KENYA - LABOUR

1980 - 1995
Tanzania gets a message and seeks productivity

_The Star's Africa News Service_

NAIROBI — Faced by an ultimatum from its international aid sources that it give its workers incentives to work or face heavy aid cuts, socialist Tanzania has decided to gear its workers' pay to productivity.

The Government has announced that in future when Government factories and other enterprises make losses, penalty deductions will be made from workers' salaries and none of the workers, including the management, will be eligible for promotion.

But if productivity is increased, workers will receive bonuses.

Until now only the bonus for profits rule has operated.

**INDISCIPLINE**

Even in national banks, workers' committees have voted themselves bonuses after they have declared annual profits that sometimes resulted from increasing the amount of currency in circulation.

The ruling CCM Party has also voted to give management of State enterprises greater powers to deal with lazy and undisciplined workers.

In what is regarded as a move away from dogmatic socialism, the party has also ordered drastic reductions in the hundreds of price-controlled consumer goods to allow a free market to operate.

In Kenya, President Daniel Arap Moi has announced a 30 percent increase in basic minimum wages for unskilled workers.

Those working in Nairobi will now get a minimum of R45,50 a month.

The minimum wage for agricultural workers has increased to R21,50 a month.

To rid the country of thousands of Ugandans and Tanzanians holding jobs in Kenya, the Government has ordered that all alien workers pay an annual tax of R500 in addition to the cost of their work permits which is R300 a year.
1500 strike over a slap

The Star's Africa News Service

NAIROBI — Kenya riot police were called in to disperse 1500 striking steel workers at Kisumu on Lake Victoria this week.

The strike started when an Indian manager slapped an African's face.

The manager denied slapping the African whom he said was drunk and late for work.

Yesterday the Indian owners said they were sacking all the strikers and any former employees looking for jobs would have to negotiate new contracts.
PORT ELIZABETH—The Chief Magistrate, Mr D F M Smith, has sanctioned an open-air rally of the Congress of South African Trade Unions (Cosatu), which will be held at Dan Rege stadium tomorrow.

Mr Smith said members of Cosatu had asked for permission to hold the rally to launch the newly formed body in the Eastern Cape.
Handover in Kenya

NAIROBI — The Kenya Government has ordered 129 non-citizen traders and businessmen, mainly Asians, to wind up their businesses within four months as part of its Kenyanisation policy. The businesses will be allocated to Kenyan businessmen. No extension of the four-month time limit will be allowed.

The Kenyanisation policy has been going on for several years. It involves the progressive withdrawal of trading licences from non-Kenyans and the allocation to Kenyans. — (Reuters.)
NAIROBI - Soon after Kenya gained independence in 1963, the nation's first president dedicated a park to people who live in slums ringing Nairobi and he called it uhuru, the Swahili word for freedom.

Today the 4-hectare (10-acre) park is an oasis of green on the city's edge, providing a respite for thousands of day labourers.

Many of them, lacking money for lunch, use the park for what, sarcastically, is known as an "araburger" - or nap - during the midday break.

Now the ruling party wants to build a complex that would have Africa's tallest building in the park, provoking a rare public outcry and charges of official insensitivity and lack of accountability.

Debate

Plans call for building a 60-storey structure there, with a four-storey statue of President Daniel arap Moi in front.

The president allowed debate about the proposed complex to continue for more than a month before describing critics as having "insects in their heads" and telling them to "shut up".

His order silenced most of those opposed to the project.

But it has not stopped Wanjiru Maathai, a Kenyan environmentalist who has taken the issue to court despite parliament's threats to have her organisation banned.

The park, which includes a man-made pond with recreational rowboats, walkways and tiered levels for relaxing and picnicking, provides a getaway for the wananchi, Swahili for the people who live in the slum neighbourhoods.

In letters printed by Kenya's two independent newspapers, scores of citizens have pleaded with the government to heed their needs and put the complex elsewhere.

They, like Maathai, have been dismissed as ignorant and subservive by the government's most vocal stalwarts in the one-party state, whose views contrary to the official position are strongly discouraged.

In a letter to the editor of The Standard, one of the project's critics pleaded with the government to "leave Uhuru Park free!"

"I use the park with my family most weekends," wrote Mrs R Mwangi.

"I see people there who have no other forms of recreation, with their families, men with wives and barefoot children but happy to have those moments of tranquility when they can forget the struggle of daily living, when a man who has failed to give anything more to his family economically can forget his sense of guilt and failure by taking them out for this inexpensive outing."

"Please have a care for the wananchi."

"We are already suffering from other problems."

Kenya's leaders contend the project will lend prestige to what already is one of Africa's most developed and prosperous cities, and will provide thousands of needed jobs.

Critics don't dispute these aspects of the project.

But they say it should be constructed in one of the open areas surrounding the city.

The complex, which is expected to take about four years and K512 million to complete, would include a 60-storey tower, two 10-storey wings, malls, an auditorium, parking for 2000 people, and conference space for 3000 people.

There already is a conference centre 500 metres from the proposed site.

Project

The Architectural Association of Kenya protested the project's location in a public statement saying the building will destroy the grassy belt on Nairobi's perimeter that once earned the East Africa metropolis the title, "Green City in the Sun".

Maathai, founder of an organisation committed to tree-planting, initially was criticized by officials for protesting against the project in letters to lawmakers, the British High Commissioner and London media magnate Robert Maxwell, who owns a share of the ruling party's media interests.

She also urged Nairobi residents to "stand up and raise their voices" against the project.

Court

Now, she has drawn even harsher rebukes for seeking a court injunction to bar construction of the complex.
Parliament said her action "was tantamount to suing the head of state," and legislators criticized her "12-year-old" Green Belt Movement, calling it "bogus and subversive.

Maathai said in an interview that she is fighting against a public perception that the president is above the law.

But she was realistic about her chances in court, saying she "expects proceedings there to be "more politics than law".

"But if I had refused to raise my voice, then I really would feel...I am completely helpless," she said.

"And even if we lose this battle, we have brought the issue into public debate." - 'Sapa-AP.
SAA continues

Kenya flights

South African Airways will continue flying to Nairobi despite Kenyan President Daniel arap Moi's dismissal of all the Kenya Airline directors at the weekend.

A Kenyan press report said the dismissal followed mismanagement and the inability to turn the airline into a profit-making organisation.

Mr Moi said the airline had not made a profit because of its disastrous policy. He also denied speculation that Kenya Airways would introduce flights to South Africa soon — Staff Reporter
NAIROBI — Kenya is bracing itself for a two-day national strike called by opposition groups if President Daniel arap Moi refuses their demand that he release all political prisoners by tomorrow.

President Moi appears determined to resist the demand. At a public rally over the weekend he urged Kenyans to ignore it and threatened to take strong action against any who went on strike.

The Forum for the Restoration of Democracy (FORD), which is organising the strike, responded by calling on people to stay indoors during the strike and avoid confrontation with security forces.

Nine FORD leaders, among them former Cabinet Minister and political detainee Charles Rubia, quietly left the country last Friday after receiving reports that the government intended detaining opposition leaders in a bid to quell the strike.

Thousands of leaflets urging the closure of business premises during the strike have secretly been distributed in shops and offices.

FORD's strike call has the tacit support of a pressure group called Release of Political Prisoners, whose members include relatives and sympathisers of detainees.

A few weeks ago the opposition groups produced a list of 32 detainees whose release was demanded. These included lawyers, political activists and students who are facing charges of subversion, terrorism or treason.

Attorney-General Amos Wako said the government knew of only 21 people being held for political offences. Others had either been released or had been convicted of criminal offences.
Strike may cut tea yield

OTHAYA — A strike by about 80,000 tea farmers in Kenya's central province as a protest against higher taxes and poor producer prices raised industry fears of a poor yield this year.

An official of the state-run Kenya Tea Development Authority, which processes tea and handles payments to farmers, said yesterday the seven-week boycott would cause big losses "if allowed to go on".

The strike comes after unpredictable weather had cut tea output by 12.26% (10.75-million kg) in the first six months of 1992.

Tea exports were worth about $265 million in 1991.

The farmers demand an increase to eight shillings (66c) from the 2.36 shillings (19.4c) they get per kg of tea leaves. — Sapa-Reuters
Kenya strike fruitless, says Moi

NAIROBI — Buses taking people to work in Nairobi yesterday were attacked by mobs attempting to enforce a national strike.

Several passengers were injured.

The strike was called by the Central Organisation of Trade Unions (COTU).

It was intended to back demands for a 100 percent wage increase to compensate for a recent 70 percent devaluation of the Kenya shilling.

"Fruitless," the strike was declared illegal by President Daniel arap Moi, who described it as "a fruitless exercise."

COTU secretary-general Joseph Mugala and three senior officials were arrested over the weekend and are expected to appear in court on charges of incitement.

Their immediate release has been demanded.

The Federation of Kenya Employers warned that employees who did not go to work yesterday would be fired.

— Star Africa Service
Kenyan strikers fired

NAIROBI — About 2,750 Kenyan workers had been sacked for taking part in a general strike to demand a 100% pay rise and the dismissal of Vice-President George Saitoti, newspapers said yesterday.

The Central Organisation of Trade Unions called the two-day strike, declared illegal by President Daniel arap Moi.
Kenyan workers fired after strike

NAIROBI — Thousands of Kenyans have been fired from their jobs for taking part in a countrywide strike on Monday to press for the doubling of wages.

The strike was called by the Central Organisation of Trade Unions (Cotu), which demanded the wage increase.

President Daniel arap Moi declared the strike illegal and ordered the arrest of Cotu secretary-general Joseph Mugala.

— Star Africa Service
Jean-Marc Bruel, who was here last week from France to get the expansion plans rolling. "For one reason or another the market opens and the industry collapses. That's happened in Australia and Brazil. ICI Australia is not competitive. The industry is sooner or later obliged to reduce the barriers and then the industry doesn't have the size or muscle to compete in the world market."

It is what's going to happen to what Les Hollowitz, MD of Rhône-Poulenc's local operations, calls "the big three" — Sasol, Sentrachem and AECI — as last month's Gatt deal lowers chemical tariffs over the next few years.

Sentrachem says no way. "The competition will be fiercer in the future," says A J Brink, executive director of Sentrachem's agro-chemicals division, Agrilard. "But I've never been afraid of competition and we'll take them on. We make better margins on many of our export products anyway."

Indeed, the big three have been protected by a range of measures that have frustrated overseas competitors such as Rhône-Poulenc.

□ Some tariffs on foreign competitors' products have been as high as 20%, but Gatt will bring them down to around 10%-15%, depending on the chemical.
□ Rhône-Poulenc, which has operations in Halfway House, Port Elizabeth and north of Pretoria, would rather import some of the inputs for its chemical production than pay higher prices to buy them from the big three, but tariffs prevent this. Gatt will bring down these tariffs, too. This will boost exports because to produce the cheapest, most efficient outputs, companies need the cheapest, most efficient inputs, and sometimes they come from overseas; and
□ Import controls have kept some chemicals imports out of SA completely, but Gatt will end this practice. This means multinationals here won't have to apply for a permit to import a product that, say, Sentrachem could have sold them itself. Under the current system, a multinational can't get such a permit unless the locals can't supply the product. If they can, the multinationals have to buy it from them.

Brink admits that "I'd be lying if I said I am pleased" that Sentrachem will lose certain protections under Gatt. But he points out that the multinationals will have it tough, too, when Gatt strips away the same kinds of protections for them in other countries.

Mars non, Bruel says. "In some countries, we could have built smaller plants because of the size of the local market and the duty barriers (preventing exports elsewhere). But we feel that the day the barrier falls the plants close (because of poor economies of scale). In Indonesia there are such barriers. We could have built a smaller plant there. But we built a large plant. We've suffered for a few years, but long-term we are sure that this plant will continue into the next century."

As will those in SA, he believes. "Long-term, we trust SA."
Poor tea and coffee prices hamper Kenya's economy

Charles Wachira in Nairobi

Poor prices and international currency fluctuations have stumped efforts to boost the tea and coffee industries, the backbone of Kenya's agriculture-based economy.

"Profits in the tea trade dropped last year because of low United States dollar prices in the world market and the substantial appreciation of the Kenya shilling," says Musa Sang, chairman of the Kenya Tea Growers' Association (KTGA), which represents estate farmers.

A statement from the Kenya Tea Development Authority (KTDA), which caters mainly for small-holders, noted serious revenue shortfalls for tea — 90 percent of which is exported and paid for in foreign exchange.

"Last year's losses arose as a result of the unusually rapid appreciation of the Kenya shilling versus the dollar," it read. "This unexpected situation meant holders of forex were realising lower amounts of dollars as the shilling continued to appreciate."

Economic reforms which kicked off in 1993 slashed inflation from 101 percent in June 1993 to single digits and stabilised the shilling at about 44 shillings to the dollar.

A recent report released by Oxfam blames the situation on a protracted depression in world commodity markets which saw prices tumble, "in some cases to their lowest levels in real terms since the Great Depression," says the report.

"Overall, the slump in commodity prices cost Africa $50-billion in lost earnings between 1986 and 1990," says the report, which also states "flaws in the design and implementation of (economic) reforms."

While Sang welcomes economic liberalisation, he hopes market forces "will eventually produce an exchange rate which balances interests of both importer and exporter."

The KTGA chairman hopes for a bigger harvest in 1995 than in 1994, when drought early in the year reduced leaf intake to a mere 219,000 tons.

In 1993 the harvest was 211,000 tons.

"It is essential that the industry returns to profitability in order to ensure continued reinvestment and development and employment in the rural areas," says Sang.
Kenya sacks striking civil service doctors

Reuter in Nairobi

The Kenyan government said this week that it had sacked most of the 3,000 public sector doctors whose strike since June has virtually closed state hospitals.

Dennis Afande, permanent secretary for health, wrote to the doctors telling them that they had been fired for deserting their duty, with effect from June 16 when the strike began.

The strike leader, Givan Ateka, said the dismissal was illegal and he would contest it in court.

"The government cannot afford that kind of political luxury and it should rest assured that the doctors' resolve will not be shaken," he said.

It was not immediately known how many doctors had received the letters, which gave them two days to vacate state accommodation and six weeks to appeal.

The doctors are seeking registration of their union, higher salaries and housing allowances, and improved health facilities.

State doctors are paid 5,000 to 9,000 shillings (about £60-£106) a month and receive housing allowances too small to rent decent houses, Ateka said. They want their pay and allowances raised to 200,000 shillings (£2,400) a month, equivalent to salaries of private consultants.

The health minister, Joshua Angatya, has said he will not negotiate with Ateka's group even if the strike lasts a year. President Daniel arap Moi has refused the demand for a union on the grounds that unions are meant for non-skilled labour.
Doctors strike in Kenya (164)

NAIROBI — Kenya's private hospitals have started turning away patients because of the effects of a doctors' strike in state sector hospitals, medical sources reported yesterday.
Kenyan doctors call off strike

NAIROBI — Government doctors and dentists in Kenya have called off a 106-day strike — but said they would work only 40 hours a week and would keep pressing their demands.

The doctors and dentists, demanding registration of their union and better pay and conditions, will return to work by next Wednesday, the head of their unregistered union said yesterday.

Givens Ateka, chairman of the Kenya Medical Practitioners' and Dentists' Union, said the government reacted "as hard as a stone" to the strike.

The government announced a week ago that the highest paid doctors would earn an extra 3,250 shillings ($220) on a salary of 23,516 shillings ($1,585) per month as of September 1. — Sapa-Reuters.
Kenyan doctors call off strike

NAIROBI.—Government doctors and dentists in Kenya have called off a 166-day strike—but said they would work only 40 hours a week and would keep pressing their demands.

The doctors and dentists, demanding registration of their union and better pay and conditions, will return to work by next Wednesday, the head of their unregistered union said yesterday.

Givens Ateka, chairman of the Kenya Medical Practitioners' and Dentists' Union, said the government reacted "as hard as a stone" to the strike.

The government announced a week ago that the highest paid doctors would earn an extra 3,250 shillings (R220) on a salary of 23,516 shillings (R1,585) per month as of September 1. — Sapa-Reuters.
Kenyan armed forces on the warpath over low pay, poor housing

By JOE KHAMISI

 Nairobi - Discontentment in the armed forces of Kenya has been simmering for months.

But it came to a head in Nairobi two weeks ago when dozens of soldiers were arrested for heckling their chief of general staff (CGS). The once highly disciplined Kenya armed forces are no more.

Military personnel have not escaped the downward economic spiral in the country over the past two decades.

Poor management of resources has meant salary stagnation for military personnel, congestion in barracks and a steady decline in the quality and quantity of food.

This has led to low morale, lack of discipline and apathy, especially within the ranks of soldiers and non-commissioned officers.

On November 17 during the armed forces games closing ceremony at Langata barracks near Nairobi, a group of about 50 soldiers heckled and booed their CGS, General Mahmoud Mohamed, in the first ever known public demonstration of protest by men in uniform.

They interrupted his speech with chants of "Money, money. We want money." Before they were bundled into military police vehicles and incarcerated.

Although most of the soldiers were later released, seven were convicted by a military tribunal on unknown charges and sentenced to 42 days' jail.

The penalty is the maximum disciplinary action a soldier can get, but it can be followed by a dishonourable discharge and loss of all benefits.

In military circles, the soldiers' action could have been interpreted as an attempt at mutiny, punishable by long prison terms.

Hush-up

But according to sources, the army is keen to hush up the incident to advance a general sense of military stability.

Kenyan soldiers receive a basic salary of about K235 a month. Because they live in barracks they are not entitled to housing and food allowances.

For married couples, the scarcity of designated quarters is forcing families to look for accommodation outside barracks, usually in nearby slums.

A department of defence spokesman admits that, because of economic factors, the army is unable to secure more favourable conditions. - Independent Foreign Service
KENYA - LABOUR

1997 - 1998
Freight forwarders call for government action

Strike cripples Kenyan airports

MAJA WALLENGREN

Nairobi — Freight forwarders in Nairobi called yesterday for urgent government action to find a solution to a strike at Nairobi's Jomo Kenyatta airport which is causing major delays to air cargo.

Air cargo transporter Lufthansa Cargo said the majority of its Frankfurt-bound perishable cargo over the weekend had been delayed for over 24 hours because of the problems in Nairobi, which resulted in lost connections.

Both Jomo Kenyatta International Airport and the Moi International Airport in Mombasa have been crippled since midnight on Friday, when air traffic controllers went on strike demanding better pay and working conditions.

Airlink, an 85 percent-owned subsidiary of Swiss freight forwarders Kuehne & Nagel, said it stood to lose an entire cargo of fresh-cut flowers, which have awaited flight connection to Johannesburg since Saturday.

"We have had delays on all our flights, which is bad because the aircraft rotation time is very tight," said David Keary, Lufthansa Cargo's general manager for east and central Africa.

"Two hours' delay at this end can result in losing our trucking connection at the other end," said Keary.

Keary said Lufthansa Cargo was preparing a written expression of concern to the government, urging it to take immediate action as the strike could have negative consequences for both the industry and the Kenyan economy.

"It definitely jeopardises the business when you are dealing with perishable goods. If it continues much longer it can also damage Kenya's reputation," he said.

A Lufthansa Cargo Boeing 747 freighter scheduled for departure on Saturday morning was delayed more than two hours, while 10 Airbus passenger flights were delayed for hours on Saturday and Sunday — Reuter
Kenya reels under strike

NAIROBI — Pressures on Kenyan President Daniel arap Moi's government grew yesterday as an air traffic controllers' go-slow affected tourist flights and the currency weakened further against the dollar.

The third day of the protest by controllers delayed passenger and cargo flights for up to 12 hours in the high season for one of Africa's main tourist destinations.

The Kenyan shilling's international value slid further with high dollar demand after the International Monetary Fund (IMF) halted a $205m aid package on Thursday because of widespread, high-level corruption.

An official at national carrier Kenya Airways said planes leaving Nairobi's Jomo Kenyatta Airport were delayed by up to 12 hours and arrivals were waiting up to two hours to land in Kenya.

Officials said formal talks between the controllers and the government had not yet begun despite complaints from tourists, airlines and businesses.

Jomo Kenyatta Airport is the main cargo and passenger hub for East Africa and, for some air cargo carriers, is more important than airports in SA.

The industrial action is hitting other Kenyan airports at Mombasa, Kasumu and Malindi.

Air traffic controllers, who say they earn about $90 a month, began a go-slow at midnight on Friday. They are demanding a 50-fold pay increase as well as housing allowances and government-backed mortgages.

Meteorologists are on a go-slow, increasing problems in flying in all of East Africa.

Lufthansa Cargo said most of its Frankfurt-bound perishable cargo was delayed more than 24 hours at the weekend because late departures from Nairobi meant most connections were missed.

Airlink said it stood to lose five tons of fresh flowers, awaiting a connection to SA since Saturday. Tourism is Kenya's biggest hard currency earner, with flowers and fresh produce in fourth place.

Ironically Kenyan exporters, led by flower growers and tourism companies, have pressed since 1994 for a weaker shilling, saying its previous strong value made them uncompetitive.

The shilling opened at 62,50/$ from Friday's close of 61, according to commercial bank rates.

At the weekend, Moi lashed out at the IMF's decision to cancel its loan package, saying the reasons were political and ordinary Kenyans would be hurt by the decision. — Reuters
Kenyan shilling sinks, strike declared 'illegal'

NAIROBI — Kenya's shilling sank to an official record low against the dollar yesterday and the government declared a national strike called for today illegal, raising chances of violence.

On the industrial front, a go-slow by Kenyan air traffic controllers ended with agreement with the government and flights returned to normal after five days of cancellations and delays.

On a slide since the International Monetary Fund (IMF) halted a key aid package last week citing corruption, the shilling hit a commercial average of 70.2 against the dollar in the afternoon, from Wednesday's close of 67.60 shillings, a decline of 4%.

The shilling's last official low against the dollar was 69.22, recorded in October 1993.

Commercial dealers said investors were alarmed by President Daniel arap Moi's attempt to stop the IMF ruling in Tuesday and urged Kenyans to become self-reliant.

He also said the IMF loans were insignificant compared to Kenya's whole economy.

Moi, 73, and in power for 19 years, has yet to name a date for a general election which must be held this year.

The shilling was reached despite Central Bank of Kenya governor Maciej Gherembo appealing for an end to panic in the foreign exchange market as some foreign investors pulled out. Worries in the market were compounded by a call by an opponent-backed alliance of groups demanding constitutional reforms for a national general strike today. Labour Minister Philip Maunsde declared the strike illegal yesterday and urged police to ensure today was normal.

"The strike is going to be unlawful and it is an offence to participate in such activities, just as it is unlawful for anyone to incite workers to go out on strike," he said.

Maunsde's statement appeared to set the stage for clashes today between reform supporters and riot police as the strike organizers have called for marches in support of the stoppage.

Moi's government has offered a set of minimal changes before the elections and a constitutional review after the elections and has managed to dent opposition support for the strike.

"It is obvious that it (the strike) will put the workers in trouble with their employers with the likely consequences of being dismissed from their jobs," the Labour minister said.

Maunsde said the government could not discount incidents of violence breaking out today as a few people were bent on breaking the law. He added that police would be vigilant.

Meanwhile, several hundred activists of the ruling Kenya African National Union (KANU) took to the streets of Nairobi yesterday in a show of support for Moi.

The demonstrators, representing all the party wards in the Kenyan capital, shouted "Kanu" slogans in praise of Moi. Some placards called on Moi to "put tight" in his rejection of a package of constitutional reforms proposed by the opposition ahead of elections.

Other placards asked Moi "to save children in the country from violence."

Led by Kanu's chairman for Nairobi, Daniel Kego, the demonstrators marched along streets of the capital before gathering for a rally at the Kenyan International Conference Centre, where Kanu headquarters is located.

— Reuters, Sapa-AFP

A petrol station worker updates fuel prices in Bangkok yesterday. Thus expect to pay more for petrol in the wake of the government's acceptance this week of about $15bn in financial aid from the International Monetary Fund.
Directors accused of mismanagement and dealing with rivals

Kenyan coffee union wants to sack leaders

FROM AP-Dow Jones

Nairobi — More than 400 coffee farmers from the Kenya Planters' Co-operative Union (KPCU) called for the sacking of the organisation's leadership this week.

The farmers alleged that Simon Kikko, the chairman, and James Nyaga, the managing director, had mismanaged the union's funds, and also accused them of dealing with Thika Mills, a private miller and competitor.

At Wednesday's meeting called by management, Kikko banned some farmers after accusing them of wrecking the union. He said only KPCU directors could remove the managing director from his position.

Kikko said the Coffee Board of Kenya, the only marketing agent, had not made its annual accounts available to coffee farmers for five years.

He said the board — the only body that receives money from the dealers after the sale of coffee in the auction — had frustrated the union by holding large sums of money belonging to farmers.

Some members of the KPCU, who are opposed to management, yesterday held an extraordinary meeting to discuss the union's problems.

Gertrude Nduge, a farmer, said some directors had borrowed money from the union and failed to pay it back.

"We need transparency in the body. They should give us the financial report for the last six years and also tell us who borrowed, how much and when. One of them has failed to pay back 41 million shillings (R2.7 million)," she said.

Kikko admitted a director owed the KPCU 41 million shillings, but said management was taking legal action against that director.

Bank allows market to steer shilling

FROM AP-Dow Jones

Nairobi — The Central Bank of Kenya would not intervene in the foreign exchange markets to maintain the shilling at a predetermined rate, it has said.

"The central bank will only intervene in the market to smooth out wild fluctuations in the shilling exchange rate," the bank said on Wednesday.

"After the liberalisation of the foreign exchange market (in 1993), the central bank has at no time had a predetermined or desired exchange rate."

Outlining its intervention policy, the bank said the shilling rate should continue to be determined by market forces.

The timing and size of its interventions in the market would not be disclosed because such information tended to be used by currency speculators to the detriment of other participants in the market, the bank said.

The Kenyan shilling was steady with a slightly stronger bias for the third consecutive day yesterday. The dollar was trading at 69.40 shillings compared with Wednesday's close at 69.56 and 69.55 at Tuesday's close.

Mbakka Mutwiri, another farmer, said although farmers were represented on the union's board by directors from their districts, they still complained their interests were not considered in the coffee sales.

He said the decrease in coffee prices at the Tuesday auction even though there was limited stock on the market, raised eyebrows. "The prices should remain high since the supply is very low," Mutwiri said.

Kenya's coffee production has been affected by severe drought that hit the whole of east Africa early this year.

The Coffee Board of Kenya has announced plans to introduce a multi-auctioneer system in October under which farmers would be free to choose their own auctioneers.

Kenya produces two coffee crops a year, the main crop and a smaller mild crop.

After tourism, coffee is the second source of foreign currency for the east African nation.
Kenya’s teachers on indefinite strike

Nairobi - More than 200,000 teachers in Kenya went on an indefinite countrywide strike yesterday to demand a pay rise ranging from 150% to 200%, trade union officials said.

The teachers have refused to accept a 10% to 28% salary increase and have instead demanded the full implementation of recommendations of a government committee set up to review teachers’ remuneration.

The committee recommended a 150% to 200% pay rise for both primary and secondary schoolteachers. The Kenya National Union of Teachers (KNUT) vice-chairman Joseph Chichiri said teachers will stay out of classrooms until their demands are fully met.

The government has said it cannot afford to pay higher salaries to the teachers. The ministry of education said in a statement on Tuesday 43% of the government’s total civil service wage bill already went to teachers. Raising teachers’ pay by 300% would force the government to spend 56% of its revenue on teachers’ salaries only. Education takes 20% of the government’s total revenue, and 46% of the education budget is spent on teachers’ salaries, the statement added.

The lowest paid teachers currently earn about $30 (about KSh40) a month as basic pay while the highest ranked get $300 (about KSh410) a month.

The government had on Tuesday in a last ditch attempt to avert the strike, petitioned the industrial court to arbitrate on the dispute but the KNUT ignored a summons to appear in court.

Parents fear that the strike will disrupt end-of-year national examinations scheduled to start later this month. The government said it will mobilise other civil servants to oversee the examinations if the strike persists. – AFP
Kenyan teachers go on strike

NAIROBI - More than 200,000 teachers in Kenya went on an indefinite countrywide strike yesterday to demand a pay rise ranging from 150 to 200 percent, trade union officials said.

The teachers have refused to accept a 10 to 28 percent salary increase announced by the government early last month and have instead demanded the full implementation of recommendations of a government committee set up to review teachers' remuneration.

The committee recommended a 150 percent to 200 percent pay rise to both primary and secondary school teachers.

Kenya National Union of Teachers vice-chairman Joseph Chachir told AFP that teachers would stay out of classrooms until their demands were met.

The government, however, said it could not afford to pay higher salaries to the teachers because of budgetary constraints. - Sapa-AFP
Hope fades for quick end to Kenyan teachers' strike

NAIROBI — A strike by tens of thousands of Kenyan teachers entered its second day yesterday with neither the government nor the union seeing hope for a breakthrough.

The Kenya National Union of Teachers said the majority of its 150,000 members had obeyed the call to strike for purposes of up to 300. The strike affected nearly 7 million pupils, most of whom are due to sit national school-leaving certificate examinations this month. The union is demanding that the strike continue except the advice of an education minister. The government has rejected their demands.
Both sides meet to end crippling school strike in Kenya

Star 7/10 '97

We

We must start the deliberations with open hearts," Msindane said. The union, which claims a membership of more than 150,000, went on strike last Wednesday to press for a 200% pay rise and says it will not call off the action until a programme of wage increases is agreed.

Union secretary-general Ambrose Adongo told a news conference. "All Kenyan school-going children are affected. All we asked for is to discuss this issue, and the government's reluctance (to listen) is to blame."

Both officials, whose comments were broadcast by the commercial Kenya Television Network, committed their teams to seeking a solution.

Many Kenyan secondary and primary schools have sent pupils home and asked them to stay away until the strike ends.

Nearly 7 million pupils attend state schools in Kenya, and October is a key month for national examinations.

The minimum wage for teachers is currently around R130 a month, boosted slightly by housing and other allowances. An education ministry review board this year recommended that teachers be paid the salaries the union is demanding.

Reuters
Teachers' strike talks deadlocked

NAIROBI — Talks between the Kenyan government and striking teachers aimed at ending a strike which has paralysed state education had reached a deadlock, union officials said yesterday.

The Kenya National Union of Teachers said it would press ahead with the strike despite a government order for teachers to resume work today or face disciplinary measures. State television said the teachers would be fired if they did not resume work.

Education Minister Joseph Kinyo told teachers to return to work by this morning, signaling an apparent breakdown in Monday's talks between the government and the union. On Monday night, Kinyo said teaching was a considered an essential service and a refusal to work would be treated as a desertion of duty.

Another union official said secondary school teachers chairman Ambrose Adongo was chairing a union meeting yesterday to decide on the next move.

The first national strike by primary and secondary school teachers since 1969 has kept nearly 7-million pupils out of classes in a supply month for national exams. Teachers are demanding increases of up to 200% from the minimum $29 they currently earn each month. — Reuters
Kenyan teachers storm ministry

NAIROBI—Hundreds of striking Kenyan teachers stormed the education ministry compound yesterday to demand that the government implement a pay rise recommended by a review committee. More than 200,000 teachers went on strike throughout Kenya on October 1 to press for the pay increases of between 150% and 200%. They have refused to accept a 10% to 28% rise announced by the government early last month.

Teachers’ pay starts at the equivalent of $30 a month, with those at the top of the scale earning $908 a month.

Negotiations between the ministry of education and officials of the Kenya National Union of Teachers collapsed on Tuesday after the government maintained it could afford only the 26% raise.

Education Minister Joseph Kamotho said late on Tuesday that teachers who failed to go back to work yesterday would be sacked.

But demonstrators insisted they would not go back to work until the government effected the 150% to 200% pay rise. “Sack us now,” they chanted as they swarmed into the city compound.

Police stayed away — Sapa-AFP
Striking teachers defy Kenyan government

Nairobi - Kenya's defiant teachers stayed on strike yesterday and joined noisy demonstrations, ignoring a government deadline to return to work or face dismissal.

Their unions, Knut, claimed overwhelming support from at least 200,000 primary and secondary school teachers who went on strike on October 1 for up to 200% wage increases.

The mood was militant but non-violent among more than 1,000 Nairobi teachers who gathered outside Knut head quarters yesterday and then marched through the city centre to Education Minister Joseph Kamathi's office and to parliament.

In Mombasa, witnesses said teachers roughed up a senior police officer as he attempted to disperse a crowd of around 2,000.

Union official Abyas Juma said the demonstration was "just a rehearsal" and warned private school teachers to join the strike or "blame themselves for the consequences".

Union officials said all schools were closed on the island of Lamu, and other officials said the situation was the same in the western areas of Kisii, Tana River and Tana River.

In Nairobi, Knut chairman John Kamuyamba joined a crowd in chanting slogans against the education minister.

"Kamathi has said he is going to sack us and employ retired teachers," they chanted. "We are saying - let him try!"

They carried banners and hand-drawn posters vilifying Kamathi and Labour Minister Philip Maumae, who on Monday ordered all teachers to be back at work by 8am yesterday.

The strike became illegal on Tuesday when Maumae referred the pay dispute to an industrial court. The education ministry also threatened the arrest of striking teachers.

Knut said its first national strike since 1999, which is paralysing education for 7 million children during a vital pre-examination month, was solid across the country. The trend was confirmed by local reporters in the big provincial cities of Mombasa, Kisumu and Nakuru.

Hundreds of teachers marched through Nakuru. Only private schools were open but two were forced to close in Kisumu on Monday after angry protests by striking teachers.

Union leaders deny the strike has a political agenda ahead of presidential and parliamentary elections which must be held by the end of this year. Reports

School's out...
Kenyan teachers get best pay deal since British independence

Nairobi — Thousands of Kenyan teachers returned to work yesterday after 12 days of a national strike called to back demands for higher pay.

Ambrose Adongo, secretary-general of the Kenya National Union of Teachers, told a news conference in Nairobi that an agreement with the government had given the teachers their best pay deal since independence from Britain in 1963.

The government agreed to salary increases of 15% to 20% spread over five years, with a first payment of between 25% and 45% backdated to July 1 1997. Improvements to other allowances, including car advances and medical, housing and responsibility payments meant that teachers got a "very good deal", Adongo said.

Neither the treasury nor the education ministry would immediately say how the new increments would be funded.

The strike by over 130,000 primary and secondary school teachers had kept over seven million pupils out of classrooms since October 1 in a key month for national examinations.

President Daniel arap Moi named three senior civil servants to head talks with teachers. – Reuters
Moï’s generosity may be rued by exchequer

MILLIONS of Kenyan schoolchildren returned to the classroom yesterday after 11 days at home as President Daniel arap Moi stepped in to end a national teachers’ strike.

In a gracious gesture, surpassing in light of the earlier acrimonious exchange between teachers and government officials, Moi said he was “happy” to grant the teachers their demands. Teachers can now expect pay rises of between 150% and 200%, phased in over five years in line with recommendations made by the Teachers’ Service Commission and approved by the education ministry.

A primary school teacher on the lowest scale currently earns as little as 1,880 shillings a month (about $330) while the highest paid is on 12,116 shillings ($2,200).

At a ceremony at State House in Nairobi, given the press spot on the state television news, Kenyan National Union of Teachers secretary-general Ambrose Adongo led union officials in a delivery of a “Project Rain” (Thank you) version of the love of children. Mongy pledged allegiance on behalf of his members to Moi and his government.

However, while the 240,000 teachers who participated in the countrywide strike may well feel justified at their victory, it is no secret that the government simply cannot afford to meet their demands.

A five-committee would envoy the job of trying to negotiate with the government to ensure that the policy will remain in the national interest, stretching to accommodate the president’s more generous award.

Prior to Moi’s personal intervention in the dispute, the teachers were threatened first with a strike and then with legal action by picturesque Eldoret Minister Joseph Kamotho, who, alighted at a Labour Ministry in Eldoret, Philip Mauene, at attempts to prevent the strike in the sub-counties. The government took full-page advertisements in local newspapers illustrating the severe constraints on the budget. It was agreed that teachers salaries already accounted for about 50% of the country’s total expenditure. If the 150%-200% increments were given, teachers’ pay would eat up more than half Kenya’s total tax revenue.

Most government ministers, including education, have long over spent their budgets. An aid freeze imposed by the International Monetary Fund and World Bank in July because of concerns over high-level corruption has further tightened the fiscal squeeze.

Inflation has been driven by a steep rise in political violence in Nairobi and at the Indian Ocean resort town of Mombasa. Since August, inflationary pressures have put a strain on local commerce on the Nairobi Stock Exchange and the central bank’s attempts to boost the exchange rate, which has increased the cost of imported goods.

In the past few months, all major price increases have been outstripped by price controls. The government has set full-page advertisements in local newspapers illustrating the severe constraints on the budget. It has been agreed that teachers salaries already accounted for about 50% of the country’s total expenditure. If the 150%-200% increments were given, teachers’ pay would eat up more than half Kenya’s total tax revenue.

Most government ministers, including education, have long over spent their budgets. An aid freeze imposed by the International Monetary Fund and World Bank in July because of concerns over high-level corruption has further tightened the fiscal squeeze.

Inflation has been driven by a steep rise in political violence in Nairobi and at the Indian Ocean resort town of Mombasa. Since August, inflationary pressures have put a strain on local commerce on the Nairobi Stock Exchange and the central bank’s attempts to boost the exchange rate, which has increased the cost of imported goods.

In the past few months, all major price increases have been outstripped by price controls. The government has set full-page advertisements in local newspapers illustrating the severe constraints on the budget. It has been agreed that teachers salaries already accounted for about 50% of the country’s total expenditure. If the 150%-200% increments were given, teachers’ pay would eat up more than half Kenya’s total tax revenue.

Most government ministers, including education, have long over spent their budgets. An aid freeze imposed by the International Monetary Fund and World Bank in July because of concerns over high-level corruption has further tightened the fiscal squeeze.

Inflation has been driven by a steep rise in political violence in Nairobi and at the Indian Ocean resort town of Mombasa. Since August, inflationary pressures have put a strain on local commerce on the Nairobi Stock Exchange and the central bank’s attempts to boost the exchange rate, which has increased the cost of imported goods.
Civil servants get pay rise before election

Nicholas Kotch

Nairobi — President Daniel arap Moi prolonged the guessing game yesterday about the date of Kenya's elections, but ordered a 10 percent pay increase for public servants and police.

In a speech in Nairobi, Moi said the raises for public servants, police and prison officers, in addition to an interim increase earlier this year, would be paid in November.

The 10 percent would correct anomalies in public sector salaries since 260,000 teachers won much larger awards after a 10-day strike this month.

Moi, aged 73 and in power since 1978, has yet to announce the date of presidential and parliamentary elections which, according to the constitution, must be held this year.

He is expected to dissolve parliament ahead of the polls as soon as two bills, endorsing political and constitutional reforms, are enacted.

He gave no election hint yesterday in his Kenyatta Day speech marking the day in 1963 when British colonial authorities arrested the late Jomo Kenyatta and other independence activists.

They were imprisoned but later led Kenya to a negotiated independence from Britain in 1963, with Kenyatta as president.

About 10,000 people gathered for Moi's speech in Freedom Park, in which he said he was prevented from stepping into retirement because Kenyans were still not unified.

