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The beginnings of this paper are rooted in Kibera, Kenya; the largest slum on the African continent, boasting a population of 1 million people constrained by a piece of land the size of New York City's Central Park. I had the opportunity to explore Kibera while studying in Nairobi and working at a Health Clinic in the heart of the slums poorest neighborhood. The dichotomy of wealth, specifically in Kenya's urban areas, challenged me to understand how such a social stratification had developed and sustained itself. This paper explores policy decisions spanning from independence in 1964 to the present day that have dictated the development experience of Kenya. Furthermore, I have endeavored to address the specific factors that have hindered economic development. It is my contention that while some of these hindrances are anchored in pre-independence activities, most reflect the failure of Kenyan policy makers to recognize the needs of their own people.

It is important to consider the economic development of Kenya in two, equally important, but blatantly distinct realms. In the context of and in relevance to the African continent, Kenya has been the beneficiary of political stability and economic prosperity. However, on a global scale – and compared primarily to other developing nations – Kenya has not managed to capitalize on possible opportunities for development and growth. While the development experiences of each country is uniquely dictated by available natural resources, political relations, and social issues, organizations like the World Bank and the International Monetary Fund have made equal access a more vivid reality for many countries. The development experience of Kenya – its achievements and hindrances – has been the product of lingering colonial policies, domestic growth initiatives and international investment.

Historians have argued that Kenya did not do much to break away from colonial policies following independence. Instead, colonial political and economic structures were expanded to accommodate the needs of a growing nation thus classifying Kenya's structures as neo-colonial.[1] Among the many difficulties encountered by a further extension of colonial policies was the dominance of European personnel in the political and commercial sectors. In 1960 Kenya's European population represented less than 1% of the populous, however they managed to account for 40% of the wage-bill. It is a recognized truth of Kenyan history and current affairs that colonization led to the

[1] William R. Ochieng', *The Post-Colonial State and Kenya's economic Independence* in R.M. Maxon and W.R. Ochieng' [eds.] An Economic History of Kenya, [Nairobi: East African Educational Publishers, 1992], 259.

further tribalization of the nation. Historian William R. Ochieng' argues that, "*the colonizing bureaucracy exploited this fact* [preexisting tribal tensions] *for administrative reasons, which situation they also complicated by creating 'tribal' boundaries and 'reserves.'*"[2] Ochieng's argument would suggest that a white-dominant power structure would be difficult to topple if, at independence, there was no sense of unity amongst black-Kenyans. Out of the gate, Kenyans were at a disadvantage; they were forced to not only compete with white settlers but also with their fellow Africans to meet success.

Following independence, pre-existing economic and political structures were not the only features of colonialism that the *uhuru* government opted to maintain. Foreign relations with the west, India and China – driven by foreign aid, the opportunity for overseas markets and tourism opportunities – remained a priority in terms of economic development.[3] Kenyan leadership opted not to privatize any standing industries, providing the opportunity for foreign investment. With this foreign investment, however, came the opportunity for foreign control of the economy threatening any power and control Kenyan's managed to garner following independence.[4] Foreign investment is certainly an imperative feature for success in the case of any developing nation. Nonetheless, if investment means loss of native power the benefits of any cash influx must be weighed heavily against the authority lost.

Kenya's development initiatives mirror the plans instituted in other developing nations; vast amounts of foreign capital, supremacy of agriculture, restricted development of industry along with a grave dependence on the exportation of primary products and the importation of capital and consumer manufactured goods.[5] In 1964 parliament authorized the Foreign Investment Protection Act, which safeguarded foreign investment from nationalization and provided immediate compensation if the government should choose to nationalize a foreign-owned industry. By 1977 the provisions of the act were no longer tenable forcing the government to once again amend the policy in an attempt to prevent corporations from moving their regional headquarters away from Nairobi and into other parts of Africa or the Middle East. Between 1982 and 1985 the number of United States-based multi-national corporations using Kenya as a regional hub declined from 140 to 125. The departing firms expressed concerns about the political instability of Kenya, especially in light of the recent coup attempt by the Kenyan Air Force.

