced the shape of the country to a great degree by the role they played facing challenge and pressure from other imperial powers such as German, Italy and Ethiopia to give Kenya its geographical position in relation to East Africa and the fertile Kenya

\textsuperscript{132} Kul Bhushan, \textit{Kenya Fact Book 2000-2001}. 16\textsuperscript{th} ed. (Newspread International: Nairobi, 2000),1
highlands. Further, the British colonial masters gave Kenya patterns and policies which it used in the early stage of its newly independent young government after 1963. This played a big role in the shaping up of its political face and influence in politics and economics in the East African region as well as Africa and the world over.

An interesting phenomenon in the physical characteristics of Kenya is the Kenya Highlands which start rising from 3000m to 10000m above sea level. It is in this Kenya Highlands that the Rift Valley is found as it cuts across the physical face of Kenya from North to South. A number of lakes are found in the Rift Valley such as Lake Baringo, Lake Bogoria, Lake Nakuru, Lake Naivasha among others which are all tourist attractions. Different escarpments find their home in the Rift Valley with Aberdare range, Mau Hills, Uasin Gishu Plateau, Kericho Highlands as some examples.

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Map 4:1: Map of Kenya

4.3 Climate

Kenya is called a land of contrasts and this is mainly because of the different climatic regions portraying various disparities. Basically, Kenya is a rangeland and therefore harvests both temperate and tropical products. The climatic regions of Kenya are as follows:

Coastal Belt – here the altitude is of 17m, with a minimum rainfall of 20mm in month of February and a maximum of 240mm in May. The temperatures vary from a minimum of 22ºC to a maximum of 30ºC. The Coastal belt has warm and humid coral beaches which are followed by thin coastal belt suitable for farming. Further inland, it gives way to thorn scrub and semi desert cover.\(^{136}\)

Rift Valley Highlands – have an altitude of 1,661m or 5,450ft with minimum rainfall of 201mm in July and a maximum of 750mm to 1000mm in the month of April. The temperatures range from 10-14ºC and 57-64ºC. The highlands are the most agriculturally productive areas because they enjoy two rainy seasons from March to May the long rains and November to December which are the short rains.\(^{137}\)

Western Kenya – In Western Kenya, the altitude range starts from 1157m or 3,795ft with minimum rainfall of 60mm in the month of January and a maximum of 200mm in April with an annual average of 1000mm to 1300mm. The temperatures in Western Kenya vary from 14-18ºC at the minimum to 30-34ºC at the maximum. Western Kenya climate has the feature of weather patterns that are hot and rainy all year round which goes with typical rain forest vegetation.\(^{138}\)

Northern and Eastern Kenya – has an altitude of 128m or 420ft. This is a dry area and therefore the rainfall is zero in the month of July with a maximum of 80mm in November. The temperatures in this region vary from a minimum of 22ºC to a maximum of 34ºC. This climate

\(^{137}\) Ibid, 3.
region is semi desert and desert with very little vegetation and it is the home of nomads of Kenya.  

Table 4:1: Showing 5 Different Climatic Zones of Kenya

<table>
<thead>
<tr>
<th>S.NO</th>
<th>Zone</th>
<th>Average Annual Rainfall</th>
<th>Average daytime temperature</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coastal belt</td>
<td>1,000mm</td>
<td>28-31(^\circ)C.</td>
</tr>
<tr>
<td>2</td>
<td>Central and Rift Valley Highlands</td>
<td>3,000mm</td>
<td>21-26(^\circ)C</td>
</tr>
<tr>
<td>3</td>
<td>Western Kenya</td>
<td>1,000mm</td>
<td>27-29(^\circ)C</td>
</tr>
<tr>
<td>4</td>
<td>Northern and Eastern Kenya</td>
<td>510mm</td>
<td>30(^\circ)C, soaring to 39(^\circ)C in some desert areas.</td>
</tr>
</tbody>
</table>

Source: Our Africa

4.4 Population

Table 4.2 shows that the number of persons enumerated during the 2009 Population and Housing Census was 38,610,097 representing an increase of 35% from 28,686,607 in the 1999 census. Of this, 19,192,458 were males while 19,417,639 were females. It is significantly noted that Kenya’s population is growing rapidly and has more than tripled from 10.9 million people in 1969 to 38.6 million people in 2009. Given the high number of births per women, the population will continue to increase steadily. Even if the total fertility rate declines from an average of 4.6