"Charting Kenya's progress since 1963, he said two voices that had to be eradicated were corruption and tribalism."

"From today I appeal to all Kenyans to join me in declaring war on corruption and tribalism. I caution all those who seek to continue engaging in corruption, both in government and the private sector, to stop forthwith."

The International Monetary Fund (IMF) allowed a $305 million loan to Kenya to lapse last July, singling out official corruption as the main reason.

The IMF also made clear it was no longer satisfied by government promises to clean up but wanted action.

Yesterday Moi announced that an anti-corruption authority free of political interference, which is one of the IMF's demands, would start work as soon as the draft bill creating it was enacted by parliament.

The IMF decision, with a knock-on effect on some World Bank and European Union funding, has thrown Kenya's budgeted spending plans off course.

Meeting the cost of public sector wage increases is also complicated by ethnic and political violence on the coast near Mombasa, which has damaged the tourism industry, Kenya's largest foreign currency earner.

The political reforms now being debated were agreed between the ruling Kenya African National Union (KANU) and about half the opposition members in parliament.

The radical opposition, grouped in the National Convention Executive Council, said the package was a sellout designed to ensure five more years in power for Moi and Kanu — Reuters.
Kenyan teachers applaud Mandela

William Onyango

Thousands of Kenyan teachers who recently embarked on a week-long strike have taken to the streets praising President Nelson Mandela's government for refusing to sell their leaders hi-tech riot police gear.

In the rural Siaya district 500km west of Nairobi, teachers earlier this month marched with placards reading: "Teachers salute Mandela for refusing to sell Kenya police equipment."

A Kenyan weekly newspaper, the East African, reported that the government was spending 230-million Kenya shillings (R3.2-million) on four riot-control armoured cars from France and fitted for action in Israel.

The paper said the Kenyan and other East African governments had made inquiries at a leading South African producer of anti-riot vehicles, but no firm orders had been placed.

The Daily Nation in Nairobi reported that South Africa had rejected a bid by the Kenyan government to buy high-tech riot police gear worth R8-million ahead of the elections.

The paper added that the government wanted to buy teargas grenades, rubber bullets, shields, batons and shotguns from a South African company, Retech.

Sources close to South Africa's National Conventional Arms Control Committee, which approves and rejects foreign sales, said the sale had been denied because of human rights violations in Kenya.

This drew cheers from the teachers. "We salute Mandela," one said. "He is an African statesman and we salute him for working for a new Africa — one free of dictators and senseless wars."

The more than 240,000 teachers who are on strike demanding a salary increase of between 150 to 200%, which was recommended by the Teachers' Service Commission but later refused by the government, saw the bid to acquire the equipment as a move to intimidate them.

The Kenya National Union for Teachers denied President Daniel arap Moi's appeal that it find an immediate solution to the crisis that had affected close to six million students at primary and secondary schools. "I would like to see the matter resolved sooner," Moi said.

The Ministry of Education offered the teachers an increase of between 10% and 28%, which the union rejected, describing it as "an abuse of teachers who are doing a very difficult job."
Strike takes deadly toll on patients

Nairobi – A strike by nurses took a fatal toll in Kenya’s hospitals at the weekend, with no sign of an end to the labour dispute.

Yesterday’s press reports said at least 20 people had died from a lack of medical care since the nurses walked out on Friday to press demands for a big pay increase.

Relatives were being forced to care for the sick in government hospitals, dead bodies were lying uncollected, and some wards were being closed.

In Nairobi’s Kenyatta National Hospital, healthier patients were looking after the critically ill, and visiting relatives were doing chores normally handled by nurses.

“All hospitals in Kenya are in very pathetic situations as a result of the nurses’ strike,” the Sunday Nation newspaper said, citing hospitals in Nairobi, Nakuru, Kisumu, Kisii, Nakuru, Nyeri, Meru and Embu.

One of four doctors on duty in the casualty ward at Kenyatta National Hospital said little could be done without the nurses.

The government has asked doctors, medical students and subordinate staff to stand in, while promising police protection for those nurses willing to resume work.

The nurses demand increases of around 500%.” – AFP
Bank of Kenya workers stay away over loans row

NAIROBI — Banks in Kenya opened for only a few hours yesterday, the third day of a bank employees' strike protesting against the government's decision to raise interest rates on loans offered to employees.

The government, looking desperately for revenue to sew up a growing budget deficit, has directed all employers to increase from 15% to 22% the interest on loans to their employees. The additional interest will be added back to their salaries and taxed as earnings.

The measure was apparently proposed by the International Monetary Fund (IMF), which warned last week that without additional measures the overall deficit for 1997/98 would hit 3.9% of gross domestic product (GDP), more than double the goal of 1.7%.

The IMF cited a shortfall in revenue and an increase in government spending. It agreed with the government on a package of measures, which if implemented would contain the deficit to about 3.2% or 2.4% of GDP.

Unless it reduced spending, improved revenue collection and did more to tackle high-level graft and bad governance, Kenya's economy would suffer from slower growth, higher inflation and a depreciation of the shilling, IMF officials warned.

They said the government needed to do more before the IMF could resume negotiations on a $410m structural adjustment loan. The loan was cut off last year after the government failed to curb widespread corruption.
Kenyan minister suspends new tax to avert strike

Nairobi – Kenyan Finance Minister Simeon Nyachae yesterday suspended a tax on soft loans to employees of banks and other institutions to avert a general strike.

That followed a demonstration in Nairobi by hundreds of striking bank workers who were fired on Tuesday and a call by the umbrella Central Organisation of Trade Unions for a rally in Nairobi today, when officials said it would announce a date for a general strike.

Nyachae said he was using his powers under the law to direct the Kenya Revenue Authority to suspend implementation of the new tax until the matter was brought to parliament for review.

His decision came as the bank employees' nationwide strike entered its sixth day, paralysing businesses and threatening the country's already tottering economy.

Nyachae said that once parliament had reviewed the law, it would be enforced with any amendments the legislators might make. – AFP
Few Kenyan bank workers support strike

Nairobi — Kenyan bank workers responded patchily yesterday to a call by their union to strike in sympathy with 83 sacked colleagues at Standard Chartered Bank.

Juma Mwiru, a Standard Chartered spokesman, said the bank hoped to keep open at least some key branches. Workers at other leading banks in Nairobi appeared to be working normally yesterday.

On Monday Kenya’s main banking union, the Kenya Union of Commercial Food and Allied Workers, threatened to call all banking employees out on strike if sacked employees at Standard Chartered were not allowed back to work yesterday morning. Bank workers staged a one-week strike in February.

Standard Chartered had instructed 63 employees not to report for work yesterday as part of a phased restructuring and retrenchment programme that began in 1994.

The union says it was not properly consulted on the retrenchment plans and accuses the bank of replacing permanent staff with casual and contract employees. Its strike threat was only partially heeded.

Standard Chartered reported some branches open yesterday, while the other big two retail banks, Kenya Commercial Bank and Barclays Kenya, said their main branches in Nairobi had opened as normal.

"Some branches have opened and are working," Mwiru said. "We are hoping to open at least some (other) key branches later using management staff."

He said the matter had now been referred to an industrial court and would come before the court today.

The bank’s decision to sack the workers was delayed after the union protested to the labour ministry last month. The ministry later found the bank had complied with all legal requirements and said the layoffs could not be stopped. But the union rejected the ministry’s findings and said the company had acted in disregard of its collective agreement.

The union, which says it represents 15,000 clerical and supervisory staff in the banking sector, staged a one-week national strike in February.

That strike, in protest against a tax increase on soft loans given to staff by their employers, ended when Simeon Nyachae, the finance minister, suspended implementation of the tax, pending a parliamentary review.

Standard Chartered Bank Kenya is 75 percent owned by the UK-based Standard Chartered — Reuters
Kenyan bank staff stage strike over tax on loans

AFRICA

Business Day

Nairobi — About 12,000 employees
Kenyan teachers prepare for countrywide strike

NAIROBI — Kenya is bracing for a massive strike by the country’s 250,000 public school teachers due to start today. The showdown between the government and teachers promises to be ugly, observers said.

The courts have declared the strike illegal, and the government says it will fire any teacher participating in the walkout.

However, the teachers remain defiant, saying they will not return to their classrooms until they get pay raises. Wages by the government

A primary school teacher earns about $40 a month, and even seasoned teachers at well-known schools earn around $200 a month — salaries too low to live on, teachers complain.

This is the second time that Kenya’s teachers have called a nationwide strike.

At the same time last year, a 14-day strike shut down schools and forced the government, which was facing an election, to promise pay rises of between 150% and 200%.

These salary increases were to be paid out in five installments, but only one installment was paid immediately. The government reneged on the second installment, due last June, saying it could not afford the increase. Angry teachers vowed to go back on strike.

Francis N’gau, deputy secretary-general of the Kenya National Union of Teachers, told a local newspaper that teachers were fed up with the government’s “dilly-dallying and arm-twisting.” Unless the government came up with the money for the second pay rise installment, the union had no business talking with it, he said.

Teachers blame the government for corruption and mismanagement, and say their salary increase should not be jeopardized because Kenyan officials have run the economy poorly.

The strike comes at a time when Kenyan students are facing important exams, due to start later this month. The government has said it will use police to supervise the exams if necessary — a prospect which has caused outrage among teachers and students.

—Sapa-DPA.
Clashes as teachers start pay strike

NAIROBI — Kenyan teachers and students clashed with police in various parts of the capital Nairobi yesterday as teachers began an indefinite strike over pay, witnesses said.

Riot police dispersed a demonstration by about 1,000 striking teachers in the city centre, arresting at least five people after a series of scuffles. Another crowd of about 300 was dispersed on Nairobi's northern outskirts, where baton-wielding police beat at least one teacher, witnesses said.

The teachers, based in a long-running dispute with the government over pay, demanded the resignation of Kenyan President Daniel arap Moi and Education Minister Kalonzo Musyoka.

University students also protested in support of the teachers at a campus 30km west of Nairobi, a group of about 500 threw stones at police who responded with teargas and rubber bullets.

"The students blocked the main road outside campus with fires, and stoned passing motorists."

An official from the powerful Kenya National Union of Teachers, which represents about 250,000 teachers, and all 600 members in the capital had stayed away from the classrooms, and this was likely to be reflected countrywide.

"So far the strike has been very successful," said Mureu Kamau, union Nairobi branch secretary. "In western Kenya, scores of teachers were injured and one policeman badly beaten in clashes in Mgara district, southwest of the town of Kisii, witnesses said."

The union called a strike — their third in a year — after the government failed to implement the second phase of a pay deal agreed in July last year.

"We will not give up. We will stay on strike until the second phase is implemented," Kamau said. "The union had called on all Nairobi teachers to gather at union headquarters today."

The deal had promised teachers pay rises of between 150% and 200% spread over five years, although the first installment was only paid after teachers went on strike for a 11-day national strike in October last year.

Since then, the government — under severe budgetary pressure — has said the award needs to be renegotiated — Reuter.

Kenyan police chase protesting teachers in Nairobi yesterday. Teachers and students clashed with police in various parts of the Kenyan capital as teachers began an indefinite strike over pay. Riot police dispersed a demonstration by about 1,000 striking teachers in the city centre, arresting at least five people. A crowd of about 300 was dispersed on Nairobi's northern suburbs. Picture AFP.
‘Just no cash’ but Kenya teachers strike anyway

By Ann Simmons
Nairobi, Kenya

Thousands of Kenyan teachers defied a court order and began an indefinite strike on Monday that disrupted the beginning of national examinations for more than half-a-million students.

The strike against the government refusal to implement pay raises awarded by a presidential committee last year highlights growing worker dissatisfaction with a government that acknowledged earlier this year it was broke. With negotiations between education officials and the 269,000-member teachers' union at an impasse, analysis warned that the standoff could trigger widespread labour unrest.

"Despite the fact that the stature of teachers has declined in recent years, they are still opinion-makers in the rural areas," said John Githongo, director of the African Strategic Research Institute, a think tank based in the Kenyan capital.

"Teachers have the power to make it quite difficult for the government." The strike is the latest manifestation of frustration in a nation sinking deeper into poverty. The 1998 UN Human Development Report, an overview of economic and social development, ranked Kenya far down the list - 137th of the 174 countries rated.

Labour unrest has been extensive in recent months. Nurses, bankers and postal workers have either gone on strike or threatened to walk off the job. Casual labourers, farmers and university students have staged protests to press for better pay, grants and working conditions.

People are fed up with high living costs, unemployment, and a collapsed social security network, analysis say. Most blame official corruption, misuse of public funds and mismanagement of the lucrative coffee and tea industries.

Kenya, neighbouring Uganda and Tanzania recently ranked among the 13 most corrupt nations in a field of 85 surveyed by Transparency International, which tracks official corruption around the world.

Though pressure from international donors led Kenya to establish an anti-graft body at the end of last year, the authority is in turmoil and the director's jurisdiction is currently under review.

Going on strike is "a matter of principle," for teachers, Githongo said. "They are reminding people that the reason why the government doesn't have any money is because it steals it. There is a feeling among them that we have to fight against this some time."

Critics of the strike feared thousands of public high school students would be denied the chance to enroll in universities if they can't take the exams.

Teachers earn between US$45 (about R270) and $480 (R280) monthly and rank among the lowest paid Kenyan professionals.

They were promised a 150% to 200% pay raise last October, three months before the country's general elections, following two weeks of strikes that had paralysed learning in the country's 19,000 public primary and secondary schools.

The raises were to be granted in increments over several years. But while the first raises were backdated to July 1997 and granted, the government says it has no money to make further increases.

"As a result of the changed economic situation, we are simply not able to pay," said Education Minister Stephen Kalonzo Musyoka.

Musyoka also maintained that granting the raises will only encourage other civil servants to demand more money.

Ambrose Adongo, secretary-general of the Kenya National Union of Teachers, said his organisation would be willing to renegotiate the raises because of the country's economic troubles, but that it would not accept a "wholesale suspension."

Supporters of the teachers' strike argue that the government should have realised it couldn't pay the salaries it had promised. A few months before granting the raises, the International Monetary Fund had suspended a $230-million (about R1.33-billion) loan, citing corruption and failure of the government to undertake political reforms.

This hurt foreign investor confidence, and soon was followed by the systematic withholding of bilateral aid, throwing the already fragile economy into recession.
KENYA-GENERAL

1998
A post-election Kenya gets tough

NAIROBI: The Kenyan government warned yesterday that it would deal "firmly and swiftly" with any lawlessness, as incumbent head of state Mr Daniel arap Moi appeared within reach of victory in Kenya's controversial presidential race.

But the combined opposition was leading in the parliamentary contest, fueling speculation that Kenya may see a coalition government, most likely with one or more of the smaller opposition parties joining Moi's Kenya African National Union (Kanu).

A government statement said security forces had been instructed to "deal firmly and swiftly" with anyone who broke the law, adding that "a number of leaders" were issuing statements aimed at inciting violence.

That appeared to be a reference to a statement by three opposition presidential candidates who said they would not accept "rigged elections," but declined to elaborate whether they believed the polls had indeed been rigged.

The pro-reform lobby, the National Convention Executive Council, told reporters the electoral commission had staged "planned chaos" to give the ruling party a chance to rig the elections, and called for nullification of the polls.

The privately owned KTN television station reported that with results in from 136 of the 210 constituencies, Moi had 1,551,332 votes against 1,224,075 for his one-time vice president, Mr Mwai Kibaki, the leader of the Democratic Party (DP).

The gap between them had narrowed, with results in from several constituencies in the capital here, an opposition stronghold.

In the parliamentary race, with results in from 134 constituencies, Kanu had 65 seats and the opposition 69 — 23 for Kibaki's DP, 16 for the National Development Party (NDP), 13 for FORD-Kenya, 10 for the Social Democratic Party (SDP), three for Ford-People, two for Safina and one each for Ford-Ach and Shunksho.

In the presidential race, Mr Raila Odinga of the NDP who was running a distant third with 553,644 votes, Mr Michael Kanna Wamalwa of FORD-Kenya was fourth with 323,265 and Ms Charity Ngilu of the SDP, with 219,299 was fifth.

Kibaki, Odinga and Wamalwa, who said they would not accept rigged results, told a press conference they were committed to forming a government of national unity if one of them should win the presidency.

They said their national unity government would not include Kanu, which they described as the "corrupt and immoral regime."

But they ruled out forming a government, even if their three parties won more seats than Kanu, if Moi is re-elected as president — Sapa-AP
By-elections will be a key step in the direction of the country.
Moi looks set to win another term as president of Kenya

Nairobi - President Daniel arap Moi was poised to win a final five-year term in Kenya's flawed and chaotic general election as all unofficial counts today showed him comfortably ahead of his four main challengers.

Moi's ruling Kenya African National Union (Kanu) party yesterday urged the opposition to accept defeat and said it represented any implied threats to the peace if it retained power.

The commercial Kenya Television Network reported that Moi had collected 1.9 million votes with 193 of the 210 constituencies counted, compared to 1.6 million for his closest challenger and former ally Mwai Kibaki of the Democratic Party of Kenya (DP).

A Reuters compilation of results as announced by the state Kenya Broadcasting Corporation (KBC) showed Moi appeared to have collected the required 25% of the vote in at least five of the country's eight provinces to secure outright victory. Only the capital Nairobi and the central province of the populous Kikuyu tribe continued to elude him.

The compilation also showed Kanu had won 71 parliamentary seats compared with a total of 82 for the combined opposition. Kibaki's Democratic Party had the largest share of the opposition's seats with 39.

The election is seen as a key step towards repairing the economy, because the winners must take urgent steps to resume talks with the International Monetary Fund (IMF).

The IMF's decision to halt aid in a row over graft last July severely hurt investor confidence and damaged local markets - Reuters.
Marred Kenya poll favours Moi

Nairobi — Kenyan President Daniel Arap Moi was poised to take the presidency as unofficial results of this week’s chaotic elections pointed to his unassailable lead.

Mr Moi was hoping to have an official result from the embattled electoral commission yesterday but the swearing-in for his final five-year term was now set for today, aides said.

The 73-year-old president was certain to emerge as a minority leader who was handed victory yet again by a divided opposition rooted in ethnic strongholds.

A tally of unofficial results broadcast on KBC state radio showed Mr Moi with 1.62 million votes compared with 1.64 million for Mwai Kibaki, his main challenger, with about three-quarters of the votes counted.

Hopes that East Africa’s pivotal nation would start the New Year with a strong and popular government at the helm, able to tackle the corruption and gross inequalities which are holding it back, appeared optimistic.

Former vice president Mr Kibaki of the Democratic Party, was certain to finish a strong second Mr Kibaki and other leading opposition candidates met behind closed doors at a Nairobi club yesterday to chart their next move.

They have condemned polling on December 29 and 30 as a chaotic mess largely rigged by Mr Moi’s ruling Kenya African National Union (KANU).

“The year has begun on a sour note for Kenya. The monumentally shameful organisation of the much-awaited elections will not be quickly forgotten,” the independent Daily Nation said in an editorial summimg up the views of many in the nine million electorate.

John Mwaato, selling clothes on a cardboard box on Nairobi’s River Road, said “There are a lot of problems indeed. “There’s been a lot of corruption, and there’s been a lot of rigging. What we really feel is that it should be repeated under fair conditions, but people will probably accept the results because they have no choice.”

Electoral commission chairman Samuel Kivuthu has been derided for his refusal to resign on the grounds that Kenyan officials have no tradition of quitting when they have failed. One of Mr Kivuthu’s 21 commissioners said headquarters did not have the official results from all 210 counting centres.

“So the most optimistic view is that we will be finished counting tomorrow. The chairman will then call a press conference,” Reuben Musonye said.

“It would be very unfair to announce the results before the counting has been finished,” he said.

The leisurely low-tech process has been overtaken by newspapers.

State broadcaster KBC has declared nearly 90% of results, but they are unofficial and include errors – Reuters.
Kenya braced for backlash after flawed poll
Last of Africa’s ‘Big Men’ holds onto power

But tensions mount in Kenya as opposition parties demand a new poll amid allegations of widespread election fraud

ST 4/11/98
MATTHEW BIGE: Nairobi

The chief of Kenya’s electoral commission said yesterday that President Daniel arap Moi had done enough for victory in the country’s elections.

Samuel Kivuitu told a news conference the result was clear, although an official announcement would have to wait until counting was complete. "I would interpret that if the calculations are right, he has got the majority of votes he has got the 25 percent, and there is no chance of any other doing so."

Provisional results gave Moi about 2.4 million votes to about 1.8 million for his nearest rival, Mwai Kibaki, the head of the Democratic Party and a former vice-president. Raila Odinga of the National Development Party received 707,528 votes, and Michael Kijana Wamalwa (Ford-Kenya) 511,343.

Moi took more than 25 percent of the vote in five provinces, meeting a stipulation that a first-round winner must win a minimum of one quarter of the vote in at least five of Kenya’s eight provinces.

However, Kibaki and Odinga said on Friday they would not recognize any result that returned Moi to power, and demanded a rerun within 21 days. They did not spell out their course of action should their demand not be met.

The statement by Kibaki and Odinga kept political tension high in East Africa’s pivotal nation, where a promised opposition was fading yet again to unseat one of the continent’s last “Big Men.”

The capital, Nairobi, was calm as counting continued, but there were reports of ethnic unrest in Kisumu, the pro-opposition capital of Nyanza Province in the west.

Anger among the dominant Luo tribe turned to violence on Tuesday against the minority Kisi, whom they accused of voting for Moi. A fragile peace was restored by Friday, residents said.

At least 11 people have died in election clashes, including four shot by security forces.

The commission extended the December 29 elections for 24 hours because of a series of administrative and technical failures.

Kivuitu defended the election yesterday, arguing it was "substantially free and fair," despite flaws.

He said he had no power to nullify presidential elections, and the commission had not received any legal or administrative challenges to the general election.

The ruling Kenya African National Union party attacked Kibaki and Odinga in a statement yesterday for their claims it had tried to rig the election. "It is now clear that his (Kibaki) shouting the loudest was a ploy to cover up designs he had put in place to tamper with the electoral process in his favour," the party said.

The government said on Thursday it would deal "swiftly and firmly" with those who incited Kenyans to reject the result.

The privately owned Daily Nation newspaper blamed opposition disunity for Moi’s expected victory, and urged them to accept the results nobly. "Voting for change, they (Kenyans) found that opposition disunity had handed the all-powerful presidency back to Moi with significantly fewer votes than the total garnered by his opponents," the newspaper said in an editorial.

It concluded, "As for the defeated, it is important at this time that they display their credentials as loyal Kenyans, rather than risk destabilising society for party political advantage."

State broadcaster KBC said school holidays would be extended by a week from tomorrow to give parents time for "back-to-school shopping" following the poll chaos.

Observers noted that closing schools is often aimed at preventing youths from causing trouble.

Salma leaders Richard Leakey and Paul Muite urged political parties to start talks on comprehensive constitutional reforms that would pave the way for fresh elections, and described the latest polls as "a disaster."

In the last parliament, Moi used his privilege as president to nominate 12 Kenyans to sit in the Senate.

But in the next one, he will have to appoint the extra members from parties based on their parliamentary showing.

The new rule was part of a constitutional reform package designed to make the elections fairer. Moderate MPs on both sides of the house pushed it through in November after political violence in Kenya had claimed more than 100 lives.

Moi, one of the last of the old-guard African presidents, ran on a platform of stability and continuity in a region wracked by civil wars and genocide. His opponents slammed him on the themes of rampant corruption, brutal urban crime, a decaying infrastructure and deficient health and education services. - Reuters-AP
Arap Moi and KANU claim victory in Kenya

KENYA'S ruling Kenya African National Union (KANU) on Saturday claimed victory in parliamentary elections and President Daniel arap Moi has an unassailable lead in Monday's presidential elections.

Returns from 193 of Kenya's 210 constituencies gave Moi 2,412,044 votes to 1,789,205 for his nearest rival, Mwai Kibaki, the leader of the Democratic Party and a former vice-president.

Although Moi was assured of his lead on Friday, his chief opponents rejected the result as rigged and called for a new poll.

In the parliamentary elections, with 196 constituencies counted, his ruling KANU party was running neck-and-neck with the combined opposition. KANU had 100 seats and the combined opposition 98.

The country's electoral commission announced on Saturday that arap Moi was certain to win the presidential elections. KANU also claimed to have retained its majority in parliamentary elections which were held on the same day.

If confirmed, the unofficial results would maintain KANU's absolute majority in parliament by just two seats.

Two trailing candidates in the presidential race - Mwai Kibaki and Raila Odinga - have alleged massive vote rigging and called for fresh elections.

KANU spokesman Bonaya Adhii Godana rejected the claims - Sapa-AFP.
Re-elected Moi govt faces legal challenge

NAIROBI: Kenya's electoral commission has said it does not have the power to nullify the election results after the Westland constituency result has been disputed.

THE re-elected Kenyan government of President Daniel arap Moi was facing a legal challenge last night over a disputed constituency result that critics of the country's chaotic elections hope might be used as a test case to challenge the country's democratic credentials.

The announcement came within hours of confirmation by Kenya's electoral commission that Moi had won the presidential elections with just over 40% of the vote.

Mr. Samuel Kuku, the commission's chairman, said he could not formally declare Moi president because votes at a handful of constituencies were still being counted, but he was satisfied that the poll was free and fair.

Ms Betty Teror, the defeated candidate in Nairobi's Westlands parliamentary constituency, rejected the commission's assertions and announced that she was taking her case to court after officials refused to recount the vote.

Her actions were prompted by evidence of blatant vote-rigging.

An announcement on Saturday by the returning officer in Westlands that the candidate for the ruling Kenya African National Union (KANU) had beaten Teror by about 800 votes was greeted with disbelief by observers and monitors.

The arithmetic showed a victory for Teror by a handful of votes.

But when the returning officer returned after a break to make a formal announcement, the KANU candidate had gained 800 votes and was declared the winner.

The poll has been marred by delays, misappropriation of funds, and blatant cheating, prompting a call from two losing presidential contenders for a rerun within a month.

Teror and her supporters spent Saturday night sleeping on top of ballot boxes to prevent KANU agents or commission officials from tampering with them.

She said she would go to court to seek an injunction to stop the KANU candidate from being gazetted as the winner.

Kuku said he was powerless to intervene.

He denied the commission, saying it had been unfairly attacked during the poll, and said only the High Court could resolve the matter.

"The commission does not have the power to nullify parliamentary or presidential results," he said.

"This is a matter for the courts to decide.

It is unclear what chance of success the challenge has.

Observers have noted that launching a petition is a costly exercise.

They have pointed out that the other opposition parties have already called for the results to be accepted.

Safari, the party of conservative Dr. Richard Leakey, and Ford-Kenya have opposed the demand for fresh elections.

They insist that while the poll had been a disaster—and that 60% of voters had rejected Moi—it made no sense to seek a nullification of the result.

They have called for the opposition to unite to push for constitutional reforms and new elections within two years.

But the prospect of continuing disputes over the elections will attract attention from the real issues.

These include rampant corruption, a devastated economy, and mistrust in KANU.

The flawed and rigged election of Moi threatens to further destabilise Kenya over the next five years. —The Times
Moi faces struggle to lift Kenya

### Nairobi

President Daniel Arap Moi, one of Africa's longest-serving leaders, is taking the presidential oath for a fifth and final time.

Claiming another five-year term yesterday, the 73-year-old ruler urged Kenyans to work together to rebuild their country.

"I am asking Kenyans to start a new chapter altogether and attend to the more serious problems that face the country," Mr Moi said.

But he is unpopular with most Kenyans – 60% voted for one of 13 challengers.

Critics blame him for rampant corruption and meagre management that have damaged this once prosperous economy. Mr Moi faced against such problems during the campaign, promising remedies but offering no solutions.

For the international community, the top priority is ridding the government of the corruption that cost it more than $200-million (R960-m) in International Monetary Fund loans last year.

For ordinary Kenyans, it is jobs – about four million college and high school graduates are unemployed.

Per-capita income has fallen from $700 at independence in 1963 to about $270 now. Economic growth last year was less than 2% – Sapo-AP.
Results still outstanding but Mwai Kibaki is Kenyan president

Centered in Nairobi this weekend ahead of an official outcome.

Held back by the police, supporters of Kenyan President Daniel arap Moi showed their victory outside a vote-counting

"President elections..."

"The official result was..."
Foreign Service:

Moi wins Kenyan presidential poll amid calls for new vote.
Will Moi stop the rot?

Nairobi - Heading into his fifth term, president Daniel arap Moi has the opportunity to make good on his plea to voters for a final five years to ensure that Kenya enjoys progress and remains united.

Although roundly criticized for fostering repression and turning a blind eye to corruption, the 73-year-old former schoolteacher proved once again that he is the East African nation's most able politician - and probably the most agile of the 15 candidates who ran in Kenya's third multiparty election.

Unlike many of their neighbours in central and eastern Africa, Kenyans have enjoyed 34 years of peaceful independence, and they are wary of any movement or politician who could threaten the country's stability.

Alone among the five leading candidates, the long-serving Moi was able to appeal to a significant number of voters outside his ethnic group. Kenya has 42 tribes, and the support of the other four candidates appeared largely based on tribal following.

And although his Kenya African National Union (KANU) - in power since independence in 1963 - appeared to have lost ground in the vote last Monday and Tuesday for the 210 allocated seats in parliament, it remained the only effective, nationwide party.

Moi now has a chance to make. He can heed the counsel of senior KANU members who believe that the only way forward is through greater government accountability and attention to voters' demands.

Or he can follow the advice of the small clique of men in the party who have become wealthy and powerful through corruption, kickbacks and intimidation.

His choice of vice-president, - and heir apparent, - when he appoints his government this week, should serve as an indicator of the path he will take.

Some have predicted that Moi will name a lame duck in what he has said is his final term, essentially marginalizing the party that has been the backbone of his rule.

But others argue that Moi, who has been shown in flattering terms to his friend, the late Zairean dictator Mobuto Sese Seko, could seize the occasion to remedy the neglect and decay that have permeated this once-prosperous nation.

Kenya's president Daniel arap Moi goes into office for his fifth term and it remains to be seen whether he will live up to his promises, Susan Linnee reports.

Kenyan MP-elect Beth Muguru, who ran for office on a ticket opposing the ruling party of President Daniel arap Moi, waves to supporters as she drives past a vote counting centre in Nairobi, Kenya on Saturday. Muguru, who will represent voters from one of Nairobi's poorest slums, is the only woman to have won a parliamentary seat in the history of the republic.

The successful presidential candidate needs to win more votes than any other candidate, a seat in parliament and 25 percent of the vote in five of Kenya's eight provinces.

Kanu said he was satisfied Moi had met all the requirements.

A federation of Kenyan observers declared the electoral process satisfactory despite reports of scattered vote-buying and problems of logistics and administration that created confusion and voting delays.

"It is clear that the logistical and administrative organisation of the elections was characterised by chaos and inefficiency," Matava Musyari, of the National Council of Churches of Kenya said.

"Notwithstanding, the voting process was generally handled well by polling station officials and closely scrutinised by party agents and poll watchers.

"As a result, organisations conducting the observation of the elections have to conclude that the results do on the whole reflect the wishes of the Kenyan voters."

Musyari said 29,000 observers and poll watchers recorded a nationwide voter turnout of 65 percent. Slightly more than nine million of Kenya's 29 million inhabitants were registered to vote.

Some reports said the formal swearing-in of a new president would take place today, but this could not be confirmed.
Moi wins Kenyan election

NAIROBI – President Daniel arap Moi was declared the winner yesterday in Kenya's presidential elections as late results indicated his Kenya African National Union (KANU) would win a slim majority in parliament over the combined opposition.

The announcement by electoral commission chairman Samuel Kivutha came after results were counted in 200 of the 210 constituencies. Kivutha said the remaining votes would not affect the result.

Moi had received close to 2.5 million votes — more than half a million more than his closest rival, Democratic Party leader Mwai Kibaki, who was his vice president from 1978 to 1988.

In parliament, with 200 of the 210 constituencies counted, KANU had 102 seats and nine opposition parties a total of 98, KTN television reported. The remaining 10 were in KANU strongholds, and Moi's party will also receive the lion's share of the 12 nominated seats, which will be distributed according to parties' parliamentary strength — Sapa-AFP
Moji promises to fight corruption and end contortion:

Back in the hot seat -- newly elected Kenya's president Daniel arap Moi is sworn in for a third five-year term in a ceremony in Nairobi, January 16, 1998.
President Daniel arap Moi is not given to public displays of emotion but if he wants to celebrate his victory in Kenya's elections, the time to do so is now.

Turning Africa's tide, the 73-year-old leader defeated an opposition divided by tribe and personal ambition to extend his tenure on Nairobi's colonial State House for another five years.

And with the formal result announced on Sunday and an inauguration yesterday, Moi has confounded predictions that the era of Africa's presidential "dinosaurs" is over.

So if a victory parade is in order, what about the morning after?

Moi starts his final mandate as a minority leader with a weakened and squabbling ruling party his deep unpopularity among the Kikuyu and the Luo, two of Kenya's three largest tribes, was heavily underscored. And he will be under scrutiny from critical donors insisting he deliver on campaign pledges to tackle corruption and injustice.

"These are the main issues and he has made clear promises. We are looking for deep constitutional reforms," a senior Western diplomat said at the weekend.

But for a day or two, Moi can bask in a result where his share of the presidential vote rose to 40% from the 36% he scored in 1992. It was achieved without the appalling violence that scarred Kenya's landmark multiparty polls five years ago.

Crucially, the heads of Kenya's 52 000 independent observers gave qualified approval to elections which were so badly run that voting continued in a few areas for four days longer than scheduled.

That endorsement is certain to be repeated next week by foreign embassies, who combined with Kenyan observers to make these the most scrutinized elections in African history.

The same embassies know that a fraction of the muddle and malpractice which occurred would have led to an immediate cancellation of elections in their own countries.

"Within the setting of these elections, where there was no level playing field and all the cards were stacked against the opposition, things could have been much worse," was the judgment of one European diplomat.

The two best-placed opposition candidates for the presidency, Mwai Kibaki and Raila Odinga, have announced they will not accept the result and want a re-run within 21 days.

But they have refused to say what protests they plan when their demand is rejected by the Electoral Commission, as it certainly will be.

Whether by choice or by impotence, they had failed by Sunday to mobilise any street challenge to the result.

Odinga, a former political detainee with a passionate following among his Luo tribe and in Nairobi's slums, is the most likely candidate to follow words with action.

He will find support among intellectual radicals who told the opposition to boycott the elections or expect to be repressed by defeat by Moi's Kenya African National Union (Kanu).

But Kibaki has no interest in long-term conflict, analyst say. As a wealthy businessman, the 66-year-old former vice-president has much to lose if the violent runoff to the polls persists, crippling an already badly wounded economy.

And as a politician, Kibaki has reason to be satisfied. He is the unchallenged leader of the opposition, polling nearly three times more votes than Odinga and leading 40 Democratic Party members in the new 210-seat parliament.

"Kibaki scared (Moi) stiff, snatching at his heels most of the way in the presidential poll," columnist Kwando Opanga wrote in the Sunday Nation.

Kibaki may not be a candidate when the next elections are due in 2002 but he can have a powerful say in the meantime in implementing another Moi pledge - a complete clean-up of Kenya's rusty and authoritarian constitution.

The opposition will be helped by Kanu's poor showing in the elections. Even with the help of unequal constituency boundaries, the ruling party just scraped its lowest majority since independence from Britain in 1963.

Worse, there will be brutal posturing to replace Moi, who will be 78 if he sees out his last term.

"Kanu's succession struggle started today," commented one political analyst. Reuters
Kenyans give Moi another term

Moi promises to use his last years in office to work for peace and unity in Kenya

NAIROBI — President Daniel arap Moi, who comes from one of Kenya's smallest tribes, has used iron rule backed by shrewd manipulation to survive as one of Africa's last "Big Men".

But critics claim Moi's 19-year autocratic rule has turned the once prosperous East African nation admired for stability on a continent rife with civil war and brutal dictatorships into an economic cripple plagued by corruption and human-rights abuses.

Nonetheless, Moi easily won the chaotic election and was sworn in yesterday for a fifth five-year term.

During the campaign, Moi promised to use his last years in office to work for a peaceful and united Kenya — a message that appealed to Kenyans who have seen neighbours Somalia, Uganda, Rwanda, Burundi and Congo descend into violence.

Born in 1924 in the Rift Valley, Moi taught school before joining politics in 1955 as one of a handful of Africans in the colonial legislature. At 40 years, he has the longest uninterrupted tenure as a member of parliament.

Moi became Kenya's second president in August 1978 after the death of Jomo Kenyatta, a charismatic leader who led the country to independence from Britain in December 1963.

Moi quickly consolidated power for himself, putting his face on the money, making Kenya a one-party state, filling the courts with friendly judges and locking up political opponents.

Donor countries and international watchdogs frequently lambasted Moi for human rights abuses, rampant official corruption and inept management. But Moi was unrepentant.

His banning of opposition parties in 1982, increasing authoritarianism and worsening economy provoked an unsuccessful coup by airforce officers in August 1982.

"The coup attempt marked a watershed in Moi's style of governing: he became more repressive, exploiting oppressor-colonial-era laws to quash opponents," Sapa-AP.
Violence afflicts Kenyan tourism

Ross Herbert
INDEPENDENT FOREIGN SERVICE

Nairobi — The Kenyan tourism industry, which had hoped that last year would be a year of recovery, suffered another self-inflicted wound last year as a result of election-related violence.

The decline could knock 1 to 2 percent off gross domestic product, according to an estimate by the Kenya Tourist Board. The board figures indicate that in 1995, the most recent year for which figures are available, tourism brought in $210 million, or 15 percent, of Kenya’s foreign exchange and represented 11 percent of GDP.

“We were looking for a minimum of a 10 percent increase in tourism in 1997. We more likely had a 10 to 20 percent decline over 1996,” said James Fennelly, a European Union adviser helping to establish the tourist board.

Official figures will not be out for months, but other industry players said the situation was much worse.

“It has been a disastrous year compared to what we projected,” said Dedan Kamau, the chief executive of the Kenya Association of Hoteliers and Caterers.

Hotels along Mombasa’s beaches are normally fully booked during the Christmas season, but the government-owned Daily Nation reported a 40 percent drop in bed occupancy from December 24 to January 2. The paper reported 120,000 workers had been retrenched or put on extended leave along the coast.

The poor figures represent the third year of depressed tourism receipts. In 1994, 693,000 tourists visited Kenya. The number of arrivals dropped to 600,000 in 1995 and revved up to 177,000 in 1996.

Last year the problem was large-scale violence around Mombasa. It began on August 13 when about 150 armed raiders rampaged through Mombasa and nearby Likoni.

The Tourist Board reported tourist arrivals down 40 percent from August to October. Such violence, and similar election-related ethnic violence in 1992, and several highly publicised crimes against tourists helped foster a dangerous image for Kenya.

Moi’s cabinet ‘will influence stockmarket’

Nairobi Kenyan stockbrokers said President Daniel Toroitich arap Moi’s cabinet would influence the direction of the country’s financial markets this year.

Moi, sworn in as president for a final five-year term on Monday after winning presidential elections held late last month, has yet to form his government.