The continued mass exodus of foreign manufacturing firms in Kenya

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[2] William R. Ochieng', *The Post-Colonial State and Kenya's economic Independence* in R.M. Maxon and W.R. Ochieng' [eds.] An Economic History of Kenya, [Nairobi: East African Educational Publishers, 1992], 261.

[3] Katete Orwa, *External Economic Relations,* in R.M. Maxon and W.R. Ochieng' [eds.] An Economic History of Kenya, [Nairobi: East African Educational Publishers, 1992], 391.

[4] William R. Ochieng', *The Post-Colonial State and Kenya's economic Independence* in R.M. Maxon and W.R. Ochieng' [eds.] An Economic History of Kenya, [Nairobi: East African Educational Publishers, 1992], 265.

[5] William R. Ochieng', *The Post-Colonial State and Kenya's economic Independence* in R.M. Maxon and W.R. Ochieng' [eds.] An Economic History of Kenya, [Nairobi: East African Educational Publishers, 1992], 264.

forced parliament to adjust the 1964 Foreign Investment Act time and again. The government went as far as to create Export Processing Zones in the areas surrounding Jomo Kenyatta International Airport and Moi International Airport. These zones exempted corporations from customs duty and sales tax on raw material imports and manufactured exports.[6] I would contend that foreign investment is one of the most promising methods of developing specified portions of a countries economy. In spite of this, a country's leadership should feel compelled to vigilantly scrutinize the real-value gained and lost when typical trade standards are relaxed.

Even with tempered foreign trade policies in at work, Kenya struggled to shift the focus of foreign direct investment away from the United Kingdom and towards a more diverse pool of interested suitors. According to Katete Orwa, "*At Independence, Kenya lacked most of the production factors needed to fuel national development – hence the decision to maintain an uninterrupted link with Britain.*" Kenya's development status is testament to a surfeit of natural resources, its strategic geographic location, as well as an ability to appear western – or developed, if you will – following colonization. The colonial relationship between the United Kingdom and Kenya inspired a paradoxical conception of the country's development status. As one of the most developed countries in sub-Saharan Africa [both before and after independence], foreign investors in Kenya, along with fiscally motivated Kenyans, were more concerned with revenue growth through import-substitution industries than sustainable development.[7]

The years following World War Two proved to be some of the most influential in shaping international foreign policy over the coming century. With the formation of many new nation-states and the onset of the Cold War, western countries were interested in providing aid to developing countries in an attempt to steer them towards democratic-economic development as opposed to socialist development.[8] What had been little more than an exercise of containment became an opportunity for countries to exercise their economic and social influences on the countries as well. The Bretton Woods agreement, following World War Two, gave birth to the International Bank for Reconstruction and Development [the current day World Bank]. This new bank, focused on sustainable and equitable development, encouraged countries to develop their own industries. However, in time the World Bank changed this policy and pushed for countries to welcome and provide incentives to foreign firms.[9] At stake is whether the continued outpouring of western money leads to development or simply a conception

[6] Katete Orwa, *External Economic Relations,* in R.M. Maxon and W.R. Ochieng' [eds.] An Economic History of Kenya, [Nairobi: East African Educational Publishers, 1992], 392.

[7] Katete Orwa, *External Economic Relations,* in R.M. Maxon and W.R. Ochieng' [eds.] An Economic History of Kenya, [Nairobi: East African Educational Publishers, 1992], 401.

[8] Cherly Jackson Hall, *Emulating the West? Assimilating Popular Western Culture,* in Mary Ann Watson [ed] Modern Kenya, [Lanham: University Press of America, 2000], 229.

[9] Cherly Jackson Hall, *Emulating the West? Assimilating Popular Western Culture,* in Mary Ann Watson [ed] Modern Kenya, [Lanham: University Press of America, 2000], 229.

[false or real] of sincere development. Current reality would suggest that the latter is not the common scenario.

