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Overview

Astonishing Kenya!



Kenya, a country of stunning physical and cultural beauty, continues to astonish. Barely three years after emerging from what Professor Michael Chege, UNDP advisor on International Development Policy, describes as “our worst political crisis since the Mau Mau era” (the 2007-08 post-election violence), the country appears to have made not only a full recovery, it has carried out root and branch reforms of virtually every aspect of public life. Our editors spent two weeks in Kenya in October preparing this Special Report. What they discovered was the largely under-reported story of perhaps the most extraordinary transformation in the history of modern Africa.

Report compiled by Anver Versi, Editor, *African Business*.

The scale and the scope of the reforms that Kenya has undergone in the past three years is unprecedented in the history of modern Africa, if not the world. The speed and thoroughness with which they have been achieved has been breathtaking!

The national economy, which had been chugging along happily at around 7% growth, up significantly from 2002, when President Mwai Kibaki’s National Rainbow Coalition (NARC) government replaced President Daniel arap Moi’s, went into a sharp decline following the shocking post-election violence of December 2007/January 2008. Yet this year, growth is back up to around 5%, despite a two-year drought that played havoc with the country’s food stocks.

The world has become used to watching Kenya’s middle and long-distance runners winning every international race they enter; we now have to acknowledge the people

BEATRICE KITUYI

“The Ministry of Labour is in the process of formulating a national policy on youth unemployment, because it may have an impact on peace and security.”



DR ALFRED MUTUA

“To me, the post-election violence was a turning point because it has allowed us to come to terms with our political, social and economic problems.”



The summit of Mount Kenya in all its glory

of Kenya as great champions themselves. When they realised that the ship of state was in very dangerous waters, they abandoned their differences and set about rescuing it.

But everybody agrees that the job is only just beginning. Kenyans cannot afford to go back to the bad old days, the days of impunity, lack of respect for the law, wholesale corruption, and politics based on ethnicity.

The reforms are now enshrined in the country's brand new constitution. Professor Said Adejumobi, chief coordinator of the UNECA African Governance Report, says: “This is a remarkable document. It was created from ground zero in the blink of an eye but it has everything you could wish for. I have no hesitation in saying this is the best constitution I have ever come across.”

At one stroke, the constitution completely overturns the entire political culture that has prevailed in Kenya since independence. It takes all encompassing power away from

the Presidency and distributes it equitably around the country; it guarantees human rights and freedom of expression and association; it protects the rights of minorities and gives women equal opportunities, it uncouples the judiciary from government and makes it an offence to incite racial or ethnic hatred.

Ambassador Nana Effah-Apenteng, the Chief of Staff of the AU-appointed Panel of Eminent African Personalities chaired by the former UN Secretary General Kofi Annan, which has been working with the Kenyans since early 2008 when the violence was at its peak, says: “The post-election violence shocked Kenyans out of their complacency, so much so that, despite the numerous challenges facing the country, they have been able to renew their institutions and [have] largely implemented far-reaching decisions agreed when the Grand Coalition Government came into power. They have

learned their lessons and deserve credit for the way they have gone about rebuilding their country in peace and reconciliation. It is a remarkable thing they have done here so far, including crafting one of the most progressive national constitutions in the whole wide world.”

Ethnicity – strength or weakness?

Ethnicity is a particularly important concern for Kenya as the post-election violence has been widely attributed to “ethnic tensions”. Kenya is home to some 42 different ethnic groups and has large populations of Asians and Europeans. While there have been some ethnic tensions, usually over land resources in the past, nothing like the events of 2007-08 has ever occurred in the past.

“This has always been a multi-ethnic and multi-racial society. We have not only lived together in mixed urban and rural communities, we regularly celebrate our



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unique ethnic and cultural differences,” says Samuel Mwale, principal administrative secretary in the Office of the President. “We have not only rubbed along happily with each other over the years, we celebrate our unique ethnic and cultural differences.” An Afrobarometer survey in 2003 supports Mwale’s assertion. In it, 70% of the country’s population said they would choose to be Kenyan if faced with a choice between a national identity and their ethnic group; 28% refused to identify themselves as anything but Kenyan.

What then was the cause of the explosion of post-election violence? There are many theories. Some contend it was pent-up frustration, going back 30 years, wherein many groups felt excluded from the centres of power and wealth; others trace it back to the divide and rule tactics of the British colonialists. Prime Minister Raila Odinga, in an interview in this Report, says it was violence created by elites using ethnicity to cover up their own failings. “Ethnicity is a disease of the elite. It is the elite who, in competition for the resources in the country, resort to ethnicity as a tool for discrimination against each other. And they benefit unfairly in the name of the tribe or community. They use it as a shield, especially when they commit a crime and have to face the music. But when they are enjoying the loot, there is nothing like the tribe,” says the prime minister.

Gichira Kibaara, acting permanent secretary in the Ministry of Justice, National Cohesion and Constitutional Affairs supports this view. “What is interesting is that most of the serious ethnic conflicts in Kenya are political. You know they are political because they appear around election time,” he says. “Politicians take advantage to rabble-rouse, because it is easy to ride on ethnicity to get elected. You just tell them, ‘you are my tribesmen, you don’t need to check my qualities, whether I am a poor manager or not, all you need to remember is that I am from your tribe.’”

Under the new constitution, such rabble-rousing could land one before a court. “The age of impunity that thrived during the



Above: The skyline of Nairobi.


Moi regime, is now over,” says Duncan Okello, the Judiciary’s newly appointed chief of staff. “You break the law, you pay the price.”