President Moi’s term will be in the hots-temperate zone of the stockmarket, politicians and business people which is a very sensitive area,” said John Kihumbi, the chief executive of the Nairobi Stock Exchange. “If he chooses to lift the moratorium on the stockmarket, then we are set for a good year.”

The acceptance of the moratorium, which forbids stockbrokers from trading in their own shares, was widely seen as a sign that the government was ready to introduce a new stockmarket.

Moi’s cabinet will have a big influence on the stockmarket. The government’s economic reform programme, designed to boost economic growth, will also affect the stockmarket.

The government, in turn, will need the stockmarket to raise funds through share issues and bond sales, and can only do so if it has market confidence in the nation’s leadership.”
Kananda forced to face his past deeds

Chiluba

Chiluba sparks new row between Mandela.

Arrest sparks new row between Mandela.
Fever in Kenya 'out of control'
Moi says he wants economic reform

NAIROBI — Kenyan President Daniel arap Moi, making his first visit to the country’s stock exchange, said yesterday he was committed to further opening of the country’s economy.

“I would like to reiterate the government is committed to economic reform while being mindful of possible negative effects.”

Before ringing the bell to formally open 1998 trading on the stock exchange, Moi also stressed that economic growth was a key priority for his new government.

“My presence here today underscores my government’s desire to focus more attention on the task of building our nation, alleviating poverty and improving the living standards of our people,” he said.

Moi set out four planks of his economic strategy — maintaining macroeconomic stability, rebuilding the country’s infrastructure, stamping out corruption and developing a common market for eastern Africa.

Kenya’s economic growth collapsed in the second half last year after the International Monetary Fund suspended a $205m loan largely on the grounds of official corruption.

The fragile and often neglected infrastructure, especially Kenya’s roads network, has also been battered by heavy rains in the past three months, and is hindering economic recovery, analysts say.

But Moi said Kenya had to look internally for a solution to its problems,” and the country could not expect foreigners to bail the country out.

Moi, sworn in as president for a further five-year term last week, was accompanied by Simeon Nyachae, his new finance minister.

Nyachae said he wanted to see a further deepening of Kenyan’s capital markets, which he said were too dependent on short-term money markets. — Reuters
Rift Valley fever is out of control

NAIROBI — An epidemic of Rift Valley fever in northeast Kenya is “out of control”, the International Federation of Red Cross and Red Crescent Societies said yesterday, once the disease had finally been diagnosed.

Members of parliament from the region said on Wednesday that 5,000 people had died from the epidemic and from starvation caused by flooding, which has hit much of eastern Africa after unseasonably heavy rains.

The 14 MPs demanded the government take urgent action, saying: “We are afraid the time will come when the living will envy the dead.”

The federation put the death toll far lower at “more than 450”.

The epidemic broke out a month ago, but the disease has only recently been diagnosed. It is spread from animals to humans by mosquitoes, but people can also contract it by handling infected animals, or even by breathing. Death follows vomiting, diarrhea, and bleeding from all orifices.

Efforts to contain the epidemic were being hampered by limited resources, the federation said. — Sapa-APP
Medical services in Kenya falling apart in wake of strike impasse

BY JOE KHAMISI
Star Foreign Service

Nairobi — The health sector in Kenya is in disarray, with thousands of nurses and paramedics on strike and contagious diseases including cholera and a mysterious epidemic provisionally identified as Rift Valley fever, spreading.

Twenty thousand health workers in public hospitals went on strike on November 28 to demand a 50% increase on their monthly salaries, and improved working conditions.

The walkout led to public health facilities closing down and patients being sent home. Since the strike occurred during the electioneering period, no action was taken by the government to contain the shutdown.

But in its first major decision in January, the new government of President Daniel arap Moi sacked all nurses and asked them to reapply for jobs directly with their hospitals in a new decentralised employment arrangement.

The majority of the workers declined and the stalemate has been left to continue.

Meanwhile, in a one-month period, 400 people have died of the Rift Valley fever, a rare viral disease first thought to be the dreaded Ebola.

Health workers say victims hemorrhage to death within a matter of days. However, the disease is not considered as deadly as other viral diseases such as Ebola, Marburg fever or yellow fever.

Rift Valley fever and Ebola have almost similar symptoms — fever, headache and bleeding through the mouth and nose.

A few years ago, Ebola swept through some villages in Central Africa, killing hundreds of people.

But tests conducted at the South African reference virology laboratories ruled out Ebola and said the strain could be Rift Valley fever.

Blood slides, blood samples and rectal swabs were also sent to the Centre for Disease Control in Atlanta, USA for further tests.

Initial results showed the presence of organisms resembling anthrax. Health officials say this may explain why the so-called mysterious disease has also killed thousands of cattle.

Medical Services director, Dr James Mwanza, thinks the disease may be caused by a combination of infections. Humans normally contract the disease through direct contact with infected animals.

The fever is spreading fast in the far remote areas of northern Kenya near the Somali border. Emergency measures to send medicine and personnel to these areas are hampered by flooding due to ongoing heavy rains.

An international team from the World Health Organisation (WHO), the International Red Cross Federation and Medicins sans Frontieres is monitoring the epidemic.

The health sector woes are being compounded by the spread of waterborne diseases such as cholera and typhoid.

Already 900 people are known to have died of cholera alone in recent weeks.

In the absence of medical attention because of the nurses' strike, the health sector appears on the verge of collapse.

But even before the present crisis, there was an acute shortage of food, drugs and linen in public hospitals. Expenditure on health accounts for only 9.2% of the budget with 70% of that going towards salaries, leaving only 10% for supplies.

So far the fragile tourism sector has not been adversely affected by the epidemic. The WHO said early this month Kenya was still safe and that there was no basis for fear.

In only a month 400 people have died of Rift Valley fever

Cross Federation and Medicins sans Frontieres is monitoring the epidemic.

The health sector woes are being compounded by the spread of waterborne diseases such as cholera and typhoid.

Already 900 people are known to have died of cholera alone in recent weeks.

In the absence of medical attention because of the nurses' strike, the health sector appears on the verge of collapse.

But even before the present crisis, there was an acute shortage of food, drugs and linen in public hospitals. Expenditure on health accounts for only 9.2% of the budget with 70% of that going towards salaries, leaving only 10% for supplies.

So far the fragile tourism sector has not been adversely affected by the epidemic. The WHO said early this month Kenya was still safe and that there was no basis for fear.
Gloomy outlook for embattled Kenyan economy, say analysts

NAIROBI — Kenya's economy faces a bleak year because of suspended aid, widespread flooding and violence which drove away tourists during the second half of last year.

Economic analysts say crumbling infrastructure and pervasive corruption combine to make the East African country an increasingly unattractive investment proposition.

President Daniel arap Moi has pledged to put the economy at the top of his agenda and told investors he would pursue reforms— which included a clampdown on graft— without flinching.

However financial analysts and businessmen say the cabinet he appointed after his re-election last month retains ministers linked to corruption and this could blunt efforts at a clean-up.

Heavy rains in recent weeks have deepened the gloom. Scores of people have been killed in the flooding, which has washed away homes, bridges and roads— most importantly the main link between the capital Nairobi and the Indian Ocean port of Mombasa.

The crucial route — the primary channel for both imports and exports to the east and central African interior — was severed after three bridges were destroyed by floodwaters. It is not clear how long it will take to be restored.

"Kenya faces very tough challenges (in 1998)," says Robert Godec, economic counsellor at the US embassy in Nairobi.

He says by some accounts gross domestic product (GDP) growth for last year was likely to be at or below about 2.0% and the budget deficit had already touched 4.0%— significantly higher than a 1.7% target the government set in its June budget.

Moi has held power since 1978 and won a convincing five-term victory in last month's voting but analysts say he still had to overcome scepticism among donors and the public over his failure to deliver on earlier pledges.

Analysts say new Finance Minister Simeon Nyachae urgently needs to get talks with the International Monetary Fund (IMF) on track, to redeem a three-year $265m enhanced structural adjustment facility the IMF suspended last July in a protest against official graft and governance problems in Kenya.

Nyachae has been under pressure to reassure business leaders over his commitment to reform since he replaced internationally respected Musalia Mudavadi.

Without more donor support and ability to attract foreign investment it would be hard, experts say, to lift annual GDP growth to the 10% needed to create jobs for the 450,000 young people entering the market each year.

Violence and weather have also hurt Kenyan revenues. Tourism, the top foreign exchange earner, was devastated by violence near Kenyan coastal resorts last year. Production of the leading commodities, tea and coffee, has already been hit by the bad weather.

Experts also say increases in salaries for teachers, public servants and armed forces will act as a further impediment on efforts to improve economic growth, leading to strong inflationary tendencies as producers raise prices to meet wage bills. — Reuter
NAIROBI — The Kenyan capital, battered by months of torrential rains, is suffering an infestation of a disease-carrying fly that causes a painful complaint, known as the Nairobi eye.

The plague has hit hard a population already suffering after the floods which drowned five people last week, washed pit latrines into slum dwellings, tore huge craters out of roads and snarled traffic.

Panic-stricken residents who crush the bug are wounded by its secretions and develop ugly blisters and scars. Nairobi University microbiologist Professor Njinya Achola appealed to residents not to panic when one of the flies lands on them. "Don't touch it with bare hands, just flip it away using something."

The rains and floods have spurred cholera, malaria and Rift Valley fever epidemics which have killed thousands, drowned tens of thousands of cattle and destroyed crops. — Sapa-AFP.
Kenya faces tough economic challenges

MOI has to get IMF support back on track by showing commitment to its pledges
Health warning for travellers to Kenya

ATLANTA: US health officials are warning travellers to Kenya and Somalia to protect themselves because of an outbreak of haemorrhagic fever that has killed as many as 300 people. (163)

The Centres for Disease Control and Prevention (CDC) said the outbreak had affected humans and domestic animals in remote parts of north-eastern Kenya and southern Somalia, after continuing heavy rains.

The World Health Organisation said there had been 300 deaths in Kenya and an unknown number in Somalia.

"Large losses of domestic animals are also reported," the CDC said. — Reuters

CT 26/11/98
Kenyan government behind ethnic strife, claims archbishop

Nairobi—A Catholic prelate has accused the Kenyan government of complicity in ethnic violence that has killed at least 40 people in Rift Valley’s Lankupa district in the past two weeks, newspapers reported yesterday.

Archbishop Nicodemus Kirima complained that people were being killed despite the government having “a big show of force in the area.” “The way the government is handling the situation has nearly convinced everybody that it is behind it,” Kirima said.

The violence erupted on January 14 when armed raiders, suspected to be Turkana, Pokot and Samburu cattle herders, attacked several villages, killing seven people, setting 20 houses alight and raping women.

Looting forced villagers to flee their homes. The number of refugees has swelled to more than 5,000, as attacks continue.

Kirima said “The government wants everybody to believe the motive for the attacks was cattle rustling, but who are these cattle rustlers brought in by Mercedes-Benz trucks?"

“The style in which the raids are carried out using Mercedes-Benz trucks to carry what is looted, the heavy machineguns, the ruling Kenya African National Union T-shirts and red berets of the raiders suggest a system that is complex and organised.” - AFP

(163) Star 26/1/98
Kenyan coffee production in slump

NAIROBI — Kenya's coffee production is expected to fall to 65,000 tons in the current 1984/85 harvest season, the lowest output in more than a decade, following a poor berry season in the Eastern Province, the country's main coffee-growing area.

Lower production has resulted in a shortage of Kenyan coffee on the world market, leading to high prices for the world's arabica coffee.

REUTERS 11/11/84 (163)
Kenyan education a privilege, not a right

Nairobi – Basic education in Kenya seems to be steadily evolving into a privilege reserved for those who can afford it, rather than a right for all.

The education ministry itself has admitted there are not enough places to go around. It has announced that at least half the students who sat their national primary school examinations will miss places in secondary schools due to limited space.

According to immediate former Minister for Education Joseph Kamotho, only 195,778 out of the 431,983 candidates who sat the Kenya Certificate of Primary Education (KCPE) would make it to secondary school this year.

The remaining 236,205 represent a 1.65% increase in the number of those who missed secondary school last year.

Most secondary schools, spurred by this high demand, have pushed up their admission fees for first-form students, drawing complaints from overburdened parents.

But while some may complain, there are others willing to pay anything to send their children to good schools. "If a student fails to report within the first week of admission, then we replace him or her immediately," said one teacher in a government school here.

"There are people who are dying for those chances."

The gross enrolment rate in secondary schools in Kenya stands at 29%, much lower than that of Mauritius for example, where it is 54%.

Even at the level of primary education, there has been a marked decrease in percentage. Primary school enrolment in Kenya increased steadily after independence from Britain in 1963, reaching 97% for boys and 92% for girls in 1989. It then shrank, however, and by 1996 it was 78.5% for boys and 76.5% for girls.

Paradoxically, education occupies the highest position in terms of state spending. Last year, the government increased its expenditure on education from 5.7% to 6.7% of GDP.

"This demonstrates the burden and difficulty the government has in changing the policy to free, compulsory and universal education at the basic level," says education director Sammy Kyungu – Sapa IPE
violence
curb Moi
Emojis

Call on
Political overtions in ethnic clashes in Kenya

INTERNATIONAL
NAKURU — Hundreds of farmers and their families fled to the safety of churchyards yesterday as politically motivated tribal attacks continued in central Kenya, where at least 87 people have been killed this month.

Nakuru General Hospital superintendent Samson Obure said three people died there yesterday morning from arrow wounds. He said another 10 were in serious condition with the same kind of wounds.

"They burned all the houses on the Kikuyu side of the boundary. This trouble started because most of these people voted DP (Democratic Party)," said schoolteacher James Mugo Kenyiri.

Witnesses and survivors said the raiders were members of the Kalenjin group of tribes, to which President Daniel arap Moi and many of his closest allies and ministers belong.

Most of the victims are Kikuyu, Kenya’s largest tribe. But some Kalenjin farmers have also been killed in revenge by Kikuyus.

Kikuyus in the Rift Valley province voted en masse for DP leader and Kikuyu Mwai Kibaki, who ran second to Moi in December general elections.

Two of Moi’s Kalenjin ministers threatened Kibaki supporters in the province during a political rally on January 17.

Nakuru, the provincial capital 150km northwest of Nairobi, was shuttered and nearly deserted yesterday after police used teargas to disperse youths Kikuyu men carrying machetes and bows and arrows patrolled settlements of small shops and rural homesteads.

The 21-member Kenyan Roman Catholic Conference of Bishops yesterday called on Moi to get rid of rabble-rousing ministers. “Some cabinet ministers… have been busy preaching ethnic hatred,” chairman Bishop John Nuye said. — Sapa-AP
Like those in Kenya, ordinary people involved in SA tourism will have to ensure th.

Dance of the warriors. Kenya's Masai tribesmen have a reputation for bravery, but these days are more involved in entertaining tourists. This group was photographed at the Safari Beach Hotel, south of Mombasa, as they were performing a celebratory dance.
An industry that has to take care of itself

Kenyan tour operator Mike Kirkland was shocked when he learned two foreign visitors had been murdered within days of each other in August last year. One was in Durban, the other in Cape Town, the country’s premier tourist resorts.

“If that happened in Kenya,” he said, “we would have to close shop. If just one of our clients was to be murdered, we’d be out of business for ever.”

He should know. As one of Kenya’s top tour operators, his business suffered as a result of the Likoni beach riots in August last year. No foreign visitor was killed, but almost overnight Kenya’s lucrative but fragile industry took a hammering. Just what would have happened had an international visitor been involved, he shuddered to think.

“I get about 1,000 visitors a month from Britain alone,” he said. “And if just one of them is at any given time.”

He put his hunch as he spoke. Tourism in Kenya is such an important money spinner that tour operators, hotels and travel agents go to extraordinary lengths to ensure their guests are not only well looked after, but secure.

Literally millions of Kenyan shillings have been invested in hotels and other facilities. In good years people pour into Kenya to visit the famous game sanctuaries and beach resorts Christmas is the busiest season, a time when snow-bound northerners from Europe, America and Asia come to enjoy diving and snorkelling in the warm Indian Ocean, relax on the white beaches, swim in coral-protected seas or while away hours watching animals and birds.

They make an enormous contribution to the economy providing thousands of jobs across the country. Woodcarvers depend on them as much as butchers, bakers, dairies and greengrocers.

When they don’t come, everyone suffers.

June Friesen, who runs a 14-room guest house in Nairboi with her husband, usually has an 80% occupancy, but in October had just one visitor.

“I had to cancel all supplies – meat, eggs, milk, bread, vegetables,” she said. “But if we suffered, so did the people who supply us. They need our business to survive.”

Kenya’s experience has many lessons for South Africa.

The violence that rocked the industry had nothing to do with tourism. People say it flared because of “tribal conflict”. People at the coast (where many of the top resorts are situated) wanted upcountry Kenyans to leave the area. They perceived them as taking up too many of the available jobs.

Many upcountry Kenyans travel thousands of miles to the coast in search of jobs, driven by the belief that there is plenty of work at the resorts frequented by overseas visitors. Some have lived there peacefully for years. When the trouble started they hastily sent their wives and children home.

The localised Likoni riots south of Mombasa made headlines round the world. Pictures appeared in international newspapers and on television screens. The burning “shambas” (grass huts) made striking pictures.

The trouble apparently was over almost as soon as it started, but the damage was done. Holidaymakers dislike tension when they take a break. Why should they risk danger when there are other, safer places to visit?

Reservations were cancelled by the thousands as tourists found alternative destinations for their holidays. Tour operators and tour guides had done excellent business in the Christmas season saw the numbers for 1997 drop dramatically.

Chris Modigli, group general manager of the Alliance hotels, says his chain had a 90% occupancy last year. The percentage has dropped to between 50 and 60% this year. His hotels, which are in Garko and Nairobi, report an occupancy of between 20 and 30%. Thousands of jobs were lost. The elections took place and there was further trouble but the visitors stayed away.

Unlike Africans in many other countries, Kenyans are well aware of the value of tourism. In the Mombasa area, the majority go out of their way to ensure that visitors are made welcome. Even the cleaners take a proprietary interest in their guests and ask constantly if they are enjoying their visit. Service in the restaurants, at airports, in town and at hotels, is friendly and fast.

Yet, though ordinary folk in the hospitality industry may realise the value of tourism, some believe their government does not appreciate the contribution it makes to the economy. Little is spent on marketing tourism and, when security problems threaten, the government simply does not react fast enough to allay fears. The industry must take care of itself.

Frank Murphy, involved in tours to Kenya’s southern coast, accepts that the industry must take care of its visitors.

“Eight years ago a young woman was murdered in the Masai Mara. “People still talk about it. It deters tourists from coming to Kenya,” he said. “We have to do more.”

If South Africa is to capitalise on its tourist potential, it will have to do much the same. Visitors’ movements will have to be monitored more carefully. They will have to be warned of trouble spots and directed to safer places.

Until crime and violence is under control, there is no other way for the industry.
Opposition in Kenya calls for armed defence

NAIROBI, Kenya's opposition reform lobby, the National Convention Executive Council (NCEC), issued a call to Kenyans yesterday to arm themselves and form self-defence groups against the government.

The call came as newly re-elected President Daniel arap Moi ordered a stop to ethnic mayhem in the west of the country that has claimed more than 90 lives in the past fortnight.

Mr Kwekuhe Kibwana, spokesperson of the NCEC, which instigated mass protests last year in an attempt to unseat Moi and his government, said “The state has declared war on Kenyans. The NCEC advises all Kenyans to arm themselves and to form self-defence groups to defend each village against aggression.”

“We are saying a Kenyan should never attack another Kenyan, but also it is his duty to defend his house, family and community.” — Sapa-AFP
Terrorism in Kenya ‘getting worse’

NAKURU — Police patrolled empty streets and tensions rose as politically inspired ethnic violence reached the outskirts of Nakuru, Kenya’s fourth-largest town, a Roman Catholic priest said yesterday. At least 15 houses belonging to members of the Kikuyu tribe were set alight during the night at a farm southwest of Nakuru, Father Stephen Mbugua said. One person was reported missing after the raid.

“The situation is getting worse,” he said. “Now they are attacking in the municipality.”

For the second day in a row, most shops in this agricultural town 150km northwest of Nairobi remained closed, and minibuses did not operate because their Kikuyu owners were protesting at the violence. Police and government officials were said to be in meetings and could not be reached for comment.

President Daniel arap Moi, who was elected last month to his fifth five-year term, has yet to comment publicly on the violence.

East Africa’s largest newspaper, the independent Daily Nation, condemned government inaction in an editorial. “The president’s silence is particularly perplexing, indeed untenable, coming as it does hardly three weeks after he has sworn afresh to protect all the citizens of this country,” the newspaper said.

Mbugua said “hundreds, and maybe thousands” of people, mostly women and children, were fleeing their farms around Njoro, 10km southwest of Nakuru. At least 87 people have been killed since the attackers, identified as belonging to the Kalenjin group of tribes to which Moi and his closest allies also belong, launched their raids more than two weeks ago in Ol Moran, 80km northeast of Nakuru.

International donors have warned that the violence can only further damage Kenya’s already shaky economy.

Western embassies in Nairobi joined a growing chorus of voices yesterday demanding that Moi’s government put an immediate end to the violence.

A published statement signed by diplomats from 20 nations called for efforts to stop the bloodshed, saying: “It sends a very negative message to the rest of the world, including potential investors and visitors.” The diplomats condemned what they called the “slow and ineffective response by security forces” in stemming the violence.

Kenya’s police chief Duncan Wachira said the situation was now under control. — Sapa-AP-DPA
Safer than SA - but violence

Lucrative trade under threat as rush

CAROL CAMPBELL

Kenya is far safer for holidaymakers than South Africa, but ethnic and political clashes are threatening to destroy the East African country's most vibrant industry - tourism.

In South Africa two foreign tourists were killed over the festive season. In Kenya a tourist was last murdered eight years ago when she wandered off alone into the Masai Mara game reserve and unwittingly walked into a gang of poachers. Last Sunday though, a group of tourists were robbed of valuables in the Masai Mara.

While both countries have experienced violence, few tourists to Kenya have been murdered. The two killed in South Africa were murdered with days of each other, in or close to popular tourist spots in Cape Town and Durban.

Tourism officials in Kenya, one of South Africa's biggest African rivals for foreign visitors, said their business was not affected if this had happened in the East African country.

Right now they are struggling to hold the industry together as reports of political violence in remote villages make headlines around the world.

More than 100 people have died in clashes in villages in the Rift Valley, the same type of violence which has nearly destroyed tourism in KwaZulu-Natal.

Tourism in Kenya accounts for 11% of gross domestic product, the average for the rest of the world is just 4%.

Riots in the Mombasa suburb of Likoni last August sparked the speedy devastation of the industry - even though the few tourists were harmed or was even remotely near the fighting.

Although the fight over jobs was between Mombasa locals and rural migrants, international publicity showed a city at war and this scared away tourists.

An added blow was the timing of the presidential election, immediate-

ly after Christmas and the holiday season.

For Chris Modellig, managing director of the Alliance Beach, Jomal Beach is on the south coast of the Naro Moru Ri, world famous base Mount Kenya.

"There are a lot of tourists to stay in the hotel, it's a resting place for scuba diving and there are a lot of tourists to the village, the hikers on the mountain to make a trip." Despite the trouble the resort being fighting is zero.

Mr Modellig's guests to and from the airport, will be taken into the city to see famous sights.

"We've been in contact with the police and got on the Southern Cross as the last night is kept to all the people on the tour stay in Ken... where each one of us was a tourist to be killed... would all be dead, so we're a bit more careful."

He is amazed South Africans had wiped off the face the recent killings "if we could be out of it."

A Korean family of four was at the Safari Park when they had chosen Kenya out of a catalogue.

"It was either East Africa, or we heard you have such a nice, friendly, a place for the children and the father, an investor..."

Friendliness first as Mombasa shrugs off rough

CAROL CAMPBELL

The sensuality and earthiness of the Kenyan harbour city of Mombasa hits like a punch in the stomach. The port is at once vibrant, dirty, colourful, traditional and chaotic.

This is Africa in the raw. Poverty everywhere, but an overwhelming beauty.
violence tars Kenya image

eat as rural clashes scare tourists

(63) AAUG 31/1998

... Africa, 
.. of the most 
... were two foreign 
... the festive 
... was last 
... when the 
... Masai 
... had been 
... in or close to 
... Cape Town

Kenya, one of 
... their business ever hap-
... country 
... reports 
... remote vil-

... which has 
... in Kenya

... counts for 
... the world is 
... suburb of 
... the industry

... jobs

... publicity

... this scared

... of immediate-

... after Christmas at the height of the 

holidays season

For Chris Modigli, managing 
director of the Alliance Hotel Group, 
the drop in tourist numbers was dev-
astating "I have retrenched 200 staff; I 
and over Christmas I was sitting with 
beers which were barely half full at that 
time of year when they should be 
packed," he said

The Alliance hotels - the Safari 
Beach, Jada Beach and Africana - 
are on the south coast of Kenya, while 
the Naro Moru River Lodge is the 
world famous base for climbing 
Mount Kenya.

"Obviously this drop in numbers 
impacts on the surrounding com-

munity. As restaurant orders from local 
fishermen are cancelled and the 
hawkers selling pineapples and 
bananas are turned away from 
the kitchen door," said Mr. Modigli.

Villagers who sell dhow rides, 
scuba diving instructors waiting to 
take visitors to the coral reefs 
even hawkers on the beach are all 
struggling to make a living.

Despite the trouble at Likoni, the 
risk of a tourist being caught in any 
fighting is zero.

Mr. Modigli's hotels transport 
guests to and from the airport and, 
by arrangement, will organise for 
people to be taken into the city centre to shop 
to see famous sights like Watini 
Island and to go on safari.

Mike Kirkland, managing director of 
The Safari Beach. Modigli said 
that visitors had been 
asked off the tourism map after 
the recent killings: 
"If a tourist were to be killed in Kenya, we 
would all be dead," he said.

Kenya and South Africa has not 
been wiped out of business. 
A Kenyan family enjoying a holiday 
at the Safari Beach Hotel said 
they had chosen Kenya as their destina-
tion out of a catalogue.

"It was either Kenya and South 
Africa, but we heard about the crime 
you folks have and so I was a bit ner-
vous to take my children there," said 
the father, an investment banker.

A cut above: the Alumba tribe are revered in Mombasa for their ability to create beautiful carvings from wood

... off rough edges to offer a warm welcome

... of our day's adventure and 
we should have used hotel transport 
which was much cheaper (RSh 90 a 
per for the round trip) I didn't 
It was available. Obviously we 
have asked for a second service 
for help before forking out 
cash, and don't like our guests to walk 
on the road outside the hotel, so if 
they want to go the nearby village or 
to church (there is a chapel at one of 
the resorts), we will take them," Mr. 
Modigli said.

As in South Africa, occasionally 
a criminal targets a tourist lugging 
expensive camera equipment, but 
generally Mombasa people know the 
importance of foreign visitors in cre-
ating jobs and treat them very well.

We were amazed by the friendli-
ness of the hotel staff. Everybody 
wanted us to have a good time.

Even the man making our beds 
asked us if all was well and if there 
was any more he could do to make 
our stay a good one.

The infrastructure in Mombasa is 
poor. Roads are bad, drainage is non-
existent and driving should be avoid-
ged at all costs. Despite the hardships,
Work for Kenya, Africans as country's Asian entrepreneurs flourish

(62) Age 24/25
Rains wash away vital Kenyan road

WAMBUI CHEGE

Nairobi — The collapse of a bridge because of flood damage had closed the vital road linking Kenya’s leading port of Mombasa with the east African hinterland for the second time in two weeks, police said yesterday.

The Thange bridge, located on the Nairobi-Mombasa highway in eastern Kenya, collapsed under raging waters early on Sunday and police spokesman Peter Kimanthu said the road was first closed on January 16 after three bridges were washed away by heavy rains. Kimanthu said the army was erecting a temporary bridge from Nonyuki, the base of a battalion of the Kenyan army and a resident camp of the British Royal Engineers.

The independent Daily Nation reported that buses and oil tankers had been stopped from using the bridge, and trucks were parked along the road for 50 km. The Nairobi-Mombasa road is one of the busiest in Africa, with trucks carrying goods from the port city to the east African heartland.

The agriculture ministry said Kenya faced a severe food deficit because the heavy rains had also reduced production of food crops.

Meanwhile, ethnic violence, in which around 100 people have been killed since January 11, has been raging in President Daniel arap Moi’s native Rift Valley. And to add to the country’s woes, a locust invasion from southern Ethiopia has been reported.
BUSINESS

Kenya's ethnic clashes 'will damage economy'

From AFPR 3/2/98

Nairobi — Ethnic clashes in Kenya's Rift Valley province would hurt the economy, Robert Shaw of the Institute of Economic Affairs warned yesterday.

Shaw, an economist with the think-tank, said the ethnic clashes would jeopardise pending government negotiations with the International Monetary Fund (IMF) team which returns to Nairobi on February 9.

The renewed violence, similar to prolonged ethnic clashes before and after elections in December 1992, has claimed 116 lives since January 14, according to reports reaching the capital.

The IMF suspended a $305 million aid package last July, citing Kenya's failure to combat high-level corruption.

"The major shareholders of the IMF will, through their board of representatives, push for the adherence of not only economic issues but political ones as well, in line with good governance," Shaw said.

He said the failure of the government of President Daniel arap Moi to swiftly halt the violence was an indicator of its reluctance to instil social stability for economic growth.

"Donors are now wary about President Moi's new government and investors are most likely to skip again. This will not be good for an economy which only registered 2 percent growth last year," Shaw said.

Kenya's tourism sector has been facing a severe slump since last August, with business as much as 70 percent down as a result of ethnic violence and torrential rain — AFP
Warning that Kenya faces a civil war

Nairobi – Kenya is on the verge of civil war, prominent dissident Koigi wa Wamwere warned yesterday as tribal clashes spread and opposition leaders urged people to arm themselves against the government.

Political commentators have claimed that senior government members instigated attacks in the Rift Valley region in a bid to ensure the failure of a court petition by opposition leader Mwai Kibaki of the Democratic Party.

Kibaki is challenging December’s re-election of President Daniel arap Moi on the grounds the vote was rigged.

The escalating violence in the Rift Valley is directed against Kikuyu people, members of Kenya’s biggest tribe, who voted overwhelmingly for the opposition in elections held with the presidential polls.

Several thousand people have taken refuge in churches, but are starting to retaliate, with a list of victims released by the police on Saturday identifying 25 Kikuyu dead, 18 Kalenjin from Moi’s tribe, one Ramba and one Kisii.

The Kikuyu say the Kalenjin are attacking in waves torching houses and firing poisoned arrows as police stand by.

People are being pulled out of buses and attacked, and pedestrians are carrying pangas and clubs topped with cowhides.

The civil-war warning from Wamwere, a member of parliament in the 1970s and a long-time political prisoner, came in the Daily Nation newspaper.

He would urge Norwegian authorities not to return some 20 Kenyans who are appealing against deportation orders after being denied asylum.

The death toll from the clashes, which broke out on January 14, rose to 116 yesterday as the fighting spread north, around Lake Baringo, and to the west. – Saga-AFP
NAIROBI: Dozens of opposition members of parliament staged a noisy demonstration inside Kenya's National Assembly yesterday during the first parliamentary session since elections on December 29, witnesses said.

About 50 opposition MPs chanted and waved placards protesting against perceived government indifference to a wave of ethnic violence in which more than 100 people have died since January 11.

The chanting continued when a stony-faced President Daniel arap Moi arrived to take his seat and dozens of opposition MPs refused to stand as he entered the chamber.

"Kenya is weeping Moi, we want peace," said one poster. "Moi is here...we want him to address the issue," shouted one MP.

But opposition threats to disrupt the election of the Speaker of the House faded as Mr. Francis ole Kaparo was re-elected at the first ballot by a two-thirds majority for a second five-year term.

Kaparo, a member of the ruling Kenya African National Union (Kanu) party polled 157 votes against the 50 of Mr. Njehu Gatabaki of the Social Democratic Party (SDP).

The new assembly — Kenya's eighth since independence in 1963 — sees Kanu with its slimmest majority ever. Kanu has 113 seats to the combined opposition's 109, but already signs are emerging of rifts in the nine-party opposition camp.

On Monday a group of leading opposition politicians said they would disrupt yesterday's largely ceremonial parliamentary session to protest against the wave of ethnic killings that have rocked the East African country.

They called for a stay-at-home strike by Nairobi workers today, followed by prayers in the capital's main park tomorrow.

But Kenyan newspapers yesterday reported that leaders of two of the largest opposition groups had rejected the idea.

The East African Standard said National Development Party leader Mr. Raula Odinga and FORD-Kenya chief Mr. Michael Wamalwa Kijana, whose parties have a combined 40 seats, said they would not heed disruption calls by official opposition Democratic Party leader Mr. Mwai Kibaki.

Odinga and Wamalwa, as well as ruling party politicians, have been linked to the vacant position of vice-president. Moi, 73, has not appointed a deputy since winning a new five-year term in January.

More than 100 people have been killed since January 11 in clashes which opposition and church leaders say are the result of ethnic Kalenjin tribespeople targeting Kikuyus for not voting for Moi or Kanu in the December 29 elections.

The government and police have blamed the clashes on political fighting or "acts of criminality." — Reuters
Kenyan strike call goes unheeded

NAIROBI — A call by the Kenyan opposition for a general strike to protest against tribal massacres in the Rift Valley went unheeded in Nairobi yesterday as office workers reported for duty and shops opened. Members of parliament of the opposition Democratic Party and the Social Democratic Party had urged Nairobi residents to go home in memory of the more than 100 people who had been killed by armed raiders.
Kenyan government faces uphill task with IMF team

NAIROBI — Kenya will try to regain the confidence of disenchanted foreign donors next week when the International Monetary Fund (IMF) arrives to inspect an economy damaged by corruption, tribal violence and natural disasters.

It will be a mammoth task for President Daniel arap Moi and his new cabinet team, barely a month after elections. "The Kenyan government is very exposed. There can be no fuzziness if they want a constructive relationship with donors," a senior Western diplomat in Nairobi said. "There is nowhere for the government to hide any more, on any front," he said ahead of the IMF team's arrival on Sunday.

Much the same brutal message is coming from every major donor, leaving Moi and new Finance Minister Simeon Nyachae in no doubt about the credibility test they face.

The IMF brought matters to a head last July when it stopped a $205m Enhanced Structural Adjustment Facility (ESAF) loan. The grounds included the government's failure to halt and punish corruption by its own officials. The move coincided with the Washington-based fund's new policy of tightly hugging "good governance" to its old criteria of economic performance. Both the IMF and the donors felt last year that Kenya simply did not measure up.

The IMF and Nyachae are at pains to stress the IMF team's May 1-3 visit is not for negotiations about a new ESAF but for progress on implementing Kenya's cleanup pledges last August after the three-year loan was "allowed to lapse."

The government's new Anti-Corruption Authority has yet to show its teeth. Privatisation of state-owned corporations is at least 12 months behind schedule, foreign economists say.

Cuts in the 485,000 workforce on the central government payroll are far too slow, they say, and this year's budget projections were thrown wildly off course by pay rises of up to 200% awarded to 240,000 teachers to end a strike before the elections.

Torrential rains caused catastrophic floods last year, resulting in health epidemics, shortfalls in food and production and the collapse of part of the Mombasa-Nairobi highway, East Africa's commercial artery.

Tribal terror in the Rift Valley in January left more than 100 dead and pro-opposition Kikuyus say they were the targets of ethnic cleansing by the Kalenjin, Moi's tribe, as security forces looked the other way.

The elections, which Moi won with 40% of the vote, have not calmed Kenya's political waters. Radical opponents outside parliament are pressing protests to concede, surely by design, with the IMF visit. — Reuters.
Kenya's divided opposition fails to halt Moi

Lucy Hannan in Nairobi

Disarray at recent political killings overshadowed the opening session of the Kenyan Parliament this week. Both sides of the house stamped, shouted and jeered, and opposition MPs waved placards protesting at "genocide" and "a legacy of killings"

More than 100 people have been killed in Rift Valley province since January in attacks directed at communities which voted for the opposition.

But opposition MPs failed to present a united front in their effort to disrupt the session. Some stood, some sat, some bowed, and some demonstrated. As they drummed their heels, they drowned out an appeal to the government by the new official leader of the opposition, Mwai Kibaki, to stop the killing.

President Daniel arap Moi responded with a few disparaging gestures. Just before Parliament opened, his government issued a statement blaming the clashes primarily on Kibaki's Democratic Party.

Kibaki inherits an opposition that has proved almost unleadable. A single opposition candidate would have beaten Moi in the December general election, and Kibaki tersely concedes that a historic opportunity has been missed.

"As much as they wanted to fight Moi, the opposition were too busy quarrelling about their own leadership," he said.

He claims that a hung Parliament and a determined opposition will make the next five years "different". But those listening to this week's proceedings did not seem to agree. "It's worse than ever," one opposition voter said.

"Kibaki says Kenya faces a leadership vacuum because of Moi's refusal to stop political violence and sort out the "gangsters" fighting for succession in his party, Kanu."

So far Moi has refused to appoint an heir - a vice-president. Kibaki says that is because the post was promised during the elections to four different regions, "and if Moi chooses one now, he will create a crisis within his own party."

Having served 10 years as vice-president, Kibaki is familiar with Moi's wily but whimsical style. "He relies completely on his advisers, and nothing important goes through the normal machinery of government."

He says the government wants to "destroy" the Kikuyu - his own ethnic group, which overwhelmingly voted against Moi. Other opposition leaders disagree with him, pointing out that similar political clashes have affected other areas and communities, like Transmara in western Kenya, and Likoni in the Mombasa area. In the Rift Valley, gangs have murdered, looted and burnt with little restraint by the security forces.

In urban areas, including Nairobi, leaflets are circulating threatening to evict and kill. Counter leaflets call on the targeted communities to arm and defend themselves.
Tea farmers in Kenya set to continue strike

NAIROBI — The Kenyan tea growers union called on members to continue their one-week strike, newspapers reported yesterday.

On Friday, Agriculture Minister Musa M. Mudavadi called a meeting of the union and the parastatal Kenya Tea Development Authority (KTDA), to thrash out the dispute. Farmers were demanding 20 shillings a kilogram of green leaf and 30 shillings as a second payment bonus. The meeting agreed on 12 shillings a kilogram and 18 shillings bonus, to be paid quarterly. However, the union said on Saturday that members should continue strike action until the agreed payments were made.

The call to stop picking was made by the powerful but unregistered Kenya Union of Small-scale Tea Owners to protest against the KTDA's monopoly powers. "We have stopped picking our tea and since we are the owners of the tea farms, the KTDA should listen to our grievances or else we will continue the strike which will definitely affect the quality and price of tea," a striking farmer said.

The boycott, which got off to a slow start on Monday, came at the same time as a total work stoppage in Sri Lanka over wages. The two countries are the biggest tea producers. Sri Lanka had a record crop of 276.8-million kilograms last year, while Kenya's was 226.7-million kilograms.

Kenyan agriculture ministry statistics show that small-scale farmers produce 60% of Kenya's tea crop.

Traders said increased demand resulted in a surge in prices at the Mombasa auctions. At last week's Monday auction, green leaf was selling at $3.25/kg compared to $3.25 the previous Monday.