While the Kenyan government continued to invite and encourage foreign investment, they simultaneously endeavored to enhance the vitality of Kenyan-based firms. As a part of an "Africanization" policy, the Trade Licensing Act of 1967 prevent non-citizens from trading a specified list of products in all non-urban areas and in 1970 this policy was extended to include the trading of commodities as well. Once again, in 1975, the act was amended to require all manufactured goods produced by foreign-based firms to be distributed exclusively by the Kenya National Trading Corporation, placing exclusive control in the hands of Kenyans. In a further venture to better the economic prowess of Kenyans, the government created programs to extend credit to citizens. Initiatives were organized through the Agriculture Finance Corporation, the Kenya National Trading Corporation, the National Housing Corporation and the Commercial Development Corporation to support small business projects and to buy and overhaul hefty farms.[10]

Policies instituted by the government focused primarily on the growth of agriculture, which were, in turn, exported to developed countries in the west and across the globe.[11] Instilling economic authority in hands of Kenyan's provides empowerment and the opportunity to redefine market conditions as each may see fit for the Kenyan experience. However, if the government also chooses to encourage the exportation of primary products they are doing a disservice to the Kenyan's who have garnered this newfound authority. If a nation can successfully produce the primary products as well as the manufacturing skills and facilities for a given product, their citizens – as well as their tax purses – stand to benefit. Otherwise, the only revenue left in the country is that from the primary product and not the hefty profit margins that foreign firms earn.

Arising from the intersection of lenient foreign investment and manufacturing policies with initiatives to reinvent the success of Kenyan-based firms is a balance of trade that is less than favorable to the Kenyan people. *"Foreign firms have been found to be more of a drain on foreign exchange which runs counter to original assumption that the inflows of external capital would lead to foreign exchange savings. Evidence demonstrates that MNCs take out more capital than they bring in. For example, the amount of money repatriated by foreign firms in 1983 and 1984 was equal to total U.S. direct investment in 1984 [Ksh 5.6 bilion]."* Unfavorable conditions are not simply a byproduct of revenue being repatriated, it is also intrinsically related to the fact that Kenya continues to import more than it exports all the while meeting obligations to service outstanding debts. Cash-flow issues have forced Kenya to borrow further from the International Monetary Fund in order to service the US$ 3 billion debt. These fiscal-based factors have culminated in a climbing unemployment rate and a plummeting standard of living. This financial

[10] William R. Ochieng', *The Post-Colonial State and Kenya's economic Independence* in R.M. Maxon and W.R. Ochieng' [eds.] An Economic History of Kenya, [Nairobi: East African Educational Publishers, 1992], 266.
[11] Ibid., 267.

disaster, and the necessitation of additional foreign aid, has provided substantial opportunities for the International Monetary Fund, the World Bank, the United Kingdom and the United States to influence domestic politics.[12] The unfortunate irony of the entire scenario is that the efforts made by the Kenyan government through the 1967 Trade Licensing Act have been reversed by the consequences of over-aggressive foreign trade incentives. The *uhuru* government legislated the return of economic control to Africans, but managed to counteract their very own policy in hopes of developing Kenya.

It is established that Kenya's development plan was very much analogous to the arrangement of other developing nations. The results, of course, differ based on a number of outlying factors. The question now becomes this: what were those outliers in the problem-set that is Kenyan development? Certainly there are a number of plausible theories that might answer this question; I would assert that disproportionate development [i.e. across the political, economic and social spectrums] is a likely limiting factor in the case of Kenya's development experience.

Economist Amartya Sen, in his essay *The Ends and Means of Development,* argues that there are five instrumental freedoms that must be achieved before a country can be considered developed. Sen's instrumental freedoms include: political freedoms, economic facilities, social opportunities, transparency guarantees and protective security. Barring economic facilities for the moment, he is essentially suggesting that a country's citizens must have the right to vote, the protection of civil liberties, a right to education, available healthcare, legitimate elections, government's devoid of corruption and legitimate police forces.[13] An assessment of Sen's theory and the reality of political and social development in Kenya might intimate that the government's poorly designed economic processes are not the only, or even the greatest, limiting factor of Kenya's development.