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139 Ibid, 3.
children per woman in 2009 to 3.7 by 2030, the population will still grow to 65.9 million people.\textsuperscript{141}

\textbf{Line Graph 4:2: Kenya’s Population growth rate (Source: KNBS)}

![Line Graph 4:2: Kenya’s Population growth rate](image)

The 2009 population census reveals that 12,487,375 million people, that is 32.3\% of the population, live in the urban areas whereas 26,122,722 million people, 67.7\%, dwell in the rural areas. It further indicates that the youthful population which is within the ages of 15 and 24 years are classified as 51.2\% female and 48.8\% as males. It is of significance to point out that 3.6\% of the households in Kenya own at least a computer and 63.2\% of the households own at least a mobile phone.\textsuperscript{142}

The religious affiliation of the population is constituted by a variety of religions such as Catholics, Protestants, Other Christians, Muslim, Hindu, Traditionalists and others. Protestants have the highest population of approximately 18.3 million people, closely followed by Catholic at approximately 9 million people followed by Other Christians, and Muslims respectively.

\textsuperscript{142} Ibid, 3-6.
As earlier noted, Kenya is a land of contrasts; Kenya has an African population of 42 tribes as well as a small minority of Asians, Arabs and Europeans. The Asians find themselves in Kenya due to the colonial masters dating back to 1896 when British East Africa began the construction of the railway line from Mombasa to Uganda and it was the Asians who did the actual construction. The Arab account is due to the Oman Arabs who were traders and historically expelled the Portuguese from the Coastal city of Mombasa in the late 1600s. The African population of Kenya is divided into three major linguistic groups of Bantus, Nilotes and Cushites. It is on this anthropological classification that the tribes of Kenya currently occupy their historical and geographical settlements. The ethnic classification of Kenya has the Kikuyu as the highest populace, followed by Luhya, Kalenjin, Lou and Kamba in that order. Kenya is adding one million people yearly to its already high population, which easily approximated to 41 million people as of 2012. At this rate, this will result in adverse effects on the Government’s spending on infrastructure, health, education, environment, water and other socio-economic sectors. Therefore, the government needs to empower the population through human development of the growing school age population. This will also result in productive manpower. Critical supplementary investment will be required in family planning services, health and other social and economic sectors with the objective of improving the welfare of Kenyans and thus meeting the development goals of Vision 2030.

Table 4:2: Kenya Population by Census Year

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>8,636,300</td>
<td>10,942,705</td>
<td>15,327,061</td>
<td>21,448,774</td>
<td>28,686,607</td>
<td>38,610,097</td>
</tr>
</tbody>
</table>

Source: Kenya National Bureau of Statistics
4.5 Kenya’s Political System

On December 12, 1964, a year exactly after Kenya earned her independence; she finally discarded the residual trappings of external control over her affairs and assumed the status of a sovereign republic. This in effect led to Kenya acquiring her own personality in the International scene and thus enabled her to conduct and transact business with foreign countries on the basis of equality and reciprocity and, further, manage her domestic affairs subject only to obligations owed to the international community at large.\textsuperscript{143}

Since then, Kenya enjoyed a remarkable political stability and economic progress for the next three decades mainly through the constitutional order which was adopted in 1963 that was heavily sculpted after the Westminster model of constitutionalism. At Independence, the constitution adopted was rather designed to meet the need of the political issues of that time, but as time passed, the configuration of the Constitution was changed to suit the need of the people.

It is of importance to indicate that Kenya has had four important phases in the restricting constitutional order of the country, which were characterized by a monolithic one party system with strong elements of presidential authoritarianism and curtailment of fundamental rights. The first phase, 1963 to 1969, involved the reordering of the state from a decentralized, regional system to a fully centralized system. Although the ultimate goal was political independence, there were internal differences on how political power was to be distributed in the about to be independent young Kenya. Leaders of Kenya African Democratic Union (KADU) party, the likes of Ronald Ngala, Daniel arap Moi, Masinde Muliro, Justus ole Tipus all advocated for a quasi-federal constitution (\textit{majimbo}) for fear of being dominated by the major tribes at that time, the Kikuyus and Luos.