A shortage caused by rains has also resulted in higher prices for Burundian tea. — Sapa-AFP.
Post-election Kenya’s future in the balance

Now that the elections are over, Kenyans are waiting to see if their country will prosper or slide into inter-ethnic violence. **Eddie Koch** reports

There is a place at sea, about two nautical miles from the coast of Kenya, known as the Sea of Mombasa. This is where the Kenyan border with Tanzania meets the Indian Ocean. From here, visitors can sail out on a small boat for a few hours, exploring the reefs and corals, watching dolphins cavort in the pasture-blue waters, or gaze at the hazy mountains on the horizon where all of Africa’s wild mammals abound.

The perfect place to relax, the political climate that gripped the mainland of Kenya during and after the country's multi-party elections on the eve of New Year.

Daniel arap Moi won the polls to become one of Africa's longest-serving leaders, even as most political observers agree that he has, in the words of a New York Times report, “turned the country’s East African nation, admired for its stability on a continent rife with civil war and political instability, into an economic disaster zone. Corruption, police brutality, and human rights abuses” are widespread.

While the elections were widely accepted as free and fair, the country has had to deal with the aftermath of violence that erupted in the three months after the elections. The violence has left many dead and displaced thousands of people.

There are ominous signals that Kenya could go the way of the rest of the region. The elections were far from orderly. More than 100 people died in the build-up to the vote, the bodies of some of them shot by security forces during political demonstrations, and some 100,000 people became internal refugees as they fled their homes on the beautiful south coast after political leaders sought to consolidate their power.

The results are announced inside, with voters casting their ballots mainly along ethnic lines. Members of the two biggest of Kenya's 42 tribes, Kikuyu and Luo, turned out to vote against Moi's ruling Kenya African National Union (KANU) party.

Moi, in power for 18 years, won 40.12% of the presidential vote, against 55.4% for the opposition's National Democratic Party.

Instead of attempting to forge a non-ethnic and non-political administration, Moi appears to have become more than willing to play the ethnic card in order to divide and rule over his opponents.

On the streets, Moi's supporters have been seen burning crosses and attacking the opposition. The police have been accused of using excessive force.

There are indications that Moi is now more willing to curb the ethnically charged violence that ended the elections, and to promote national unity. The president has called for the release of political prisoners and has promised to work towards national reconciliation.

The elections have brought a new level of political polarization to Kenya, with ethnic identities playing a major role in determining voting patterns. The results have also led to new alliances and coalitions, with some parties forming new coalitions to challenge Moi's dominance.

The situation in Kenya is complex and volatile. The country is facing a number of challenges, including economic instability, political instability, and inter-ethnic violence. The future of Kenya is uncertain, and will depend on how the country's leaders respond to these challenges.
Kenya scores low marks on graft, but the
figures look good

A part of Key issues subject to the PSC

The era of the people linked to the

the board, CNGA said, could

The important thing is to know what
the figures can be broken down to.

one of the things that are common
is the frequent bookkeeping

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures look good, but the

figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.

In the era of the people linked to the

the figures do not account for
the corruption rate in the country.

The second aspect of the issue is
the corruption rate in the country.
Moi visits violence-hit province

Nairobi - President Daniel arap Moi arrived in central Kenya to visit an area where a month of ethnic violence has left at least 100 people dead and thousands displaced.

Mr Moi's visit today came three days after United States special envoy Jesse Jackson told a crowd in Nakuru, the provincial capital 150km northwest of Nairobi, that no matter who started the violence, it was Mr Moi's responsibility to end it.

Yesterday provincial commissioner Nicholas Mberia said police had arrested two local officials in connection with the violence that broke out in early January in the Ol Moran area of Rift Valley province.

The violence then spread to the Nyoro and Mau Narok areas south of Nakuru.

Mr Moi's critics accused the government of orchestrating the attacks to punish the Kikuyus, the country's largest tribe, for voting for the opposition in December general elections.

Witnesses have identified the raiders as being members of the Kalenjin group of tribes, to which Mr Moi and his close associates belong.

Mr Moi has rejected the charge and blamed opposition leaders for instigating the violence. -Sapl-AFP
**Kenya denies it has lost favour with US in sub-Saharan Africa**

**Nicholas Kotch**

Nairobi — Kenya remained the most stable and strategic country in east and central Africa and did not fear being "written off" by the US, Bonaya Godana, the foreign minister, said yesterday.

He said Washington understood that Nairobi was the regional hub for business, diplomacy, humanitarian agencies and the media.

Godana was appointed on January 5 in President Daniel arap Moi's post-election government. He is a new appointment.

He denied there was evidence that the US had lost patience with its former African ally and wanted change.

"Frankly, that is not our reading of Kenya-US relations. "We do not think the US government can make an about-turn to kind of write us off. No," he said.

Criticism about the Moi government's handling of political reforms, official corruption, human rights and ethnic clashes has poured out of donor nations, and forcefully from the US, throughout the decade.

The flow of reproach was barely halted by 73-year-old Moi's victory in multiparty elections in December. The polls were followed by politically linked ethnic violence in the Rift Valley in which more than 100 people died.

Successive visits to Africa by US secretaries of state have avoided Kenya, despite the country's strong support for Western interests during the Cold War.

US President Bill Clinton is to visit Africa in March but Jesse Jackson, his special envoy for democracy on the continent, was unable to say at the weekend if Kenya was on the itinerary.

Asked how Kenya would feel if it were excluded, Godana said: "We would be glad if he did (come), but we would not read much into it if he did not.

"We think the US government appreciates the strategic significance of this country," he said.

He pointed out that the US embassy in Nairobi was its largest in sub-Saharan Africa.

He said that the US had behaved like a friend this year by flying food and other aid to victims of flood and disease in north-east Kenya.

He said Nairobi was invariably the centre for efforts to restore order and supply humanitarian aid in a troubled region.

Past and present conflicts in Burundi, Ethiopia, Rwanda, Somalia and Sudan have all been managed by the international community from the Kenyan capital.

"Kenya still provides the best opportunity, the best option for foreign investors wanting to come to this region. It is the gateway to east Africa and central Africa," he said.

But Kenya's pride of place is under threat, most notably from neighbouring Uganda, where the political and economic climate is constantly hailed by the US and other donors, as well as by business investors.

A symbol of Kenya's relative decline is the crumbling highway from its Indian Ocean port of Mombasa to Nairobi and the rest of the region.

Critics portray the dilapidated road as proof of the corruption and mismanagement which led the IMF to suspend a $265 million soft loan last July.

Godana said that he and the country's other ministers would set out to improve Kenya's image, which had been damaged by "misunderstandings.

The fact that Nairobi was home to the largest concentration of foreign journalists in Africa outside South Africa meant Kenya was naturally "in their sights", he said.

Asked if this meant Moi's government would "shoot the messenger" and take action against the foreign press corps, Godana said: "Definitely not."

Despite some unfair reporting, Kenya wanted to keep its advantage as the place from which journalists, diplomats, preferred to cover the region, he said — Reuter
Bad weather will slow Kenya’s GDP

Nairobi — The Central Bank of Kenya (CBK) revised its GDP economic growth estimate for 1997 downwards to 2.9 percent yesterday, citing weather-linked calamities, and said there should be an urgent budget review.

The CBK had forecast gross domestic product growth at 5.3 percent in 1997 from 4.6 percent in 1996, but had then gradually moderated the figure to 3.6 percent, 3.2 percent and now 2.9 percent.

“The estimated growth is now projected to decline further to 2.9 percent as more complete information on agriculture, tourism, manufacturing and trade becomes available,” the bank said in a monthly report for February which reviews January’s developments.

The central bank linked the economic slowdown to political uncertainties ahead of December’s general elections, adverse publicity abroad that hit tourism and a decision by the International Monetary Fund (IMF) to halt a key aid package.

The IMF allowed a $205 million soft-terms Enhanced Structural Adjustment Facility (Esaf) to lapse to reinforce its complaints about official corruption and poor governance in Kenya. The CBK said the decision was a “decline in the level of investment, particularly foreign investment.”

An IMF mission is on an annual economic review in Nairobi, but Kenya has not formally asked for a reopening of the Esaf negotiations.

The CBK said Kenya must urgently review its state budget to allow for massive expenses in the most destructive floods in its recent history, caused by the El Niño weather phenomenon.

It said: “The current budget allocations (for the fiscal year ending June) will need to be reviewed urgently to accommodate the unexpected expenditures on road repairs and supplies of food and medicines to the affected parts of the country.

“Domestic budgetary resources are not likely to provide enough resources to meet the requirements, in which case donor assistance will have to be sought to supplement the domestic effort,” the report said.

“The repair of the road infrastructure, which in any case was already in bad shape, is now urgent and will require donors’ assistance more than before the rains.”

The report said appropriate fiscal policies were needed to ensure that Kenya’s fragile economy recovered from the rains.

The country will have to import food to meet a huge domestic shortage at a time when a decline in the production of its main commodity exports means income is falling.

“The El Niño rains (from November to January) have already damaged large fields of food crops and farmers are not finding it easy to plant new crops, as the soil is waterlogged and in some cases the fields are flooded,” the CBK said, adding that production of coffee, tea, sisal, maize, wheat, beans, rice and sugar had all declined.

“The cash crops are not spared the havoc El Niño rains are inflicting on the economy,” the report said. “They too require sunshine after harvesting and transportation to the processing centres before final storage and transshipment to the international markets.” — Reuters.
Global climate change

EL NINO UNDERSHINES FOODS' PLACES

Seaward by God's love, echoed their children's shock by a bleeding disease. Their cries, the dying, the people of multinational King. Are giving a glimpse ofplerions.
US warns Moi to end tribal clashes

By JEO ROHRMOSER
Star Foreign Service

Nairobi - The high-profile intervention by the US in Kenya's bloody tribal clashes has elevated the conflict in the Rift Valley region from a local matter to an international event.

The Rev Jesse Jackson, US President Bill Clinton's special envoy for democracy in Africa, left Nairobi yesterday after a two-day visit with a blunt message for President Daniel arap Moi: "Stop the violence and save the country from chaos and anarchy".

Jackson called the clashes between Moi's Kalenjin tribe and Kikuyu settlers "needless political violence".

More than 100 people have been killed and 80,000 displaced. The violence has been raging for three weeks in the forests and ridges of Nyoro, Lanjupa, Baruino and Nakuru. But the government has done little to suppress it, fueling speculation that elements in the administration may be involved.

Jackson spent Sunday visiting victims of clashes in hospitals around Nakuru where he witnessed several grisly scenes. He said before leaving for Zaire that he had experienced the "depths of pain from what he saw. Moi declined an invitation to accompany the US envoy on the tour but agreed to an appointment in Nairobi later in the day.

Jackson declined to say what Washington would do if Moi ignored the appeal, but warned that continued mayhem would jeopardise foreign investment and aid.
KENYA IMF approval of President Moi's anti-graft steps would 'encourage donors'

Nairobi business states its agenda

CT (BE) 17|2|98

MANOAH ESIPISO

Nairobi — Kenyans business is seeking qualified endorsement from the International Monetary Fund (IMF) of President Daniel arap Moi's measures to improve governance, which they see as necessary for rebuilding investor confidence.

Businessmen say recognition that the government has implemented some of the measures it agreed with the IMF in August, followed by the reopening of talks on a suspended aid package, will stabilise financial markets and get Kenya back on to a growth path.

But they say the government must show a commitment to solving outstanding issues and change its reputation for rarely keeping promises made in policy papers.

Last July, the IMF halted a $255 million three-year loan made under its soft-term enhanced structural adjustment facility (ESAf), to protest against official graft and poor governance in Kenya.

In August, the institution and the Kenyan government agreed on four main conditions to be met before general elections on December 28 as a sign of Nairobi's commitment to better governance.

Kenyans authorities say they complied with agreements to set up an Anti-Corruption Authority, strengthen the Kenya Revenue Authority, the independent tax agency, renegotiate purchase contracts of independent power producers, and implement energy sector reform to ensure transparency.

Goodall Gondwe, the IMF deputy director in the Africa department, said last week Nairobi had "broadly" met the conditions, but that he was in Kenya to verify these actions and in some cases set up a timetable to follow-up anti-graft actions.

But Gondwe was emphatic that the reopening of ESAf talks was dependent on Nairobi's full compliance with all the conditions agreed upon.

"What Kenya needs now is some form of encouragement to move ahead on all the issues the donors have discussed," Musukeni Kombo, an IMF and the secretary for public policy and economic affairs for the opposition FORD-Kenya party, said in a letter to Gondwe.

"A qualified endorsement of the issue (the government has achieved) will go a long way in doing that," Kombo said.

"Second, arresting and charging those involved in fraud and doing this expeditiously increases the confidence of donors in the government. When this does not happen, the impression created is that the government condones theft."

Gondwe said the issues the IMF wanted resolved included a case involving the Goldenberg International company, which was paid about $100 million from 1990 to 1992 in a scheme designed to encourage gold and diamond exports from Kenya.

Kenya produces little gold and no diamonds.

The Sunday Nation, Kenya's biggest-selling newspaper, said it was undeniable that corruption had run rampant, and it was "a crying shame that Nairobi cannot be trusted to put donor money to the use for which it was intended.

"The point is that while Nairobi should not be told how to run its house by the Bretton Woods institutions, it should know that discipline in the management of public finances is a mark of good governance," said the weekly newspaper.

"Graft is a problem, but violence is a bigger problem," said Chris Kirubi, a prosperous businessman and vice-chairman of the Kenya Association of Manufacturers.

"Violence puts into dispute the whole question of Kenya as a stable investment destination. You fail to act against violence at your own peril."

The Central Bank of Kenya last week revised downwards its estimate of last year's growth in real gross domestic product to 2.9 percent from 3.2 percent compared with 4.6 percent in 1995, citing weather-linked calamities.

It said growth in agricultural production was forecast to decline to 2.9 percent in the year to November last year, compared to 4.4 percent in 1996. Growth in the manufacturing sector was about 3 percent in the year to November, compared to 4.4 percent in 1996, the bank said.

Heavy rains linked to the El Nino weather phenomenon have reduced Kenya's production of tea, coffee, flowers, vegetables, sugar, maize, wheat and beans — which means Kenya will have to import staple foods at a time when its farm receipts are declining — Reuters.
Better Governance Key to Kenya Reval

AFRICA

BUSINESS DAY: Tuesday, February 1, 1996
Kuanda charged with knowing about coup

Luanda - Former Zambian president Kenneth Kaunda was charged in court yesterday with concealing information about October's failed coup in Zambia.

Kaunda (73), who ruled Zambia for 27 years from independence in 1964, was charged with his security chief, Muyse Kaulungombe, on the charge of misprision of treason. Neither was asked to plead and the hearing was adjourned until February 27.

The pair are among 22 people detained under emergency laws invoked after the attempt by junior army officers to overthrow President Frederick Chiluba's government.

Kaunda and Kaulungombe are the first to be charged. They could face life imprisonment.

Mispriison of treason is the legal term for concealing knowledge of a treasonable act. According to the prosecution, the pair had prior knowledge but failed to report it.

The former president was arrested on Christmas Day on suspicion that he was involved in plotting the coup. He was later placed under house arrest. However, the charge against him yesterday did not allege direct involvement.

Kaunda's lawyers, who are already contesting the grounds for his continued house arrest, have called for a preliminary inquiry, charging that he is being held out of malice.

“Our client's ground of detention explicitly stated that he was involved in the military coup attempt and that is why his freedom was curtailed,” lawyer Patrick Muyanga said.

Another of his lawyers, Mainza Chona, accused the state of abusing the judicial system to settle political scores.

Kaunda has maintained he knew nothing of the coup plot.

Swapo wins low-turnout poll

By Tamiya Mungo

Windhoek - Namibia's ruling party, Swapo, has taken control of 26 of 45 local authority councils in Monday's poll, which was characterized by a poor voter turnout.

About 49% of the 138,000 registered voters cast their ballots, compared with 82.5% in the last local authority election held in 1992.

Voters in Swapo's stronghold, the northern provinces of the country, failed to turn out to vote in large numbers for the first time since independence.

The main opposition party, the DTA of Namibia, won a majority vote in nine local authorities, the United Democratic Front three, and residents' associations two. Four councils did not have an absolute majority for any party.

Swapo lost two of its strongholds to the DTA - the coastal town of Henties Bay and the north-western town of Opuwo.

Local residents' associations, which were taking part in the local authority elections for the first time, proved that they are a force to be reckoned with. Director of elections, Gerhard Totemeyer, attributed poor turnout to voter apathy.

Joseph Kaunda, president of the Namibia Movement for Independent Candidates, said the poor turnout was a direct result of the failure of political parties to live up to their promises. He said voters had recently passed a vote of no-confidence in the overall performance of political parties.

Life

Soyuz separates from Mir, sending 3 back to Earth
Row brewing in Kenya's tea industry

NAIROBI — What started as a storm in a teacup is threatening to brew into a row that could shake the very foundations of Kenya's biggest foreign currency-earning crop.

Around 10,000 of Kenya's approximately 300,000 small-scale tea farmers — mostly from the eastern part of the Rift Valley — are refusing to pick leaf in protest at the Kenya Tea Development Authority's monarchic grip on the industry.

The picking boycott started last month when a group of farmers got together to form the Kenya Union of Small-Scale Tea Owners to challenge the authority's monopoly.

So-called "small growers" actually produce about 65% of Kenya's tea crop, the rest being grown on huge estates owned by large corporations such as Brooke Bond, Sasini Tea & Coffee, Limuru Tea and Kakuzi.

But the tea authority, although ostensibly autonomous, has the government-ordained right to buy and process all tea produced by small growers. The estates do buy some tea privately, but only from farms over which they have almost full control.

The union said estate factories paid up to 14 Kenyan shillings a kilogram of green leaf compared to the less than five Kenyan shillings offered by the authority. Private factories also paid quarterly bonuses, whereas the authority offered only one bonus in 17 months.

Kenyan tea, among the highest quality in the world, is fetching about $3/kg on the world market — although it does take about 5kg of green leaf to produce 1kg of auction tea.

The union is demanding full liberalisation of the industry and a free hand for farmers in growing, moving and selling their crop through auctions or contracts, but the authority is fighting its corner.

MD Eustace Karanja said this week the boycott cost Kenya about 15-million Kenyan shillings a day and warned farmers they would suffer in the end.

The union has a vocal ally in Njehu Gatabaki, an opposition member of parliament who is demanding the authority's dissolution on the grounds that it has outlived its usefulness.

"We're asking the government to end this exploitation of the farmer," said Gatabaki, also secretary-general of lobby group, the Coffee and Tea Parliamentary Association. "We've got the best (auction) prices ever," he said. "They're even better than boom prices in the 1970s. All the farmers are asking is to be paid like their friends in private factories."

However, analysts warned the disintegration of the authority could, in the short term, lead to a drop in quality and undermine exports. They also said farmers might have chosen the wrong time to strike, when the market was seeing unrivalled prices.

"The differentials in tea prices have been a long-standing issue," said Anyang' Nyong'o, also an opposition MP. "The authority must realise that it should bring in mechanisms to liberalise the market or else it will keep facing these intermittent battles with farmers." — Reuters
Kenya has much to do before aid resumes — IMF official

NAIROBI — Kenya had fallen far short of meeting the conditions set by the International Monetary Fund (IMF) for a resumption of aid, a visiting IMF official said yesterday.

Kenya had a lot to do before the IMF was fully convinced conditions were right for the resumption of aid, said Goodall Gondwe, deputy director of the IMF’s Africa department.

Gondwe is heading a two-week mission to review Kenya’s progress in meeting IMF concerns since the organisation suspended a $206m aid package last July, citing Kenya’s failure to combat high-level corruption and lack of progress on agreed reforms.

Conditions for a resumption of aid include agreed benchmarks for inflation, the deficit, tax collection targets, growth rates, progress in the energy sector, anticorruption measures and the privatisation of large and nonstrategic state firms.

The IMF particularly wanted a clear timetable for resolution of a fraud case involving the trading company Goldenberg International, with implicated individuals “brought to book”, Gondwe said.

The head of Goldenberg International is accused, along with senior government officials of the time, of defrauding the government of $200m between 1980 and 1992.

The alleged fraud related to a project designed to encourage gold and diamond exports, although Kenya produced little gold and has no diamonds.

Gondwe said the IMF would be unimpressed by calls from a section of the opposition to freeze aid to Kenya. The IMF dealt with governments, not parties or individuals — Sepa-AFF
LONDON. — A British-based human rights body Article 19 yesterday called on the Commonwealth to add Kenya to its list of persistent human rights offenders, and to take stronger action against the country's military regime.

It said the Commonwealth's ministerial action group should place Kenya alongside Nigeria, Sierra Leone and the Gambia in the dock.

It cited violence and intimidation surrounding the run-up to December's presidential and parliamentary elections and the deaths of dozens of people in politically motivated violence in the Rift Valley since the elections.

Article 19 also pointed to the lack of press freedom and the "endemic" use of torture in Kenyan police stations.

Most of those killed in the tribal clashes in the Rift Valley have been Kikuyus, who voted overwhelmingly for the opposition in the elections.

Opposition and church leaders in Kenya have accused the government of instigating the violence. — Sapa, AFP
Defiant Kaunda speaks out

Lusaka - Detained former Zambian president Kenneth Kaunda has defied a ban on political activity imposed under emergency laws to attack the economic policies of his successor, President Frederick Chiluba.

Mr Kaunda, who is under house arrest, yesterday told supporters in a Lusaka courtroom where he is facing charges of concealing knowledge of last October's coup plot, that the government should resign:

"There is no agricultural policy, there are no jobs and people are dying of hunger. We cannot allow that to continue. Prison or no prison, they (the government) must go," Mr Kaunda said.

Mr Kaunda was banned from talking to the media after his Christmas Day arrest last year in the wake of the failed coup.

However, the former president and his lawyers talked to reporters and complained of harsh restrictions imposed on him under house arrest.

The state has cut Mr Kaunda's telephone line and restricts his visitors to a few members of his immediate family and his lawyers.

The court threw out an application by Mr Kaunda and his security chief, Moyse Kaulangombe, in which they challenged the state to justify the charges of misprison of treason - the legal term for concealing knowledge of a treasonable act.

The magistrate said the two would have to face trial on the charges and the hearing was adjourned to March 16.

Mr Kaunda, whose 27-year rule of Zambia came to an end with multiparty elections in 1991, is one of at least 77 people detained in connection with the abortive coup.

If convicted, he faces life imprisonment.
**Goldenberg fraud trial finally starts**

NAIROBI — The trial of four men charged with involvement in Kenya’s Goldenberg scandal, a major stumbling block to aid from the International Monetary Fund (IMF) and foreign donors, finally began yesterday after years of delay.

The four defendants, businessman Kamlesh Pattni of Goldenberg International, Wilfred Konange, former permanent secretary at the treasury; Eliphaz Rungu, former central bank deputy governor; and Michael Onesmus, a former central bank official, pleaded not guilty at Nairobi Magistrate’s Court to 15 counts including theft, fraud and forgery.

The case revolves around gold and diamond exports and goes back to 1992, during the tense build-up to multiparty elections.

The IMF cited the failure to bring the Goldenberg affair to court as a reason for suspending a $205m loan to Kenya last July.

The defendants are charged with stealing 6.5-billion Kenya shillings from the government between October 1992 and April 1993.

In a separate civil case the central bank is trying to recover revenue lost through Goldenberg — Reuters.
Showcase trial may unlock IMF support

Nairobi — The trial of four men charged with involvement in Kenya's Goldenberg scandal, a major stumbling block to aid from the International Monetary Fund (IMF) and foreign donors, began in earnest yesterday after years of delay.

Businessman Kamlesh Pattni of Goldenberg International pleaded not guilty at Nairobi Magistrate's Court to 15 counts including theft, fraud and forgery. Three senior former government officials, charged with some of the counts, also pleaded not guilty.

The case revolves on gold and diamond exports, going back to 1992, during the tense buildup to multiparty elections.

Bernard Changa, the director of public prosecutions, told Justice Kidullah, the chief magistrate, he would prove the defendants jointly stole 5.8 billion shillings (about $49 million at today's exchange rate) from the central bank in 1991.

"It is the contention of the prosecution for all the accused that this money was taken from the Central Bank of Kenya without any justification, without any lawful excuse. Therefore it is a loss to the government of the Republic of Kenya whose money it was," Changa told the court.

Despite numerous news reports about the scandal, the trial opened with little fuss and only a handful of spectators.

Pattni appeared relaxed as he went into court and said he was happy that the facts would finally be heard.

"It has made my life very miserable and difficult, but I have come to live with it. I am quite glad that at last I will get a hearing and a full trial," he said before the court session.

The IMF cited corruption and the failure to bring the Goldenberg affair to court as one reason for suspending a $305 million loan to Kenya last July — Reuters.
Kenyan unionists call general strike

NAIROBI — Kenyan union leaders called a general strike yesterday in sympathy with thousands of bank staff sacked after protesting against tax moves. Officials at the Central Organisation of Trade Unions said the organisation’s assistant secretary-general, George Oiko, said the organisation had called a workers’ rally in Nairobi today to seek an action public endorsement for the action and announce a strike date. The bank workers’ action has paralysed banking nationwide.

The general strike was the first major challenge to Kenyan President Daniel arap Moi since he assumed power in January. The strike is seen likely to undermine economic activity, already hit by heavy rains.

Last week, the International Monetary Fund (IMF) and Kenya faced a grim year with gross domestic product growth declining, budget deficit rising, inflation climbing and the currency’s slide. The IMF has made no comments on either the action public endorsement for the action or the strike.

Oiko said secretaries-general of all major workers groups affiliated to the union organisation had agreed to call the strike, and their decision had been endorsed by about 6,000 workers camping outside the organisation’s offices.

About 12,000 bank workers in 42 banks representing 6,000 workers from 10 small banks have gone back to work.

The union organisation’s demand was strengthened by employees of state telecommunications, companies, three of the four national banks and the postal service.

The trade unionists planned to join the strike next week.

The Kenya Revenue Authority said it could not scrap tax increases on government cuts to the 1997/98 fiscal year.

It said the government had cut the budget deficit expected to reduce to 6% of GDP in 1997/98 from 1.7%.

Mugabe govt faces tough choices

HARARE — Zimbabwean President Robert Mugabe’s government faces tough choices as it seeks to cut taxes, economic analysts said yesterday.

A Zimbabwe Congress of Trade Unions (ZCTU) strike pressuring Mugabe to remove a 25% percentage point rate in tax rates from last December called on workers to cut back on private financial debits and economic analysts.

The first day of the strike yesterday Econometrician Eric Blech and John Robertson said it would cost $2.7bn to abandon the sales tax on the 1997/98 fiscal year.

They said that would send inflation soaring and would have resulted in a 25% cut in financial debits and economic analysts.

The strike will cost more than $2bn, they said, and the Zimbabwean government had agreed to maintain a low budget deficit at a time of foreign currency reserves.

Economists said it was unrealistic to expect a 1997/98 fiscal year.

Abacha rallies get limited support

ABUJA — Rallies staged to back Nigerian military ruler Gen Sani Abacha as a presidential candidate drew little support yesterday, while police dispersed one rally to prevent a counter-rally.

In the capital Abuja, the second day of the pro-Abacha “caravan” brought thousands of people, many waving placards, but far short of the expected 3 million.

Meanwhile, a few dozen police took up stations in Lagos, to stop any pre-decency demonstrations, after rounding up 20 opponents of the junta on Tuesday, according to police sources.

Witnesses and those detained included Oseh Agbakumo, a lawyer, and former presidential deputy Lagos lawyer, and Civil Liberties Organization, a Lagos-based human rights organisation, behind planned rights protests in the city — Sapa-APF
Kenyan minister suspends new tax to avert strike

Nairobi – Kenyan Finance Minister Sumeon Nyachae yesterday suspended a tax on soft loans to employees of banks and other institutions to avert a general strike.

That followed a demonstration in Nairobi by hundreds of striking bank workers who were fired on Tuesday and a call by the umbrella Central Organisation of Trade Unions for a rally in Nairobi today, when officials said it would announce a date for a general strike.

Nyachae said he was using his powers under the law to direct the Kenya Revenue Authority to suspend implementation of the new tax until the matter was brought to parliament for review.

His decision came as the bank employees’ nationwide strike entered its sixth day, paralysing businesses and threatening the country’s already tottering economy.

Nyachae said that once parliament had reviewed the law, it would be enforced with any amendments the legislators might make. – AFP

star 5/3/98
El Niño and corruption are conspiring to turn one of Africa’s most romantic cities into a slum, writes Ian Ramas

Nairobi, once called the City in the Sun because of its romantic appeal, is in trouble. The social fabric is scarring, almost snapping. The rains associated with El Niño found a gullible victim.

The drainage and sewerage systems either clogged up or were held during the rains last month, roads gave in to craters, small mountains of uncollected refuse grew and traffic snarl-ups became the order of the day.

Cholera, a disease only associated with unhygienic conditions, claimed scores of lives when it devastated slums. In the populous Kariobangi, Mathare and Korogocho slums, floods claimed scores of lives and displaced dozens.

Experts predict that by the time the weather conditions normalise, several parts of Kenya’s capital city will be severed from civilisation and more lives will have been lost.

Unfortunately, Kenyan authorities relish buck-passing, and El Niño is a handy soapbox. It took the blame in 1984 when rains poured Nairobi, but at least then early-warning and emergency-response systems had not yet collapsed.

This time the city was virtually flooded. Residents waded through mini-rivers as the drainage system clogged. In the middle-income Unyama estate, metre-high streams stalled hundreds of vehicles, causing kilometres-long traffic jams.

The trip from Koinange Street to the city normally takes 30 minutes, but during the floods the inordinately slow journey took more than four hours — not because of floods, but because potholes sunk deeper into roads, traffic lights malfunctioned, unroadworthy cars stalled and there were no traffic officers on hand to direct traffic.

The rot defacing Nairobi was hardly unexpected. Indications were apparent — in the media and in the atmosphere — that Nairobi's fragile system would collapse in the event of a devastating natural occurrence.

"It is becoming shameful to introduce oneself as a citizen of Nairobi," wrote prominent journalist Philip Ochero in a local newspaper. "Should rain come down like it did in 1984 when upwards of 20 citizens drowned, many scores would perhaps perish.

"Authorities should shut down Nairobi for two months, just like it is done in some American cities during winter," one visitor to the city remarked after four hours in a traffic jam. "It would give authorities enough time to work on the roads, the drainage system and other areas that have collapsed."

So why not give Nairobi, with an estimated population of 2.5 million, time to breathe, to be organised? But who to organise? Dozens of "new" management have been appointed since 1985, but have brought no changes.

No residential houses have been developed by the city council in the past 15 years. Experts say the city needs 250,000 new homes for its residents every year, the private sector can deliver less than 60,000.

By 1995 only 14 of the city's 21 public toilets in the central business district were operational; some were allocated to unscrupulous individuals to either develop or use for speculation. Only four toilets were developed between 1983 and 1992.

Refuse collection is in the same sorry state. Refuse trucks have been reduced from 81 trucks in 1978 to 22 in 1988. By last year, there were only 15 operational vehicles.

A solution for Nairobi's miseries will not come soon. In just two years, say urban experts, 8% of the city's estimated 2.5 million residents will live in unserviced areas. At present, 80% of its population live in bodily constructed shacks in sprawling slums.

Every month, the city council receives KSh80 million in tax revenue. In a fair system, it would receive KSh4 billion, but most of the money ends up lining officials' pockets. The council pays KSh24 million in salaries and allowances, working on a deficit budget.

Instead of addressing Nairobi's problems, local authorities and the central government have spent meaningful time, space and effort in political wrangles. The central government has amassed its energies towards belittling the opposition-led Nairobi city council.

"They behave as if Nairobi is not their town and capital city," says John Kamau, a hawket at Gikomba market. "What can we do? We pay taxes for what we do not get. Do we have any serious leaders in Kenya?"

In a way, both the downtrodden and the privileged are hit by the problems. The messy transport system has let everyone down.

Optimists feel a new management will do the magic. Nairobi will soon have a new mayor — the fourth in line in just five years — who will pronounce high-sounding proclamations at the pompous swearing-in ceremony at city hall.

The new boss will tell Kenyans that "Nairobi stinks", then spell a vision for a new Nairobi, just like mayors Steve "Magr" Mwangi, John King'ori and David Waweru did since 1993.

An urban expert, Professor RA Obado, warns that Nairobi's population will double to five million people by the year 2000. Despite this chilling fact, authorities have failed to discern that demand for services in Nairobi will have doubled.
It is lights, camera and action in Kenya

NAIROBI—After years of spurning international film makers, Kenya has realised producing movies is good publicity and brings financial rewards.

Kenya's information and broadcasting minister, Joseph Nyagah, said his department had taken several measures to make the east African nation "a film-friendly country".

He was speaking at the start of the shooting of a movie in Kenya's Shaaba National Reserve.

The movie, To Walk With The Lions, stars veteran actor Richard Harris as the legendary "lion man", the late George Adamson, who waged a campaign to save lions and other big cats in the Kora National Game Reserve.

Shooting will last 65 days.

This is the first official co-production between Canada, Britain and Kenya. Kenya will participate in the film's financing and share in the post-distribution profit.

Despite its beautiful scenery and abundant wildlife, during the last decade, Kenya was replaced as a film location by countries like Zimbabwe and SA. Part of the problem was the unnecessary red-tape that film companies had to go through for a licence.

However, Nyagah said this had been replaced with easy and straightforward procedures.

Local and international film producers and agents formed two bodies — The Kenya Producers' Association and the Kenya National Film Producers — to push for changes in the industry. Officials are hoping To Walk With The Lions will put Kenya back on the international film circuit. — Sepa-IPS.
Kenyan protest against tax hikes

NAIROBI — Thousands of labourers, students and opposition politicians protested on Saturday against tax hikes imposed by their cash-strapped government, which they accused of failing to provide basic services.

Beneath a scorching sun, they sung antigovernment songs and chanted "Moi must go", showing their derision for President Daniel arap Moi, Kenya's ruler for 20 years.

The 5,000 protesters approved a resolution calling for the government to scrap new taxes, convene a convention to write a new constitution, stop harassing students and street vendors, and halt ethnicity violence.

If the government did not respond to the demands, workers should go on strike, said Kivutha Nkomo of the National Convention Assembly, a group of opposition, church and civic leaders who organised the rally.

Although the crowd cheered its support, the assembly's calls for general strikes have failed in the past.

Kenyans are most angered by tax increases announced this month to plug a widening budget deficit. The price of petrol went up and tax deductions were revoked on gifts to charities and non-profit organisations.

Faced with a strike by bank workers, Finance Minister Simeon Nyachae delayed plans to raise taxes on cut-rate loans provided by employers.

Several politicians have charged that the high taxes Kenyans already pay go into the pockets of government officials or wasteful projects, and not to providing essential services and repairing crumbling infrastructure.

"I would like Moi to explain and bring back the money he has stolen," said Kenneth Matiba, who ran second to Moi in the 1992 election.

The International Monetary Fund has demanded spending cuts and tax hikes, warning that in the absence of corrective measures, Kenya's overall budget deficit for 1997-98 will reach 3.9% of gross domestic product — more than double the goal of 1.7%.

The IMF last year withheld a $220m loan to Kenya, citing official corruption and mismanagement.

In contrast to other rallies which have drawn mostly male students, Saturday's rally also attracted labourers, businessmen and women.

The protest was peaceful and no police were deployed — Supa-AP
Higher taxes ignite Kenyan street protest

AFRICA BUSINESS
health, warns UN

Refugees in Kenya could lead to poore...
Kenyan bank owed millions by directors

NAIROBI — Kenya Commercial Bank said yesterday some of its top directors owed large, unsecured loans, but action was being taken to recover the money and the directors could be replaced.

Bank spokesman James Kenani said strict confidentiality laws prevented him from disclosing the extent of the unsecured loans, which he said the bank would “regularise”.

“Action is already being taken. The bank is actually on track in handling the issue. It could even lead to a change of directorships,” he said.

The independent Daily Nation newspaper on Tuesday quoted the bank’s auditors, Deloitte Mwungo Ernst and Young, as saying that bank general manager Elijah arap Bui and two other directors owed the bank more than 155-million Kenyan shillings in largely unsecured and unserviced loans.

In one of three statements issued Monday and Tuesday, the bank’s executive chairman Alexander Kamucha said “The board would like to assure the public that any irregular debts in the names of the directors and senior management will be regularised. All along, the bank has been making necessary efforts to get any irregular accounts regularised in accordance with the bank’s established debt-recovery procedures.”

The government has a 60% stake in the bank, which is East Africa’s largest commercial bank in terms of its branch network and assets estimated at 73.8-billion Kenyan shillings at the end of last year.

On Tuesday, the bank’s shares on the Nairobi Stock Exchange fell almost 10% on the report. The bank eased eight Kenyan shillings to close at 71 Kenyan shillings on 5,000 shares traded after bottoming at 70 Kenyan shillings.

Investment advisers said the unsecured loans by board members would be a big blot on the bank’s shares and called for strong evidence of tighter disciplines and better management. Shareholders, particularly foreign investors who hold about 9% of floated bank stock, could become alarmed if the bank failed to address the reports, they said — Reuters
Nairobi - Hundreds of Kenyan university students took to the streets today to protest against the shrinking buying power of education loans, they said.

Rioting students damaged shop windows and set a car alight near Nairobi University's campus near the centre of the capital, witnesses said.

It was not immediately clear whether there had been any injuries, but the witnesses said police were keeping a low profile.

Emmanuel Situma, a third-year student from Moi University in the Rift Valley town of Eldoret, said he had come to the capital to support the protest for increased loans.

"The university conditions are pathetic," he said. "The meal prices have increased and the loans have decreased." – Reuters
Police open fire on protesting students

NAIROBI — Kenyan police yesterday fired bullets and tear gas at hundreds of university students protesting against the shrinking buying power of their education loans.

Witnesses said police opened fire to disperse students who earlier seized control of roads leading to the city-centre Nairobi University campus.

"There is a lot of shooting — live rounds," said one witness. "The police are shooting gas now but the students seem to be winning."

There was no immediate word on casualties.

Students earlier damaged shop windows and hijacked and then set fire to a car belonging to state broadcaster KBC near the university's main campus.

They also rouged up journalists from the ruling party-owned Kenya Times, witnesses said. It was not clear if there were any injuries.

Emmanuel Situma, a third-year student from Moi University in the Rift Valley town of Eldoret, said he had come to the capital to support the protest for increased loans.

Witnesses said students took over roads leading to the university in the morning. Small groups armed with stones manned roadblocks and searched anyone who attempted to pass.

"Welcome to students land. Here there are no police," a student at a roadblock told a pedestrian after checking his identity document.

Nervous office workers working in high-rise blocks nearby peered out at the confrontation, afraid to venture out for lunch. — Reuters
Kenyan students run riot

NAIROBI. Downtown Nairobi was engulfed yesterday in clashes between police and hundreds of rampaging students, protesting against new rules that set lower entrance requirements for students who pay their own tuition.

More police reinforcements, including the feared, gun-toting paramilitary General Service Unit (GSU), were brought in for the third time after the students had earlier beaten off an attempt by riot police to disperse them, forcing the police to flee, witnesses said.