Similar to Amartya Sen's idea of instrumental freedoms is the globally enacted Basic Human Needs [BHN] approach used to prioritize investments in human-interest initiatives; with the success of the initiatives ensuring a country's economic progress.[14] Operating within this approach, the Kenyan government prioritized human-environment concerns in the late 1990s that were potentially prohibiting development and came up with issues surrounding water, sanitation, air pollution and land degradation. In 1997 only 28% of Kenya had access to potable water while only 44% of Kenyans had access to basic sanitary facilities. Incidences of cholera in Kenya climbed over 40,000 in 1997 as well. In the slums, 80% of garbage was not collected while air pollution in urban areas was over five times the tolerable quantity;

[12] Katete Orwa, *External Economic Relations,* in R.M. Maxon and W.R. Ochieng' [eds.] An Economic History of Kenya, [Nairobi: East African Educational Publishers, 1992], 402.

[13] Amartya Sen, *The Ends and the Means of Development,* in Development as Freedom [New York: Anchor Books, 1999], Chapter 2.

[14] Gloria Waggoner, *The Environment: What is Kenya Doing?,* in Mary Ann Watson [ed] Modern Kenya, [Lanham: University Press of America, 2000], 76.

only adding to issues of pollution is the fact that 90% of urban households used charcoal, wood or dung to heat their homes. Outside of the urban centers an estimated .5%-1.5% of the gross national product in 1997 was lost due to soil erosion and desertification while over 40% of Kenya's natural forest cover has fallen victim to logging and commercial development.[15]

Basic health provisions are an important component of Sen's social opportunities as an instrumental freedom as is access to substantial education. Following colonization the Ominde Commission, appointed by President Kenyatta, outlined a comprehensive plan for education in Kenya that was primarily adapted from the standing British system. The plan guaranteed that every child would receive seven years of primary schooling. This promise was in response to the challenges Kenya was facing replacing jobs vacated by Europeans leaving the country.[16] Education is certainly important and creating a baseline offers a standard that will contribute to social stratification. However, it is hard to imagine that providing only seven years of compulsory education would be enough to prepare Africans for the jobs of that Europeans left open upon leaving the country. There is a lack of substantial data explaining which segments of the European population migrated home, and thus indicating which skills would be needed, making it difficult to contend the exact educational needs of the Kenyan economy at the time with sincere authority.

When Daniel arap Moi took power of Kenya in 1978 he appointed a new commission to assess the state of education. The commission moved away from the British-based system and implemented a curriculum that called for eight years of compulsory primary education. Furthermore students now had the option of four years of secondary, as opposed to five years of secondary [split into two portions as done in the past], resulting in more students finding themselves college-ready and willing. The number of students choosing to attend college after the implementation of this program jumped from 10,000 to 85,000.[17] While Moi's uniform education policy had its advantages, it certainly was not without limitations either. Imposing a national system, and expecting that it would work for 42 different ethnic groups was a tall order that many Kenyan's struggled to reconcile.[18]

One could argue that the very recent history of development in Kenya is a bit disconcerting; while Basic Human Needs priorities have been outlined, it seems that little action has been taken to ensure change. In 2002, the National Rainbow Coalition supported their presidential bid with promises of urban development and the construction of suitable housing. Nonetheless, when President Kibaki took office, he reneged on this campaign promise. Instead of just choosing to ignore his pledge, he opted to denigrate slum residents by instating a policy of demolition [not much different from that of Kenyatta's

[15] Ibid., 77.

[16] Alfred J. Kreinberg, *Challenges of Education: Looking Towards the Future,* in Mary Ann Watson [ed] Modern Kenya, [Lanham: University Press of America, 2000], 210.

[17] Ibid., 213.

[18] Ibid., 215.

policy in the 1960s and 1970s]. Under President Kibaki's intended plan of action, the government would destroy 40,000 housing structures – displacing over 400,000 people in Nairobi's squatter settlements – without any form of retribution. Kibaki's policy was regressive, at best, and failed to meet the needs of Nairobi's majority while serving the wants of Nairobi's wealthiest inhabitants.