On the other hand, Kenya African National Union (KANU) party led by Kenyatta, Oginga Odinga, Tom Mboya, and James Gichuru all were in favor for a unitary system of government. However, KADU had the ear of the colonial masters and in 1963 Kenya attained her independence with majimbo constitution that guaranteed autonomy to the regions. Sadly this was not to last, because in her first anniversary 1964, KADU was voluntarily absorbed by KANU\textsuperscript{144}, the majimbo constitution was replaced with one restoring strong central powers. This process led to the emergence of the, de facto, one–party state as the medium of political recruitment and organization in the country with Jomo Kenyatta as the President of the nation.

Some of the problems that President Kenyatta inherited from the colonial masters as the first African National leader were: a deep rooted tribalism caused by lack of contact between the various communities during the colonial days; there was skewed development and deliberate support of tribalism by the colonial masters; a complex \textit{Majimbo} constitution; varied social and economic problems such as landlessness, unemployment, flight of capital, a foreign dominated economy, lack of skilled human resource and a Somali secessionist movement in North-Eastern Kenya.\textsuperscript{145}

The second phase involved reorganization, through the constitution, of the political order from a \textit{de facto} to a, \textit{de jure}, one party system. The period lasted from 1969 to 1982 when Kenya African National Union (KANU) was proclaimed the only political party in an amendment to the constitution passed that year. The events leading to this are such that the relationship between President Kenyatta and his Vice President, Mr. Oginga Odinga had gone sour. Saliently KANU had become a conservative party and this led to the Limuru Conference of 1966 whereby the party


constitution was amended to clear way for election of eight Vice-Presidents instead of one in the person of Oginga Odinga. Subsequently, Mr. Odinga formed his party, the Kenya Peoples Party (KPU). To make matters worse, the murder of Tom Mboya in 1969 further marred the relations between the Luos and the Government which resulted to the banning of KPU and the detention of its leadership. Other political storms in the same period were for example, the alleged attempt to overthrow the government in a coup d’état in 1971, the murder of Kikuyu heavy weight politician J.M.Kariuki, and the unsuccessful attempt to change the constitution in 1976 in order to bar the Vice President, Daniel arap Moi from ascent to power in the event of the death of President Kenyatta.

It is of significance to highlight the progress and achievement that Kenya experienced under the leadership of President Kenyatta. To begin with, a Peace Accord was made in 1967, between Kenya and Somalia that gave way to the official end of the shifta (brigand) war in the North-Eastern Province. Secondly, President Kenyatta was able to hold the country together against waves of fears that he could not be able to do so especially on account of the turbulent politics of the young nation in the early years of its independence. Thirdly, Kenya remained a stable country despite the turbulent politics and evidence of this is that regular elections became a part and parcel of the political calendar of the country i.e. there have been general elections in 1969, 1974, 1979, 1983, 1988, 1992, 1997, 2002, and more resiliently the referendum of the Constitution held in 2005, the infamous elections of 2007 that resulted in post elections crashes that left over 1200 people dead, and in 2013. Last but not least, President Kenyatta was able to restore investor confidence and hence sustain economic growth.146

The third phase involved a shift from a centralized parliamentary system to a full executive presidency and this was most evident in the period 1983 to 1988 when the presidency emerged as the central figure of the state power in Kenya’s constitutional order. After the death of President Kenyatta, there was a change of guard at State House and the Vice President, Daniel arap Moi ascended to power in a surprisingly smooth transition. However, in 1982 another attempt to overthrow the government through a coup d’état was foiled quickly. This significantly contributed to putting the face of the Presidency at the center of state power, in an attempt to establish his authority over his subjects and the nation at large.

It was under the presidency of Daniel arap Moi that a constitutional amendment was invoked to make KANU the only political party in the state by law. Consequently the leader of the party became the de facto President, thus enabling him to wield considerable influence in the conducting of parliamentary politics as well as in the running of government business. Due to this, there was resistance from other stakeholders especially from the student politicians at the State Universities of Kenyatta and Nairobi. Their protests were for the return to multiparty and democracy system of governance.