The ICC

Meanwhile, there was some accounting to be done. Referring to the violence, Kibaara says: “Doing the right thing is not negotiable, it must be done. You are dealing with people’s lives that were lost in your own country, not in another country. You need to bring it to a justifiable conclusion, you must address the fact that people were raped and maimed, and houses were burnt down.”

In a bid to bring the perpetrators of the violence and those who goaded them on to justice, a commission was set up and its findings were presented to mediator Kofi Annan. He wanted a local tribunal set up. But when President Kibaki and Prime Minister Odinga presented the relevant bills twice to parliament, they were rejected by the House. The slogan used was “Don’t be vague, let’s go to The Hague”.

Mutula Kilonzo, the current Minister for Justice, National Cohesion and Consti-



Martha Karua, right, was instrumental in the setting up of the Waki Commission that inquired into post election violence that led to the ICC process. The former Minister of Justice and Constitutional Affairs is now a Presidential contender.

tutional Affairs, was distraught although at the time he was in another ministry.

“Parliament’s rejection of the two bills,” he says, “was clearly a vote of no confidence in our judiciary. I was very, very disappointed [as] the full cabinet had supported the idea of a local tribunal and yet when the first bill went to Parliament, some of the cabinet ministers who had earlier agreed to it, voted against it. Key supporters of the principals of the Grand Coalition Government opposed it. And in consequence, it failed! I am totally convinced that it was an indictment of the judicial system of the country.

“Later, when I was transferred to the justice ministry, I prepared a more advanced bill and proposal for again setting up a local

PROF MICHAEL CHEGE

“This was our worst political crisis since the Mau Mau era. It was quite bad. Thank God sanity prevailed in the end.”



DR JACOB OLE MIARON

“The National Heroes Bill has identified an agency to manage heroes. It is important for the soul and cohesion of the country that we recognise our heroes.”



Above: Uhuru Kenyatta Deputy Prime Minister, Minister for Finance.

judicial mechanism in which I answered and addressed expressly, item by item, all the challenges that Parliament had identified as the basis for its refusal to set up a local tribunal. My second bill and proposal did not even manage to reach Parliament; it was defeated in cabinet. Again I had to swallow my disappointment.”

Kilonzo says his disappointment was even greater because “I could see my colleagues in Parliament thinking that the Hague process would take another 20 years to start, [and] charges would come after 20 years, going by the experience of the former Yugoslavia and Rwanda. But they have been proved wrong.”

The International Criminal Court (ICC) chief prosecutor, Luis Ocampo, used a special clause to call for six powerful Kenyans – Finance Minister Uhuru Kenyatta, Cabinet Secretary Francis Muthaura, former police chief Hussein Ali, suspended minister William Ruto, MP Henry Kosgey, and broadcaster Joshua Sang, to present them-

selves at The Hague for pre-trial hearings.

This sitting was to determine whether or not there was sufficient evidence to bring the “Ocampo Six” (as the Kenyan media have dubbed them), to full ICC trial for crimes against humanity allegedly committed during the post-election violence.

The confirmation proceedings were broadcast live on Kenyan TV (from The Hague) and dominated local media headlines. While there was disappointment that the trials were not held locally as was originally intended, there was a clear feeling that the era of impunity that the powerful enjoyed during the Moi era (1978-2002) was now over. The fact that someone like Uhuru Kenyatta, scion of the legendary father of the nation, Jomo Kenyatta, could be brought to trial, meant that henceforth, no one could escape the legal consequences of their actions. The decision of the ICC chamber will be announced by the end of the year.

Whatever the merits or demerits of the ICC hearings, and there is considerable debate over this, it is clear that Kenya has done with sweeping ugly issues under the carpet. This nation is prepared to search its soul, no matter how painful the truth may be. You cannot but admire such resolve.

The Grand Coalition

The 2007/2008 election was one of the closest fought in the country’s history. The two main parties, Kibaki’s Party of National Unity (PNU) and Raila Odinga’s Orange Democratic Movement (ODM) were neck and neck almost to the tape when allegations of fraud began to circulate.

This was the ostensible trigger for the violence. At this point, the country was on a knife-edge; it could have easily slipped down the slope of an all-out civil war as has happened so often in Africa.

But just as the doomsayers were predicting another African catastrophe, Kibaki and Odinga did something unique in the history of modern Africa – instead of pointing accusing fingers at each other, they agreed to bury the hatchet and formed the continent’s first Grand Coalition Government. Kibaki

retained his position as President while Odinga filled the newly created position of Prime Minister. The violence ebbed and then stopped.

“In the context of what had gone before, this was a noble and selfless act. Both leaders put the interests of the country ahead of their own,” says Duncan Okello.

With peace restored in the country, Kenyans were able to count the cost of their “moment of madness”, as Professor Chege describes it. “The people resolved, ‘never again’” reflects Chris Kirubi, one of the most powerful businessmen in Kenya. “It had been a very expensive lesson. Sometimes it is only when you are about to lose something that you realise its value.”

With both parties united, the government set about its floor and ceiling housecleaning. This time, with help from the AU’s Panel of Eminent Personalities and the international community as a whole, the consultative process was inclusive and when the new constitution emerged, it was cheered by tens of thousands because as Sam Mwale points out, “it not only reflected the wishes of the people, it was owned by them.”

Work on Vision 2030, an action plan to transform Kenya into a rapidly industrialising, middle-income country by 2030, resumed with added vigour.