Freelance photographer Willy Mwangi was seriously injured when he was hit on the head by a stone. Two policemen were also injured in the battle with the students and taken to hospital.

Earlier, the students beat up a photographer from the ruling party newspaper, the Kenya Times, and poured petrol on him in an attempt to burn him alive. They also beat a woman photographer working for the Nation newspaper, saying the police would use photographs to identify the notes.

The students torched a van belonging to the state-owned Kenya Broadcasting Corporation (KBC) and commandeered another car belonging to KBC, which they accused of biased reporting.

Shops on streets near the university were closed as students smashed windows and threatened to loot them.

The clashes broke out yesterday morning when hundreds of students began throwing rocks and setting fires to protest against a decision by local universities to enrol self-financing private students with lower grades than regular students already admitted to the campuses. — Sapa-AFP
Nairobi University students rampage against education cuts

(198)
Clinton safari leaves Moi's Kenya out in the cold

"SO CLINTON isn't coming to Kenya," said the Nairobi travel agent with a shake of her head. "It seems nowadays no one wants to talk to us."

If the government is busy playing down President Bill Clinton's decision to sidestep Kenya during his six-nation Africa tour, its significance is not lost on ordinary Kenyans, increasingly haunted by the sense of inhabiting a pariah state. His no-show will be just the latest in a series experienced by a country once automatically included in the它erineraries of visiting VIPs in tribute to its image as Africa's democratic success story.

Nairobi was bypassed when Warren Christopher became the first US secretary of state in a decade to visit the region in 1996. Madeleine Albright, Christopher's successor, also avoided Kenya in a cross-continent tour last December, rubbing salt into the wound by lavishing compliments on its longstanding rival, Uganda, which she praised as a regional "beacon of hope."

Kenyan officials resent the fact that while Kenya reluctantly swallowed the multiparty pill forced on it by donors, it is Uganda, a country that continues to reject party politics, that is being patted on the back. Accusations of western hypocrisy miss the point. For donors backing an International Monetary Fund and World Bank aid freeze initiated last year, the corruption and ethnic thuggery which characterised President Daniel Arap Moi's administration has removed much of the content generated by Kenya's political reforms. Hopes Moi would seize the opportunity offered by his election victory to sweep away a system of patronage have yet to be fulfilled. The new cabinet includes most of the scandal-tainted names of the old. — Financial Times
Magic fails when it comes to saving the world.

Colonels of water hyacinth in Lake Victoria have yet thousands of shore dwellers in Kenya, and other neighbouring states, facing financial ruin.
IMF applauds Kenya's plans to cut spending

NAIROBI — The International Monetary Fund (IMF) applauded plans by Kenyan Finance Minister Simeon Nyachae yesterday to cut spending and overhaul the public service.

"This is a significant step forward," said Roemer Carstens, the IMF's resident representative in Kenya. "This is the first comprehensive package of reforms to improve investor confidence and revitalise the economy."

Nyachae called on Monday for a sharp reduction in government spending, particularly on public service wages, to try to cut domestic debt and restore a halted loan package with the IMF.

Nyachae said he was aiming to cut spending by 30-billion shillings a year to generate a budget surplus of 3% of gross domestic product annually for three years. That money would be used to redeem debt and to reduce real interest rates, he said.

"I am optimistic this can be achieved," Carstens said.

"There is still time to do something (to avert a crisis in government spending) and they are doing it."

The IMF suspended its three-year, $205m enhanced structural adjustment facility loan to Kenya in July last year, partly on the grounds of official corruption.

The decision dealt a sharp blow to investor confidence, sent financial markets into a tailspin and pushed domestic interest rates up. Nyachae told senior government officials that the country's huge domestic debt and the cost of servicing it was a major constraint on growth.

Rising government borrowing has pushed up the stock of domestic debt to about 140-billion shillings by January this year, from 110-billion shillings in June 1996. By end-June, it was expected to reach 150-billion shillings, Nyachae said.

That in turn has pushed up interest rates on the government's 91-day treasury bill from about 18% in July last year to almost 27% — a price the government and economy cannot afford, he said.

Nyachae called for a 20% cut in public service salaries and allowances every year, and a rationalisation of government departments.

Employment and spending in Kenya's unwieldy and often bureaucratic civil service grew consistently since independence from Britain in 1963 until the early 1990s, when the government introduced an early retirement scheme.

Real wages for public servants have declined steadily in the past 35 years, which donors say has encouraged a culture of corruption among some public servants and become an important constraint on economic growth.

— Reuters
Kenya 'teetering on brink of civil war'

NAIROBI — Three international human rights groups warned yesterday that Kenya was teetering on the brink of civil war because of the government's reluctance to halt politically motivated violence.

"The situation is worsening and people speak of war," said Binnie Newroo of New York-based Human Rights Watch, after a joint tour of the violence-hit Rift Valley with representatives from Amnesty International and Article 19, an international organisation committed to fighting censorship.

More than 120 people, mostly members of the opposition-supporting Kikuyu tribe, were killed in the January and February violence, and thousands others fled their homes, many of which were burned and looted by armed gangs.

"Kenya is a powder keg waiting to explode," said Edge Kanyongolo, a spokesman for the three international human rights groups. "The downward spiral of violence and ethnic hatred is resulting in increasing human rights violations and will not end until the government stops using divide-and-rule tactics.

The clashes followed December's general elections, in which President Daniel arap Moi defeated Kikuyu former vice-president Mwilu Kibaki to win a fifth and final term.

The delegation said the violence followed a pattern established in 1991-94, when supporters of the ruling Kenya African National Union (Kamu) party attacked members of ethnic groups considered to support the opposition. About 1,000 people died in clashes in the Rift Valley in the aftermath of Kenya's 1992 multiparty elections.

Attacks this year occurred only in areas where Kibaki's opposition Democratic Party won seats, the delegation said. New developments included the increasing use of more sophisticated weapons and a new tendency to target women for rape and killing, the delegation said.

This year members of the Kikuyu community retaliated in an organised fashion for the first time following the failure of the government to act, it said. Moi, 73 and in power since 1978, has repeatedly called for inter-ethnic harmony, but opponents argue those words have not been backed up by action to stop the killing.

The delegation also criticised Moi's government for actively undermining freedom of expression and promoting a culture of impunity and violence since it was forced, under pressure, from international donors, to introduce multi-party politics in 1991 —

Reuters, Sapa-AFP
Kenya's fuse is burning, rights groups warn

Nairobi - The Kenyan government's "divide-and-rule" tactics had pushed the country to the brink, human rights groups said yesterday.

"Kenya is a powder keg waiting to explode," said Edge Kanyonglo, spokesman for a delegation of three international human rights groups which have just completed a tour of the country.

He was speaking at a news conference in the Kenyan capital on behalf of Amnesty International, New York-based Human Rights Watch, and Article 19, an organisation committed to fighting censorship.

"The spiral of violence and ethnic hatred is resulting in increasing human rights violations, and will not end until the government stops using divide-and-rule tactics," he said.

More than 100 people were killed in clashes between ethnic Kalenjin and Kikuyus in the Rift Valley in January and February. The clashes followed December's general elections, in which President Daniel arap Moi, a Kalenjin, defeated Kikuyu former Vice-President Mwai Kibaki.

The human rights delegation said the violence followed a pattern established in 1981-94, when supporters of the ruling Kenya African National Union party attacked members of ethnic groups considered to support the opposition.

Around 1,000 people died in clashes in the Rift Valley after the 1992 multiparty elections.

Attacks this year occurred only in areas where Kibaki's opposition Democratic Party had won seats, the human rights delegation said.

Moi (73), in power since 1978, has often called for inter-ethnic harmony, but opponents argue that those words have not been backed up by action to stop the killing. - Reuters
NAIROBI — Critics of the way Kenya's government runs the economy have found new ammunition in the auditor-general's report for the 1995/96 financial year.

David Njoroge's 555-page audit of public finances is peppered with words like "unconstitutional," "illegal" and "unsatisfactory." The public document, tabled for debate in parliament, details unauthorized or excessive expenditure and negligent accounting practices affecting virtually every government department.

Ministry cash-books, government bank accounts and expenditure on everything from the president's jet to unused computers are all held up to scrutiny and found wanting.

"It will help to pressure Finance Minister Simon Njiru on Nyachae, who last week said he wanted to cut government spending by $308m, or more than 10%, every year for the next three years.

Nyachae is also bent on cutting the public sector salary bill by 20%, through an overdue trimmed course for the bloated bureaucracy, and the opposition and trade unions are calling for a crusade against high-level corruption to make savings and boost revenue.

"At a time when Kenyans are feeling the effects of a stagnant economy and a rise in levels of poverty, no more wastage and plunder of public funds should be tolerated," the Sunday Standard said in an editorial on Njoroge's report.

Columnist Kwendo Opanga voiced the view of many Kenyans who say the auditor-general issues a damning report every year with no known consequences for culprits.

"Who says we are not transparent? That official document that catalogues thievery by government officials is out," he wrote in the Sunday Nation publication.

Njoroge calculated the executive's excess expenditure in 1995/96 — "incurred without the authority of Parliament" — at about $15m at current exchange rates. The office of the president, a super-ministry, and the foreign affairs ministry were responsible for the lion's share.

If all the bills incurred by ministries in the year were included, instead of being carried forward to 1996/97, the unbudgeted expenditure would have soared to about $98.6m. Worse, the figure was almost identical with the excess Njoroge found in 1994/95, suggesting his annual exercise is not changing the habits of Kenya's officials.

His previous report found about $246m worth of unsupported direct debits by the Central Bank of Kenya in 1994 and before. He said about half were later identified and explained but "no acceptable supporting documents have been produced for the balance of expenditure" in time for the latest report.

This balance included a payment of about $96.8m to Goldenberg International Limited, a company accused of a massive scam in the early 1990s involving nonexistent gold and diamond exports.

The case is being tried in Nairobi after years of pressure by donors and the International Monetary Fund (IMF) who are demanding action against official corruption.

The IMF halted a $205m loan package to Kenya last July, citing mismanagement in key areas of the economy and the failure to check official corruption.

The auditor-general's report complained that his office had still received no supporting documentation from the office of the president for the purchase of a $46m jet for President Daniel arap Moi.

On the revenue front, Njoroge hit out at the poor quality of accounting by the government unit in charge of privatizing state enterprises. The result was "that it was not possible to determine the amounts collected from the privatization programme or whether the amounts collected were properly accounted for.

A catalogue of uncollected revenue included import duty at airports, outstanding security bonds on imports and the diversion of transit goods which were sold in Kenya despite being imported duty-free for export to neighboring countries — Reuters."
Kenya’s domestic debt goes up

NAIROBI — The Kenyan government’s total domestic debt stood at 149.6-billion Kenyan shillings at the end of February 1995, up from 148.9-billion shillings at the end of January.

The Central Bank of Kenya said in its monthly report for April that domestic debt represented 23.2% of GDP and comprised mainly government securities, treasury bills, treasury bonds and long term stock.

Government’s total domestic debt stood at 130.8-billion shillings at the end of the 1996/97 fiscal year (June 1997). Of the outstanding government securities, treasury bills accounted for 119.7-billion or 72.5% of GDP — down from 121.2-billion shillings at the end of January. The banking sector continued to be the biggest holder of treasury bills, accounting for 44.4-billion shillings worth.

The central bank held 16.2-billion shillings of which 16.0-billion was acquired through repurchase agreements “for the purpose of conducting monetary policy” and the remaining 0.2% was held in rediscounted bills.

Money supply growth decelerated to a 5.8% year-on-year rise in February 1998 from 9.8% in January and compared to 17.4% in February 1997.

The slowdown was supported by the decline in net foreign assets of the banking system as net domestic assets increased. “The monetary contraction was above expectation with the February money stock of 293.6-billion shillings falling below the 295.7-billion shillings target,” the central bank said.

This is consistent with the objective of monetary policy in the year to June 1998 which is to limit the growth in money supply to not more than 8.3% in order to achieve low and stable inflation,” the bank said in the report.

The government collected 111.9-billion shillings in revenue from domestic sources in the first eight months of fiscal year 1997/98 (July-June) compared to 94.8-billion shillings in the same period the previous year, the bank said.

The government received a further 3.5-billion shillings in the form of external grants, which was a 1.2 billion-shillings decline — Reuters.
Year-on-year inflation falls to 8.1%
Auditor-general’s report lists details of government corruption

Kenyan state fraud exposed

JEK KHAMISI

Nairobi — The latest annual report by Kenya’s auditor-general exposes massive fraud, theft of public funds and gross fiscal mismanagement that are believed to have contributed to the country’s current economic woes.

The report for 1995-96 noted before parliament is no different from many others issued over the past three decades, during which government excesses led to billions of Kenyan shillings being lost to crafty bureaucrats.

In the report, DG Njoroge, the auditor-general, cited huge sums of money paid out for services not rendered, irregular awarding of multimillion-dollar tenders and powerful people colluding with revenue officers to evade taxes and duties.

For example, in one case, security equipment purchased at a cost of almost 2 million Kenyan shillings (US$31,000) from a foreign company was never delivered.

One ministry reportedly operated a secret account for eight years without approval and solicited millions of shillings from donors that could not be accounted for.

In addition, the report took the government to task over a payment of $100 million for the land on which the Eldoret airport stands.

The airport, in President Daniel arap Moi’s backyard in the Rift Valley, was considered by many, including the World Bank, to be a waste of resources. However, the government went ahead and constructed it at an astronomical cost, although it has been largely unused since its completion six months ago.

The report chided the government for “wasteful, imprudent and irresponsible abandonment of construction projects.” The auditor-general cited at least eight projects which were started but were abandoned before completion.

“The report says clearly who has stolen what, who has authorised what and who has looked what,” said Mwaniki Kibaki, the leader of the official opposition. “We want them to be tried, and the government should take the responsibility for employing new people.”

The report came just days after Simeon Nyachae, the finance minister, announced far-reaching austerity measures aimed at extricating the country from a deep economic malaise.

These included reducing government expenditure by trimming the civil service and curbing runaway domestic debt estimated at 110 million shillings.

Taxes have been increased substantially in recent weeks to bridge a budget deficit now at a whopping 3.9 percent of the gross domestic product.

But political lobbies have said the measures fail short of providing a cure for the lumping economy. They also want the Cabinet, with 130 ministers and assistant ministers — half of the national assembly — trimmed and ministers’ hefty salaries and perks cut.

— Independent Foreign Service
Kenyan bank votes to reduce govt control

NAIROBI — The shareholders of Kenya Commercial Bank voted at the weekend to amend the bank's articles of association in a step to reduce the government's power in the bank and pave the way for a public share offer later this week.

At an extraordinary meeting, shareholders agreed to amend 10 points in the bank's articles of association — changes that would reflect the ownership of the bank after the government sells off a 26% stake later this week. The sale will reduce the government's stake to 35% from 60%. The government will sell about 28 million shares at 65 shillings a share at a public offer starting on Friday.

Shareholders agreed the government would no longer appoint the executive chairman, who would now be appointed by the board of directors. The board would also determine his term of office and remuneration and appoint his deputy.

It was also decided that a quorum of 50 members would now be enough to hold a general meeting. Previously, a government representative was needed for quorum.

Analysts welcomed the move. "The changes are a step in the right direction," Franklin Kiriga, a director at Shah, Munge & Partners said. "They will enhance the confidence of the bank and should empower the board to run the bank without interference from the government."

The changes are expected to be implemented at the next annual general meeting on July 25.

The changes came in the wake of reports in Kenyan newspapers last month that three of the bank's directors and the general manager had been given irregular and unsecured loans. — Reuters
East African bank votes to cut state's role

FROM REUTERS

Nairobi — The shareholders of Kenya Commercial Bank, the largest retail bank in eastern Africa, voted at the weekend to amend the bank's articles of association in a crucial step to reduce the government's power in the bank and pave the way for a public share offer this week.

At an extraordinary meeting, shareholders agreed to amend 10 points in the bank's articles of association — changes that would reflect the ownership of the bank after the government begins selling off a 22 percent stake on Friday.

The government will sell about 29 million shares at 65 shillings (R5.70) a share at a public offer, reducing its stake to 35 percent.

At the meeting, shareholders agreed the government would no longer appoint the executive chairman, who would now be appointed by the board of directors. The board of directors would also determine his term of office and remuneration, and appoint his deputy. Previously, a representative from the treasury was the automatic vice-chairman.

Analysts welcomed the move, reducing the perception among investors that the bank was a "political bank."

"The changes are a step in the right direction," said Franklin Kugia, a director at Shah, Munge. "They will enhance the confidence of the bank and should empower the board to run the bank without interference from the government."

The changes are expected to be implemented at the next annual general meeting on July 25.

Kenya Commercial Bank is the largest retail bank in eastern Africa by assets and branch network. Its assets were valued at about 73 billion shillings on December 31.

Investment advisers have said the government might further decrease its shareholding in the future and was seeking an international strategic investor after its latest offer to increase the bank's independence and performance outlook. The changes came in the wake of reports in Kenyan newspapers last month that three of the bank's directors and the general manager had been allowed irregular and unsecured loans.

The government reacted by seeking the three directors mentioned, the general manager and the executive chairman...
Bank cheats hotel chain of VAT payments

A hotel chain located in the city had been notified of a $5 million VAT payment due. The hotel chain had been withholding $5 million in VAT payments through a bank account at the Kenya Commercial Bank (KCB) and had not remitted the VAT to the Kenya Revenue Authority. The newspaper said that the Bank of Kenya had informed the hotel chain that it had deposited the VAT through its central account, but had not been credited to the VAT commissioner's account at the Central Bank of Kenya. Late payment penalties had been incurred by the hotel chain.
Kenya woos missing tourists in ad campaign

FROM AP

Nairobi — The Kenya Tourist Board launched a major campaign on Friday to woo European tourists back to Kenya after reports of violence and crumbling infrastructure had kept tens of thousands away.

By all accounts, the July 1997-April 1998 season is the worst on record, with dozens of coastal hotels closing and thousands of Kenyans laid off from jobs in the industry.

Elmu Mahuku, the chairman of the tourism board, said the campaign, the first of its kind in the four-decade history of Kenyan mass tourism, would target key markets in Germany, Britain, Switzerland and Italy through sponsored trips for travel writers and advertisements directed at tour operators.

The country had always relied on tour operators to sell its game reserves, tented camps and seaside resorts, said Jim Flannery, the board's technical adviser. And until the early 1990s, "Kenya was undisturbed by real competition," he said.

The Gulf War, the end of apartheid in South Africa and the opening of other sun holiday destinations such as the Dominican Republic and Cuba have cut into the flow of tourists to the former British colony.

Although the number of visitors has been declining since 1990 — the tourism board says holiday arrivals overall have dropped by 23 percent — tourism is still Kenya's largest single source of foreign currency earnings, bringing in $550 million in 1995.
Non-performing loans could throw Kenya

The Economist
NAIROBI — Kenyan President Daniel arap Moi faced open defiance at a meeting of his MPs after criticising them for attending what he considered to be an antigovernment seminar, Assasut Agriculture Minister Kipruto arap Kiriya said.

Moi dismissed as of "no consequence" a Mombasa seminar attended by 182 members of parliament from the ruling Kenya African National Union and the opposition, held last week to discuss ways of rehabilitating Kenya's flagging economy.

Moi denounced the gathering contending that the organizers, who included the World Bank, the US embassy, the Friedrich Ebert Foundation and other nongovernmental bodies had "ulterior motives" against his government.

"We stated our position as MPs in favour of the forum. If the government does not like such forums, then let it come up with its own initiatives," said Kiriya — Sapa-AFP.
Without state pruning, this business is blooming

Kenya's horticultural industry is thriving thanks to minimal government interference, writes Gary Mead

WHILE coffee and tea, Kenya's two leading commodity exports, are languishing under the weight of state-run marketing boards, the third-most important is blooming, due in part to the lightest of government touches.

Kenyan horticultural exports in the past five years have flourished, growing by about 20% a year.

This year will be an exception, following a period of exceptionally heavy rainfall. The sector will still grow but in single rather than double digits.

Kenya's total fresh fruit, vegetables and cut flower exports expanded by about a third between 1994 and last year. In cut flowers alone, Kenya exported 36.736 tons of blooms to Europe last year, representing about 60% of total African cut flower exports and earning the equivalent of $400m in foreign currency. While more than 24,000 tons were sold via auction in the Netherlands, Kenyan cut flower growers are increasingly turning towards direct sales to European retailers.

About 1,300ha is given over to flower production in Kenya, the main growing area being at Lake Naivasha and Turka.

Stiffest competition comes from Colombia, Israel and Zimbabwe, but by eschewing the Dutch auctions, Kenyan flower growers are confident they will be able to fend off their rivals.

The largest of Kenya's horticultural exporters, the privately owned company Homegrown, is now the biggest supplier of cut flowers and packed specialist vegetables to the UK-based retail chain Marks & Spencer.

With international sales of about $74m a year, Homegrown has taken advantage of what CE Dicky Evans calls the "perfect growing environment" of Kenya.

About 75% of the group's production is vegetables and fruit, the rest is flowers.

Homegrown has grown with speed. In 1982, it exported just 17 tons of cut flowers; last year the figure was 10,000 tons.

Evans and other private sector executives are convinced the government's attitude towards the horticulture sector could be a useful model for developing the Kenyan economy as a whole. It has left it almost entirely to its own devices.

Evans applauds the elimination of foreign exchange controls, the simplification of the process to obtain import licences, and the removal of duties on fertilisers, greenhouses and other essential inputs.

The result, according to Evans, is that Kenyan horticulture now enjoys a business environment allowing it to capitalise on the country's natural blessings.

The plea to extend this kind of economic liberalisation into other commodity areas is cautiously welcomed by recently appointed Agriculture Minister Moses Mudavadi. He recognises other sectors such as tea and coffee are burdened by red tape, but is wary.

"There is a need for cautious, gradual liberalisation. We would like market forces to take over, the private sector to grow and government not to be involved in production anymore," Mudavadi says.

Certainly, Homegrown shows what can be achieved by the private sector.

Although a relatively small company by international standards, the business has developed rapidly to become a leader in Kenyan terms.

This year Homegrown plans to reinvest $4.8m in expansion and as Evans points out, the quality controls he and his workers have to meet to satisfy the exacting demands of several of the UK's most exacting retailers have to be beyond criticism.

The outlook for both Homegrown and agricultural production in Kenya should be rosy. "The development of the agricultural smallholder sector in Kenya has been a success," says Martin Geake, regional manager for the Commonwealth Development Corporation in Nairobi. "However, we're at a crossroads. To continue this success the central authorities need to improve efficiency and in our view the use of private sector capital would 'provide the quickest and most efficient means of doing that'."

That cautious note suggests Kenya's immediate future will probably not be a bed of roses — but horticulture does at least highlight what can be achieved. — Financial Times
Moi harangued after slating MPs for attending seminar

Nairobi - Kenyan President Daniel arap Moi faced open defiance at a meeting of his MPs after criticising them for attending what he considered to be an anti-government seminar, a junior minister said yesterday.

"The mood was one of open defiance" against Moi, Kipruto arap Kirwa, the assistant minister of agriculture said of Tuesday's meeting.

Moi had dismissed as of "no consequence" a seminar attended by 162 members of parliament from both the ruling Kenya African National Union and the opposition, held last week to discuss ways of rehabilitating the country's flagging economy.

Finance Minister Simon Nyerere told participants during that seminar, in the coastal city of Mombasa, that the country's coffers were empty and that corruption was rampant.

Moi denounced the gathering, contending that the organisers who included the World Bank, the US embassy, the Friedrich Ebert Foundation of Germany and several other non-governmental organisations, had "ulterior motives" against his government.

Kirwa said Moi apparently had not known that "outsiders" such as International Monetary Fund (IMF) and World Bank officials were also scheduled to attend.

Moi told a public rally in western Kenya on Friday that the two key global financial institutions and the European Union had cut aid to his government before every general election.

The IMF suspended funding worth $205-million (about R1-billion) in July last year, amid concerns over high-level corruption and governmental reluctance to crack down on fraud - AFP.
Kenya’s tourism industry is in turmoil, with minimal recovery of tourists.
Kenya Airways, 32% profit smoothies light path

National carrier lungs in unexpectedly good results despite steep decline in country's tourism industry.

James Root, UK Airways

The financial results for Kenya Airways have been nothing short of impressive, with the company posting a 32% increase in profits for the year. This comes as a surprise considering the steep decline in tourism due to the COVID-19 pandemic. The airline has managed to navigate through these tough times with a strong focus on cost-cutting measures and efficient operations.

Kenya Airways' management has been lauded for their strategic decisions that have helped the company weather the storm. The airline has diversified its revenue streams by expanding its cargo operations and introducing new routes to increase passenger traffic.

The future looks promising for Kenya Airways, as the government continues to support the industry with infrastructure projects and marketing campaigns. With the vaccine rollouts gaining momentum, there is hope that tourism will recover and boost the company's bottom line.

The company's CEO, James Root, expressed his gratitude to the staff for their hard work and dedication during these challenging times. He urged the team to maintain their focus and continue to provide top-notch services to passengers.

In conclusion, Kenya Airways' strong performance in 2021 is a testament to the resilience of the company and the dedication of its employees. As the tourism industry continues to recover, the airline is well-positioned to lead the way.
NAIROBI — The Kenyan economy entered a critical stage in the first quarter of 1998, with real gross domestic product shrinking in each of the first three months of the year, the central bank said yesterday.

"It is dead," Central Bank of Kenya chief economist Maurice Kanga said. "There are so many obstacles to growth."

Gross domestic product growth slowed to a real 1.9% in the year to March 1998 from 2.3% in 1997, the bank said.

In its monthly economic review for July, the central bank said the slowdown in economic growth was evident in virtually all sectors.

It blamed the slowdown partly on heavy rains in late 1997 and early 1998, which undermined the important agricultural sector.

There was a decline in investor confidence linked to last year’s suspension of lending by the International Monetary Fund (IMF) on the grounds of poor governance and official graft, it said.

The bank said yesterday it intended to cut the commercial banks’ cash ratio to 12% in fiscal year 1998/99 (July-June) from 14%. It already cut the ratio from 15% at the beginning of July.

"The reduction in cash ratio requirement is expected to release 2.5-billion shillings into the market, facilitating lower interest rates," the bank said.

"The continued reduction will, however, depend on the subsequent developments and the impact the monetary development will have on inflation and on the balance of payments," it said.

Kanga said he had been forced to cut his 1998 growth target to 2.7% from 3.0% as “the figures trickle in.” His optimism about a recovery in the economy was partly based on expectations of continued good prices for agricultural produce, and on the implementation of a tight 1998/99 budget.

However, the 2.7% forecast depended on the assumption that the IMF would resume its suspended loan programme this year, Kanga said — something the fund said would be tough to achieve given what remained to be done this year. — Reuter
Kenya GDP shrinks in first quarter

Simon Denters

Narrows - The Kenyan economy entered a critical stage in the first quarter of 1998, with real gross domestic product (GDP) shrinking in each of the first three months of the year, the central bank said yesterday.

"It is dead," Maurice Kanga, the chief economist at the Central Bank of Kenya, told Reuters.

"There are so many obstacles to growth." GDP growth slowed to a real 1.9 percent in the year to March 1998, from 2.3 percent in 1997, the bank said. But central bank data also showed the level of real GDP expressed in 1982 prices, actually fell to 95.13 billion shillings (R10.56 billion) in March, from 100.45 billion shillings at end-1997.

In its monthly economic review for July, the central bank said the slowdown in economic growth was evident in virtually all sectors. It blamed the slowdown partly on heavy rains in late 1997 and early 1998, which undermined the important agricultural sector.

The central bank also cited depressed levels of long-term investment, partly ascribed to high interest rates and poor delivery of public goods.

There was a decline in investor confidence linked to last year's suspension of lending by the International Monetary Fund (IMF) on the grounds of poor governance and official graft, it said.

The bank said deteriorated infrastructure, increased insecurity, a declining tourist industry and the rising incidence of labour unrest were among other negative factors.

Kanga pointed out that vital funds which could be used to repair the infrastructure were going to pay interest on the government's domestic debt, which stood at 142.1 billion shillings at end-May.

Much of the borrowing is in the form of expensive 91-day treasury bills. The central bank said it had succeeded in reducing T-bill rates to under 25 percent from around 27.2 percent two months ago.

It also said it intended to cut the amount of money commercial banks had to deposit at the central bank, in a bid to increase liquidity in the domestic money market and further reduce interest rates.

The central bank said yesterday it intended to cut the commercial banks' cash ratio to 12 percent in fiscal year 1998-99 (July to June) from 14 percent.

It had already cut the ratio from 15 percent at the beginning of July.

Kanga said he had been forced to cut his 1998 growth target to 2.7 percent from 3 percent as "the figures trickle in."

His optimism for an economic recovery was based partly on expectations of continued good prices for Kenya's agricultural produce and partly on the implementation of a tight 1998-99 budget.

But even the 2.7 percent forecast depended on the assumption that the IMF would resume its suspended loan programme this year, Kanga said — something which the IMF stated would be tough to achieve, given what remained to be done in the rest of 1998. — Reuters
Kenya Airways stock plunges into a tailspin

NAIROBI - School teacher David Mwangi has had his fingers badly burned—"I bought Kenya Airways shares as an investment two years ago, but these things just keep going down, so why should I bother again?"

A 40% slide in the stock price of Kenya Airways knocked the confidence of local investors and left senior executives bracing themselves for tough questions when they meet international shareholders in London this week.

Few expected such a decline when one of Africa's most widely distributed stock issues started trading in June 1986.

Political instability, which triggered a fall in tourism last year, coupled with industrial action and high interest rates, have played a part in the slide. The first wave of selling came after local investors were shaken by a pilots' wage strike shortly after privatisation.

Formed by the government in 1977, Kenya Airways became a textbook case of mismanagement. Losses reached $50m in 1992 before international donors forced the government to hire a consultancy to restructure the company and prepare it for privatisation.

By 1996, the turnaround was complete and, in the privatisation that followed, the government retained 23% of the equity, while 4% was set aside for international investors. The rest of the shares were sold to the public at 11.25 Kenyan shillings. They have traded around seven shillings for much of the past two years.

A big factor in the decline was the fall in tourist traffic as political instability gripped Kenya, knocking confidence in local stocks.

Many feared this would lead to poor results. However, figures released early this month revealed a 41% rise in profits, to $21.9m, which saw the shares harden to 8 shillings last week. But few expect a sustained revival of buying interest. — Financial Times
US says 'corrupt' Kenya on the slide

Visiting treasury boss Rubin points to graft as major cause of
economy going backwards

NAIROBI

United States Treasury Secretary Robert Rubin says Kenya's economy appears to be heading in the wrong direction, with corruption a major concern.

"Kenya was on a good reform track for some time, had attracted capital and was starting to achieve strong growth," Mr Rubin said, noting that inflation was down to 10% in 1995 and growth was almost 5% that should have provided a base from which Kenya could have worked towards even higher rates of growth. But instead Kenya is now going in the opposite direction."

Mr Rubin, who is at the end of a five-nation African visit, noted that foreign direct investment had declined and growth had slowed since 1995. "The challenge for Kenya is to get back on track towards strong growth and higher standards of living for its people."

Mr Rubin, speaking at Nairobi's School of Monetary Studies, focused on corruption as a key handicap to Kenya's and Africa's economic development.

"Corruption is a major impediment to economic activity, a cause of gross misallocation of scarce resources and an additional cost to business that causes substantial inefficiency," he said. "Corruption is also a strong deterrent to foreign investment, especially in the global economy more over, and very importantly, corruption in the public sector creates an environment conducive to crime and corruption in the private sector."

Official corruption was a key complaint of the International Monetary Fund (IMF) when it suspended a key loan to Kenya in July last year. Since the IMF suspended aid, foreign investors have largely shied away from Kenya, interest rates have risen sharply and the economy has sunk into recession.

"To be sure, no region or nation developed or developing - can claim purity in this area," Mr Rubin said. "Corruption exists everywhere but corruption is especially troubling in developing countries. Corruption benefits the few and hurts the many."

Mr Rubin acknowledged that cor-

18/7/98
Graft threatens Kenyan reform, warns Rubin

NAIROBI — Robert Rubin, US treasury secretary, warned Kenya at the weekend that corruption was undermining its economic reform programme.

Speaking in Nairobi, Rubin acknowledged that Kenya had been "on a good reform track for some time... its growth reached nearly 5% in 1995."

However, Kenya was "now going in the opposite direction. Foreign direct investment has declined and growth has slowed."

Earlier this week, the Central Bank of Kenya put the current growth rate at around 1.9%.

In a speech at the Kenyan School for Monetary Studies, Rubin said developing countries needed sound macroeconomic policies, a strong financial system, open markets and good government if they wanted to attract foreign investment.

Thus required laws that were fairly and easily enforced, well trained regulators and judges, and anti-corruption units with real power. "Corruption is a major impediment to economic activity," Rubin said.

While he did not single out Kenya for criticism, his remarks were taken as a warning to President Daniel arap Moi.

"The government continues to fall short of IMF demands for greater transparency in return for a resumption of a $174m loan, suspended a year ago because of widespread graft."

"The challenge for Kenya is to get back on track toward strong growth and higher standards of living for its people," Rubin said — Financial Times.
Industrial leases to be cut to 50 years

KAMPALA — Only three weeks after passing laws allowing foreigners to hold 99-year land leases, authorities plan to cut back the leases of industrial developments located in wetlands to 50 years.

Baguma Isoke, Ugandan minister of state for lands, water and environment, said the fraction of wetlands was forcing the bird, a national emblem, the createdCREATE TO be migrate to neighbouring Kenya and the Democratic Republic of Congo as its habitat in Uganda was encroached on. All industries located in wetlands, Isoke said in Kampala, have been pressing government to implement conservation laws that protect green belts.

On July 3, President Museveni assented to a new land law that allowed foreigners 99-year leases on land. The law is significant for SA investors, who are already finding it difficult to access land for agricultural development.

Land for industrial development is at a premium around Kampala, as some of the older industrial estates have become congested. The Uganda Investment Authority says service provision was becoming difficult in some of these areas and it was encouraging new developers to move to a new site 14km to the east of Kampala.

The change in policy is expected to affect five of the industrial zones around the capital Kampala's traditional industrial estates are located in wetland areas, which until the environmental awareness of the nineeties were considered wastelands.

There were fears the policy shift could affect the flow of investments into the country, but officials at the Uganda Investment Authority did not anticipate any major problem as long as the changes were made to the interests of investors who are legally settled in the wetlands.
Kenyan hopes for donor funding dashed

Michela Wrong

NAIROBI — Kenya’s hopes of a resumption of donor funding, suspended last year, have been dealt a blow by the unexpected arrest and release of several top treasury officials widely believed to have played a key role in the country’s crackdown on tax evasion.

The director of public prosecutions last week abruptly withdrew charges of fraud against 16 officials and businessmen including John Mauari, head of the Kenya Revenue Authority, Samuel Chebn, commissioner for customs, and Joseph Kenyua, finance secretary at the treasury.

Donor representatives said, however, their brief arrest on Thursday at the direction of the much criticized Kenya Anti-Corruption Authority (KACA) had sent out a strong negative signal to lending institutions and foreign governments that halted funding in 1997 over corruption concerns.

“The impression we had was that these were the ones fighting corruption rather than engaging in it,” said one. Those arrested formed the backbone of revenue collection in Kenya.

John Mwau, KACA director, rejected accusations of witch-hunting and said he was merely doing his job. But analysts attributed the intervention to a jockeying for position among the government’s top echelons ahead of President Daniel arap Moi’s retirement.

Finance Minister Simeon Nyachae, one of several ruling party stalwarts vying for the succession, has drafted legislation changing the way the KACA board is appointed, in an attempt to boost the independent status of a body that is regarded as little more than cosmetic — Financial Times.
Kenya's Mr Clean is under fire

NAIROBI — Kenyan Finance Minister Simeon Nyachae yesterday accused the head of the Kenyan anticorruption authority of incompetence and engaging in a witchhunt.

The minister levelled the accusations at the anti-graft chief, John Harun Mwau, just days after Mwau brought charges against four of Nyachae's top officers.

Mwau's action was the most significant by the authority since it was set up last December in response to pressure from the International Monetary Fund.

Nyachae said Mwau had abused the legal process, and called for an inquiry into the case.

Attorney-general Amos Wako terminated Mwau's case against four leading treasury officials on Friday, less than 24 hours after their arrests were ordered.

Mwau said that Kenyan revenue authority commissioner-general John Masaru, the agency's commissioner for customs and excise, Samuel Chebitu, and others were alleged to have defrauded the government of $3.9m in revenue through failure to tax imports of sugar and wheat.

The case has raised alarm bells in Kenya's financial circles because the named officials are considered allies of Central Bank of Kenya governor Micah Cheserem and key cogs in the country's economic reform process.

Nyachae said the officers acted legally, under his explicit instructions and with the knowledge of the cabinet.

Mwau's case was based on a lack of understanding of the economic issues involved and was intended to embarrass Nyachae and his allies, he said.

"In this case, it is difficult to separate ignorance and deliberate malice," Nyachae said.

The minister said he would resign himself if any wrongdoing was established.

He said the allegations might have been prompted by the revenue authority's efforts to stamp out tax cheats and added that Mwau himself was under investigation by the revenue authority.

"Personally, I do not rule out the fact that some of my political enemies may be working with Mwau to create this kind of embarrassment," he said.

Nyachae declined to specify who those enemies were, but analysts said his reform drive had made him formidable opponents in the ruling Kenyan African National Union — Reuters.
Anticorruption move checked

NAIROBI — Kenyan President Daniel arap Moi suspended his anti-corruption boss yesterday after he tried to pursue senior treasury and tax department officials for alleged corruption.

Moi has set up a tribunal to look into “the proper performance” of the office of the director of the Kenya anticorruption authority and suspended director John Harun Mwau pending the outcome of the probe.

At Mwau’s request, a magistrate issued arrest warrants on July 16 for the heads of the Kenya revenue authority and customs and excise service and several other officials. The next day, the attorney-general’s office dropped the charges.

The anticorruption unit was established after pressure from the International Monetary Fund. Last August the fund suspended a $220m loan to Kenya because of the government’s failure to stem corruption.

Dow Jones (163)
Parliament in Kenya votes for truth body

BASILE CHAMBE
Star Foreign Service

Nairobi – The Kenyan parliament has passed a motion to set up a South African-style truth and reconciliation commission to look into recurring tribal atrocities that have claimed thousands of lives during the past few years.

An opposition motion, strongly opposed by government, front-benchers, sailed through the hung parliament on Wednesday, giving the ruling Kanu party its first defeat in the new parliament.

Government speakers opposed naming the body the Truth and Reconciliation Commission. But attempts to amend the name to read Unification and Peaceful Co-Existence Commission were defeated.

If established, the yet to be defined commission will delve into the causes of ethnic clashes and probe personalities believed to be responsible for some of the mayhem.

But in Kenya, private members' motions are not binding and the government is not tied to forming the commission.

One government-appointed commission of inquiry a few years ago implicated several cabinet ministers and politicians in the violence.
Kenya may set up its own TRC

NAIROBI The Kenyan parliament has passed a motion to set up a South Africa-style Truth and Reconciliation Commission to look into recurring tribal atrocities that have claimed thousands of lives in the past few years.