In 1992, multiparty system was reintroduced when Section 2(a) of the Constitution was repealed, thus ushering in a new crop of political parties. This culminated, in 2010, in the promulgation of a new constitution, the Constitution of Kenya 2010, which ushered in a new era of governance. The salient features of the new Constitution are, a democratic and devolved system of government, in which there is a President and a Deputy President, with tenure of security at the National level, and Governors, Senators, Members of Parliament, County Representatives and Women Representatives at the County level or regional levels. The constitution advocates reforms
in the Judiciary with the appointment of the Supreme Court, its Judges, and vetting of Judges and Magistrates in office before the new era, under the new dispensation.147

4.6 Economic Activities

Kenya’s domestic economy is constituted by various sectors which make up the macroeconomic fabric. For the purpose of this study, the main sectors will be highlighted and these are:

**Agricultural sector**, which is the backbone of the economy and performs variedly due to the significant differences in the erratic long and short rains across the ecological zones. The key crops include coffee, tea, maize, sugar cane, wheat, horticulture, and pyrethrum. Livestock and its products are also subsectors that contribute to the economy significantly.148

It is realistic to point out that since the late 80s the Kenyan Government has been employing Structural Adjustment Policies (SAPs) with the objective of making a modest reduction of its budgetary deficits. However this resulted in the adoption of less sustainable practices in the Agricultural sector. The consequent effect was that it decreased employment through retrenchment programs and at the same time increased the number of people below the poverty line from 23% to 43%, who were forced to directly depend on the Agricultural sector for their survival.149 There was therefore a call for the government and the private sector to work together in building and fostering a combination of factors, such as, forming strong social organizations of communities that support sustainable Agriculture, establish institutions that are well managed, corruption free and function with efficiency. These factors coupled with Government policies would provide an enabling

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environment for sustainable agriculture would thus promote and guarantee an Agricultural sector which performs vibrantly and is self-sufficient.\footnote{150}

**Manufacturing sector** consists of the food and non food subsectors. The food sub sector includes products such as meat and meat products, vegetable oil and fats, grain milling products, processed tea, milk and bakery products. The non food sub sector comprises production of cement, paper and paper products, rubber and plastics products as well as the fabricated metal products.

One of the Government’s flagship projects for 2008-2012 was to set up Special Economic Clusters (SEC) in the cities of Mombasa and Kisumu. The SEC at Mombasa is designed to facilitate the easy importation of raw materials as well as handling of finished goods for export. Further, the Mombasa SEC includes an Agro-Industrial zone specialized for activities such as blending and packing of the export crop production like tea, coffee and fertilizers along with a meat and fish processing facility to promote offshore fishing. The SEC at Kisumu has the intended strategy of accessing the regional markets and to facilitate further economic activities like horticultural production along the lakeshores.\footnote{151}

**Transport and communication sector** is considered as the life line of the economy. It consists of the sub sectors of road transport, railway transport, pipeline transport as well as aviation transport. It is of value to point out that the port of Mombasa handles cargo traffic for both imports and exports in conjunction with road and railway transport, the pipe line transport deals with the petroleum products while the aviation transport handles commercial passenger traffic along with cargo.

\footnote{150 Ibid, 58.}

The communication sector mainly includes postal services, fixed line and wireless telephony, mobile telephony segment which has been vibrant in the last 10 years, mobile money transfer service and internet services.

**The financial intermediation sector** records robust activities where by the Central Bank of Kenya is the apex institution dealing with monetary policy operations framework, and price stability, to enhance economic growth and employment creation. The other financial service providers in this segment include, the Banking Sector, Capital Markets, Insurance Industry, Pensions Schemes and Quasi Banking institutions such as Savings and Credit Cooperative Societies (SACCOs), Building Societies, Microfinance Institutions (MFIs), Kenya Post Office Savings Bank (KPOSB), Development Financial Institutions (DFIs), Agent Banking and Credit Reference Bureaus and Informal Financial Services such as Rotating Savings and Credit Associations (ROSCAs).\(^{152}\)

**Building and Construction sector** plays a crucial role in the infrastructure development in the economy. This sector is inter-linked with the Housing and Transport sub sector to spur investment, growth and job creation. The Economic Survey of 2013 reports that in 2012, the sector grew by 4.8% attributed to a rapid population growth especially in the urban areas. It is also observed that the total wage employment in the sector gained by 9.9%.