“A crisis can either sink you or propel you to undreamed feats of achievement,” observes Kirubi. Considering the current mood of the nation, there is no question about which direction the crisis of 2007-08 has projected the country in. This nation will continue to astonish the world for all the right reasons into the foreseeable future – as long as the people stick together. And they want to stick together, as they eloquently declare in the preamble of their new constitution: “Proud of our ethnic, cultural and religious diversity, and determined to live in peace and unity as one indivisible sovereign nation ... committed to nurturing and protecting the wellbeing of the individual, the family, communities and the nation, [we] adopt, enact and give this Constitution to ourselves and to our future.” ■

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President Kibaki 'Together we've made our country a better place'

Three years after the most horrific crisis to hit Kenya since independence in 1963, in the shape of the post-election violence, an ebullient **President Mwai Kibaki** says the legacy he wants to leave when he finally bows out of politics next year is: "Together we made our country a better place that Kenyans are happy to call home."

Q You have received international kudos for forming Africa's first Grand Coalition to resolve a national conflict. What has been your experience of this form of government?

The Grand Coalition Government was formed at a very trying time in our nation's history. We came together as parties that had competed in one of the most closely contested elections in our country since independence. The main agenda of the Grand Coalition Government was to institutionalise reforms so as to move the country forward and deal with some of the simmering issues that had preoccupied our national discourse.

We had different ideologies in the run-up to the last elections but I am happy that we were able to coalesce around the country's Vision 2030 blueprint that we launched soon after the formation of the new government. This has been a quick reference point on the social, economic and political reforms that are needed to transform our nation.

Q Kenya succeeded in crafting a new consultative constitution within a year and a half of the political crisis; what were the main drivers of this urgency?



The new constitution was born out of a long-running dialogue and at times acrimonious debate that spilled to the streets over a 20-year period. As leaders, we knew that it was time to bring this long debate to a close to enable the Kenyan people to unleash their inherent potential and focus on the social, economic and political transformation envisaged for our people. The Kenyan

people were also eager to embrace a new constitution that would reflect and address our nation's modern day opportunities and challenges.

I remember travelling around the country over the period when we campaigned for a "yes" vote for the constitution. I recall the enthusiasm and excitement that the people exhibited. I thank the people of Kenya for choosing a peaceful and democratic way of change in their voting for the new constitution. We have now enthusiastically set out on the path of passing the laws needed to anchor the constitution.

Q From all objective indicators, Kenya has bucked the trend and made a remarkably rapid economic recovery since this coalition government took office in April 2008. What do you attribute this achievement to?

Turning around the economy was the platform upon which we came into office in December 2002. Our overall growth moved from less than 1% in 2002 to 7% in 2007. Unfortunately in 2008 we faced challenges that led to a slowdown in our economic growth. Adverse weather conditions that

“We became more accountable to the people. The more people see their taxes at work, the more they are willing to pay taxes”

have resulted in recurring drought and volatility in the international financial markets have also had negative effects on our economy.

However, we are back on the positive growth path due to the hard work of our people and the forward-looking policies that we have put in place. Chief among these are the investments we are making in the social sectors, especially health and education, that have a direct impact on the well-being of our people.

The growth is also being driven by the most ambitious infrastructure programme in our nation’s history incorporating investments in the roads and energy sector. Innovation has also played a big part. Kenya is today home to some of the world’s ICT innovations, like the mobile money transfer that has made it easy for our people to transact and bank from the comfort of their homes and business premises.

Q It has been said that one of the best things that has happened since you came into office in 2002 was to greatly reduce the country’s dependence on foreign aid. How has this been achieved? First, we had to grow our economy which we have done, having nearly tripled our GDP in the last eight and half years. This made it easy to widen our taxable base. We streamlined our tax collections by reforming the institutions charged with this responsibility.

Above all, we became more accountable to the people. The more people see their taxes at work – building schools, health centres, roads, more water and electricity connections – the more people are willing to pay taxes. We still have dependable development partners working with us, but we are also saying, let us do this much and we are happy for you to help us in other areas where we may not have the necessary expertise and resources.

Q How important is the East African Community to achieving your Vision 2030 goals?



President Kibaki meets the young generation, the future of the country

I consider myself an East African. Over 50 years ago, I took my first train ride and journeyed to Makerere University in Kampala, Uganda, in search of higher education. My stay in Uganda greatly influenced my perceptions of our region. As President, I have always been happy to promote matters that grow the East African Community.

It was therefore a great pleasure that while I was chairman of the East African community, Rwanda and Burundi joined the group. Our Vision 2030 envisions transforming Kenya into a middle income country in 20 years’ time. A prosperous East Africa at peace with itself is key to the fortunes of our individual countries.

Q It is said that the proposed Lamu Port project will not only transform the economic prospects of northern Kenya but also South Sudan and even Ethiopia. How will it do so?

The Lamu Port–South Sudan–Ethiopia Transport Corridor (or LAPSSET) is Kenya’s, and indeed our region’s, most ambitious infrastructure project since the construction of the Mombasa-Nairobi-Kampala railway line over 100 years ago. The project will open up vast areas of northern and eastern Kenya and link our country to the newly independent South Sudan and give Ethiopia an alternative access to the Indian Ocean.

We are selling the project to various prospective investors. Ultimately I see good and innovative public-private partnerships

(PPPs) emerging to develop the project. I say this because the various components of the project that include a brand new port, roads, railway line, airports and other energy and infrastructure projects will need to be imaginatively managed, hence the need for both public and private sector involvement in the development, management and ownership of the various components of the project.

Q Kenya has had many crises in the past and so far, has always been able to bounce back. What do you attribute this resilience to?

By and large, Kenyans are very ambitious people who like to see progress in their lives. They will therefore easily identify with progressive forces that want to move the country forward. Whenever we have had a national crisis, Kenyans apply their resilience to resolve issues. I have seen this at work during my many years in public life. I also know that Kenyans are people who like to express themselves, especially now that we have an expanded democratic space with one of the most liberalised media in the world.

