# Economic Development in Kenya

Kenya is in East Africa and is the biggest economy in east and central Africa. It has a **GNI per person** of US$ 1800 – ranked 156 out of 195 countries. It has a **Human Development Index (HDI**) of 0.519 - ranked 145 out of 195 countries. This puts Kenya in the upper part of the LIC group of countries. Kenya's economy is growing at 7% a year so in the future it may become a **NEE (newly emerging economy).**

Kenya was once part of the British Empire. It gained independence in 1962. It is now a democracy. Kenya has a population of approximately 48 million. The **birth rate** is 35 births per 1000 people per year. The **death rate** is 8 per 1000 people per year. It has a rapidly growing population. It is in stage 2 of **the Demographic Transition Model**. There are over 70 different ethnic groups in Kenya. However, Swahili and English are the official languages. Kenya is situated on the equator. It is hot – typically over $20^0$C. In the north, it is very dry, whereas the south is wetter. The main ecosystem is savanna grassland – home to lions, elephants, giraffes and zebras.

The **employment structure** in Kenya is 63% primary, 11% secondary and 26% tertiary. In 1980 it was 80% primary, 7% secondary and 13% tertiary. Therefore, the primary sector is the biggest but it is declining and the secondary and tertiary are growing. This puts Kenya in the **pre-industrial** phase. Rapid urbanisation is accompanying the growth of the secondary sector, especially in large cities such as Nairobi and Mombasa. The main industries linked to farming e.g. crushing sugar cane, milling grain and brewing beer. Cement production is an important industry for the new roads, railways and pipelines under construction. Manufacturing is growing in importance e.g. trucks are built from imported kits to be sold in East Africa.

Unilever is a **transnational company (TNC)** grows tea in Kenya. This tea is sold as Brooke Bond, Lipton's or PG Tips. Unilever is Kenya's largest employer with 20 000 workers. It owns 16,000 acres and 20 tea estates. The company provides workers with pay above a typical agricultural worker – over double the minimum wage in Kenya. Unilever also offers housing, holiday pay, paternity and maternity leave, free health care, nursery and primary school education, clean drinking water and free meals during working hours. Recently Unilever invested £100 million in a new tea processing factory, which will employ hundreds of people and boost exports when completed.

However, new mechanized tea picking machines means many workers are being made redundant. This has reduced the number of workers in tea companies by half. There have been many protests about the control of large foreign owned tea growing companies. Some people want these TNCs to lose their lease on the land so that the tea estates can be taken over and run by local people. The Kenyan government have taken Unilever to court over unpaid taxes. They allege that the company owes £18 million. Trade unions claim TNCs exploit their employees. There have been allegations of sexual harassment of women, child labour and poor living conditions on foreign owned tea plantations.

In 2016 there were 1.2 million tourists to Kenya. They spent £650 million directly in the economy. This is an average spend of £540 per tourist. Tourism creates 500 000 jobs in tertiary sector e.g. hotels and safaris. Tourism creates other jobs in the secondary and primary sectors too as tourists and businesses buy other goods and services. This is called the **multiplier effect**. This means tourism is worth 3 X £650 million = £1.95 billion per year. Tourism is important for Kenya and accounts for 20% of the country's GDP. Therefore, tourism helps Kenya develop and close the development gap.

The main exports from Kenya are tea, cut flowers, coffee and vegetables. Kenya sells these to the UK, Netherlands and USA. Kenya earns US$ 3.2 billion from exports. Kenya receives US$ 2.7billion per year in aid -the 10th most aid of any country in the world. The UK gives £600 million per year and spent this on reducing the number of maternal deaths following child birth, improving conception advice and availability in rural Kenya. Kenya is a member of the EAC – East African Community – and COMESA – Common Market for Eastern and Southern Africa. These organisations aim to improve trade by reducing rules, regulations and taxes on imports and exports.

Kenya's debt is 52% of GDP – 14th most indebted in Africa. It does not yet qualify as a **HIPC (Heavily Indebted Poor Country).** Its neighbours, Tanzania, Uganda and Ethiopia do and the International Monetary Fund and the World Bank has paid off part of their debt. This means that these LICs have more money to spend on themselves, rather than paying off debt. Kenya became one of the largest recipients of foreign investment in Africa, significantly increasing since 2010 with investment from China in railways, ports and mines. A £2.5 billion railway has been built with Chinese investment linking Nairobi to Mombasa on the coast.

Kenya supplies the Co-operative supermarket with fair trade tea. The tea is grown by Kenyan farmers and Kenyan owned businesses. Payment for these sales includes the additional **fair trade** premium of 50p/kg to invest in business improvements and community development. The extra money goes towards providing health clinics for local people and scholarships for children to attend schools and colleges. **Non-governmental organisations (NGOs)** such as charities supply **intermediate technology** to LICs. For example, charities have provided the money to build sand dams and wells in Kenya to improve the water supply. Solar cookers and solar panels for lighting have also been provided for the poorest communities. **Microfinance** offers small loans – as lows a £10 – for people to start or expand businesses. For example, the Kenyan Women Microfinance Bank could make a small loan to woman to set up a road side stall. The loan can be repaid when the stock is sold and the profits from the sales re-invested in more stock and a growing business.

Economic development in Kenya has created several environmental problems. Air pollution is a problem in Nairobi – Kenya's capital city. A rapid increase in the number of vehicles and increasing amounts of industry has created air pollution. It can be 30 times as bad as London's. This is having knock on effects on people's health. Water shortages are also affecting Nairobi. A rapidly growing urban population and increasing water consumption by industry has created water shortages. Water rationing has been introduced and many people buy water from street traders for 50p for a 20-litre container.

Economic develop has also had positive social and economic effects. This table shows that people in Kenya are wealthier and healthier, living longer with better education and a higher quality of life.

| | 1990 | 2015 |
|---|---|---|
| Life expectancy | 52 years | 62 years |
| GNI per person | US$ 1470 | US$ 2990 |
| People per doctor | 20 000 | 7000 |
| Infant mortality | 66 deaths per 1000 | 35 deaths per 1000 |
| Literacy rate | 60% | 72% |
| HDI | 0.473 | 0.555 |