**Tourism sector** contributes to the economy in the sense of foreign exchange earner as well as employment creation. Unfortunately, this sector heavily depends on the country’s political and security atmosphere. Therefore, with presence of pockets of insecurity activities here and there in the recent past, the sector has suffered blows. However the industry has on the whole proved to be

resilient all along. The tourist attractions in Kenya comprise of National Parks and Game Reserves, Museums, Snake Parks and Historical Sites, Conference Tourism as well as Training.

The following table is portraying the contribution to GDP by the various sectors in the Kenyan economy from 2008 to 2012.

Table 4:3: Gross Domestic Product by Activity, 2000-2010

<table>
<thead>
<tr>
<th>Industry/Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and Forestry</td>
<td>24.0</td>
<td>27.2</td>
<td>25.6</td>
<td>25.3</td>
<td>24.3</td>
<td>24.2</td>
<td>23.6</td>
<td>22.7</td>
<td>22.3</td>
<td>23.5</td>
<td>21.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13.1</td>
<td>9.8</td>
<td>10</td>
<td>9.7</td>
<td>9.9</td>
<td>10.5</td>
<td>10.2</td>
<td>9.7</td>
<td>10.8</td>
<td>9.9</td>
<td>9.9</td>
</tr>
<tr>
<td>Construction</td>
<td>2.4</td>
<td>3.1</td>
<td>3.2</td>
<td>3.3</td>
<td>3.6</td>
<td>4</td>
<td>4.3</td>
<td>3.8</td>
<td>3.8</td>
<td>4.1</td>
<td>4.3</td>
</tr>
<tr>
<td>Hotels and Restaurants (Tourism)</td>
<td>12.7</td>
<td>1.2</td>
<td>1.2</td>
<td>0.9</td>
<td>1.3</td>
<td>1.4</td>
<td>1.5</td>
<td>1.6</td>
<td>1.1</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Transport and Communication</td>
<td>6.1</td>
<td>9.1</td>
<td>9.7</td>
<td>9.2</td>
<td>9.9</td>
<td>10.9</td>
<td>9.7</td>
<td>11.4</td>
<td>10.3</td>
<td>9.9</td>
<td>10.1</td>
</tr>
<tr>
<td>Financial Intermediation</td>
<td>10.6</td>
<td>4.1</td>
<td>3.6</td>
<td>4.3</td>
<td>3.5</td>
<td>3.1</td>
<td>3.2</td>
<td>4.7</td>
<td>4.6</td>
<td>5.4</td>
<td>5.6</td>
</tr>
</tbody>
</table>


In the above table are shown just the main economic activities that contribute to the country’s GDP. Other activities not mentioned in the table include, Education, Health and Social

153 *#In 2000 the contribution of Hotels and Restaurants is 12.7% because this item included trade which formerly was called Trade, Restaurants, and Hotels; Similarly Financial intermediation included Finance, Insurance, Real Estate and Business Services.
work, Other Community, Social and Personal Services, Mining and Quarrying among others. One can observe that Agriculture is the leading contributor to the Economy’s GDP which is closely followed by the Manufacturing sector while the Building and Construction Sector is noted to be contributing the least to the GDP.

4.7 Natural Resources

A quick look at Kenya gives an impression that the country lacks in natural resources since there are no major deposits of gold, diamond or oil. However, Kenya is home to a stunning flora and fauna in the East African region with astounding physical landscapes. This is important for the tourism industry of Kenya. Unfortunately, for long Kenyans have failed to appreciate her natural resources and this is seen by poaching and habitat destruction, the forests are felled for farmland or timber leading to the destruction of water catchment areas and wetlands are reclaimed for agriculture.154

Kenya’s environmental and natural resources include forests which produce forest products like timber, wood and charcoal, wildlife population and minerals. In the mining industry, the minerals include Soda Ash, Fluorspar, and salt, gemstones, gold, carbon dioxide, Diatomite and oil which was recently discovered. Earnings from mineral productions are due to the exports in Gold, Soda Ash, and Fluorspar among others.155

In the years 2000 to 2010, the population of Kenya has increased by around 2.5% per annum and so has the economy expanded. Consequently, the need for energy to run the economy has increased proportionately. There are three main sources of energy in Kenya i.e. wood fuel, which accounts for 70% of total production, reflecting the high amount of deforestation in the

country, petroleum, which accounts for 21%, and electricity which accounts for 9%. The key sources of electricity are Hydro, Geothermal and Thermal. The major players in the power sector are Kenya Power and Lighting Company (KPLC), Kenya Electricity Generating Company Ltd (KENGEN) and other Independent Power Producers (IPP) all who function under the umbrella of the Energy Commission of Kenya.\(^{156}\)