I must also thank the Kenyan people for their hard work. As leaders, our work is to create the necessary environment to ensure that we make our country a place where the citizens can live out their dreams, hopes and aspirations.

Q You have been deeply involved in Kenyan politics since before independence in 1963. What legacy do you want to leave when you finally bow out of politics?

That together we made our country a better place that Kenyans are happy to call home. ■



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PM Raila Odinga 'Kenya has a major role to play in Africa'

Kenya still faces major challenges at home. But **Prime Minister Raila Odinga** (*pictured below and opposite*) says the country is now in pole position to play a positive role in Africa and help other countries, especially its neighbours, to resolve their own economic and political problems.

Q What role does your position as prime minister play in the creation of a united Kenya?

The position of prime minister was created as a result of an accord signed between the two biggest parties in the country; it was signed by the president and myself. This was a compromise after the disputed elections of 2007. The position comes with the role of supervision and coordination of the functions of government. So it is basically to create efficiency in the running of the government, and to deal with issues of policy. So, basically, my role helps to make the coalition work harmoniously and by extension promote national unity.

Q There seems to be a new sense of peace and harmony in the country, and long may it last. How much will you attribute that sense of inclusiveness to the fact that you are now the prime minister of Kenya?

I think that we have managed to remove the fears and suspicions that existed immediately after the elections. The elections had polarised the country, and it was necessary to diffuse the tensions and make sure that the whole country is treated equally and that resources are distributed in an equitable manner. This has helped to



create confidence amongst the people.

Q There is a perception that China and India are now more important to Kenya than your traditional links to the West. How far is this true?

I think it is a wrong perception. It is true that we have expanded our trade to emerging economies such as China and India; it is also true that the companies from those countries are very active in our country, particularly in the areas of infrastructure development, roads, water, and telecommunications, and indeed

there is active government-to-government cooperation. But our relationship with these countries is not at the expense of our relationship with our traditional partners in the West, because we continue to expand the relationship with traditional partners.

Q Vision 2030 asks for an annual growth rate of 10% per annum. Where, in your opinion, will this growth come from?

Growth in Vision 2030 is anchored on three pillars: economic, social, and political. We expect that the construction of infrastructural projects will create wealth and employment for the people, and thereby bring growth. We are seriously developing our infrastructure such as roads, railways, airports and air transport, energy, water, and telecommunications. We are also developing our manufacturing sector and agribusiness; we want to add value to our agricultural produce and process the minerals we have in this country before export. Tourism is another area we have to expand greatly. We also see manpower development as being very critical in the attainment of growth. The health sector is another important area, in the sense that we want to give people equal access to health

“We are implementing this new constitution to give equal opportunity to all in the country”

care irrespective of their socio-economic background.

We want to expand and modernise the railway network, particularly the Mombasa-Nairobi-Kampala railway. We are also going to put a second port and network at Lamu, which we call the Lamu Corridor, by using rail and road to link Ethiopia and South Sudan. We have another rail project to link Cameroon on the western seaboard to create a land bridge across the continent from the Indian Ocean to the Atlantic.

Q Kenya has astonished the world in terms of its innovations, not only in the ICT sector but in many other areas as well. What can you do to encourage and reward innovation and protect new discoveries?

Yes, we are very proud of the creativity which has been shown by our citizens, and as a result we have responded by offering incentives, rewards and protection for their intellectual property rights by enacting a law in this country to that effect.

Q Even outsiders can see a new spirit of optimism and national harmony now prevailing in Kenya. How can this spirit be sustained in the long term, especially with the political changes that will happen in 2012?

We have a new constitution which has become the foundation of our endeavours. We are implementing this new constitution to give equal opportunity to all in the country. This is what will bring stability because we will move away from the unfairness that characterised past governments, and reduce evils like tribalism, nepotism and favouritism.

Jobs will also be created in both the formal and informal sectors, and we will give people access to credit to encourage them to be more productively engaged.

Q You have just described tribalism as an evil; but politics in Kenya, from time to time, has been conducted via tribalism. What are you, the leaders in



government, doing concretely to eradicate this cancer from the body politic?

You see, Kenya is not an exception on the continent. It is a cancer across the African continent. My view is that ethnicity is a disease of the elite. It is the elite who, in competition for the resources in the country, resort to ethnicity as a tool for discrimination against each other. And they benefit unfairly in the name of the tribe or community. They use it as a shield, especially when they commit a crime and they have to face the music. But when they are enjoying the loot, there is nothing like the tribe.

I think that this disease can be cured if we have an open society with checks and balances, for example if civil society is strong, if the media is strong, if there is a dynamic multiparty system where there is competition in the political process, then a government or leader or party will know that they need the support of all the people in the country. This is the only viable way to do away with this cancer.

Q Kenya is now one of the “big three” in Africa. (Nigeria and South Africa being the other two.) How can you leverage your position to fight Africa’s corner on the global stage – because when things happen in Libya, Côte d’Ivoire and elsewhere on the continent, Europe intervenes and Africa is sidelined?

I think that Africa needs to play a much more important role on the international

stage. But to do so, there needs to be unity of purpose within Africa itself, there has to be some kind of openness in how African countries relate to each other.

We now have the African Union (AU) which has replaced the Organisation of African Unity (OAU). The major weakness of the OAU was the non-interference article in its Charter which stated that there should be no interference in the internal affairs of member countries. In the name of that non-interference, a lot of crimes were committed on the continent by leaders, but the other leaders just looked the other way.

