

Profile of — **KENYA**

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1 Background

Kenya is an East African country located 4°N and 4°S of the equator and 34°E and 42°E of the prime meridian. The country has a total area of approximately 582,646 Km² with varying climatic conditions that include tropical, savannah and semi arid. Two predominant climatic seasons are experienced; the long rains season between March and August and the short rains season from October to November. The annual mean temperature is approximately 27°C with higher temperatures experienced in the North and at the Coast while cooler temperatures are experienced in the high altitude areas.

According to the Statistical Abstract (2000), the population of Kenya was estimated to be about 28.7 million in 1999, comprising 42 ethnic groups who speak their own African dialects. However, in addition the majority of Kenyans speak Kiswahili and English. The population is predominantly young with almost three quarters aged below 21 years. Life expectancy is estimated to be 51 years for men and 55 for women. Eighty percent of this population lives in rural areas although this is expected to change in the next 20 years or so due to increase in rural-urban migration. This is causing a strain on the provision of many social services in urban centres, particularly housing.

1.1 Economic

The economy of Kenya is predominantly dependent on agriculture with tea, coffee and horticultural produce being major foreign exchange earners. Agriculture alone contributes over one quarter to the Gross Domestic Product (GDP) and employs a significant number of the population. Tourism is also a major foreign exchange earner. However its sensitivity to socio-political factors makes it unreliable.

In recent years Kenya's economy has continued to register a declining growth rate when compared to previous years. For instance, in the early nineties, GDP grew by about 4% but has reduced to less than 2% in recent times. The construction industry's contribution to GDP likewise has declined, contributing 4-5% as opposed to 6-8% in the previous years (Economic Survey, 2000).

Consequently, the ramifications of this decline are stagnation in investment causing increased level of unemployment, low capital formation and a high capital flight, poverty and the resultant social ills. The following factors are responsible for the poor performance of the economy:

- Budget cuts by the government in an attempt to control the perennial budget deficit caused by a declining revenue base.
- A crumbling infrastructure that is affecting efficient operation of economic activities.
- High bank lending rates that have discouraged both local and foreign investors. The high cost of capital is largely caused by increased government borrowing on the domestic market.
- Reduced donor funding has caused many social development projects to stall. Donor funds have been pegged to issues of good governance which the government has been unable to meet.

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