

# NAVIGATING THE ECONOMIC HEADWINDS AND REESILINCE- WHICH WAY TO A DEVELOPED KENYA?

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# A Brief Historical Overview Of The Kenyan Economy

- For the last two decades, the Kenyan Economy has remained the largest economy in Eastern Africa and has been among the five largest economies in Africa.
- The economy continues to boast of the largest and most dynamic private sector in East and Central Africa.
- It has produced an impressive number of multinational corporations (MNCs) from within the East and Central Africa including key companies like Safaricom, Equity Bank among others .
- It is one of the leading African countries in terms of attracting international firms.
- Kenyan hospitality companies continue to win in global competitions.
- The country has become a source of winning innovation in the world in a wide range of areas or disciplines, including MPESA etc.

# Sources Of The Headwinds/ Crises

- Covid-19 pandemic, presented unprecedented challenges to Kenya and the rest of the world.
- Led to highly negative forces on labor movement engagement of labor in sharp decline in the demand for goods and services during the 2021/21 period.
- The projected GDP growth rate for 2020 declined from 5.0% to 0.3% (Latest Economic Survey).
- The global pandemic had a strong negative effects on both the country's exports and imports leading to reduction of economic activities in virtually all sectors including strategic sectors like agriculture, tourism, manufacturing and others.
- For instance manufacturing recorded a mere 0.1% growth in 2020 compared with its growth of 2.5% in 2019.

# The corona pandemic has triggered a wide range of crises and levels in the country including:

- Sharp rise in poverty levels, unemployment, the worsening youth crisis
- Unprecedented hospitalization, death and high hospitalization bills which have left many families seriously afflicted psychologically and financially.
- The rapid growth of the Kenya economy after the year 2000, had reduced the poverty level from 56% of the population below the poverty level to about 36.1% of the population in 2015/2016 with the negative effects of the pandemic is rapidly reversing the trend in many parts of the country especially the arid and semi arid areas

# Reversing the rising poverty leveled

To reverse the worsening trend in Kenya's poverty levels , will require urgent measures to be implemented.

- More focused and articulated measures to revive the key sectors of the economy such as manufacturing , agriculture, commerce etc with special attention to SMES.
- More focused and improved tertiary and technical training through TVETS.
- Greater focus on the marginalized areas in terms of infrastructure.
- Improved expansion of literacy throughout the country.
- More focus on infrastructure projects with priority on those projects with higher impacts on job creation.
- Tackle corruption much more seriously.
- Promote activities and stable settlements to promote education and diversified trade activities.

# Chinas Experience Poverty with lessons for Kenya

- Chinas efforts to reduce poverty in Kenya have been widely acclaimed. The country is said to have lifted 100 million people out of poverty since 2012.
- Poverty is defined in China as anybody in rural areas earning less than about US\$2.3. World bank figure US\$1.90 per day.
- According to the latest world bank data, only 0.6% of the Chinese population were below the country's poverty line.
- The World Bank estimates that more than 850 million people in China had been taken out of extreme poverty.
- According to the Chinese president, 6% of the country had invested about \$246 billion in fighting poverty over a period of 8 years – The president was personally involved in the country's efforts to eradicate poverty
- Out of the 100 million people lifted from poverty, about 99 million were out of the rural population.

- In addition the government guarantee to the people three key services- health care, housing and education
- The government also powered rural revitalization, building the capacity and scope in rural areas to sustain themselves in various ways .
- China defines extreme rural poverty as anyone earning less than u\$ 620 annual per capita income or less than u\$1.70

## Kenya's Public Debt-: Some Issues To Ponder

- Kenya's public debt has become an important source of concern and fear for many Kenyans.
- The issue has increasingly attracted attention of the country's political establishment, the ordinary citizens, the business community and the international donor community.
- The donor community has tried to intervene by sometimes advising the country to avoid commercial loans which are often more expensive than loans for institutions like the World Bank and the International Monetary Fund.
- Some of the donors and Kenyans are increasingly requesting the government to reduce its borrowing, especially from private sources or bodies like the Chinese Exim Bank.
- What are the pros and cons of external borrowing?
- What would be the likely impact of Kenya's reduced external borrowing on the country's growth and modernization process?
- Is local taxation able to substitute external borrowing as a viable option? What would be the possible political, social and economic implications?

- Currently, Kenya's public debt/GDP ratio is around 57%.
- Leading global economies such as the United States of America, Japan, Germany and many others have their public debt ratios about or more than 200%. How do we interpret this?
- Innovative ways to reduce excessive external borrowing needed including:
- Enlarge the local taxation base for development by having an efficient systems for both individual and company taxation.
- Encourage public private partnerships (PPPs) participation in the country to tap the huge potential existing in the country in terms of large local and foreign companies that can invest in key development sectors under attractive incentives and operational conditions.

The following are some key implementations or challenges facing PPP implementations in Kenya limiting the participation of private sector investors

- Political interference
- Long delays in prioritising the PPP processes.
- Limited capacity in various stages of PPP processes, especially at the country level.
- Red tape in some cases.
- Lengthy delays in concluding the process of approval and launch of the projects.
- The delays raise the cost of the process and is today regarded by many investors as one of the major obstacles in the implementation of PPP projects in the country.