An opposition motion strongly opposed by government front-benchers sailed through the hung parliament on Wednesday, giving the ruling party, Kanu, its first defeat in the new parliament.

Government speakers opposed naming the body the Truth and Reconciliation Commission, but attempts to amend the name to Unification and Peaceful Co-Existence Commission were defeated.

If established, the commission will delve into the causes of recurring ethnic clashes and probe personalities believed to be responsible for some of the mayhem.

In the latest incidents, Marakwet and Pokot tribesmen have been fighting over cattle-rustling in the ridges and forests of the Rift Valley during the past month.

One government-appointed commission of inquiry a few years ago implicated several cabinet ministers and other politicians, raising speculation that some of the violence might be the work of a third party with official backing.

— Independent Foreign Service
Economy in dire straits, says Kenyan government

NAIROBI — The government was forced yesterday to acknowledge that the Kenyan economy was in dire straits, conclusion reached two weeks ago at an economic seminar President Daniel arap Moi dismissed as "without consequence".

Opening his own one-day economic forum, Moi said he had instructed the ministry of finance to order a review by all 35 ministers — up from 18 before the December general elections — of their "activities in expenditure".

He said the government planned to downsize the public service and reduce the number of teachers on the payroll.

Finance Minister Simon Njiru told the April 24-25 seminar in Mombasa, sponsored by bilateral donors and the World Bank, that Kenya was bankrupt because of corruption, unsustainable domestic debt and a bloated public service that ate up 39% of the country's revenue.

Njiru and the other 81 deputies from Moi's ruling Kenya African National Union (KANU) who attended were rebuked by the 74-year-old president, who claimed the seminar had "a hidden agenda".

A month ago Njiru told another seminar the public service should be cut by at least 20%. He was later obliged to issue a statement saying his comments had been misinterpreted.

The working paper drawn up for Moi's Economic Consultative Meeting by a group of 13 advisers — from which Njiru was prominently absent — listed unemployment and poverty as the major challenges facing Kenya.

The team, which includes Central Bank chief Meshach Chuminya, and both were compounded by high expenditure for wages for public servants and teachers, which took nearly 54% of the recurrent expenditure budget, and "continuous government borrowing from the domestic market to roll over (domestic) debt, and even to repay maturing external debt".

After blasting the Mombasa seminar as the work of foreigners, Moi calmed down and encouraged diplomats, donors and World Bank and International Monetary Fund representatives to attend.

"I have invited all of you here in order to solicit your views so that we may arrive at specific proposals which my government can implement," Moi said.

The working paper said Kenya's domestic debt had more than doubled from 63-billion shillings in June 1992 to the Kenyan shilling.

It did not say that the wholesale printing of money to ensure that Kenya won the December 1992 elections was largely responsible for a glut of shillings that had to be mopped up to avoid crippling hyperinflation.

In the 1997/98 fiscal year, 24% of revenue will be spent servicing Kenya's domestic debt, largely through the emission of 31-day treasury bills.

The working paper recommended a tight fiscal policy "aimed at eventually generating a surplus in order to redeem an increasing volume of outstanding domestic debt".

At the Mombasa meeting, western donors proposed that Kenya externalise or sell its domestic debt to reduce the servicing burden and ease pressure on interest rates.

The Moi team said the debt could not be converted to external debt "because of the excess liquidity it will generate and the exchange risk and possible losses that would follow".

The shilling was trading at 61.20 to the dollar yesterday, weakening from the closing figure on Tuesday of 60.80 and more than two shillings off the figure last week. — Sapa-AP
Kenya's huge domestic debt burden rises to 24 percent of GDP

Kenya's huge domestic debt burden rises to 24 percent of GDP

Improve food supplies, a single currency and restrict in money supply ease figure to 7% in April

Tight controls reduce Kenya's inflation

AFRICA BUSINESS

Encouragement Needed

President Daniel arap Moi's

Kenya's huge domestic debt burden rises to 24 percent of GDP

Read 7/16/98 (July 16/98)

African News

Business Focus Issue May 12, 1998
SAB to start Kenyan production in August

NAIROBI — SA Breweries (SAB) will begin beer production in Kenya at the end of the third quarter of this year, company officials said yesterday.

The $40m brewery situated in Thika, 40kms from Nairobi, will begin production with an initial 500,000hl a year, but that could easily expand to 800,000hl, said Geoff Ings, project manager of SAB in Kenya.

"We plan to start production around August, September, at the end of the third quarter of this year," Ings said.

The SA brewer has a 51% controlling stake in the new company, Castle Brewing Kenya, while 34% is held by a consortium of Kenyan investors and 15% by Dutch company FMO.

Their entry into the Kenyan market is seen as part of the wider expansion of SAB in East Africa. In 1995, they acquired a 40% stake in Tanzania Breweries and 1997, bought a 40% stake in Nile Breweries in Uganda.

SAB has also bought into breweries in Ethiopia and Eritrea.

Analysts say that it will be an uphill task for the world's fourth largest brewer. At present their leading Castle lager brand is limited mostly to the capital Nairobi and accounts for less than 1% of Kenyan beer consumption.

They say SAB will have to build a distribution network across the country as well as shed an image that it is an upmarket product to become an effective player in the market.

SAB's penetration into the Kenyan market has been cautious. Company officials say they want to take it slowly and estimate it will take them about five years to be considered a major player in Kenya.

"Right now, we're not even a player," said marketing director David Twycross.

Beer consumption in Kenya at present is an estimated 2-million hectolitres a year but SAB says the market has been up to 4-million hectolitres in previous years — Reuter
Moi sacks outspoken minister

NAIROBI — Kenyan President Daniel arap Moi yesterday sacked an outspoken assistant minister for agriculture, Kiptoto arap Kirwa, from the government, official radio reported.

Kirwa, considered a dissident in Moi’s ruling Kenya African National Union (Kanu) party, was an organiser of an interparty rally in western Kenya last weekend at which one person was killed when armed raiders dispersed the gathering.

A terse statement read on the radio said Moi had “with immediate effect relieved Kiptoto arap Kirwa of his duties as an assistant minister.” No reasons were given for the sacking.

Last month Kirwa was one of a group of youthful Kanu MPs who openly showed defiance when Moi attempted to reprimand them for attending a seminar to discuss ways of rehabilitating the country’s flagging economy.

Moi had denounced that gathering, attended by 82 Kanu MPs. He contended that the organisers, who included the World Bank, the US embassy, the Friedrich Ebert Foundation of Germany and several other nongovernmental organisations, had “ulterior motives” against his government.

One of the estimated 30 armed raiders who invaded the rally in the Rift Valley’s Trans Nzoia district on Saturday, firing guns and shooting arrows, was killed when the crowd pursued the attackers and caught him.

Scores of people were injured, four seriously, in a stampede triggered by an explosion believed to have been caused by a grenade thrown into the crowd by the raiders, who emerged from surrounding bush and maize plantations.

About 30 ruling party and opposition MPs, led by parliamentary opposition leader and former vice-president Mwai Kibaki, had attended the rally at Sabwani Primary School to discuss peace in the area which had been hit by tribal clashes.

The rally was organised as a direct response to a first meeting at the same venue three weeks ago, which also ended in chaos when police moved in and beat up 10 MPs and journalists.

Kirwa and opposition politicians accused the government of hiring the raiders to break up the rally. Kirwa said last month he would “continue speaking the truth” even at the risk of losing his assistant minister’s job. “I cannot subjugate my views as a representative of the people,” he said —

Sapa-AFP
Kenyan sugar mill sell off 'on track'

NAIROBI — The Kenyan government said on Wednesday that the privatisation of its main white sugar mill was on track but there was no final date for a proposed flotation on the Nairobi Stock Exchange.

Philemon Mwaisaka, the chief public servant in the agriculture ministry, told reporters that the sale of a 40.8% stake from its total 70.8% shareholding in Mumas Sugar Company would be completed by the end of the year.

In a controversial about face, the government said it had offered farmers a 20% stake and Mumas employees 5% but it would hold in trust the shareholding it offered farmers if they failed to raise the purchase price.

The remaining 15.8% will be subdivided between other shareholders — Commonwealth Development Corporation, Booker McConell, East African Development Bank and Kenya Commercial Finance Company.

There was no information on the formula the government would use in the allocation of that 15.8% shareholding in what Mwaisaka said was a rights issue.

Over the past three years, the government has said its stake in Mumas would be floated on the stock exchange. It suddenly changed its mind last month, saying that it now wanted to take full cognisance of farmers' rights.

Mwaisaka said a flotation, involving all or part of the remaining 30% government stake, would be sold on the exchange. He gave no timetable or what the share price would be.

"It is only fair that farmers, employees and the general public be informed that the shareholders' rights are not just up for grabs," said Mwaisaka, who also urged farmers not to take loans to try to finance their equity investment.

Cash from the sale of government shares in Mumas will be used to develop Busia Sugar factory. Mwaisaka said Mumas was seeking loan or equity financiers for Busia. He named International Finance Corporation, European Investment Bank, the regional PTA Bank, Development Finance Company of Kenya, KCB and Industrial Development Bank as having expressed interest.

He did not say whether the government was seeking an international strategic partner for Busia. Booker Tate, a subsidiary of Tate & Lyle, manages Mumas Sugar.

Mumas Sugar accounts for half of Kenya's sugar production but has complained in recent months that cheap imports undermine its performance — Reuters.
Kenya to plug sugar corruption

Nairobi — Kenya would allow only sugar millers to import sugar as part of a strategy to cut corruption and the dumping of transit shipments into the local market, Mark Too, the chairman of the Kenya Sugar Authority, said yesterday.

"As a measure to eliminate corruption and illegal importation, the Kenya Sugar Authority will introduce a quota system to allow sugar factories to import sugar instead of individuals, in case of sugar shortages in the country," Too said.

At present, licensed individual traders are allowed to import sugar into Kenya.

But government ministers and farmers have complained that sugar imported by individuals and meant for transshipment to neighbouring east African countries has been illegally dumped in Kenya.

Business leaders have also complained that individuals who have connections to high-ranking government officials and ministers imported sugar without paying the necessary duties and taxes, which led to their sugar being far cheaper than domestic produce in local retail shops.

Such tax evasion by businesses was one of the reasons cited by the International Monetary Fund when it halted a three-year $205 million loan to Kenya last July to reinforce its protest against corruption and poor governance in the country.

However, Too, a nominated member of parliament and a close confidant of President Daniel arap Moi, set no timetable for the launch of the factory-led import programme.

But other sugar officials suggested such provisions could be made in the 1998-99 state budget that is to be presented to parliament on June 11.
Capital rules may force Kenyan banks to merge

NAIROBI — Kenya's 14 nonbanking financial institutions and 26 of its 33 commercial banks face the risk of closure next year, when a new banking rule takes effect requiring them to increase their capital base, the central bank says.

According to this month's issue of the bank's monthly economic review, the banks must raise a total of about 4-billion shillings in the next 18 months to qualify under the regulations, which come into effect at the end of next year.

"It is unlikely that the industry will be able to raise the amount within that time," the report said.

Nonbanking financial institutions need to raise their capital base to 150-million Kenyan shillings each, while commercial banks will need a base of 200-million shillings.

Maurice Kaga, the central bank's research director, said yesterday mergers offered a way out to small institutions, to help them make the grade.

"It is not conceivable that (many of) the banks and nonbanking institutions can raise the required amount," he said. "For the banks that are weak now, it seems a hopeless case unless they merge."

The need to merge, the bank's report said, was even more urgent for nonbank financial institutions — none of which meets the new rules.

The country's banking industry had a combined capital and reserve base of 57.3-billion shillings at the end of last year, generating a profit of 18.8-billion shillings last year.

However more than 60% of this capital is held by the seven leading commercial banks, it said, and 75% of the profits made in the industry last year were made by five of them.

The report stated nonbank financial institutions would be spared the problem of raising their combined capital base if they merged into five bigger institutions. It suggested the 26 commercial banks which so far failed to meet the criteria should merge into roughly half that number.

The bank's report comes after industry reports stating that the honeymoon is over for Kenyan banks, with a rise in nonperforming loans to 8.6% of national gross domestic product.

"Commercial interest rates are hovering around the 30% mark, making nonperforming loans a particular burden," — Reuters.
Kenyan's "facing two years of
economic pain despite reform"  

NAIROBI — Kenyan's face two
years of economic pain even if the
government implemented a wide
ranging and long-overdue reform
programme, the Central Bank of
Kenya governor Micah Cheserem
said yesterday.

There was no alternative for the
government to avoid an even
deeper crisis, he said "We will
have to go through pain for per-
haps two years, but it is for the
good of the country."

Cheserem was enthusiastic
about Finance Minister Simeon
Nyachae's agenda for reform an-
nounced in last week's budget.

In his budget speech, Nyachae
said he wanted to balance the bud-
get in fiscal 1998/99 after running
a deficit of about 2.7% of gross do-
mestic product in 1997/98.

Facing a growing moun-
tain of short-term domestic debt
and crippling high interest
rates, Nyachae said government
spending and public service jobs
must be slashed.

He has proposed much stricter
controls on government spending,
but perhaps his most formidable
task would be to change the way
the government is run, cleansing a
system riddled with bureaucracy
and corruption, analysts said.

Cheserem acknowledges that
the changes will face opposition
from strong vested interests with-
in the government itself. "For the
public good these people had bet-
ter accept it to go," he said.

The economy has come to a
standstill this year with interest
rates of more than 25% on the gov-
ungment's three-month treasury
bills choking off private
investment.

Cheserem said that he believed
that interest rates would fall if the
government put its promises into
practice and investor confidence
returned.

A return of International
Monetary Fund (IMF) support
this year would be a major factor
in bringing rates down, he said.

Last July's decision by the IMF
to withhold a key loan on the
grounds of poor governance and
official corruption was the spark
for a flight of international capital
and an increase in treasury bill
rates to 26% from 18%.

"On treasury bills, we can see
rates even below 20% (this year),"
Cheserem said. "But commercial
bank rates will of course come
down more slowly because they
have some element of bad debts."

The next step was for the gov-
ernment to translate its words in-
to action.

"The major thing now is imple-
mentation," Cheserem said. "We
need a major commitment to im-
plementation because there is no
more room for manoeuvre." —
Reuter
Hand over weapons, Kenya tells refugees

NAIROBI — Kenya's Minister of Home Affairs, Sharrif Nassir, has ordered refugees living in the country to hand over illegal weapons or risk tough action from the government.

The order, given at the weekend, targets about 200,000 refugees mainly from Rwanda, Burundi, Sudan, Ethiopia, Eritrea, Uganda and the Democratic Republic of Congo.

Kenya has been increasingly concerned about refugees smuggling guns from neighbouring countries. No one has any idea how many guns are in the hands of the refugees in the country. Arms within the refugee communities have led to several violent clashes in the past.

Last month at a meeting in Wajir town, on the border with Somalia, seven ministers and legislators from the Northeast Province of Kenya urged the government to stop a military camp in the province.

Refugees in the area have complained about roaming groups of bandits who loot their property. Women refugees are particularly worried because they often walk 10km-20km a day to fetch firewood. More than 75 rapes were reported in the camps last year.

To combat this, the United Nations High Commissioner for Refugees plans to buy firewood worth $1.6m this year. The UN refugee agency also spent $740,000 last year purchasing vehicles for police around Dadaab.

Kenya's government also is concerned that the proliferation of arms among refugees could lead to clashes with nationals in some parts of the country. Who have armed themselves against cattle rustlers.

Unconfirmed reports say Pokot nomads in the Rift Valley province of Kenya possess more than 4,000 guns to defend themselves against the rival Karamojong cattle rustlers from neighbouring Uganda.

A top government official in Isiolo town, Japeth Serem, at the weekend ordered people holding illegal firearms and ammunition in his district to surrender them, before the end of June. — Sapa-IPS
Kenya: land of tea, coffee and roses

PHILIP NGUNJURI

Nairobi, Kenya — The global demand for horticultural produce has prompted Kenyan farmers to abandon growing coffee, tea and maize in favour of flowers, fruit and vegetables.

"Most farmers here prefer growing horticultural products because of the low cost and the high return of the crops," says Ian Rotich of the agricultural ministry.

The horticultural business is so brisk that farmers like Kigo Githongo are already talking of sending their children to a university abroad — if their plans are not wrecked by bad weather, such as floods or drought.

Githongo owns a five-hectare piece of land on which he plants astromerias, a flower. "We prefer to grow astromerias because it does not need a lot of fertilisers, seeds or pesticides."

Unlike other crops, the high return of horticultural produce is a magnet for farmers. For example, the farm price for a cut flower stem fluctuates between 5 and 8 shillings in Kenya. The flower is then sold at a premium by middlemen.

"I prune 70 to 100 stems of the flower daily," says Githongo.

This adds up to a handsome sum in a country where a labourer's monthly wage is 3,000 shillings (R450).

The horticultural business picked up after Kenya introduced economic liberalisation policies in 1991. Since then, the industry has undergone dramatic changes, with exports climbing steadily compared with independence in 1963, when the country exported less than 2,000 tons a year.

For example, in 1996, 64,834 tons of fresh horticultural produce were exported from Kenya, a rise of 5 percent in five years, says the Horticultural Crop Produce Development Authority. This figure accounts for 80 percent of the country's export earnings, making it the third most important agricultural export after tea and coffee.

"By the year 2000 Kenya's exports of fresh horticultural produce are expected to surpass the 100,000-ton mark," the authority predicts.

The growth of the cut flower industry has had a meteoric rise: exports have risen about 20 percent since the early 1990s, and the 1996 output brought in 13.63 billion shillings of exports. The main importers are Britain, Germany, France, Switzerland, Belgium, Holland, Italy, Saudi Arabia and South Africa.

Kenya is also a major exporter of mango fruit, runner beans, Asian vegetables, avocados, mangoes and high-quality green beans. Avocados are Kenya's dominant export fruit, followed by mangoes and passion fruit. Exports of avocados are steadily rising, but sales of mangoes have fallen.

In 1995 the tonnage of cut flower exports exceeded that of vegetables for the first time. In 1996, 35,200 tons of cut flowers were exported, valued at $30 million.

Roses are the main export, followed by bouquets, a bouquet filler, and carnations. Cut flowers are now one of Kenya's most lucrative agricultural exports, with growth forecast at 10 percent a year over the next five years.

But not everyone is happy with the farmers' decision to abandon the farming of food crops like maize and beans in favour of horticultural produce.

"It has always been contended that the promotion of cash crops and commercialisation of small holder agriculture has contributed to poverty and food insecurity," a new report says.

The report, entitled "The role of commercialisation in food productivity: The case of Kenya," warns that the industry will increase the gap between the rich and the poor. It was jointly compiled by the Kenya Tegemeo Institute/Egerton University, the Kenya Agricultural Research Institute and Michigan State University — Sapa-IPS.
Kenyan analysts voice bourse fears

NAIROBI — Kenya’s stock market faces stagnation unless the government reforms arcane trading and investment practices and accepts more foreign investment, senior financial analysts said yesterday.

The Nairobi Stock Exchange could not compete in the international arena unless laws limiting foreign investment in Kenyan companies were removed and a central depository system introduced, they said.

Leading brokers said the government had resisted pressure from business to relax a threshold restricting foreign investment in Kenyan firms listed on the bourse to 40%, which they say has hampered growth.

“The government is preoccupied with protecting small holders,” said Warren Stanley, MD of brokerage house Town and Country Securities. “But this market needs institutional investors because it is too immature to depend on small holders.”

Robin Mason, the executive director of Barclays Trust Services in Kenya, agreed: “Kenyan investment is so small that a threshold serves no useful purpose other than to assure Kenyans that they have a place in investment.”

However, a local market official rejected concerns that limitations on foreign investment impeded growth. “Evidence shows that a number of securities have not reached the 40% threshold — which indicates that foreign investment is not being restrained,” said Paul Mully, CE of the regulatory Capital Markets Authority.

NAIROBI — Agriculture Minister Musalia Mudavadi raised a levy on imported sugar to 40% from 20% yesterday to stem dumping of cheap sugar on Kenya’s domestic market.

He said the domestic market had been flooded recently by cheap imports from abroad — with world market prices at a low of 12,600 shillings a ton of white mill sugar compared with a minimum economical price of 36,000 shillings a ton for local produce.

Local stockpiles stood at 35,500 tons, which translated to 1.3-billion shillings held in stocks.

Companies that have previously performed well are now facing severe cash flow problems and are unable to pay cane farmers, employees and other trade creditors, he said.

Fires ravage Swazi timber

MABABANE — The timber industry in Swaziland estimates losses amounting to millions after what the agriculture ministry termed “probably the worst fire season in Swaziland’s history.”

One firm alone, Shiselweni Forestry Company, puts its losses at more than R1m following the destruction of more than 200ha of valuable eucalyptus plantations since the fire season began in May.

At the giant plantations of Peak Timbers in northern Swaziland, damage is still being calculated from fires which have raged during the dry winter.

Forestry products are Swaziland’s second-largest export behind sugar. Shiselweni Forestry alone provides 3% of SA’s timber needs.

El Nino weather conditions are blamed for a winter which saw no rains from mid-May to late-July, and daily temperatures averaging 10°C above normal. The agriculture ministry condemns the practice of veld fires started by farmers who wish to get “the first spring grass.”

Nairobi doubles levy on imported sugar

NAIROBI — Agriculture Minister Musalia Mudavadi raised a levy on imported sugar to 40% from 20% yesterday to stem dumping of cheap sugar on Kenya’s domestic market.

He said the domestic market had been flooded recently by cheap imports from abroad — with world market prices at a low of 12,600 shillings a ton of white mill sugar compared with a minimum economical price of 36,000 shillings a ton for local produce.

Local stockpiles stood at 35,500 tons, which translated to 1.3-billion shillings held in stocks.

Companies that have previously performed well are now facing severe cash flow problems and are unable to pay cane farmers, employees and other trade creditors, he said.

James Hall

James Hall

James Hall
Kenyan bourse under fire for being outdated

Adrian Blomfield

Nairobi — Kenya's stock market faced stagnation unless the government reformed archaic trading and investment practices, said financial analysts yesterday.

The Nairobi stock exchange could not compete in the international arena unless laws limiting foreign investment in Kenyan companies were removed and a central depository system (CDS) introduced, they said.

CDS is an electronic trading system that cuts the time between striking a deal and settlement.

Brokers said the government had resisted pressure from business to relax a threshold restricting foreign investment in Kenyan firms listed on the bourse to 40 percent, which they say hampers growth.

"The government is preoccupied with protecting small holders," said Warren Stanley, the managing director of brokerage Town and Country Securities.

"This market needs institutional investors because it is too immature to depend on small holders."

But a local market official rejected concerns that limitations on foreign investment impeded growth. "Evidence shows that a number of securities have not reached the 40 percent threshold, which indicates that foreign investment is not being restrained," said Paul Mely, the chief executive of the regulatory Capital Markets Authority.

Kenya's equities market had made good progress compared with other countries in the region, he said.

Tanzania, whose bourse opened this year with only one company trading, does not allow foreign investors. Uganda's stock exchange, open from last year, has not attracted foreigners yet. But analysts said the vibrant Mauritius exchange was partly the result of open access.

Kenyan business leaders lambasted the government for foot-dragging over CDS legislation.

"We hoped the bill would be tabled before parliament went into recess (on July 31)," said Job Kihurua, the Nairobi exchange's chief executive. "We will just have to sit and wait." — Reuters
Kenyan strikers call for finance minister's dismissal

Kenyan strikers have called for the dismissal of the finance minister, 

"The current government is failing to address the economic crisis and the poor living standards of the Kenyan people. The finance minister's policies have only served to worsen the situation, " said one striker. "We demand the immediate resignation of the finance minister and the formation of a new government that will prioritize the needs of the people."

"We are tired of living in poverty and we want change," added another striker. "The finance minister needs to go and allow us to live our lives without fear."

The strike has been ongoing for several weeks and has led to widespread protests across the country. The government has so far refused to engage with the strikers, saying that the economy is on the mend and that the finance minister is doing his job.

If the strike continues, it is feared that it could lead to further economic instability and social unrest. The Kenyan government is under increasing pressure to address the demands of the strikers and to take action to improve the living standards of its citizens.
SA tightens security after bomb blasts

By Willie Bokela and Themba Molefe

The South African and United States governments have beefed up security at US diplomatic and other important installations throughout the country in the wake of last Friday's deadly twin bomb blasts in Nairobi and Dar es Salaam.

This comes after Deputy President Thabo Mbeki said at the weekend that the security forces would be deployed to help with the tightening of safety measures.

"We do not know who committed the acts of terror in both Nairobi and Dar es Salaam, but we are determined to see to it that these acts of terrorism are not carried out in our land," Mbeki said.

However, both governments yesterday declined to reveal details of the nature of the increased security as copycat attacks throughout the region have not been ruled out.

Spokesman for the US embassy in South Africa, Mr Bruce Wharton, confirmed that steps had been taken to tighten security but would not say whether this also meant the bringing in of more personnel, including the US Marines.

"Although I am not at liberty to divulge the nature of the exercise, the embassy thanks the South African Government for its cooperation and assistance," Wharton said.

Meanwhile, it was reported yesterday that Kenyan President Daniel arap Moi said his government had "some clues" to the identity of those behind the bombing.

Asked about arrests, Moi replied: "At this moment I don't want to say anything about that because it could jeopardise the investigation."

Also at the weekend US President Bill Clinton vowed to hunt down those responsible for the bombings - "no matter how long it takes us."

This coincides with reports that an Islamic group which met in Pakistan in June under the leadership of Saudi dissident Osama Bin Laden resolved to hit US interests worldwide. They were led by militants from the International Islamic Front.

The death toll, which had been increasing since the two bomb attacks, rose to 174 by late yesterday as the search continued for more casualties under the rubble of the devastated buildings.

Sapa-AFP reports that at least 174 people were killed, including 11 Americans and 21 Kenyans, all employed by the US embassy in Nairobi.

Kenyan authorities said a total of 4,824 people had been injured in Nairobi with 542 people still in hospital, 25 of them still in a critical condition.

In the Tanzanian capital, the toll from the bomb blast at the US embassy there rose to 10 yesterday. Seventy wounded people remained in hospital's yesterday.

Yesterday a South African Air Force Boeing 707 returned to Nairobi with a consignment of medical supplies for victims.

Three US citizens, Mary Robinson (46), Rizwan Khalid (27), and August Naffry (55) were airlifted to Pretoria on Saturday morning after being evacuated from Nairobi.

The US President Bill Clinton has thanked President Nelson Mandela for South Africa's assistance in the response to the bombings of the US embassies.

In a letter sent to Mandela on Saturday Clinton said: "Your immediate dispatch of a South African military aircraft to transport medical personnel, supplies and forensic experts to Nairobi, and to help evacuate the wounded was a real help when it was needed most."

See page 4
KENYA BOMB East Africa counts the cost, but losses caused by terrorist activities are not usually compensated

Insurers will not foot bill for blast damages

MANOAH ESKEU

Nairobi - From one man companies to multimillion-dollar operations, Kenyan businesses are going to have to look to charity, rather than insurers for help in meeting the costs of last week's devastating bomb blast.

Dozens of businesses were ruined when a bomb blast at the US embassy rocked central Nairobi on Friday, killing at least 218 people and wounding nearly 5,000.

The bomb flattened the five-story Ufungu House next to the US embassy and severely damaged the neighboring Cooperative House and other buildings in a 150-meter radius, including the Central Bank of Kenya.

Government departments, banks, a secretarial college, lawyers' offices and other business concerns were all affected.

The Association of Kenya Insurers (AKI) suggested yesterday that the businesses would have to bear the brunt of their losses.

It was left to groups such as the Eastern and Southern Africa Trade and Development Bank, President Daniel arap Moi's National Disaster Fund and private individuals to come to the aid of those whose businesses were ruined.

"The generally accepted international norm is that damages or losses resulting from terrorist activities are not compensated under ordinary policy rules," the AKI said.

It said individual policies would have to be assessed on their own merit, but it was clear that it absorbed any of its members from the obligation to compensate damage compensation.

Rastus Mureithi, the managing director of the Cooperative Bank, said the Kenyan insurer's operating house, said the weekend could cost up to 2 billion shillings ($3.4 million) to repair the damage.

Eastern and Southern Africa Trade and Development Bank said it was establishing a 1 million-shilling fund to help small businesses recover from the disaster and keep staff in employment. It said it had already received pledges of support from a number of regional and Kenyan firms.

Joshua Matu, an official in the president's office, said on Monday it was still too early to quantify the human cost of the tragedy. He said the government was still making its assessment of the blast.

It is not yet clear how cash from the National Disaster Fund will be utilized, but medical bills and funeral expenses as well as grants to resuscitate some businesses have all been cited as possible uses for any cash raised.

The fund was set up with 50 million shillings of government money. Yesterday, it had received less than 10 million shillings in major donations from a variety of sources.

AKI only offered hope to holders of life insurance policies - of which there are very few in Kenya anyway - who it said qualified for some insurance compensation where terrorism caused damage.

Kenyan officials have suggested that the US should donate generously to a fund to rehabilitate ruined businesses as a mark of respect to the Kenyan dead.

Kenyan insurance companies have reported suffering massive losses because of high awards, mainly made to accident victims.

Financial analysts said they could not have been surprised if the insurance companies had agreed to compensate the businesses.

Reuters

DAY OF DESTRUCTION Members of a US rescue force walk over a collapsed building next to the US embassy in Nairobi on Friday. The car bomb's toll so far is 253 dead, nearly 3,000 wounded and at least 30 buildings damaged.

Kenyan insurance companies are unlikely to be able to cover the costs resulting from the blast, but the government's emergency relief fund is expected to draw substantial international aid.

Reuters

Nairobi's bomb-blasted central bank reopens

ADRIAN BLOMFIELD

Nairobi - Kenya's currency market slowly began to return to normal yesterday after the Central Bank of Kenya reopened its clearing house for business.

The shilling was little changed from last week and opened at a commercial mean of 58.0558 on the dollar.

Normal operations at the bank were suspended shortly after a devastating bomb blast ripped through Nairobi's financial centre on Friday. "The central bank building - located two buildings away from the US embassy where the bomb went off - was extensively damaged in the blast, but officials said yesterday the bank had now fully resumed normal operations.

"We are still clearing up the broken glass but we are up and running again," an official said.

No central bank employees were killed in the blast, although a few sustained minor injuries.

Most commercial banks were still quoting widely different indicative rates ranging from 58.80/90 to 58.90/90 shillings to the dollar yesterday morning.

Dealers said that, while spreads might gradually begin to narrow slightly, they would probably continue to be fairly wide bid/offer margins for the rest of the week in an effort to discourage panic buying of dollars.

Most dealers and analysts did not believe the bomb would have a direct lasting effect on the currency markets or that the shilling would fall.

"If aid and the promise of assistance come in, I don't see any reason why the shilling should deteriorate," said Robin Mason, the executive director of Barclays Trust Investment Service.

But others said the cost of the bomb was likely to be devastating in its indirect effects on the shilling.

Charles Njonjo, a former government minister, said at the weekend that the cost could be more than 20 billion Kenyan shillings ($2.2 billion). Some analysts put the figure closer to 100 billion shillings.

"Kenya is now in the hands of the international community," Mason said. "There is no way the Kenyan government or the insurance companies can afford anything like this."

Reuters
Kenya black tea output up 66% in first half

Kenya's output of black tea is following a trend predicted yesterday that Kenya was set for a bumper this year. Production for the first half of the year was reported to have risen by 66%, with the total output expected to reach 200 million kg.

This increase is a significant improvement over the same period last year, when production was only 120 million kg. The figures suggest that we should, with relative ease, reclaim our position as a major exporter of black tea, given our natural fertile soil and favorable climate conditions. A foreword to this success is expected to result in increased revenue for the country.
Bomb blasts Kenya's economy

NAIROBI — As relatives continue to bury the at least 247 victims of last week's bombing of the US embassy, Kenya is beginning to measure the impact the worst terrorist attack in its history has had on its economy.

Coming after an 18-month slump, the timing of Friday's explosion could not have been more damaging. "Things were limping along badly anyway," said an economist analyst. "This is the final shot in the head."

Even before the blast, stagnating foreign investment, an aid freeze by donors exasperated by top-level graft, El Niño's ravages on agriculture and the near-collapses of the tourism industry had prompted many economists to predict growth this year would be less than 1% after a disappointing 2.5% last year.

Now even that scenario looks optimistic. "I'd be surprised if growth isn't in the negative," said Institute of Economic Affairs director Robert Shaw. "This will increase momentum towards greater slowdown."

The damage to Nairobi's infrastructure has still to be assessed, although Kenya's President Daniel arap Moi said yesterday the total cost could reach $500m.

The bomb seriously damaged at least 30 buildings in the business centre and it is expected many small businesses may be bankrupted, as insurance policies rarely cater for terrorism.

Tourism is likely to suffer the worst blow after television footage of the blast and a US government travel warning to its nationals.

Meanwhile, the Israeli newspaper Haaretz reported yesterday that a man said to have been in contact with Israeli intelligence warned US authorities of the bomb shortly before the blast last week.

Washington officials then contacted Israeli intelligence, which said that the information should not be overrated. Haaretz reported, quoting an unidentified source with the Israeli intelligence service. The paper said an Israeli government spokesman had declined to comment on the report.

Washington put US facilities around the world on high alert against further attacks yesterday and closed down "half-a-dozen embassies in several regions" to beef up security, a senior official said.

Patrick Kennedy, assistant deputy secretary of state for administration, said several US embassies had been closed temporarily to reinforce security.

The adjustments included the installation of surveillance cameras and grating, and adding personnel to guard the missions — Sapa-AFP-DPA, Financial Times
Kenya may find positive signs in the rubble

Daniel Kamanga

The aftermath of the Kenyan bomb blast may provide an opportunity for the country to forge a new future, writes Daniel Kamanga

Kenya, which with 247 people dead and 4,264 injured in the blast, was hit harder than neighboring Tanzania, is the regional powerhouse. Its economy is about 1.7 times that of Uganda and Tanzania combined. In 1995, Kenya's gross domestic product (GDP) was $9.3 billion compared with Uganda's $6.7 billion and Tanzania's $4.5 billion. However, its fortunes have been declining as the other two East African countries catch up.

Although Uganda has a smaller base for economic take off, it has sparked up its economy and embarked on an aggressive privatization. Tanzania's economic performance has also been good and of the three countries, it has the highest real GDP growth of 5.4%, compared with Kenya's 2.3% and Uganda's 1.6%. Because of Kenya's significant position in the region — it is Uganda's largest trading partner, for example — there is pressure that the wider ramifications of the blast have to be worked out if the country's already battered economy and pull down the region's performance.

However, the economic situation was going well ahead of recent events. Since the first multiparty elections in 1992, the country's political temperature has increased, sometimes to dangerous levels. Daniel arap Moi's re-election last year sparked off violence, looting, and destruction.

Predictions of economic growth have been made and international economists, contributing to an 18-month slump, have seen the end of the recession. The real issue is the fate of the investments.

The situation is worsened by a severe drought and the devastation of tourism and agriculture — the economy's main drivers — by violence, and the El Nino weather phenomenon.

This year's economic growth is forecast at 18%, but the economic think tanks, the Institute of Economic Affairs (IEA) and the National Development Council, have predicted negative growth for the country.

The blast also temporarily suspended an opportunity for Kenya and SA to push up closer economic ties by forming the Southern African Development Community (SADC).

The blast was to follow a thawing of differences between involve government and a string of misunderstandings by the National Council of the country.

A trade agreement was due to be concluded and a Memorandum of Understanding on the agreement was not part of the original schedule.

It is believed that one of the problems linked to the talks is the fact that although two-way trade between the two stands at $1.7 billion, on 6 July was made up of Kenyan exports outweighing the SA's imports.

SA is the largest foreign investor in Kenya while Kenya is the largest foreign trading partner outside of the South African Development Community.

New with more time, the two sides may work harder at getting an agreement.

However, the loss of life, people injured and property damaged in the bomb blast, has left many to question the future of the country. The positive signs may be difficult to see in the face of the destruction and the government's response.

Several years later, when his plane stopped in Naivasha, Moi's government did not feel the pressure of the Kenyan opposition leaders, which had been forced to support the government.

In 1995, when he met with presidents of SA and Kenya, he would like to see the two countries have a united front against the government.

A trade agreement was due to be discussed, but there were no signs that the agreement would be part of the original schedule.

It is believed that one of the problems linked to the talks is the fact that although two-way trade between the two stands at $1.7 billion, on 6 July was made up of Kenyan exports outweighing the SA's imports.

SA is the largest foreign investor in Kenya while Kenya is the largest foreign trading partner outside of the South African Development Community.

New with more time, the two sides may work harder at getting an agreement.

However, the loss of life, people injured and property damaged in the bomb blast, has left many to question the future of the country. The positive signs may be difficult to see in the face of the destruction and the government's response.

Several years later, when his plane stopped in Naivasha, Moi's government did not feel the pressure of the Kenyan opposition leaders, which had been forced to support the government.

In 1995, when he met with presidents of SA and Kenya, he would like to see the two countries have a united front against the government.

A trade agreement was due to be discussed, but there were no signs that the agreement would be part of the original schedule.

It is believed that one of the problems linked to the talks is the fact that although two-way trade between the two stands at $1.7 billion, on 6 July was made up of Kenyan exports outweighing the SA's imports.

SA is the largest foreign investor in Kenya while Kenya is the largest foreign trading partner outside of the South African Development Community.

New with more time, the two sides may work harder at getting an agreement.

However, the loss of life, people injured and property damaged in the bomb blast, has left many to question the future of the country. The positive signs may be difficult to see in the face of the destruction and the government's response.

Several years later, when his plane stopped in Naivasha, Moi's government did not feel the pressure of the Kenyan opposition leaders, which had been forced to support the government.

In 1995, when he met with presidents of SA and Kenya, he would like to see the two countries have a united front against the government.

A trade agreement was due to be discussed, but there were no signs that the agreement would be part of the original schedule.

It is believed that one of the problems linked to the talks is the fact that although two-way trade between the two stands at $1.7 billion, on 6 July was made up of Kenyan exports outweighing the SA's imports.

SA is the largest foreign investor in Kenya while Kenya is the largest foreign trading partner outside of the South African Development Community.

New with more time, the two sides may work harder at getting an agreement.

However, the loss of life, people injured and property damaged in the bomb blast, has left many to question the future of the country. The positive signs may be difficult to see in the face of the destruction and the government's response.

Several years later, when his plane stopped in Naivasha, Moi's government did not feel the pressure of the Kenyan opposition leaders, which had been forced to support the government.

In 1995, when he met with presidents of SA and Kenya, he would like to see the two countries have a united front against the government.

A trade agreement was due to be discussed, but there were no signs that the agreement would be part of the original schedule.

It is believed that one of the problems linked to the talks is the fact that although two-way trade between the two stands at $1.7 billion, on 6 July was made up of Kenyan exports outweighing the SA's imports.

SA is the largest foreign investor in Kenya while Kenya is the largest foreign trading partner outside of the South African Development Community.

New with more time, the two sides may work harder at getting an agreement.

However, the loss of life, people injured and property damaged in the bomb blast, has left many to question the future of the country. The positive signs may be difficult to see in the face of the destruction and the government's response.