Kenya relies heavily on Hydro Electric Power most of which comes from the constructed dams along River Tana. To augment the short fall due to high demand, Kenya imports hydro power from Uganda. Efforts have been made by the government to create alternative sources of power by developing capacities to generate geothermal power in the Rift Valley region of Kenya. Feasibility studies are on going to map out the possibility and capacity of whether civil nuclear energy can be integrated in to the Kenyan power grid.

The table below shows the quantity and value of mineral production considering the period under study. It is observed that Soda Ash (washing soda) and more so in its refined form has a significant contribution in the sector.

\(^{156}\) UNEP, *Sustainable Trade and Poverty Reduction* (Nairobi: UNEP, 2003), 103.
Table 4:4 showing Quantity and Value of Mineral Production, 2000-2010

<table>
<thead>
<tr>
<th>MINERAL S ('000T)/YEAR</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soda Ash</td>
<td>238</td>
<td>297</td>
<td>304</td>
<td>352</td>
<td>353</td>
<td>360</td>
<td>374</td>
<td>386</td>
<td>502</td>
<td>404</td>
<td>473</td>
</tr>
<tr>
<td>Fluorspar</td>
<td>100</td>
<td>118</td>
<td>85</td>
<td>80</td>
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4.8 Industries

Kenya is the most industrially developed country in East Africa. Its manufacturing sector is mostly involved in agro-processing. Industrial growth however slowed down in the mid nineties owing to the fact that free imports started to compete strongly with the locally made goods. Other factors that have been a hindrance to the development of Industrial sector include poor infrastructure especially in power and water supply, lack of enthusiasm, by both the government and private sector, to develop strong Research and Development, high interest rates which make the cost of capital a burden, inflexible market laws and regulations which are mostly archaic and extraneous, just to point out a few.

It is important to point out that, in Kenya’s Industrial sector, it is the informal sector that is the biggest employer as compared to the formal sector. The small scale establishments are initiated by enterprising craft persons and so employ the highest numbers. They are commonly known as ‘Jua Kali’ for ‘In the Open Sun’. This term was originally applied in the 1970s to artisans who produced goods in the open sun. Dynamic as it is, this sector has grown and expanded to include all the micro and small enterprises (SMEs) which produce consumer and capital goods under minimum regulation and protection from the government. The Jua Kali sector also covers the auxiliary sectors, such as trade, repair and raw material supply.

The Census of Industrial Production (CIP) by the KNBS, observes that the formal establishments in Kenya’s Industrial Sector consist of mining and quarrying, manufacturing, electricity, gas, steam, air conditioning supply, water supply, sewerage, waste management and remediation activities. A big chunk of the total industrial output is accounted for by

manufacturing activities, closely followed by electricity, gas, steam and air conditioning supply activities.\textsuperscript{159}

The capital utilization of the Kenya’s industrial sector has a significant bearing on the level of labor productivity, employment, compensation of employees as well as the overall profitability of industrial activities. According to the CIP of 2010, the main determinants of the level of capacity utilization include the supply of skilled manpower, supply of raw materials and the mechanical condition of the machinery in use. Some of the causes identified for capacity utilization below 50 percent include high cost of materials, high cost of fuels and electricity, loss of products due to strikes and stoppages, high cost of labor and poor transportation.\textsuperscript{160} When all these are in place, accordingly, the Industrial Sector as a whole will show improved performance across the board and hence a vibrant economy.

4.9 Infrastructure

Development of Infrastructure is a prerequisite for creating and supporting business environment that facilitates private sector investment, growth and job creation, which in turn will spur a sustained economic growth index. In a virtuous circle, the development of infrastructure contributes to growth of the economy and it can be indicated that when there is growth of the economy, this contributes to the development of Infrastructure.\textsuperscript{161}


\textsuperscript{160} Ibid, 255.
with a deliberate focus not only on quantity but quality, aesthetics and seamless functionality of
the infrastructure.