Now all these things were supposed to have changed with the establishment of the AU. The AU Charter has replaced the non-interference article with another one which says there should be non-indifference to the violation of human rights in member states. That basically means that if you see the violation of fundamental human rights in an African state, you have a duty to intervene. But unfortunately the AU has not made use of this new change of mandate. For example, in Libya, if the AU had been proactive and taken charge at the time that demonstrators were being shot at, the situation wouldn’t have degenerated to the level where the EU and later NATO were called upon to intervene and fight the Libyan government. This should have been an African problem and there should have been an African solution to it, much like the Europeans have done with the problem of the former Yugoslavia.

I understand that Kenya has a major role to play on the African continent, because Kenya is strategically situated on the eastern seaboard. Our economy is stronger than our regional neighbours’, we also enjoy good relations with them, both in trade and politics, and we should use this comparative advantage to help them grow their economies and resolve their problems. We’ve got to work with all these countries because opportunities exist for us to prosper together. But we should remember that opportunities have wings and if we don’t use them, they will fly away. ■



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Vision 2030

Roadmap for a bright future

Kenya, easily the strongest economy in East Africa, is now poised to join South Africa and Nigeria as the “big three” of Sub-Saharan Africa. After a hiccup following the post-election violence in 2007-08, economic growth has resumed the upward trajectory begun in 2002.

Before President Mwai Kibaki’s National Rainbow Coalition (NARC) administration took office in 2002, Kenya’s economic growth, handicapped by poor infrastructure, a general lack of direction, and political apathy, had slumped to less than 0.6%. NARC ushered in a vigorous recovery strategy that produced the most sustained period of growth for all the key economic sectors in the country’s history.

Five years later, growth was averaging 7% before it was rudely interrupted by the post-election violence of 2007-08.

Since then, the country has clawed back most of the gains; this year growth is anticipated at around 5%. However, a two-year drought, high fuel prices, and the global economic slump are likely to limit growth to around 4.5% this year.

It was during the period of rapid growth in 2005 that work first started on a strategy that would transform Kenya into a globally competitive, rapidly industrialising middle-income nation by 2030. A wide cross-section of local and foreign experts, the public and private sectors, professionals, and ordinary citizens held detailed consultations to draft the strategy papers.

The result, Vision 2030, is one of the most comprehensive development agendas in modern African history – a project that goes beyond economic transformation and aims at “nothing short of a quantum leap in



the standard of living of the people of Kenya by the year 2030”, says Mugo Kibati, the director-general at the Vision 2030 Delivery Secretariat in Nairobi.

The strategy is anchored on three pillars: economic, social and political governance.

Economic pillar

“The Vision calls for an annual 10% rate of growth,” says Wycliffe Oparanya, Minister of State for Planning, National Development and Vision 2030. “To achieve this, we must have macroeconomic stability which means low levels of inflation, strictly limited public sector deficits, a stable exchange rate and low interest rates.”

Minister Oparanya points out that prior to 2002, 80% of the national budget went to recurrent expenses, 20% to development. “Now it is 40% for development, 60% recur-

Wycliffe Oparanya, minister for Planning, National Development and Vision 2030. Right: The Olkaria geo-thermal generation station

rent. We are aiming for a 50-50 ratio.”

A great deal of emphasis is being laid on infrastructure. Work is already underway to create a network of roads, railways, ports, airports, waterways, and telecoms such that “it will be impossible to refer to any region in our country as ‘remote’”, Oparanya says.

One of Vision 2030’s flagship projects is the 10-lane, \$317m Nairobi-Ruiru-Thika Superhighway. The 50km highway will link Nairobi and the industrial and agricultural towns of Ruiru and Thika.

Construction began in January 2009 and is being undertaken by three Chinese companies - China Wu Yi, Shengli, and Sinohydro. The key objective is to decongest Nairobi and reduce the daily traffic jams.

The partially completed highway has already spawned a construction boom along its route with satellite cities and suburbs like Tatu City, Migaa, Fourways Junction, Thika Greens Golf Estate, Flame Tree, Oakfield Valley, and Jacaranda Gardens.

The Moi International Airport in Mombasa has been expanded and modernised, Jomo Kenyatta International Airport in Nairobi is to get another terminal, and a brand new greenfield airport is being constructed for Nairobi. All other airports in



CHRIS KIRUBI

“The people resolved ‘never again’. It had been a very expensive lesson. Sometimes it is only when you are about to lose something that you realise its value.”



SAMSON ONGERI

“Since its introduction in 2003, free primary education has achieved several milestones including a rise in enrolment from 5.9 million in 2002 to 8.5 million today.”



the country, including Kisumu, are being expanded and modernised.

Mombasa port is being dredged to allow for larger ships to dock, and the port area itself is undergoing expansion.

Perhaps the most spectacular flagship projects are the proposed Konza Technology City, which among other objectives, will establish Kenya as the business process outsourcing centre in Eastern and Central Africa, in addition to the mega, \$15bn Lamu Port-South Sudan-Ethiopia Transport and Economic Development Corridor (LAPSSET). This project, which is well advanced in the planning stages, will open up a vast new economic corridor that has the potential to transform the economies of the entire region.

The complex project is made up of seven components: (1) Building a state-of-the-art

port and metropolis at Manda Bay on the Kenyan mainland opposite the island of Lamu; (2) a 880km highway; (3) a 1,710km railway line; (4) a 1,260km crude oil pipeline and a 980km pipeline for products, from Lamu to Isiolo, Isiolo to South Sudan, and Isiolo to Ethiopia; (5) a 120,000 bpd oil refinery in Lamu; and (6) airports at Lamu, Isiolo and Turkana and resort cities at Lamu, Isiolo and Turkana. A proposed second transport and economic corridor will eventually connect Lamu with Douala, Cameroon. This will create a direct connection between the Atlantic coast of West Africa and the Indian Ocean of East Africa.