Several years later, when his plane stopped in Naivasha, Moi's government did not feel the pressure of the Kenyan opposition leaders, which had been forced to support the government.

In 1995, when he met with presidents of SA and Kenya, he would like to see the two countries have a united front against the government.

A trade agreement was due to be discussed, but there were no signs that the agreement would be part of the original schedule.

It is believed that one of the problems linked to the talks is the fact that although two-way trade between the two stands at $1.7 billion, on 6 July was made up of Kenyan exports outweighing the SA's imports.

SA is the largest foreign investor in Kenya while Kenya is the largest foreign trading partner outside of the South African Development Community.

New with more time, the two sides may work harder at getting an agreement.

However, the loss of life, people injured and property damaged in the bomb blast, has left many to question the future of the country. The positive signs may be difficult to see in the face of the destruction and the government's response.

Several years later, when his plane stopped in Naivasha, Moi's government did not feel the pressure of the Kenyan opposition leaders, which had been forced to support the government.

In 1995, when he met with presidents of SA and Kenya, he would like to see the two countries have a united front against the government.

A trade agreement was due to be discussed, but there were no signs that the agreement would be part of the original schedule.

It is believed that one of the problems linked to the talks is the fact that although two-way trade between the two stands at $1.7 billion, on 6 July was made up of Kenyan exports outweighing the SA's imports.

SA is the largest foreign investor in Kenya while Kenya is the largest foreign trading partner outside of the South African Development Community.

New with more time, the two sides may work harder at getting an agreement.

However, the loss of life, people injured and property damaged in the bomb blast, has left many to question the future of the country. The positive signs may be difficult to see in the face of the destruction and the government's response.

Several years later, when his plane stopped in Naivasha, Moi's government did not feel the pressure of the Kenyan opposition leaders, which had been forced to support the government.

In 1995, when he met with presidents of SA and Kenya, he would like to see the two countries have a united front against the government.

A trade agreement was due to be discussed, but there were no signs that the agreement would be part of the original schedule.

It is believed that one of the problems linked to the talks is the fact that although two-way trade between the two stands at $1.7 billion, on 6 July was made up of Kenyan exports outweighing the SA's imports.

SA is the largest foreign investor in Kenya while Kenya is the largest foreign trading partner outside of the South African Development Community.

New with more time, the two sides may work harder at getting an agreement.

However, the loss of life, people injured and property damaged in the bomb blast, has left many to question the future of the country. The positive signs may be difficult to see in the face of the destruction and the government's response.

Several years later, when his plane stopped in Naivasha, Moi's government did not feel the pressure of the Kenyan opposition leaders, which had been forced to support the government.

In 1995, when he met with presidents of SA and Kenya, he would like to see the two countries have a united front against the government.

A trade agreement was due to be discussed, but there were no signs that the agreement would be part of the original schedule.

It is believed that one of the problems linked to the talks is the fact that although two-way trade between the two stands at $1.7 billion, on 6 July was made up of Kenyan exports outweighing the SA's imports.

SA is the largest foreign investor in Kenya while Kenya is the largest foreign trading partner outside of the South African Development Community.

New with more time, the two sides may work harder at getting an agreement.

However, the loss of life, people injured and property damaged in the bomb blast, has left many to question the future of the country. The positive signs may be difficult to see in the face of the destruction and the government's response.

Several years later, when his plane stopped in Naivasha, Moi's government did not feel the pressure of the Kenyan opposition leaders, which had been forced to support the government.

In 1995, when he met with presidents of SA and Kenya, he would like to see the two countries have a united front against the government.

A trade agreement was due to be discussed, but there were no signs that the agreement would be part of the original schedule.

It is believed that one of the problems linked to the talks is the fact that although two-way trade between the two stands at $1.7 billion, on 6 July was made up of Kenyan exports outweighing the SA's imports.

SA is the largest foreign investor in Kenya while Kenya is the largest foreign trading partner outside of the South African Development Community.

New with more time, the two sides may work harder at getting an agreement.

However, the loss of life, people injured and property damaged in the bomb blast, has left many to question the future of the country. The positive signs may be difficult to see in the face of the destruction and the government's response.
Kenya to cut cash ratio for banks to 13% 

NAIROBI — The Central Bank of Kenya said yesterday the cash ratio for commercial banks and nonfinancial institutions would be cut to 13% of deposits from 14% on September 1.

"The reduction is in line with budget proposals for the 1998-99 financial year," the Central Bank said.

"This should assist banks in their efforts to bring down interest rates." (153)

The cash ratio is the percentage of total deposits that banks and financial institutions must deposit with the central bank. In Kenya, such cash attracts no interest.

The central bank said in July it intended cutting the cash ratio to 12% in the financial year ending June 30, next year, in an effort to lower interest rates by freeing liquidity.

Interest rates on 91-day treasury bills averaged 23,80% at last week's auction, having fallen from around 27% in April.

Commercial banks' base rates averaged 27,71% last week. — Reuters.
Central bank says existing institutions meet farmers' needs

Kenya rejects scheme to set up farm banks

MANOAH ESIPISI

Nairobi — The Central Bank of Kenya yesterday rejected the creation of special banks for farmers, saying existing commercial banks adequately covered their needs.

John Murugu, the director of bank supervision, said "Our attention has been drawn to recent press reports indicating that the Coffee Board of Kenya and the Fresh Produce Exporters' Association of Kenya are each planning to set up their own banks.

"We, however, feel that the existing banks have adequate capacity to serve the needs of the above two organisations."

On Wednesday, Kenyan fresh produce exporters said they would launch a horticulture bank to overcome high commercial interest rates that have virtually halted farm borrowing.

Earlier this year, the coffee board said it was setting up a bank to ease farm credit problems.

James Mathenge, the chairman of the Fresh Produce Exporters' Association of Kenya, said "A bank task force has been set up to pursue this initiative. The bank will cater for the peculiar needs of the sector, offer cheap long-term loans to our members and significantly reduce the cost of production."

Commercial lending rates in Kenya are above 30 percent. Rates on benchmark 91-day treasury bills stand at 23.54 percent.

Senior analysts said it was naive for farm agencies to assume that having their own banks would automatically lead to borrowing at lower interest rates.

"If these (farm) banks have cheap money, everyone will start borrowing from them. This simply does not work," — Reuters

The government has not anounced how much money it plans to raise from the sale.

In 1995, Kenya Re had net assets valued at 1.4 billion shillings (R180 million) and total liabilities of 4.5 billion shillings. According to Ace Communications, Kenya Re's privatization publicity managers, the company posted pretax profit of 116 million shillings in that year.

Kenya Re will be the second, privatization this year after the successful sale of a 25 percent stake in blue-chip Kenya Commercial Bank — Reuters.
Turmoil deters potential foreign investors

Kenyan sugar mills swallow a bitter pill

Shirley Jones

Durban — Although Illovo Sugar had not written off the prospect of obtaining an equity interest in the Kenyan sugar mill it rehabilitated last year, this had slipped to the bottom of its priority list. This emerged after the decision to focus on growing its operations in Malawi, Swaziland and Tanzania. Don MacLeod, Illovo’s managing director, said yesterday.

Foreign investors such as Illovo were also likely to be scared off by corruption and the political turmoil affecting the Kenyan sugar sector. This has reduced sugar from the country’s prime export to a lesser commodity.

Illovo won a R21 million contract to refurbish the South Nyanza (Sony) Sugar Company in western Kenya in August 1996, one of its first steps towards growing its interests in sub-Saharan Africa.

It aimed to increase production from 68,700 tons to 78,000 tons of sugar. A second phase, in which Illovo is not involved and which is yet to be implemented, plans to increase this to over 124,000 tons a year.

Sony is just one of seven white-owned sugar mills which have fallen out with the Kenyan government. Together with the others it was sharply criticized this week by Musalia Mudavadi, Kenya’s agriculture minister, for failing to adjust to the 1989 liberalization of the sugar industry and containing costs.

Kenyan sugar production was 401,000 tons in 1997. Annual consumption is believed to be about 600,000 tons.

Mudavadi said millers found it easier to blame cheap imports for chaos in the sugar sector than to confront issues such as marketing and management.

Nzoa, a mill which has severe cash flow problems and has had financial and mismanagement problems since 1989, now faces a cane delivery boycott by farmers in protest against the company’s failure to pay them more than R36 million.

Nzoa blamed cheap imports and said it was impossible to compete when those come in at half their production cost.

Mudavadi has admitted that enforcement of taxes on imported sugar destined for both Kenya and East Africa was a problem.

Reuters said politically connected individuals and companies rumped Kenya’s market by dumping sugar without paying any duties. The worst offenders diverted sugar meant for Uganda, Burundi, Rwanda and Zaire to Kenya.

Official data showed imports of 66,000 tons in 1997, but port authorities reported as much as 300,000 tons.

“The problems of imports evading the payment of duty continue to make the marketing of sugar in Kenya difficult for local producers. Government action is necessary if private investors are to be attracted to the sugar industry,” MacLeod said.

Mudavadi said there were clear policy questions to be addressed before investment would flow into Kenya.
Kenyan public service chief criticises police

NAIROBI — Public service chief Fares Kundwa has rapped Kenya's police force for brutality and corruption, newspapers reported yesterday.

Kundwa, who is head of the civil service and secretary to the government cabinet, said police corruption had to be stamped out.

Kundwa also said top officers should tackle poor discipline and stop officers from using excessive force. He thought the image created by the traffic police was particularly worrying.

"The taking of bribes from overloaded vehicles or the issuance of driving licences to unqualified drivers has without doubt contributed to the heavy loss of lives on our roads," Kundwa said.

The image of the police was tarnished and had to be cleaned up, Kundwa said. "Police must realise that the public is their employer and ensure that the service is geared towards harmonising relations between the two," he said.

Kundwa said Kenyans were now more aware of their rights, and the police force needed to adjust to avoid embarrassing itself and the government.

The unusually scathing criticism, at a seminar of top police officers, came as London-based human rights watchdog Amnesty International, published its annual report. It accuses Kenyan police officers of routinely beating up criminal suspects, leading to a number of deaths in custody — Sapa-AFP.
Kenya bans six Islamic aid groups 'for security reasons'

NAIROBI — Kenya has banned six aid agencies linked to Islamic organisations, including at least one raided in connection with terrorist attacks on US embassies in east Africa, a newspaper said yesterday.

The groups were banned because they 'had been found to be working against the interests of Kenyans in terms of security', John Etemesi, chairman of the Nongovernmental Coordinating Board, which registers and agencies in Kenya, said on Tuesday, the Daily Nation newspaper reported.

"Our investigations reveal that the operations of these organisations are inconsistent with the reasons for which they were registered," Etemesi said.

Etemesi was not in his office yesterday His assistant, who declined to be named, confirmed the ban but declined to elaborate.

US Federal Bureau of Investigation agents and Kenyan detectives raided the offices of one of the banned organisations, Mercy Relief International, in Nairobi after the terrorist bombings of US embassies in Kenya and Tanzania.

The blasts killed 258 people and injured more than 5,800.

The government also banned Help Africa People, Al-Haramain Foundation, and the Ibrahim bin Abdul Aziz al Ibrahim Foundation, all three of which are based in Nairobi.

The International Islamic Relief organisation, based in the Indian Ocean port of Mombasa, was another of the banned agencies.

The sixth banned agency, Habbat Islam Al Slam of Nairobi, was not registered, and illegally engaged in relief work, Etemesi said.

The agencies could not be reached for comment yesterday.

Two suspects in the Nairobi bombing — Mohamed Rashid Daoud Al-Owhali and Mohammed Sadiq Odoh — were flown from Kenya to New York last month to face charges.

US authorities have linked the pair to Islamic militant Osama bin Laden.

The International Islamic Relief organisation has its main office in a Mombasa neighbourhood where Odoh formerly lived. His Kenyan wife and son are now staying in a relative's home nearby.

The organisation earlier lost its exemption from paying customs duties after the finance ministry complained that the agency was selling its duty-free food to merchants.

Its operations were concentrated along the Indian Ocean coast and in the eastern and northeastern regions, where most of Kenya's Muslim community lives. — Sapa-AP
Kenya on course for record tea crop — experts

NAIROBI — Industry sources said yesterday Kenya is on course for a record tea crop this year because of good weather, and the commodity's prices are firm.

"We are still set for a record-breaking tea crop. There is no doubt about that," said Richard Surrey, chairman of the (East Africa) Tea Brokers' Association.

"We are looking at probably 60-million kilograms more than last year. We are holding up well and the prices at auction are on average very firm, comparable to last year," Surrey said.

"Africa Tea Brokers (ATB) said earlier Kenya's production rose by 66,35-million kilograms, or 59.31%, to 178,23-million kilograms in the first seven months of this year, compared with the same period last year.

It put production in July at 17,253-million kilograms, an increase of 2,136-million kilograms, or 14.11%, over the same month last year.

The increase in July was not as high as forecast because of capricious weather. African Tea Brokers said "West of the Rift (Valley), the weather has been mixed with low temperatures. Dry sunny periods have been interspersed with rain — sometimes heavy."

Some haul had fallen.

"Temperatures east of the Rift Valley have been cold with sunny intervals, light rain and clouds. "Growth, especially in the colder regions, has been slow," it said.

Five auction sales were held during July, when a total of 325,670 packages were sold at an average price of $1.70/kg, compared with four sales during the same month last year when 180,521 packages were sold at an average $2.20/kg.

Auction tea packages range from 50kg to 70kg.

The average price for Kenyan tea through the first seven months of this year was $1.85/kg, compared with $1.47 in the same period last year. — Reuters.
Kenya rejects lower credit rating

JOE KHAMISI

Dar es Salaam — Kenya says it will launch a formal inquiry over the decision last week by the South African-based Credit Guarantee Insurance Corporation of Africa to downgrade Kenya's credit rating because of that country's poor economic conditions.

The government-supported Kenya Export Promotion Council (KEPCO) described the move as unnecessary. Themba Njebele, the corporation's export operations manager, said last week that premiums on credit insurance for South African imports into Kenya would be increased because of the country's deteriorating road infrastructure.

The KEPCO disagreed. "The poor road infrastructure is hardly a reason for the low ranking because, once goods have been imported into Kenya, it is the responsibility of the importer to transport the same from the port of entry and not the exporter," an official said.

Kenya is South Africa's largest trading partner outside the Southern Africa Development Community. Officials in Nairobi fear the decision could result in a decline in South African exports to Kenya and fuel an increase in prices.

But Njebele says the decision will only lead to higher credit insurance premiums. South Africa sells goods worth 20 billion shillings ($2 billion) to Kenya, while the latter's exports to South Africa amount to only 2 billion shillings — Independent Foreign Service.
Kenya urges regulators to minimise crisis

Nairobi — Global securities regulators should take a bigger role in minimising the market turmoil that has battered most emerging economies, Simeon Nyachae, Kenya's finance minister, said yesterday.

"Market instability in (Asia and Russia) resulted in huge losses and affected all major capital markets of the world," Nyachae said in his opening remarks to the 23rd annual meeting of the International Organisation of Securities Commissions in Nairobi.

"These fluctuations can be minimised if the appropriate message is disseminated to market players, and regulations used to reduce overreaction," Nyachae said.

The ripple effect of volatile Asian and Russian markets, and how regulators should respond will be a crucial issue during the two-day conference.

Regulators, investment managers and market operators from 134 countries will also debate technology issues, price rules and ways of building confidence in developing markets.

Nyachae told delegates they had a key role to play in luring foreign investment to emerging markets by ensuring they were transparent and efficient.

"With the demise of the Cold War, it is now possible to attract foreign capital on the basis of return on investments," Nyachae said.

"However, this can only happen if the regulatory environment facilitates development of credible markets." — Reuters
Closure of Kenyan banks causes panic

NAIROBI - The closure of Kenya's three top banks has cast a shadow over the country's banking sector, causing panic among local investors.

Kenyan authorities confirmed last week it had taken over three private commercial banks which had run into financial difficulty.

The E.C.B., Trust Bank and Bulson Bank have been placed under the statutory management of the Central Bank of Kenya after failing to honour an amount of 1.164 million shillings in cheques.

Under the statutory management, the banks will be operating normally under the central bank's managers, but depositors will not be allowed to withdraw their savings.

The central bank, which regulates the activities of Kenya's 55 banks, said the takeovers of the E.C.B. and Trust banks had been prompted by allegations of fraud and mismanagement.

Five businessmen and four directors of the E.C.B., which failed to honour cheques amounting to 304 million shillings, have been taken to court and charged with fraud.

"We've been warning them for some time now. One of their problems was overexpansion and the other was spending," central bank chief Miah Cheyese said.

A Bulson Bank source said the run led to large withdrawals and a shortage of cash.

"There is a lot of uncertainty around; things may worsen if investors continue to pull out their money from banks," he said.

By Monday morning, long queues of worried depositors seeking to withdraw their money from small banks could be seen in Nairobi. In large banks, however, there was little sign of panic and business went on as usual.

To try to win depositors' confidence, the central bank held a crisis meeting on Friday with more than 20 small commercial banks. At the meeting, the central bank proposed 10 measures to increase transparency in the banking sector and avert a similar crisis in the future. "Banking is based on confidence, and it is the duty of those given the responsibility to run them within effective self-regulatory measures," Cheyese said.

Friday's proposals include a freeze on lending and the merger of small banks to increase capital shares. "It is important to merge or inject new funding because when there is a lot of wind, the small banks are easier to pull down," said Cheyese.

Economists say unless the central bank applies stricter rules on locally-run banks, which unlike the larger banks, are operated largely by families, the crisis may deepen.

Edward Gitahi, an economist in Nairobi, says although the existing rule of shareholders does not allow individuals to own more than 25% of bank assets, families own up to 50% of most private banks in Kenya, influencing decisions. "Most banks operate as close families and they want to remain close," he said. They made decisions on the basis of control rather than business prudence, resulting in madder lending without proper securities.

— Sapa-IPS
Kenya’s Prudential also hit by small banks’ crisis

NAIROBI — Kenya’s Prudential Bank was in “limbo” yesterday after being suspended from the Central Bank of Kenya’s clearing house on Tuesday for failing to meet its financial obligations, the central bank said.

Prudential was the fourth bank to have its membership of the clearing house suspended amid a crisis affecting Kenya’s small banks. The other three have been placed under statutory management by the central bank.

They are Trust Bank, Kenya’s second-largest commercial bank, Reliance Bank and Bulleen Bank.

Trust Bank’s troubles prompted Tanzanian authorities to assume control of Trust Bank Tanzania. The Tanzanian central bank said the move aimed to prevent a “spillover” of negative effects on the Kenyan parent firm.

The Kenyan central bank said it was giving Prudential time to try to find another bank to clear transactions on its behalf. “If it fails to appoint another bank, the central bank will have to step in to take the necessary action,” said Reuben Maramba, the central bank’s chiefhek banking manager.

“We may have to put them under management,” he said.

John Murugu, the central bank’s director of bank supervision, said Prudential remained open yesterday, but would not be participating in clearing operations. “Their shareholders and directors were meeting (earlier yesterday) and they were going to contact another bank. We are giving them time to put their house in order,” he said.

The problem arose after Prudential failed to meet its obligations at the clearing house on Friday.

Although it managed to clear its transactions on Monday, it again failed to meet its obligations on Tuesday, and was then suspended by the Kenya Bankers Association, said Maramba.

Prudential Bank made no comment on its suspension. Its assets of about $13bn represent about 0.3% of the total assets of the sector, Murugu said.

With more than 50 banks, analysts say Kenya is heavily overbanked, and many of the smaller banks will have to merge next year under new central bank rules on capital adequacy.

Analysts say the risk of a widespread collapse in the sector is low, as Kenya’s largest banks — which control the vast majority of business — are in good health financially. — Reuters
Kenyan teachers prepare for countrywide strike

NAIROBI — Kenya is bracing for a massive strike by the country's 280,000 public school teachers due to start today. The showdown between the government and teachers promises to be ugly, observers said.

The courts have declared the strike illegal, and the government says it will fire any teacher participating in the walkout.

However, the teachers remain defiant, saying they will not return to their classrooms until they get paid higher wages by the government.

A primary school teacher earns about $40 a month, and even seasoned teachers at well-known schools earn around $200 a month — salaries too low to live on, teachers complain.

This is the second time that Kenya's teachers have called a nationwide strike.

At the same time last year, a 14-day strike shut down schools and forced the government, which was facing an election, to promise pay rises of between 150% and 200%.

These salary increases were to be paid but in five installments, but only one installment was paid immediately. The government reneged on the second installment, due last June, saying it could not afford the increase. Angry teachers vowed to go back on strike.

Francis Ng'ang'a, deputy secretary-general of the Kenya National Union of Teachers, told a local newspaper that teachers were fed up with the government's "dilly-dallying and arm-twisting." Unless the government came up with the money for the second pay rise installment, the union had no business talking with it, he said.

Teachers blame the government for corruption and mismanagement, and say their salary increase should not be jeopardized because Kenyan officials have run the economy poorly.

The strike comes at a time when Kenyan students are facing important exams, due to start later this month.

The government has said it will ask police to supervise the exams if necessary — a prospect which has caused outrage among teachers and students.

— Sapa-DPA.
Kenyan tourism faces a tough future

Due to the current economic situation in Kenya, the tourism industry is facing significant challenges. The government is taking measures to address these issues, but it remains a tough future for the industry.
Kenya acts to clean up three embattled banks

FROM REUTERS

Nairobi — Kenya's central bank yesterday set tough new conditions that three troubled local banks would have to meet before they would be allowed to operate again — including the sacking of their entire boards and most senior managers.

The Central Bank of Kenya said the conditions it had set were the "minimum needed" before it would allow the three beleaguered banks to reopen.

The plan needs the approval of 50 percent of depositors.

Last month the three small banks were ordered by the central bank to suspend operations after they failed for several days to meet clearing requirements. They were placed under the temporary management of the central bank.

Trust Bank, Reliance Bank and Bulion Bank also suffered a mini-run by depositors, which spread to branches in Tanzania and Uganda.

The central bank yesterday set 12 new conditions the banks must meet before being allowed to reopen.

These included the stipulation that the previous chief executive and the majority of senior managers should not be employed and no previous director allowed on the board.

New boards of directors were to be appointed by a committee of depositors, the central bank and shareholders, who would then appoint a chief executive and non-executive chairman.

New directors and board members would be prohibited from borrowing, and all insider loans must be repaid or be performing.

At least 80 percent of depositors (by value) must give consent in writing to the rescue package.

The central bank said the three banks, all owned by Kenyan families of Asian extraction, ran into trouble last month as a result of lending to directors at preferential interest rates, among other things.

Kenya has more than 50 banks, and analysts have said the country is over-banked. The central bank has said many would have to merge to meet new capital requirements from next year.

A spokesman for an association of small Kenyan banks was not immediately available to comment on the new plan.
Moi set to get golden handshake

Nairobi, 8th October, 1978

President Daniel arap Moi is due to retire in August next year after 20 years in power. He will be entitled to a golden handshake that will include a house, car, an office and a personal assistant.

The house will be a state house and will have all modern amenities. The car will be a luxurious vehicle, and the office will be furnished with all the necessary equipment.

The personal assistant will be responsible for Moi's daily activities and will be entitled to a pension after his retirement.

The Opposition leader, Robert Moi, has expressed concern over the issue of Moi's golden handshake, saying it is a waste of public resources. He has called for a transparent process to handle such matters.

Nairobi, 9th October, 1978

A coalition of political parties has condemned the move, saying it is a violation of the constitution. They have called for a fair and transparent process to handle such matters.
Rail link from south has Kenyans worried

SA exports to east Africa could grow at expense of Mombasa port

James Macharia

NAIROBI — Kenya’s private sector has expressed concern about the implications of a railway link from southern to east Africa forounteas to promote east African trade.

Trans Africa Railways Corporation, an SA company, is building a direct railway link between Cape Town and Kampala, through a connection in Morogoro, Tanzania.

The Tanzanian government has granted Trans Africa a 20-year concession to operate on the state-owned Tanzania Railway Corporation’s rail network Trans Africa Railways GM Simon Fourt says the agreement allows it to use three modified locomotives and 200 wagons modified to fit the country’s narrow gauge of 1,000mm.

Kenyan business organisations fear the railway line will favour SA exports to east Africa and the Great Lakes region and reduce trade volumes at Mombasa port. They fear also it will lure customers away from Kenya Railways Corporation.

Trans Africa has already signed a five-year contract to transport 175,000 tons of cement a year for Tanzania’s Pangia Cement company.

The secretary-general of East African Co-operation, Francis Muthaura, a Kenyan, said that while the project was bound to have immediate benefits for South Africans, any effort to open up the region through efficient transport systems was welcome.

“We should look at the two sides of the Trans Africa Railway link and see the advantage to east Africans, who can use the railway line also to export to southern Africa,” Muthaura said.

However, the Kenya National Chamber of Commerce and Industry has spearheaded the complaints, saying it fears the Trans Africa link will affect Mombasa, and therefore Kenya Railways’ cargo services, adversely.

Chamber CE Rem Ojaga said “What we are likely to see is a deflection of traffic from Mombasa port, which has long enjoyed the status of a landing point for the northern corridor linking Kenya, Uganda, Rwanda, Burundi and eastern Congo.”

He said the Trans Africa railway would make Durban a port the loading point for goods going to east Africa and the Great Lakes region.

Kenya Railways business manager Jane Musomba promised that the SA rail company would face a tough time in east Africa.

She said Kenya Railways had offered east African freight businesses partnerships, which included guarantees — at a fee — for wagons to ferry cargo. Freighters could be guaranteed the use of five wagons for five years at the rate of (1250) a wagon.

The offer has attracted several big players in the freight business, including the World Food Programme, which has paid for the use of 400 wagons.

However, inefficiency at Mombasa port could easily drive the freight companies away.

The freighters’ problems are compounded by the bad state of the Nairobi-Mombasa highway.

It is this weak link that the Kenya National Chamber of Commerce and Industry fears will give the SA rail company a foothold in the east African market.

In a recent report, the chamber said that while a container from the port of Kobe in Japan took three weeks to reach Mombasa, it took six weeks to reach eastern Congo from Mombasa.

The report argued that it would, therefore, be much cheaper to ferry goods from Durban directly to other countries in east Africa rather than move them from Mombasa.

In 1996/97, Dar es Salaam’s port handled 5.484 million tons of imports, of which about 1.202 million tons involved transit cargo to landlocked countries in the region.

Trans Africa Corporation has promised to provide the cheapest and quickest mode of cargo transport in the region, at below 10% and 20% less in shipping costs than its competitors.
Audit report damns employee scheme

James Macharia  90 6 11 98  (169)

NAIROBI—Kenya's national employee pension management scheme, which serves 2.5-million people, is in crisis following a damning report by actuaries Hayman Robertson who warned that the National Social Security Fund must double its deductions from employees and employers or face insolvency.

The report has confirmed years of speculation that the scheme is being mismanaged. The increase in monthly deductions is set to anger most contributors, especially in view of the type of investments the fund has entered into. It has purchased property and buildings from officials close to the ruling party, Kanu, at exorbitant prices.

Under the scheme, employers have statutory deductions of $1.30 from each employee to go into the fund and then match the contribution for a total of $2.60, which will now rise to $5.30. The social security fund collects about $6.6m a month from private sector and government employees, but after years of poor investments and a sharp rise in expenses from 12% of contributions to 78% it must either raise contributions or fold.

The fund’s investment income has been falling by about 20% a year since 1994. At the same time, its rate of return on assets has dropped from 21.3% in 1993 to 8% last year with more than $116m tied up in undeveloped land. "The fund is clearly failing in its objectives if all its contributions are absorbed by expenses rather than being available for benefits payments," the report says.

The fund's cash flow was reduced from $1.6m in 1992 to a deficit of $22.6m in June last year.

There have been numerous complaints in the media of delayed pension payments from retirees who are forced to run from one office to another to seek their dues and wait in long queues to receive them.

The fund's investments in land has shot up from 13% in 1993 to more than 50% last year. The report notes that some of the buildings purchased at higher than market rates are View Park Towers bought at $14.1m and a piece of land, formerly a quarry, at $16.5m.

"Another dubious investment is the fund's headquarters which opened in 1994 whose construction cost shot from $7.8m to $33.3m."

The report warns that unless drastic action is taken, the fund is in danger of going bankrupt in the near future.
Kenyan small-bank sector shattered by two closures

James Macharia

NAIROBI — The deceptive calm in the small banks sector was shattered this week with the closure of two banks, City Finance and Prudential, bringing to five the number of banks that have collapsed in the past two months.

In September the central bank shut Trust Bank, which is the seventh largest, Reliance and Bullion banks. The reason given for the latest closures was the inability of the banks to pay depositors and to clear their cheques through the clearing house which handles interbank transactions.

Central bank governor Micah Cheshire subsequently appointed statutory managers for the two banks to help turn them around by selling assets to inject new capital.

City Finance shares the same chairmanship and shareholding as Trust Bank. The banks’ chairman Apa Shah has come under scrutiny by the central bank for his role as both owner and CEO of the banks. When the central bank took over Trust Bank, it required him to relinquish his position as CEO in a bid to resuscitate it under new terms of management.

City Finance bank, with 59 staff members and a $51,300 deposit base at the time it closed, was licensed in 1985 as a nonbank financial institution and a year later converted into a bank while Prudential Bank, which had deposits of $10,983, was incorporated in 1995.

Kenya’s banking sector has 50 banks and 35 are classified as small banks.

When the initial domino-like collapse began in September, the Central Bank had strongly advised small banks to merge in order to strengthen their capital base. Of the banks to be closed so far, Trust Bank was by far the largest, accounting for about 3% of the market by assets. Reliance Bank and Bullion Bank had about 5.5% each according to CBK figures. Prudential had assets representing about 0.2% of the total assets of the sector, the central bank said.

Kenya’s 14 nonbank financial institutions and 26 of its 53 commercial banks faced the risk of closure next year when a new banking rule would take effect requiring them to increase their capital base, the central bank said.

It said the small banks should raise a total of about $65 million in the next 18 months to qualify under the regulations, which come into effect at the end of next year.

The central bank said it was unlikely several small banks could raise $3.3 million capitalisation before then. This amount is now at $1.2 million.

The central bank’s research director, Maurice Kanga, said recently that mergers offered a way out to small institutions which would otherwise struggle to make the grade. “It is not conceivable that (many of) the banks and nonbanking institutions can raise the required amount. For the banks that are weak now, it seems a hopeless case unless they merge.”

But talk of mergers among the small banks could face hurdles in the form of depositors. Many small banks have strong links to particular ethnic groups and clans, mostly the Indian-Kenyan community, or links to Kenya’s political establishment. Others are family businesses. As a result, mergers could be difficult to organise. The alternative to merging is to find people to inject into their capital bases.

In fact, most of the ailing banks have been rendered illiquid owing to the run on them by members of the communities they serve.

Investment analysts said Kenyan investors of Asian extraction were in the market looking for dollars after withdrawing cash from the small banks, while others were in search of property investments.
Beer war brews as SAB challenges in Kenya

MATTHEW BEGG

Nairobi — A new African war is brewing, but not about borders or ethnic animosity. This time it’s about beer.

Kenya Breweries (KBL) dominates Kenya’s lucrative beer market with its flagship Tusker brand. It also controls around 60 percent of the East African market.

Enter SA Breweries (SAB) and Castle beer. The southern giant opened a plant near Nairobi in October and now threatens to encroach on KBL’s home turf.

“The perception is correct. We are fighting,” said KBL group managing director Michael Karanja.

Two factors intensify the competition — a mysterious battle of the billboards and a decision by Kenya Breweries to launch its beers in South Africa.

Songhany, somebody somehow, has been sabotaging advertisements for beer.

Both companies are quick to deny responsibility for a recent spate of attacks on KBL and Castle billboards in Nairobi, buying newspaper space to highlight that they are being victimised.

And both companies have moved to seize the moral high ground, pointing out that they alone have refrained from accusing the other of doing the damage.

“Truth and Reconciliation: Let the facts be known,” KBL said in a full-page advert in the East African Standard that pointed to events at the southern end of the continent.

Below were a series of pictures of defaced KBL hoardings and the words “Persistent misinformation in the press regarding damaged and defaced beer billboards compels us to respond.”

“Defaced but not demotivated,” countered Castle above a similar picture of a damaged Castle advert.

“A deeper point of conflict in the Kenyan brewery’s attempt to sell Tusker in South Africa. Karanja accused SAB of deliberately blocking its entry into the South African market by registering a brand that features Tusker’s logo. He said his company would go to court.

“They must be reasonable. We don’t use those tactics to try and stop them. If we wanted to we would have registered Castle (in Kenya),” he said.

Allen McInnes, Castle Kenya’s sales and distribution manager, denied Castle engaged in unfair competition, arguing that Kenya Breweries had registered around 100 names on its turf in an apparent attempt to block other brewers.

SAB controls 88 percent of South Africa’s domestic beer market and dominates the African industry.

SAB has been market leader in the Tanzanian market since 1983 but when it bought the state-owned brewer it now expects rapid expansion in Kenya, having opened a plant in Thika as Castle Brewing Kenya Ltd in partnership with local businessmen.

The Thika plant can produce up to 30 percent of the 2.5 million hectolitres consumed annually in Kenya, said McInnes.

Castle’s distribution and marketing are aimed at the Nairobi area, which accounts for 50 percent of the Kenyan market.

“If you take over a year’s volume (in Kenya), we have perhaps only got about 2 percent,” said McInnes. “But if you just take our volume for last month only on a monthly basis we have perhaps got between 5 and 7 percent.

“Any business would like to have 30 percent of the cake as possible and fortunately the market is big enough for two breweries to enjoy a decent slice of the cake,” he said.

KBL says it has 97 percent of the Kenyan market and 50 percent of Uganda. In Tanzania, KBL controls 95 percent, a figure it hopes will rise now it has opened a plant in the northern town of Moshi earlier this year.

Bright yellow billboards are a vital weapon in the war.

Tusker’s ads — captioned “my country, my beer” — are a naked appeal to patriotism.

Castle’s ads feature an ice-cold can, tipped temptingly to one side.

Lack of disposable income stops many Kenyans from touching the demon drink. Only 10 percent quaff beer while another 10 percent drink cheaper home-brew such as “chang’aa”.

The irony for KBL and SAB is that the majority of the population are innocent bystanders to the beer war. Most Kenyans are teetotallers. — Reuters
Debtors in Kenya bank row named

(David Mageria)

(Nairobi) 30/11/98

By publicly naming debtors of the troubled National Bank of Kenya (NBK), including two cabinet members, the Kenyan government has signalled its determination to turn the bank into a purely commercial operation, analysts and NBK officials said last week.

"Naming politically correct persons signals a new ball game for NBK," Andrew Hamilton, the bank's new debt adviser, said.

"I think the government wants to say the National Bank will no longer play it politically. It has to run commercially." The central bank appointed Hamilton on Monday to advise NBK, the country's fourth largest commercial bank, on means to recover unperforming loans.

The decision followed the government's injection of 2 billion shillings ($33 million) to restore confidence.

The list of NBK debtors includes Sam Oginga, local authorities minister, and Kipkalya Kone, the public works minister.

Other high-profile debtors who owe the bank more than 8.4 billion shillings include President Daniel arap Moi's business manager and other leading politicians and businessmen.

Commentators have long claimed NBK — in which the government has a minority shareholding and the state pension fund holds a large chunk — had been mulled by politicians.

"The list of 87 debtors reads like a Who's Who of Kenya's political and business landscape," the Daily Nation newspaper said.

The debtors' list was seen as a fillip for the bank in its effort to recover bad debts.

"It will obviously step up the momentum on repayment," Hamilton said.

"The fact the public is fully aware might influence the courts to stop giving injunctions that unfairly delay debt recovery."
Corruption said to be everywhere in Kenya

NAIROBI — Corruption is so refined in Kenya that it took a while before anyone noticed that police headquarters was paying salaries to dead officers. "People have been fiddling with the computers, and a lot of money has been lost," said Noah arap Too, director of the criminal investigation department. Investigations are going on."

Too would not say when the scam was detected, but the East African Standard reported on November 12 that the scheme had begun in 1993 and had cost taxpayers about $3m.

On the same day, a committee headed by Judge Richard Kwach issued a report detailing widespread corruption in the judiciary, ranging from kickbacks on fines to sexual harassment of defendants. "Corruption is endemic. It is everywhere. Almost everybody in Kenya participates in, or is a victim of, corruption," said Musakari Kombo, chairman of a parliamentary anticorruption committee.

It is rare to find politicians and public servants who do not demand bribes ranging from a few shillings to millions — payments commonly referred to as "kujiko", or "something small" in Swahili.

Last May, Finance Minister Simon Nyachae announced that the government was broke and said a major reason was that customs officials were taking bribes not to collect duties on imported goods.

An even more harmful and rampant form of corruption is the looting of public property, including land and government corporations, the private Institute of Economic Affairs said. That graft is the preserve of the political elite.

For decades, the auditor-general's office has chronicled misappropriation of funds or outright theft by senior government officials, but prosecutions have been rare.

In 1996, Transparency International, a Berlin-based group that keeps tabs on government corruption around the world, ranked Kenya third behind Nigeria and Pakistan.

This year, Kenya ranked 11th out of 85 countries perceived to be corrupt.

The cost of official corruption can be high. In just one instance, the finance ministry paid $3m to Goldenberg International in 1991 as export subsidies on gold and diamonds that were never exported. Kenya produces negligible quantities of gold and no diamonds.

Since coming to power in 1978, President Daniel arap Moi has regularly promised to tackle corruption. However, donor nations and international lenders, which provide financial assistance crucial to Kenya's development, have not been impressed with his efforts, particularly in the Goldenberg case.

The International Monetary Fund acted first in August 1997, suspending a $220m loan because, it said, Kenya's government refused to tackle high-level corruption. The loss of funds worsened a recession and kept investors away.

Charles Gardner, chairman of the East Africa Association, a group of British businessmen, said graft would not end without a crackdown on offenders. But Mohamed Galgalo, a member of the parliamentary anticorruption committee, said the solution must come from the top and this was not happening.

--- Sapa-AP

IMF team to overhaul Kenyan bank

NAIROBI — The International Monetary Fund (IMF) is to appoint a team to overhaul the Kenyan central bank's supervision department, only days after the Kenyan finance ministry announced a $34m bail-out for the troubled National Bank of Kenya.

IMF officials said recently the team would lay down tough guidelines for on-site bank inspections and speed up supervision procedures. The team would also introduce software to improve the off-site analysis of bank portfolios.

The decision to appoint the team coincides with a substantial shake-up within the country's banking sector.

Weeks of speculation about liquidity problems in the National Bank of Kenya culminated in a $23m run on the bank last week and a subsequent government bailout at the weekend.

The chain of events prompted fears about other large domestic commercial banks in Kenya.

Five smaller Kenyan banks have been placed under central bank management for failing to meet clearing house obligations.

Minimum capital rules, which will come into force next year, threaten several more banks.

--- Financial Times
Kenyan state monopoly in telecoms ended

World Bank-driven privatisation reforms on track in East Africa

Michael Wakabi 00 3/1998

KAMPALA — The Kenyan government has enacted a law that opens the telecommunications sector and ends the monopoly enjoyed by the state-run Kenya Posts & Telecommunications Corporation (KPTC) for the past two decades.