The Mid Term Plan 2008-2012 seeks for effective and reliable infrastructure which will
be pivotal in lowering the cost of doing business and also increase competitiveness in the
economy. Further, the government will promote the increase in utilization of the Information and
Communication Technology (ICT) in the light of development and management of the
infrastructural base.\footnote{162}

The Government plays its role in infrastructure development through the following
avenues: The National Housing Corporation in the housing sub sector; Ministry of Roads and
Kenya Roads Board (KRB) in road construction and development sub sector; Ministry of Public
Works in the public building works in the major towns of Kenya among others.\footnote{163}

4.10 Transport

The Kenyan transport network is the most developed in Eastern and Central Africa region
but has recently deteriorated due to poor maintenance and lack of accountability.\footnote{164} The transport
sector in Kenya is comprised of sub sectors Road, Railways, Pipeline, Water, and Aviation and
they all form the lifeline of the economy. Value of output from these sub sectors is such that
Road Transport is the leader of the pack, and then followed closely by Air Transport. Funds for
maintenance and rehabilitation, construction and development of the Kenyan road network are
disbursed by the Government from the Roads Maintenance Levy Fund to road agencies.\footnote{165}

\footnote{162} Government of Kenya, \textit{First Mid Term Plan 2008-2012: Kenya Vision 2030} (Nairobi: Ministry of State
for Planning and National Development and Vision 2030, 2010), 16.
In respect to the goals of infrastructure development under the first Mid Term Plan of 2008-2012, the Kenya Roads Board will facilitate the following programs and projects that are in line with the Infrastructure and Transport sectors. These are: A National Integrated Transport Master Plan to secure the investment and location of transport infrastructure services that are consistent with public policies, to project Kenya as the most efficient and effective transport hub in the region; Development of a New Transport Corridor to Southern Sudan and Ethiopia forming the cornerstone for opening up the Northern Kenya region whilst integrating it with the national economy; instituting the National Road Safety Program that will fast-track the implementation of National Road Safety Action Plan which seeks to reduce the incidence of road accidents and their impacts on the Kenyan economy. Other programs constitute the initialization of the Computerized Information Maintenance Management System, Maintenance of Existing Road Network and Airstrips in the country, Road Network Expansion and development of Road Transport Policy.166

Railway transport lagged behind in the nineties and this trend is attributed to the influence of the colonial masters way back in the pre-colonial era. When carefully considered, Kenya’s railway network only coincides with the limits of the then agricultural settlements of the British. This is so because of the heavily biased colonial development policies. The colonial masters had little interest in the development of the African agricultural areas for fear of competition in the world market. Their main objective was to develop a raw material exporting economy to furnish their metropolitan industries and to further import back the finished goods into the Kenyan economy.167 Because of the above reasons, the railway network in Kenya was

literally not developed further for decades well after Independence. However, all is not lost; under the new dispensation and Kenya Vision 2030, the development of the railway network is a priority and its development will augment the already clogged up road networks to facilitate trade within Kenya and the East African region. It is of significance to mention that even though there is negligence, the railway network handles passenger and cargo traffic from the Mombasa port to inland destinations of Kenya and also Uganda to post a minimum impact in the overall GDP growth rate of the country.

Kenya does not have an inland water transport network; water traffic is limited to Lake Victoria and the coastal waters at the Mombasa port. The inland waterways at Lake Victoria are an important commercial link between the small islands of Rusinga, and Migingo as well as the neighboring countries of Uganda and Tanzania. At the Mombasa Port, container traffic handles imports and exports of dry bulk and dry general cargo as well as bulk liquids. The Kilindini harbor at Mombasa is a portal for cargo heading to other countries like Uganda, Rwanda, Burundi, Democratic Republic of Congo and Southern Sudan. A new port is to be constructed in Lamu and is designed to offset the traffic from the Mombasa port. Other smaller ports at the coastline include Malindi, Shomoni, Kilifi, and the Old Mombasa Port. Ferry services and boats and canoe play a role in local transport between Mombasa and the South Coast.168

Kenya’s pipeline is owned and operated by the Kenya Pipeline Company (KPC) which has been operational since 1978. The pipeline runs from Changamwe in Mombasa to Nairobi, through Nakuru to Kisumu and Eldoret to service Western Kenya as well as Uganda and Rwanda. The KPC owns, operates and maintains the pumping stations and storage tanks that are along the line. The pipeline offers a more cost effective and energy saving means of transport for