The feasibility studies for the project have been completed and detailed designs for the first three of 32 berths at Lamu Port, and associated port infrastructure, have also been completed. Financing for the project

will be a mix of public and private funding. The African Development Bank, the World Bank, the Inter-Government Authority on Development (IGAD), the COMESA/EAC/SADC Tripartite, and the African Union have all expressed full support and interest in the project.

Minister Oparanya also points out that the new constitution gives specific and added guarantees and protection to investors, both local and foreign. “The aim of all this infrastructural activity is to create an economy that is sustainable, competitive, and which creates jobs as our population is largely young.”

Massive new developments at the Olkaria geo-thermal generating station in the Rift Valley are easing the country’s power supply, now heavily dependent on oil. Olkaria I and II are currently generating 115MW of electricity. They will soon be joined by three more units, adding 280MW.

Several new geo-thermal projects around the country could contribute a total of 4,000MW, which, combined with other renewables such as wind and solar, could make Kenya a net exporter of power by 2030.

Social pillar

Vision 2030 calls for the country to provide globally competitive and quality education, training and research. The country already has a vast network of educational institutions and the aim is to make education relevant to the needs of a modern state.

Kenya already boasts some of the best-educated people on the continent and is beginning to gain a global recognition for the quality of its hi-tech expertise.

There are ambitious plans to improve the health sector, water, and sanitation, and to provide good quality homes for the population. Under the new constitution, citizens can claim decent living standards as a right.

It is a carefully crafted strategy that is do-able rather than aspirational. It is already being hailed as the “model development model” for other African countries to emulate. ■

Kenya



ICT Silicon Savanna ready to take on the world



Intense competition from service providers like Safaricom and Airtel has been driving down mobile phone costs in Kenya

When we asked a street-side vendor, overseeing his modest collection of newspapers and magazines, when he expected the latest editions of our publications, he whipped out a mobile phone, punched some numbers and moments later told us, “You will find them here in two days”.

Everyone in Kenya, at least so it seems, has a mobile phone. There are over 20 million of them knocking about all over the country. On our way to view Kenya’s

geo-thermal power generation facilities on the floor of the Rift Valley at Naivasha, we stopped to ask directions from a dusty goatherd. He didn’t know but his cousin would; out came the mobile and we were on our way.

But mobiles are old hat in Kenya. The internet is the in-thing now. Internet connection has gone up from being available to 2 million people to 12.5 million in less than two years. Access is mainly through the mobile phone. Kenyans have become masters at using their mobiles for virtually

all transactions, reading papers and blogs, checking on prices of commodities and shares, and watching all kinds of entertainment including films and football matches. “If you want to see a Kenyan spinning around in a daze, take away his mobile!” joked our driver Martin Mwititi.

Intense competition from service providers such as Safaricom and Airtel has been driving prices down; and handsets, including smartphones, are becoming cheaper. You can pick up the latest Samsung for less than \$100. Three undersea cables

“We are taking on Bangalore. Why not? Konza Technology City will have all the technology you can wish for”

Bitange Ndemo



– a fourth one is on the way – have made the expensive satellite system virtually obsolete and brought broadband within the reach of everyone. But Kenyans are not merely consumers of IT technology. They have become experts at producing highly innovative software to suit the particular needs of their environment.

Safaricom is credited with starting the trend with its M-Pesa mobile banking system. The mobile phone has now become a “digital wallet” in the true sense of the word. The World Bank estimates that financial transactions made using the system top \$7bn. Other systems allow you to track national budget expenditure – how much has been allocated to your district or town, for what purposes and the latest state of play.

To say the technology has revolutionised society is an understatement. It has delivered knowledge and therefore power to the people. The Ushahidi data-mapping platform which collated images and reports from the ground during the post-election violence and transmitted them in real time via social media and text messaging, has taken the world by storm. *Time* magazine says: “By May of this year, Ushahidi, which is free to download, has been used 14,000 times in 128 countries to map everything from last year’s earthquake in Haiti to this year’s Japanese tsunami.”

Kenya has become such a hotbed of young IT techies and other inventors that it has earned the title of Silicon Savanna. Incubators such as iHub and the University of Nairobi’s FabLab are generating exciting and practical applications and inventions almost by the week. Cloud computing is enabling the often small-sized entrepreneurs to build their apps, and Google has located its lead sub-Saharan base in Kenya.

Kenyan organisations and individuals are picking up international awards almost as a matter of course. Simba Technologies beat a field of 100 from East Africa to win the inaugural Pivot25 award for designing an app that will provide basic health care

information to remote locations; last year John Waibochi gained \$1m in funding for winning the Nokia Global Growth Economy Venture Challenge for his mobile-based supply chain solution app.

But this is just the beginning of what promises to be a giant leap forward for Kenya’s ICT sector. Bitange Ndemo, Permanent Secretary of the Ministry of Information and Communications showed us around a scale model of his pride and joy: the new \$7-\$10bn Konza Technology City, to be built 60km from Nairobi. He expects



Top: A scale model of Konza Technology City. Bottom: The site it will be built on, 60km from Nairobi

construction to begin later this year.

He is taking on Bangalore. “Why not?” he asks. “This will be a completely greenfield site with all the most modern technology you can wish for. Rents will be low – for example, one acre of land in Upper Hill (a fast-growing suburb of Nairobi) will set you back \$4m; at Konza, one acre comes in at around \$2,000.”

