

Kenya



Factfile

Population
41.61 million

Life expectancy
57 years

87%
Total adult literacy rate

85 out of 1000
children die before the
age of 5

49.5%
of the population live
below the poverty line

87%
of children enrol at
primary school

40%
of adults are
unemployed



The Kenya Debt Relief Network lobbies the government and international bodies to drop the debt
Learn more at:
<http://www.kendren.org>

Debt summary

Kenya currently spends over US\$398 million in debt repayments annually and owes countries in the rich world a total of US\$8.4 billion. Kenya's external debt amounts to more than its expenditure on health and education combined. Despite this, and repeated appeals to financial officials, Kenya has not qualified for any debt relief and international bodies consider its external debt to be 'sustainable'.

Where did the debt come from?

Most of the debt owed by Kenya was incurred between 1978 and 2002, during the one-party rule of Daniel Arap Moi. Over a 24 year reign, economic problems engulfed the country despite Moi's personal wealth accumulating to over US\$3 billion. Donors continued to fund Moi's regime despite obvious economic mismanagement and extensive embezzlement. An anti-corruption commission estimate over \$1 billion went straight to the pocket of the dictator and his aids. Additionally, funded projects have resulted in limited benefits and even harm to the people, whilst contributing further to Kenya's debt burden. Kenya has gone to the Paris Club three times to reschedule their debt but have not been considered for any cancellation.

Dodgy deals

The Turkwell Gorge Hydro-Electric Power Station was a controversial project which received £17.5 million through the UK Export Credit Guarantee Department (ECDG). Positioned on a major earthquake fault with an unreliable flow of water from the river Turkwell, concerns were raised as to its potential benefits and damage it would cause to the economy and ecology of the area. Despite concerns, the contract was awarded to a French company, Spie Batignolles who completed the build for three times the initial estimate thus building further debts. In 1986, a leaked internal memo stated that the dam was "extremely disadvantageous for Kenya", suggesting that government officials accepted the project because of "high personal advantages" At the completion of the project in 1993 these fears became reality as people were displaced and social and health problems increased in the surrounding areas. The energy produced by the dam has been limited to nearly half the expected figure. Kenya 'owes' £18 million to the ECDG, as a result of the project, which will not be paid off until 2020.

The role of International institutions

International financial institutions (IFI's) including the International Monetary Fund (IMF) and the World Bank knowingly supported a corrupt and authoritarian regime. Despite this they continue to collect money from illegitimate debts which never benefited the Kenyan people. Recognising the economic instability in the country, the IMF provided US508.7 million over three years over the food crisis, however, this amount is less than half the amount that Kenya will pay back in debt service in the same time frame. Such assistance from IFI's also has strings attached, reshaping economic policy to fit the Washington Consensus model which has largely been found to compound inequality and poverty.

Cost to the Kenyan people

With a large proportion of the government spending diverted to paying illegitimate debts, less funding is available to tackle the high levels and poverty and inequality the country faces. In a region of arid landscapes, Kenyan people are vulnerable to high levels of food insecurity and whilst millions go hungry at the whims of the weather. During the recent East Africa food crisis, the government continued to be restricted by the debt repayments. Conditions placed on financial assistance also shapes Kenya for business, but the benefits tend to fail to reach the majority of the people themselves.