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white petroleum products intended for exports and imports. The products transported included different petrol blends, kerosene, light diesel, industrial diesel and jet fuel.\textsuperscript{169}

Kenya is home to the major airline hub in the East African region. This service will facilitate and continue to play a major role in sustaining development in the sectors of tourism and trade. Therefore, a secure air transport service which is coupled with efficiency and effectiveness in their operations will be of great importance to the growth of the economy. The national carrier, Kenya Airways, competes with regional airlines in handling both passenger and cargo traffic. The air transport network is such that there are two international airports, Jomo Kenyatta International Airport situated in Nairobi, and Moi International Airport in Eldoret; local airports, Wilson Airport in Nairobi, Kisumu airport and Mombasa airport; as well as a stream of air strips spread across the country in various Counties.\textsuperscript{170}

\textsuperscript{169} Simiyu Wandibba and Joseph Thuranira, \textit{Social Studies 8} (Nairobi: East African Educational Publishers Ltd, 2008), 139.

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**SOURCES:** Kenya National Bureau of Statistics, Economic Survey (various issues)
From the above table, the value output of Transport and Communication Sectors have been shown from 2000 to 2010. It is clearly revealed that Road Transport is the dominant player in the sector with the highest value of output across the board. For example, the road transport sector posted a minimum of Ksh. 201,726 million since 2006 a trend which has been skyward to Ksh. 326,318 million in 2010. It is further observed that Air Transport follows closely, with Water transport and the Railways being the least.

4.11 Trade

The trade in Kenya and the policies shaping it has evolved from the beginning of the colonial era in 1895 through to modern day Kenya. The colonial conquest of Kenya led to the formation of trade policy which laid the foundation of future developments. The First World War of 1914, and the Great Depression of 1929 through to the Second World War of 1945, had a direct impact on Kenyan trade both in the internal and external fronts. The British colonial masters introduced policies that would benefit the European settlers in Kenya as well as service their interests in the world markets. However, this trend came to an abrupt end when Kenya freed herself from the clutches of the British Empire.171

After Independence, the Kenyatta Government embraced the Import Substitution Policy (ISP). This was the policy of the 1960s that ran through to the 1980s. Even though the economy performed well especially in the manufacturing and industrial sectors, the government exercised control in the protection of the local markets and there was a regular element of interference in

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private exchange. This blossomed to a virtually closed economy which saw Kenya lose out on most of her regional markets in the 1970s.\textsuperscript{172}

However, in the mid 1980s, the Moi Administration introduced the Structural Adjustment Programs which promoted the Manufacturing and Industrial to produce goods and services that would be exported to world markets. This was the genesis of the trade liberalization and measures of decontrol in price mechanism took centre stage to bloom in 1993-1994 bringing about significant impact in Kenya’s international trade. These reforms further stimulated efficiency in production, significantly encouraged private investment in the economy, and increased foreign exchange earnings.\textsuperscript{173}

In the period under study, the trade policy was largely guided by the market driven principles of the World Trade Organization (WTO) which were harmonized into Kenya’s trade policy regime in 1995. This approach resulted in the lowering of tariffs, and reduction of the non tariff barriers by other countries to Kenya’s exports, which enabled Kenya’s indigenous products to enter the export market. Kenya also joined hands in economic integration initiatives in the region resulting to the formation of the East African Community (EAC), Common Market for Eastern and Southern African (COMESA) and Inter-Governmental Authority on Development (IGAD). It is of significance to note that the current trade policy of Kenya is also guided by the Constitution of Kenya which recognizes the role played by two levels of government i.e. the Central Government and the County Governments in trade matters. Some of the instruments employed by the Government as laid down by the Constitution are taxation, trade facilitation and promotion, licensing, import and export administration among others.\textsuperscript{174}

The current scenario of Kenya’s international trade and the balance of payments is that the merchandise trade deficit continues to increase due to a huge import bill. According to the Economic Survey 2013, the import bill grew by 5.7% while the balance of trade widened by 8.7% with deteriorated export-import ratio of 37.7% in 2012. The main principal drivers for the huge import bill were petroleum products, capital goods, food products and chemical products which together accounted for 58.4% of the total import bill.175