The 5,000 acre Konza City will house a science and technology park, an IT park, incubators, a couple of state-of-the-art medical centres, a media city, a financial district, a convention and conference centre

that can seat 20,000, a 40,000 sq metre Expo centre, a shopping mall, residential units, a stadium, a golf course and an artificial river. The city will have its own sewage treatment and water recycling plant. “We want to give our techies, and others from around the world, all the facilities and room to go mad in,” he says.

“A high-speed rail link will mean you can be in Nairobi in 20 minutes,” he adds. He wants the stadium to host international sporting events, along the lines of the IPL cricket tournament in India. “English Premier League clubs, or even the world’s best clubs could hold tournaments here during their off-season; we could stage athletics invitation events, cricket championships, you name it.” The city will be a stone’s throw away from the country’s fabulous Amboseli and Tsavo national parks, so visitors can “indulge themselves in technology, get treated at what will be some of the world’s best hospitals, watch world sports stars in action and enjoy this country’s wonderful wildlife and culture.”

The project will be constructed in phases and completed in five years. Ndemo says interest in taking up space has been intense. Several medium-sized Indian firms have been banging at the door and two giant Indian medical providers have been battling for the medical facilities.

Meanwhile, he wants to finish the country’s complete migration from analogue to digital broadcasting by the middle of next year. This, he says, will be a first in Africa and create vastly more space for new TV and radio channels. Two more private sector multiplex towers, each with several towers, will be added to the single-state one currently in use. There are around 3.5m TV sets in use at the moment but the numbers are increasing by the week. As it is, viewers have a choice of hundreds of channels to pick from, including dozens of local ones.

“You have to agree that Africa’s Silicon Savanna is a force to reckon with,” says Ndemo. Who can argue with that? ■



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Tourism Welcome to paradise



Kenya's tourism industry is back in rude health, says **Najib Balala**, the country's tourism minister. "It is one of those 'must see before you die' destinations."

Back in 2007-08, the negative publicity in the wake of the post-election violence drove Kenya's tourism industry to its knees. "We were down 47%," recalls Tourism Minister Najib Balala. "This year, however, we expect to hit 2 million arrivals, the highest since a peak at 1.8 million in 2007."

How was this remarkable turnaround achieved? "We went on an aggressive marketing campaign," Balala explains. "Our traditional markets in Europe had dried up

– partly as a result of the negative publicity, partly due to the economic squeeze."

Balala and his team set off on a meticulously organised sales drive to woo back visitors from the traditional markets as well as attempt the difficult task of breaking into new markets. They took a two-pronged approach – appealing directly to consumers through advertising and features on international TV channels and radio stations.

"Fortunately," Balala says, "Kenya is relatively easy to sell. Most people have seen

wonderful documentaries of our landscapes, wildlife, birdlife and our fascinating cultures. It is one of those 'must see before you die' destinations."

On the trade side, the ministry worked closely with tour operators and airlines and offered sweeteners such as cutting visa fees by half. They also turned their attentions to markets that had been ignored in the past – Russia, the Middle East, China, Japan, Canada – and the rest of Africa. In 12 months, seven new offices were opened in

“We expect to hit 2 million arrivals in 2011, the highest since a peak of 1.8 million in 2007. Fortunately, Kenya is easy to sell”

the new markets, including one in South Africa. The response was remarkable – visitors from India now surpass those from France.

“Africa has a tremendous potential in terms of visitors,” Balala contends. “We have opened an office in South Africa and are opening offices in Ghana and Senegal; we are also easing visa regulations.”

In addition to arrivals from new markets, some of the traditional markets have also rallied. “While visitor numbers from the

Ksh200bn by 2012, increase international arrivals from 1.8 million in 2007 to 3 million by 2012, and increase average spending per visitor from Ksh40,000 to Ksh70,000 by 2012. To achieve this, Balala says, the country will upscale Kenya’s already famous and fabulous attractions – its national parks, its stupendous game lodges, its pristine beaches, its magnificent cultural diversity and historical legacy – and also diversify its products.

where Koobi, regarded as the Cradle of Humankind, is located.

Health spas will be located at naturally occurring hot springs in the Rift Valley, and a nine-hole golf course and city, complete with a five-star hotel, shopping mall and an Imax theatre, is planned to be located at the current Railway Club site in Nairobi.

Following two totally unexpected attacks by bandits from Somalia on visitors enjoying the privacy of relatively remote sites on



Some of the delights awaiting tourists in Kenya



UK and France are down, Italy and the US have fully recovered while Germany is well on the way up.”

In Vision 2030, tourism is one of the key sectors that will be relied on to drive the economy to higher levels of development. It contributes around 11% to the national GDP, is a large employer, and generates a good chunk of foreign exchange.

The 2030 strategy calls for the sector to treble earnings from Kshs65.4bn in 2007 to

“We are constructing three resort cities – one on the south coast at Diani, one on the north coast at Kilifi, and one at Isiolo to tap into the rich potential presented by Mount Kenya, the Meru National Park, the Aberdares Forest, and the Samburu National Park.”

Other plans include an amusement park at Bomas of Kenya in Nairobi, the development of World Heritage sites at Lamu, Mount Kenya, and Sibiloi National Park

the southeast coast of Kenya, Balala said the whole nation had been deeply saddened that anything like this had happened at all on Kenyan soil.

A round-the-clock armed patrol and helicopter surveillance was immediately installed in the area. “This is a huge tragedy; we will do everything possible to make sure it never happens again,” Balala promises. “As a tourist destination, Kenya is paradise; we want to keep it that way.” ■



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A robust and profitable banking sector

The role of the financial services sector in Vision 2030 is pivotal. It is expected to increase savings and mobilise investment funds to implement the projects that are designed to accelerate growth.