It was not the conscience of government officials that finally put an end to Kibaki's squatter demolition agenda. Rather it was the culmination of public outcry and condemnation from Non-Governmental Organizations that curbed the plans. Both the United Nations and the Pope spoke out strongly against President Kibaki and the Ministry of Roads, Public Works and Housing; these international pressures questioned the credibility and legitimacy of Kenya's government. However, the United Nations Habitat division, despite its Slum Upgrading Program, stood by and remained tacit. They were afraid to mar their relationship with the Ministry of Roads Public Works and Housing, who, ironically enough, was a key partner in their Slum Upgrading Program.[19] The partnership betwixt United Nations Habitat and the Ministry of Housing – similar to development in Kenya – seems regrettably contradictory. While the United Nations as a whole chastised the Kenyan government, Habitat felt compelled to stay silent simply because it relied heavily on the organization which the United Nations was attacking. How could a relationship between two organizations with opposing missions be worthwhile or beneficial? It is challenging to understand whose interest President Kibaki or United Nations Habitat were advocating for; in either case, one can safely presume it was not either groups constituents whom called Kibera home.

When we step back and try to comprehend the enormity of this issue, it is not difficult to see that the prescribed guidelines of Amartya Sen's instrumental freedoms and the ideals of Basic Human Needs have not yet been met. I would assert that the Kenyan government should focus on issues of basic access to potable water, sanitation facilities, garbage removal and clean air as well as continued development of educational opportunities and healthcare services. President Mwai Kibaki has managed – although many years after Kenyatta and Moi first pushed for education – to bring compulsory primary education to almost all Kenyans. While this is certainly a step in the right direction, it seems to be too little too late. In the years after independence the government pushed for education so that Africans would be qualified to take the jobs held by Europeans. If the advent of compulsory education was not until decades later, have we missed the boat? The lag time between the need for education and the delivery of the service certainly has contributed to the lack of employment and falling standard of living Kenya has confronted in the past few decades.

The 2007 election cycle has brought issues of slum development, education and healthcare back to the table; and thus providing the Kenyan people yet another opportunity to elect a leader who can address Basic Human Needs concerns. Unfortunately, electoral debate has quickly shifted from these

[19] Rasana Warah, Nairobi's silent majority fights back, [PeopleAndPlanet.net, 18 February 2005].

basic issues to the more convoluted and intangible debate surrounding majimboism. The leading candidates claim to all support the same basic tenants of education, healthcare and development but will not go beyond this point in explicating their intentions.[20] Instead, they are concerned with protecting the interests of their cronies even if it means another campaign-pledge debacle similar to 2002.

The limitations and progress of economic development in Kenya stands at crossroads. Foreign investment and trade policies have provided windows of opportunity which foreign countries and corporations alike have used to unduly influence Kenyan politics and repatriate large sums of money. While these investments and corporate presence have provided job opportunities, one really wonders whether the value of tax incentives is consistently equal to the economic growth provided to the economy. Furthermore, policies that focus on growth as opposed to development have done little to aid Kenya's development initiatives; they only serve to bring short-term profits and not long-term sustainability. The remnants of colonial policy, maintained by the post-independence government did little to change the limiting and profit-based systems the British had instated during their occupation. The decision to maintain the status quo was certainly a debilitating factor of development, especially considering the government struggled to appropriately fill jobs vacated by Europeans all the while maintaining the standing system.

Beyond issues surrounding foreign investment and trade is the idea that social development stands as the gate between Kenya and economic development. Issues of social development have seemingly been swept to the side, and left to the devices of Non-Governmental Organizations, to allow politicians to discuss issues, which satisfy the needs of their influential constituents and not the common-Kenyan. An overhaul of social structures needs to be implemented in tandem with a modification of foreign trade and investment policies. While it is impossible to alter previous policies and permanently erase their effects, Kenya is still a young country that has the capability of redefining itself generation by generation to better serve the needs of its evolving population. Past failures do not have to mean looming disaster; if history is used as a tool of education, policy-makers might consider the plights of the past and institute them as a guideline for the future.

[20] Rose Achieng, *Lecture: The Important Issues of the 2007 Presidential Election*, [Nairobi: St. Lawrence University, 29 October 2007].

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