Left: Stella Kilonzo, CEO of Kenya's Capital Market Authority

Kenya has a well-organised and generally smoothly functioning financial sector comprising banking, insurance, capital markets and pension funds. Important components of the sector are the quasi-banking institutions and services provided by savings and credit cooperatives (SACCOS), microfinance services, building societies, development finance institutions (DFIs) and informal financial services.

At present, the financial sector in Kenya, as in much of Africa, is characterised by low penetration and limited supply of long-term finance. However, the exponential growth of mobile money transfers as offered by M-Pesa, Zap and Yu as well as the extraordinary growth of Equity Bank, which concentrates on providing services to smallholders, is a clear indication that the potential for mobilising savings in Kenya has hardly been tapped.

In October, Equity Bank's CEO, James Mwangi, won the annual 2011 African Banker Award as Best Banker for the second time in succession.

Robust banking sector

As at 30 June last year, the Kenyan banking sector comprised 43 commercial banks, one mortgage finance company, and 127 foreign exchange bureaus. Branch networks increased from 930 in June 2009 to 1,017 in June 2010, representing a growth of 9.4%. According to the Central Bank of Kenya, the banking sector maintained high capital and liquidity ratios in relation to the minimum statutory requirements. Non-performing loans were low in relation to gross loans. Liquidity was considered strong, with the average ratio of liquid assets to total deposit liabilities at 45.1%, well above the statutory minimum requirement of 20%.

The consolidated position for all commercial banks and non-bank financial institutions showed a 41.9% increase in profitability in the year to June 2010 while credit risk declined with non-performing loans down by 7.9%. The ratio of gross non-performing loans to total loans improved. Total assets of the banking sector rose by 22.6% from Ksh1,263.4bn in June 2009 to Ksh1,548.4bn at June 2010.

Capital markets

A robust capital market environment will be essential to the type of long-term investments that Vision 2030 calls for in order to finance large infrastructure projects.

The overriding objective is to raise savings and investment rates to 25-30% of GDP. To achieve this, the role of the country's Capital Market Authority (CMA) will be to facilitate raising stock market capitalisation from 50% to 90% of GDP by 2012 and bond capitalisation as a share of GDP from 16% to 30% by 2012.

CMA is working to increase access to capital market products and services as well as widening outreach across the various regions of the country. The Authority is also supporting the development of Collective Investment Schemes as convenient investment vehicles for the retail investors.

CMA has introduced venture capital and asset backed securities regulations and the range of tradable securities was expanded through IPOs, rights issues, and treasury and corporate bond listings. The Authority also developed a policy framework for OTC (over-the-counter) bond trading and is in the process of implementing it.

In November 2009, automated bond trading was launched, and from April 2010, all bonds traded at the stock exchange were done through the automated system. This has opened up the bond market, with turnover rising to a historical high of Kshs476bn by the close of 2010. ■

DUNCAN OKELLO

“One of the good things that President Kibaki did was make a conscious decision to limit our dependence on foreign aid, which was revolutionary.”



AMOS KIMUNYA

“Jomo Kenyatta Airport is becoming No.1 in terms of cargo. We are expanding it to take in 10 million passengers per year.”



Agribusiness Kenya's economic backbone

Agriculture is still the mainstay of the Kenyan economy, contributing 26% directly and 25% indirectly to the national GDP. Around one million hectares are being brought under irrigation and the strategy under Vision 2030 is to transform the sector from subsistence farming into a profitable business.



Improved seeds, credit and training are boosting agriculture output

Some five million smallholders form the backbone of Kenya's agricultural sector. More than a third of the country's agricultural output is exported, forming over 65% of the country's total exports. The sector provides formal employment to 18% of the workforce but millions more are involved informally.

The sector is made up of four major sub-sectors: industrial crops: tea, coffee, sugar cane, cotton, tobacco, sisal, barley and fruit; food crops: maize, wheat, rice, sorghum,

millet, legumes (Irish potatoes are now becoming a very significant food crop); horticulture: vegetables, flowers, nuts and spices; livestock and fisheries: poultry, goats, sheep, cattle, hides and fish.

Industrial crops contribute around 55% of agricultural exports and contribute 17% to GDP. Horticulture has now become the largest sub-sector. The Lake Naivasha area is dominated by huge farms, such as Oserian, Finlays and Karuturi dedicated to floriculture. Karuturi has built schools, medical centres, and playing fields on its

grounds and even has its own football team. The main markets of floriculture are in the Netherlands, Scandinavia, France and Germany, with the bulk going to the UK. Small amounts are exported to the Middle East and Asia.

Coffee is grown both on large estates, which produce about 44% of the total output, while smallholders organised in cooperative societies produce the rest.

Tea is also produced on large estates as well as by smallholders. Kenya is the fourth-largest producer of tea in the world and the third largest exporter. This year, tea earned a record Ksh97bn, surpassing horticulture as a foreign exchange earner. This was an increase of 40% over last year's revenues.

Vision 2030 emphasises value addition to industrial crops. One of the local companies to have excelled in this is Bidco, which produces a variety of soaps and edible oils.

In order to achieve maximum value addition, Bidco put an uninhabited island on Lake Victoria under oil palm cultivation to avoid having to import the raw material from Malaysia. The company's motto, says CEO Vimal Shah, is "from the soil to the frying pan". In addition to its plant in Thika, Kenya, Bidco's palm oil fruits are also processed in Uganda and Tanzania.

"Our goal, by 2030," says Shah, "is to be able to cover the whole of Africa and take a market leadership position all over the continent." ■