The reforms are part of a five-year, World Bank-supported restructuring process.

This development brings Kenya into line with Uganda and Tanzania which have already opened their telecommunications sectors to private participation.

KPTC, a spinoff of the defunct East African Posts & Telecommunications Corporation, was formed in 1977 after the break-up of the East African Community.

According to reports from Nairobi, Kenyan authorities passed the Kenya Communications Act in October 1997, establishing a regulatory body, the Communications Commission of Kenya, the new law splits KPTC into two new companies — Telkom Kenya, to offer telecommunications services, and the Postal Corporation of Kenya to handle mail.

The new arrangement allows private investors a 30% stake in Telkom Kenya. It also paves the way for the licensing of mobile telephone companies, a service hitherto provided only by the state-run utility.

Sources in Kenya's telecommunications sector said the 30% stake might not be enough to attract worthy foreign investors. They argue that foreign investors should be allowed a controlling stake.

The entry of competitors is expected to bring the cost of cellular phone services down from the present $1.16 per minute to 50 cents.

Meanwhile, Mobile Telecommunications Network (MTN) plans to expand its network in the East African region. Officials said in Kampala MTN Uganda marketing manager Erik van Veen said the company hoped to open networks in Tanzania and Burundi next year. He said expansion into Kenya would be slower because privatisation there was happening more slowly.

The International Finance Corporation and yesterday Uganda had invited an international consortium to begin negotiations for the purchase of 51% of the state telecommunications company, Sapa-AP reports.

The sale of the majority share of Uganda Telecom is part of Uganda’s sweeping economic restructuring and privatisation process that President Yoweri Museveni launched after taking power in 1986.

The consortium, made up of WorldTel, the international Telecommunication Union’s investment fund, and Detecon, a Deutsche Telekom subsidiary, bid $23 million in cash and deferred payments as the sole bidder in an international tender for shares of the company.

The sale of the majority share of Uganda Telecom was the final stage in the privatisation of the sector. Two private cellular telephone companies, Celtel and MTN, are already operating in Uganda — Sapa-AP.
Kenyans got to sell stake in National Bank

Rest of Africa
Uproar over regulation for govt export agencies

Mark Turner

NAIROBI — Kenya’s chamber of commerce has protested against a regulation that obliges all exports to Tanzania to be sold through a government-registered agent, only six months before both countries intend entering a common market and customs union.

According to the rule, all goods from countries in Comesa, the southern and east African trade zone, can be traded in Tanzania only through a registered sales agent appointed by the supplier or manufacturer of the product.

Though manageable by larger companies, such as Kenya Breweries, the stipulation threatens to destroy informal small-scale commerce, according to the chairman of Kenya’s Chamber of Commerce, Kassim Owango.

“This will hurt the bulk of the business community,” said Owango, who argues that establishing agents is beyond the means of small businesses.

However, Tanzania’s High commissioner in Kenya, Merisho Farukiya, said “This move was to help us in revenue collection”, justifying the new requirement for national agents “Take beer, for example. Many people were importing it through informal channels, and in this way we were losing a lot of money.”

The complaint adds to concern that moves to re-establish the East African Community (EAC), including a commitment to eliminate all tariffs between Uganda, Kenya and Tanzania by the end of next year, are having relatively little effect in practice.

The treaty establishing the EAC was originally meant to be signed by the end of this year, but was delayed by six months after Tanzania complained that it required a Kiswahili translation.

Aside from establishing a tariff-free zone, the three countries say they will eliminate all non-tariff barriers, establish an EAC Court, and move towards monetary union within a decade.

However, fears are growing in Uganda and Tanzania that a revamped community will serve only Kenyan interests at the expense of their own manufacturers, raising concerns that tariffs will merely be replaced by more subtle obstacles — Financial Times
Foreign investment in Kenya drops

James Macharia

NAIROBI — Foreign direct investment in Kenya fell sharply this year to $27.91m from $78.3m last year.

Kenya's Investment Promotion Centre said only 25 foreign companies set up shop in Kenya this year, creating an estimated 2,946 jobs, compared to 31 companies and 4,701 jobs last year.

High interest rates and the poor state of roads were cited among the factors discouraging investment.

The government hoped foreign investors would return after Kenya's general elections in December 1997, but analysts said delays in setting up an investment code, the fallout with multilateral aid agencies, the teachers' salary standoff and the collapse of several banks dampened investor sentiment.

Investment Promotion Centre CEO Joseph Arap Ng'ok said, "The shilling is slightly overvalued. That discourages exports, consequently increasing imports."

The centre was formed to speed up the investment approval process and handles 75% of foreign investment. However, it predicts increased investment next year as interest rates have dropped drastically. The rate on Kenya's benchmark 91-day treasury bill fell to 14.35% last week from 15.79% the previous week and from highs of around 27% in April.

Ted (163) Ed 13/12/98
KENYA - GENERAL

1999
Castle Brewing fails to lift Kenyan injunction

James Macharia

NAIROBI—SA Breweries (SAB) has failed in its attempt to lift an injunction brought against its subsidiary, Castle Brewing Kenya, preventing it from selling Ranger Special Lager.

The injunction was brought by East Africa Breweries, which said Castle Brewing had infringed its patented processing formula.

East Africa Breweries claims it is the first brewery in the world to produce beer using unmalted barley.

Castle Brewing, however, has said it carried out independent research prior to the launch of its product.

Judge Richard Kikuba of the Nairobi High Court dismissed Castle Brewing’s argument that its brewing plant in Kenya could be forced to wind up if the injunction was not lifted.

He said Ranger, which was launched 10 days prior to the injunction, was still in its infancy and would not have such repercussions on the firm Castle Brewing launched the disputed lager on December 11.

To close down is far-fetched because even if pushed out of the (brand) market this is not all that Castle Brewing in Kenya does Ranger is just an infant and this cannot possibly cause the demise of the mother,” the judge said.

The injunction against Castle Brewing was initially granted after East Africa Breweries, formerly Kenyan Breweries, sued Castle Brewing alleging infringement of its patented beer processing formula used to make its Citien Lager brand.

East Africa Breweries alleges that Castle Brewing infringed a patent by brewing Ranger using a formula researched and created by East Africa Breweries.

On the issue of monetary losses, the judge said on Thursday “Castle is not likely to suffer any further monetary losses in the marketing campaign. Expenses so far incurred are recordable and are quantifiable, which (East Africa Breweries) may be called upon to make good if they lose the case,” he said.

The judge said the company produced various other products and its temporary stoppage in producing the lager would not necessarily force the firm to close its operations in the country.

He said a judge should not be invited to speculate on probability of success by merely being asked to look at the grounds on which the appeal was based, because these could be altered and amended before trial.

The judge said the orders sought could have been granted only if East Africa Breweries had delayed in prosecuting the case or if the injunction would result in substantial losses that could not be fully compensated for through other means.
IMF loans to Kenya depend on new anti-corruption unit

NAIROBI — Negotiations on a resumption of International Monetary Fund (IMF) lending to Kenya had been delayed by the government's failure to set up a new anti-corruption authority, senior IMF and treasury officials said yesterday.

Kenya Anti-Corruption Authority (Kaca) director John Harun Mwau was suspended last year following his allegation that senior treasury officials were guilty of corruption.

A government-appointed tribunal later ruled that Mwau was not suited for the job, but no public investigation was carried out into the charges he made.

The IMF was expected to visit Kenya late last year to discuss resumption of lending to Kenya, but failure to deal with the anti-corruption question has delayed its visit.

"Resolving the Kaca question is an important step in moving forward to reopening talks on the Esaf (Enhanced Structural Adjustment Facility) arrangement.

"The matter needs to be dealt with expeditiously," said Festus Oumsade, the IMF's resident representative in Kenya.

"The matter needs to be dealt with expeditiously," Oumsade said.

The IMF halted a $205m three-year ESAsf aid package in July 1997 to reinstate its protest against corruption and bad governance in Kenya.

Oumsade said the suspension of Mwau was done improperly and that the IMF wanted to see a good management mechanism for a new unit put in place before resuming aid.

The government says it has acted on many of the other conditions set by the IMF, like creating an independent regulator for the power sector and strengthening the autonomy of the state tax collection agency.

However, an operational unit remains a major unresolved question.

Officials say that the government is drawing up a list for a new anti-corruption unit board, whose main role would be to elect a new boss. The previous board resigned last year.

— Reuters
Loan to Kenyan bank aims to boost private sector

NAIROBI — The International Finance Corporation (IFC) has approved a $30m loan to Kenya Commercial Bank (KCB) in a project that will channel foreign exchange to the country's private sector, the corporation said yesterday.

"(Also), IFC's involvement is expected to strengthen KCB's management information systems as well as its operating policies and procedures by promoting best practices and good governance in the banking sector," the corporation, part of the World Bank group, said.

KCB is East Africa's largest retail bank and leading long-term finance providers to various enterprises. It is majority-owned by the public through the Nairobi Stock Exchange while the government holds a minority 35% stake — Reuter.
Moi's succession and IMF spat beset Kenya

Nairobi — Healing a fractious conflict with the International Monetary Fund (IMF) over graft and identifying President Daniel arap Moi’s heir would help an economic recovery in Kenya, financial analysts said yesterday.

They said the rising political temperature, partly fuelled by Moi’s failure to appoint a vice-president and heir-apparent a full year into his final five-year term, posed a severe continuity problem and discouraged foreign investors.

The IMF suspended a three-year $235 million loan package to Kenya under its enhanced structural adjustment facility in July 1997 to reinforce its protest against the country’s corruption and poor governance.

Economic analysts said Moi’s government had acted on many of the conditions set by the IMF, such as creating an independent regulator for the power sector, strengthening the autonomy of the state tax collection agency and continuing privatisations.

But they also said the IMF was concerned about the slow progress in appointing a new anti-corruption authority, Kaca, and felt little was being done to resolve the Goldberg case, a massive gold and diamonds export subsidy fraud.

"Until these issues are resolved, there will be no formal (IMF) review," said James Graham-Maw in a December report for the London-based Foreign & Colonial Emerging Markets.

"As the government is not a net borrower, a disbursement has limited relevance. However, an IMF seal of approval would help, particularly since President Moi is in his final term," Graham-Maw said.

"The lack of a vice-president or default candidate is another source of investor concern," he added.

Kenya has been without a vice-president since Moi appointed his cabinet in January 1998.

Key members of Moi’s ruling Kanu party have spent the past year vying for the post. Moi, aged 74 and in power for 20 years, has pledged to step down when his term expires in 2002.

John Harun Mwau, the director of Kaca, was suspended last year after accusing senior treasury officials of corruption. A tribunal later ruled that Mwau was not suited for the job, but no public investigation was ever carried out into the charges Mwau made.

Festus Osunsade, an IMF resident representative in Kenya, said last week: "Resolving the Kaca question is an important step in moving forward to reopening talks on the enhanced structural adjustment facility arrangement. "The matter needs to be dealt with expeditiously." — Reuters
NAIROBI — Kenyan authorities have appointed an anti-corruption advisory board, meeting a key condition for the resumption of talks on an aid package halted by the International Monetary Fund in July 1997.

Attorney-General Amos Wako named the new advisory board to the Kenya Anti-Corruption Authority on Monday.

Its first task will be to nominate a new director for the authority and a maximum of three deputy directors.

John Harun Mwau was suspended as director last year after accusing senior treasury officials of corruption. A tribunal later ruled that Mwau was not suited for the job but no public investigation was ever carried out into the charges Mwau made.

Senior financial officials said the authority’s effectiveness depended on the board’s choice for director.

The IMF made no immediate comment on the appointments, but last week, the IMF’s senior resident representative Festus Omosewe said solving the authority’s problems would be an important step towards reopening talks on the Enhanced Structural Adjustment Facility arrangement.

The IMF hailed a $265m, three-year aid package to reinforce its protest against corruption and bad governance in Kenya.

Kenya has acted on several of the conditions set by the IMF, such as creating an independent regulator for the power sector, strengthening the autonomy of the state tax collection agency, and continuing privatisations — Reuters
SA Breweries relaunches its controversial Kenyan lager

James Macharia

NAIROBI — SA Breweries subsidiary Castle Brewing Kenya has relaunched its controversial Ranger Special Lager in Kenya, reformulating it to avoid violating a restraining order issued in December.

Castle Brewing Kenya MD Roger Smith says the new product, includes malted barley, which should not transgress the court order secured against it by rival East Africa Breweries.

East Africa Breweries won a temporary injunction barring Castle Brewing from manufacturing the beer, saying it infringed its patented brewing formula which uses unmalted barley.

East Africa Breweries claims to be the first company worldwide to use 100% unmalted barley when making its Citizen Beer. The company says it launched the formula to reduce the high customs duty paid on imported malt.

In December, Kenya’s High Court ordered Castle Brewing Kenya to stop producing and marketing its new lager until East Africa Breweries’ patent suit had been heard in court.

A date for the hearing of the patent infringement suit against Castle Brewing is still to be set.
Campus closure quells three-day student riot

Nairobi – Calm returned to the Kenyan capital today as students, who engaged police in three days of fighting, started trickling out of their campuses following the closure of the University of Nairobi.

Authorities closed down the university for an indefinite period yesterday after day-long clashes pitting students protesting against the despoliation of a forest and real estate corruption against the police.

Students, most carrying travelling bags, streamed out of the university campuses around the capital today on their way home.

At least 10 policemen were injured, two seriously, as riot police and stone-throwing students charged and counter-charged around the university, close to the city centre, local newspapers said.

Several students were also injured. The violence began on Saturday when at least 30 students were injured as police baton-charged and tear-gassed hundreds of students trying to enter Karura forest, in the northern fringe of Nairobi, to plant trees in a part of the forest cleared by real estate developers.

Witnesses also saw students at Kenyatta University on the outskirts of the capital overturn and torch a car belonging to the United Nations, which has the headquarters of its environmental protection arm nearby.

Kenyatta Television News said the Japanese and Ugandan ambassadors to Kenya had been "roughed up" by students who stopped their vehicles on the road. In the city centre, students blocked cars on the main Uhuru highway and engaged riot police in running battles – Sega-APP-Reuters
ANGER OVER SELLING OFF OF FOREST LAND

Rioting disrupts Nairobi

NAIROBI: Protests over the development of a tract of prime forest near here have turned increasingly violent.

POLICE fired live ammunition in violent clashes with Kenyan university students who were rioting for the third consecutive day yesterday, bringing renewed chaos to the capital.

The shots, apparently aimed over the heads of students who were out in their hundreds, came as they and police charged and counter-charged at Nairobi University, near the city centre, a witness said. The students initially threw stones and the police responded with tear gas and rubber bullets, before firing at least two live shots.

The protests started over the despoliation of the Karura forest on Nairobi’s northern fringe by shadowy housing developers. The students also stoned passing cars and robbed their occupants of money and valuables.

A policeman was stoned and lashed, losing some of his teeth before colleagues rescued him and rushed him to hospital.

At Jomo Kenyatta University, about 20km north-east of the capital, students also threw stones at not police, who fired back volleys of tear gas. A witness said two students were seriously injured there.

The students barricaded the main road passing Jomo Kenyatta University, set bonfires, and stoned and looted passing cars.

They halted a United Nations vehicle, whose occupants fled, then tipped it on its side and set fire to it.

As the students retreated inside their campus they set bushes alight and continued to hurl stones at the police outside. Police in the feared paramilitary General Service Unit stormed the campus.

Traffic in and around the capital was disrupted as police and students closed roads. Many shopkeepers closed their doors and some workers stayed home after the weekend unrest.

On Saturday, 30 students were injured when police charged and tear-gassed hundreds of students trying to enter the disputed new development to plant saplings.

On Sunday, students blocked two main roads with stones and pieces of burning wood, vandalised a petrol station and broke the windows of buildings. They were dispersed by baton-wielding policemen.

The students stoned passing cars and robbed their occupants of money and valuables, witnesses said.

The students are also demanding that a group of their colleagues they said were arrested during Saturday’s violence, be released to sit their examinations.

The destruction of Karura forest has provoked widespread condemnation and generated debate over the government’s alleged practice of discreetly allocating prime land to key supporters at little or no cost.

Swathes of the 1,000-hectare eucalyptus and cypress forest were quietly cut down last year, with the public learning of the destruction only when ecologists descended on it in October and set fire to the developers’ equipment.

The forest nestles amid some of the Kenyan capital’s most affluent suburbs.
Squabbles delay process to draft new Kenyan constitution

Nairobi - Kenya's plan to rewrite its outdated constitution is stalled, with political parties and interest groups squabbling among themselves over who will sit on the commission overseeing the review.

Under pressure from political opponents, President Daniel arap Moi agreed in December to a review of Kenya's 1963 constitution, a document drafted in London at the time of independence from Britain.

Since then, Kenya's two presidents - Jomo Kenyatta and Moi - have both managed to use the charter to enhance their powers, some say excessively.

A 25-member commission was created to recommend changes for a new constitution, and 2001 was the deadline set for adopting it. Representatives of political parties and religious and civic groups are to sit on the panel.

But the plan, widely hailed as a catalyst to help Kenya carry out a genuine democratisation process, has hit a snag.

The deadline for submitting names of panel members is today and two key elements of the country's establishment - political parties and women's groups - are likely to miss it.

The women cannot agree on who should fill their five seats on the panel, and politicians are at odds over how to divide up the 13 seats allotted to political parties. Seven women's organisations have asked the High Court to order the attorney-general to reject the slate presented by the Women's Caucus.

The ruling Kanu party has demanded seven of the 13 seats. Smaller parties want a seat for each party. Under their formula, Kanu would receive a total of four spaces at the table.

Under the plan for a new constitution proposed by Moi, the commission, together with the National Consultative Forum and the District Consultative Forum, would solicit views nationwide for amendments. Their draft constitution would be submitted to parliament for its approval - Sapa AP.
Privatised firms profit

Study in Kenya finds that even employees support privatisation

James Macharia

NAIROBI — Privatisation of Kenya’s state enterprises is meeting most of its objectives with profitability rising rapidly at the restructured entities, a study by US-based International Research Network shows.

The study was conducted on behalf of the Kenyan government.

George Mtui, the secretary-general of the privatisation secretariat in Kenya, said the study found profitability of privatised companies rose more than 15% in the year of divestment and 46.54% in the second year of operation as private entities.

He said sales turnover rose 15.88% in the year of divestment, with an average annual increase of 20.39% thereafter. Mtui said the improvements, which were achieved in difficult economic circumstances, could be attributed to enhanced efficiency due to privatisation.

The study did not name the firms involved, or the number surveyed. It was not released to the public.

The study found total new investment in the surveyed enterprises grew 74.58% in the year of divestment, while the average annual increase rose 191.36%.

The study said the number of shareholders grew remarkably during the year of divestment. Subsequent share flotations had ensured an increase in shareholders.

On average, the surveyed companies paid reasonable dividends. However, dividend growth had declined after privatisation. The study said divested companies might have paid substantial dividends in the first year to make them attractive to investors, and/or to distribute retained profits to existing shareholders before inviting new ones.

A key finding of the survey was that total employment fell only slightly (by 1%) in the year of divestiture, with a slight gain in employment later. The bias was towards employing more professional and skilled employees.

Unskilled employees experienced moderate job losses as their numbers fell 6.56% in the first year and 0.9% in the following years.

The findings show that all employees interviewed saw efficiency as having increased significantly due to privatisation. Privatised companies also paid better salaries.

Many of the employees said they believed privatisation was important to the country’s development.

On the whole, privatisation was supported by employees, although support was less enthusiastic among general workers who feared losing their jobs. About 65% of the employees felt privatisation was beneficial to them, while 13% felt it affected them adversely.
Foreigner may head anti-corruption body

NAIROBI — The Kenyan government is considering the recruitment of an expatriate to head the body charged with fighting corruption in the country in a move designed to show its serious anti-corruption stance to donors.

The possibility of appointing a foreigner as director of the government-funded Kenya Anti-Corruption Authority featured at meetings held last week between top government officials and the International Monetary Fund (IMF), led by a deputy MD, Shigemitsu Suguuchi.

Sources said President Daniel arap Moi's government formally requested the Bretton Woods institutions to help it identify a non-Kenyans to head the body, set up to probe and prosecute corruption cases.

By proposing to fill the post with an outsider, analysts say, Kenya's government hopes to convince donors of its determination to allow the authority to operate without interference.

Corruption costs the government vast sums of money every year in stolen or wasted public funds and has been cited as an obstacle to economic progress.

The first head of the anti-corruption authority, John Mwau, resigned last November after a tribunal completed an inquiry into his competence and ability to hold office. Appointment of a new director has been one of the conditions for resuming talks on a new IMF aid package.
Amnesty should not get amnesty, says Bizon.
Kenyanms criticise visa requirements

REST OF AFRICA
Nairobi’s bourse faces tough times

Stock exchange CE is upbeat despite troubles

Nairobi — Times are tough for Kenya’s stockbroking community, but adequate safeguards are in place to ensure investors’ funds are protected from further closures, the head of Kenya’s bourse said yesterday.

Job Kihumba, CE of the Nairobi Stock Exchange, said market volumes were beginning to show signs of life after a poor 12 months. He predicted a boom when the economy picks up “times are very difficult, but they are not as bad as people would think,” he said.

Turnover on the exchange fell sharply as the economy nosedived after the International Monetary Fund (IMF) suspended a key loan in July 1997 and now averages about $300,000 a day.

With the broker on each side of any deal earning about 1% in commission, that translates into daily earnings for the industry of just $6,000 — a meagre return when shared among 20 brokers.

Kenya’s Capital Markets Authority last month suspended Town & Country Securities from the bourse for three months because of the company’s financial problems and there are fears in the industry that other closures could follow.

However, Kihumba said investors’ funds had been “ringfenced” in the case of Town & Country.

Investors, really as much as possible, will not have to lose out on their investments just because a stockbroker has gone under,” he said.

In particular he emphasised that exchange regulations required brokers to put client funds in different accounts from their own funds, while the authority and bourse had “adequately enabled surveillance departments to monitor brokers’ compliance.

Also, Kihumba said, brokers had to give the exchange a bank guarantee for $22,500 which the exchange could access if financial problems arise.

In addition, the bourse and the authority both had investor compensation funds which could be used in the event of further closures.

Brokers acknowledge many of their colleagues are facing tough times and have had to streamline their operations or accept losses in the past 18 months.

Yet local industry officials say many brokers have other sources of income outside their straight broking commissions and are determined to stay in the market for the long term.

“I have a feeling that a lot of the brokers who were licensed in the past few years are ready to subsidise their businesses,” said Stanley Ng’ene, head of the Association of Kenya Stockbrokers.

“They are not in the market for the short run — we are looking at a business that is going to grow,” he said. — Reuter
Forecast: We've got new growth
Kenyans bullish new growth

African Business
EU slaps ban on fish imports

BRUSSELS — The European Commission confirmed yesterday it would ban fish imports from three African countries — Kenya, Uganda and Tanzania — for an unspecified time, over fears of pesticide contamination. "The ban should take effect on Monday and follows a proposal from European Union veterinary experts," said a commission official. The 15-nation bloc imported only small quantities of fish from the three nations, he said.

Tanzania said on Wednesday it would appeal against the ban, saying it was unfair and threatened the country's economy — Reuter
Disquiet in Kenya over Moi's choice

People now think they know who will be their next leader, writes Robert Otani

Political observers believe that Biwott's alignment with the two Kikuyu as strategy so that should Saitoti ascend to the throne, he (Biwott) will be made the vice-president.

His academic papers aside, Saitoti has not performed as well as a vice-president. Most of his political rallies have been confined to his Kajiado North constituency and the capital city. But he is a careful operator who tends warily in speech as well as in deed.

His re-appointment has received wide acclaim, especially from the hard-to-please Kikuyu community. But Saitoti will have to watch his steps until the 2002 general election, as Kenyans have learnt to look for the catch in Moi's every action.

Since independence in 1963, Kenya has had only two presidents, father of the nation Jomo Kenyatta and now Moi. But it has had no less than half a dozen vice-presidents.

Being a vice-president in Kenya is walking a tightrope. While the holder of the post must assist the president in every possible way, he must be careful not to be seen to upstage the president or to have another agenda.

Moi himself served Jomo Kenyatta diligently and almost with servitude for 12 years before Kenyatta died in 1978 – Star Foreign Service
A lesson for SA from Kenya

RANDOLPH VIGNE

Is Kenya’s “mess and chaos” South Africa’s future?
At least “When Moi goes” is a message of hope

We TOOK the road to the north via Nyen, fourth city of Kenya. Road.
The stretch through the town was a dusty, pot-holed track, with diversions to allow for non-existent roadworks: Matatets (Kombi-type buses), lorries, cars and pedestrians took their lives in their hands, the only traffic control being frequent road blocks where white-capped police stopped mainly matatus to check licences and take a rake-off.

Why such a dreadful stretch through a big place like this?” I asked.
“Graft,” was my host’s instant reply.

Someone’s pocketed the funds,” his wife explained.

Out of town we passed a long row of “dudus” selling produce, maungo, furniture, refreshments, old clothes for crazy and squatted wooden structures divided from the road only by a sea of litter and swarms of Kenyans, a few of them shopping but most idle.

“South Africa 10 years hence,” said my hostess, noting my gaze.

An even more jaundiced view was expressed by a Kenyan woman who expressed her anxiety that a Kenyan wife of a Kienyan woman who lived decades failed to return after 20 years.

“I wish we’re on our way home. When we left everything worked and people were honest. Now the whole country is falling apart and everyone is on the take.”

Kenya’s “ufung” came 36 years ago and has left almost no place at all for the “mzungu” (Europeans) who ran it in colonial days. There are only five or six thousand genuine settlers, now white Kenyans, left and they are mostly urban, very few of the old ranches remaining in white hands.

Delameres, Dyers, Pouwes — they still have a flavour of the old ruling class “white Highlands” days before shuru led to mass departures, many as a result of repossession of land.

South Africa 10 — or perhaps 30 — years hence? I don’t think so but if it is the “mzungu” should be the last to complain. There is a wondrous way of life. Comfortable homes in large plots, servants (in Kenya domestic service has no stigma), endless open-hands entertaining, good schools, a wonderful coastline for holidays and supermarkets with giggling shelves. Their business is very largely in “safaris”, ie, local tourism, which they handle superlatively well and contribute to GNP significantly, tourism constituting a major slice of the national cake.

The other minority, the Asians, are having a harder time. Commerce, their main field, is hard-pressed, not least from South African competition, a subject of much complaint. “They’re getting in everywhere,” I was told. Some, especially the smalls, remain very rich and are prosperous. If the crunch came it is they who would bear the brunt of black rage, for which there is every provocation. Not from the Asians, of course, but from the muskets of the Kanu government of president Daniel arap Moi.

As was our own South African government but one, it has been in power far too long but at least Kanu started well, whereas the Nats bred bittleness and hate from day one.

Overpopulation, with the fastest growth rate in Africa, resultant poverty, 50% unemployment and shameless corruption bear hard on the poor and as hard as any of these is the breakdown of social services. There are too few doctors (yet some are unemployed), dionsary pensioners, schools overcrowding with children turned away and wretched living conditions in most locations (the old colonial term is used without the South African euphemism of “township”).

The mzungu’s hardships are nothing compared with these. Frequent power cuts, dreadful roads and appalling phone service, bureaucratic, thingy, muddle and waste, and the destruction of the environment.

This last is hated by the “wananchi” (ordinary black Kenyans) too, as I found in a little encounter that made me think that if South Africa was to be like Kenya in 30 years’ time, this would not be all to the bad, at least in one aspect.

The encounter was a meeting of the new Olola Environmental Conservaton Group held in the office of the location chief (another colonial survivor but with no hereditary aspect) to work out plans to stop the destruction of Olola Forest. Thirty people, all local residents except three wildlife officials, a French “volunteer” couple and one observer (me), agreed to do all in our power to end the quarrying that in defiance of the law, was despoliating a large part of the 600 ha forest, driving out its giraffes, bushbucks and antelopes and damaging nearby houses with uncontrolled blasting.

There was realism, good humour and a mood of co-operation, gl adduced here as “harambee”, seen at its best in the months after the collapse of last year’s bombing of the US Embassy. There was an awareness of the needs of the estimated 3000 (mostly from outside) employed in the quarries and also of the failure of the government to observe, let alone enforce, its own laws.

There was also a wish to avoid the disorder and student riots that followed the sacking of parts of the Karua forest even nearer Nairobi city centre last month.

This is how civil society can work in Kenya as an aspect South Africa will be lucky to have achieved 10 or more years hence. There is already a move to unite in a single association the numerous groups that try to run the country’s affairs neglected or betrayed by the government. One of its aims will be to tell the government what must be done, in a spirit of “harambee”, which it cannot share with its political opponents or its country’s admirable free press.

(The mela and chaos that the city of Nairobi is, largely the product of leadership that is alien to the urban issues and the institutionalism that characterises the Kanu regime” is the rubric to one story. “Why the nose of Kenya forests must be stopped and the struggle to save Karua be sustained” is another, in this week’s news magazine “Fiance.”)

Is there some cheer in all this? A big difference between Kenya today and 20 years ago is in the unspoken answers to the cliché question “What will happen when Moi goes?” as under the constitution, he must do in 2002.

In the 1970s “when Kenyatta goes” was a prediction of doom. President Jomo Kenyatta was the father of his country and his going could only do harm, in the popular mind. “When Moi goes” is a message of hope. Kenya will come out of the dark tunnel of corruption and misrule. It implies. Certainly the friendly, unembittered “wananchi” and the hard-working, loyal “wazungu” deserve that deliverance.

Should South Africa have to face such a prospect 10 or more years hence may it do so with the hope one senses here.
Kenya upbeat about growth of economy

From Reuters

NAIROBI — Central Bank of Kenya Governor Micah Cheserem said yesterday the country’s economic outlook was not bad, and gross domestic product (GDP) growth was expected to rise this year after several years of retreat.

“We have hit rock bottom,” Cheserem said. “We are looking forward to increased (GDP) growth, in the area of 2.5 to maybe 3 percent in 1999.”

Kenya’s GDP growth has fallen to 1.6 percent in 1998 from 2.3 percent in 1997, 4.5 percent in 1996 and 4.8 percent in 1995.

Cheserem said a resumption of negotiations on a stalled loan package with the International Monetary Fund (IMF) could boost growth. He confirmed outstanding issues with the fund relating to corruption and “governance” were being addressed.

The loan package was halted in 1997 as the IMF moved to reinforce its protest against rampant official corruption.

The IMF insists Kenya has to appoint a deputy director to its anti-corruption body before talks on new lending can resume.
All in place for Kenya’s telecoms industry

NAIROBI — The long-delayed liberalization of Kenya’s telecoms sector will begin in earnest today when the industry’s new regulator will receive legal powers to license market players, a senior official said yesterday.

Samuel Chepkong’a, director-general of the Regulatory Communications Commission of Kenya (CCK), said the process would culminate in the splitting of Kenya Posts & Telecommunications Corporation (KPTC) into two companies called Telkom Kenya and Postal Corporation of Kenya (Posta) by the end of June.

“I know people have been sceptical, but this time everything is in place, and we are determined not to delay,” he said.

Chepkong’a said Safaricom, a cellular subsidiary of KPTC, would also be licensed as an independent company in June.

Transport and Communications Minister William ole Ntimana will publish CCK’s full board and outline its legal mandate in the official Kenya Gazette today.

The Gazette notice effectively paves the way for the licensing of Telkom Kenya, Kenya Postal Corporation (Posta) and Safaricom as separate firms by June 30, 1999.

Chepkong’a said Telkom Kenya will operate the telecommunications business of KPTC, while Posta will run the loss-making postal service.

Safaricom will be reconstituted as a joint venture between Telkom Kenya and British telecommunications company Vodafone. The British firm will take a 40% stake, while Telkom Kenya will retain a 60% shareholding. Chepkong’a said Vodafone will help roll out cellular equipment to add 60,000 mobile phone lines across Kenya.

Chepkong’a said the commission would give the Safaricom joint venture a six-month head start, to prepare for competition.

CCK will invite bids in December for a second cellular operator, which it hopes can start operating by February 2000. It will take another five years before a third cellular operator is licensed.

“All providers that we are going to license must be 60% locally owned,” Chepkong’a said Telkom Kenya would remain the dominant player in national long distance and international long distance service provision for another five years, but would be penalised if it failed to improve services.

“We have been operating below International Telecommunications Union standards, and that has to change. Telephone repairs should be done within 48 hours, no more,” he said — Reuters.
Kenya liberalises telecoms sector

DAVID MAGERA

Nairobi – The long-delayed liberalisation of Kenya’s telecommunications sector would begin in earnest today when the industry’s new regulator received legal powers to license market players, a senior official said yesterday.

Samuel Chepkong’a, the director-general of the regulatory Communications Commission of Kenya (CCK), said the process would culminate in the splitting by the end of June of Kenya Posts & Telecommunications Corporation (KPTC) into two companies called Telkom Kenya and Postal Corporation of Kenya (Posta).

“I know people have been sceptical, but this time everything is in place and we are determined not to delay,” he said.

In his first interview since being appointed to head the CCK in February, Chepkong’a said Safaricom, a cellular subsidiary of KPTC, would also be licensed as an independent company in June.

Today, William ole Ntimama, the transport and communications minister, would publish CCK’s full board and outline its legal mandate in the official Kenya Gazette. “The Gazette notice effectively paves the way for the licensing of Telkom Kenya, (Posta) and Safaricom as separate firms by June 30, 1999,” said Chepkong’a.

Telkom Kenya will operate the telecommunications business of KPTC Posta will run the loss-making postal service.

Safaricom will be reincorporated as a joint venture, with Telkom Kenya retaining a 60 percent shareholding and Vodafone, the British telecommunications company, taking the rest.

Vodafone would help roll out cellular equipment and expand cellphone capacity by 60,000 units.

“People want mobile phones to do business but KPTC is cash-starved and cannot alone expand its capacity,” Chepkong’a said.

The commission would give the Safaricom joint venture a six-month headstart as preparation to face competition.

“We are delighted and hope we can start it June,” said a Vodafone official in Nairobi.

“But we are still in negotiations and many issues are still not settled,”

CCK would invite bids in December for a second cellular operator, which it hoped could start operating by next February. It would take another five years before a third cellular operator was licensed, Chepkong’a said.

But Chepkong’a said investors would be licensed to compete with Telkom Kenya in providing land telephone services within the local access network, divided into administrative blocks.

“All providers that we are going to license must be 60 percent locally owned,” he said.

He said Telkom Kenya would remain the dominant player in national long-distance and international long-distance service provision for another five years, but would be penalised if it failed to improve services.

Kenya had been operating below the quality of standards set by the International Telecommunications Union.

“That has to change. Telephone repairs should be done within 48 hours, no more,” he said.

Chepkong’a expected the price of a cellphone line and equipment to fall from 78,000 Kenyan shillings (about R7,000) to about 10,000 shillings within a year of the Vodafone-Safaricom partnership starting in June – Reuters
Nairobi street vendors fight back

BY ROBERT OTANI
Nairobi

You are strolling along Tom Mbaya Street in Nairobi’s central business district, when all of a sudden, all hell breaks loose.

You are nearly knocked over as women, some with infants strapped on their backs, young men and children run in all directions. They are carrying their wares in cartons and polythene bags as they scamper to safety.

A troop of askaris (city council guards) chase the fugitives as others confiscate whatever has remained behind on the pavements.

The askaris load those unfortunate enough to be arrested – and the confiscated goods – on to waiting trucks for onward transmission to the city court.

This scene is common in Kenya’s urban centres in the cat-and-mouse game that is still souring relations between the civic authorities and the country’s hundreds of thousands of street vendors.

And although there have been a hue and cry from the country’s opposition politicians and human rights organisations, and the general public over what they call harassment of ordinary citizens trying to earn an honest living, the municipal askaris carry on harrying the hawkers.

The marauding askaris have done little to dampen the spirits of the street traders, though, who argue that, like all other Kenyans, they have a right to survival.

They are doing so in a country reeling under the weight of a sub-zero economic growth rate, and with an staggering unemployment rate of 75%.

The more the underemployed askaris try to rid the urban streets of the traders the more the vigour and defiance with which they return to the pavements.

In Nairobi, the capital city, the central business district of Moi and Kenyatta avenues and Tom Mboya, Komang and Mumbi Mbugu streets has seen bloody confrontations, which occasionally leave scores injured – and thousands of dollars worth of property either destroyed or confiscated.

When this happens, hundreds of the vendors end up in court and are either jailed or heavily fined.

Whenever there are civil disturbances, such as those arising from the clamour for greater democracy and respect for human rights, the traders have borne the brunt.

They have always been accused by the government of President Daniel arap Moi of being used by “evil elements” to cause chaos and mayhem.

Instead of the demonstrators, it is often the traders who get rounded up and driven out of the streets, especially in the capital, without being offered an alternative place to carry out their business.

In Mombasa, which is Kenya’s second largest town on the shores of the Indian Ocean, all the narrow streets in the “old town” especially around Mwembe Tayani, the main open-air market, are littered with all sorts of consumer goods being sold, particularly by refugees from war-wary Somalia.

Here you may buy almost anything, from clothes and shoes to electronic gadgets such as radios, video cassette recorders and other goods.

They have taken over control of the town.

They have now taken control of the whole town, they should be driven out of the central business district and taken somewhere in the outskirts.”

On one occasion, street traders, including the shoe-shiners, were driven out of the central business district and settled at an open-air market in the north-eastern suburbs.

But faced with a reduction in clientele, they were soon back in downtown Nairobi – Star Foreign Service.
Corruption costs Kenya over $2bn a year, says country’s revenue authority

GEORGE NYABUGA

Nairobi – The Kenya Revenue Authority, the country’s tax collection agency, said this week the country lost about $2 billion a year through corruption.

The agency said this amount was larger than the national budget.

John Msafari, the commissioner-general, said Kenya was continuing to suffer because of widespread corruption and that the country would not rely on donor funding if “half this amount was made available to the economy.”

The International Monetary Fund, World Bank and other foreign donors have suspended aid to Kenya and demanded the government do more to fight corruption.

The recent appointment of Justice Aaron Ringera as director of the Kenya Anti-Corruption Authority was seen as a bold step towards fighting graft. However, politicians and other leaders continue to criticise his appointment and demand he prosecute those implicated in corrupt practices.

Opposition leader Raila Odinga, of the National Development Party, told Ringera to act on corruption cases instead of “making empty promises.”

“We are tired of people giving us empty promises. What Kenyans need now is action,” Raila said – Independent Foreign Service
Kenyan disquiet with SA trade growing

Reuters
and John Dludlu

NAIROBI — Kenya fired another angry broadside at SA yesterday over what it called unfair trade practices, and threatened retaliatory action against Pretoria.

The new attack, by Trade Minister Joseph Kamotho, was backed by a senior Common Market for Eastern and Southern Africa official, who said the 21-member Comea was considering common external tariffs against SA.

This comes only a week after another round of criticism by Kenya's private sector, which preceded a meeting between the two governments.

The outcry also comes a week after Pretoria promised a bilateral accord that would upgrade Kenya's terms of trade. SA has also offered to help Kenyan firms find joint venture partners and buyers for their products.

Mmuno Nkulu, chief director for Africa trade relations at the trade and industry department, said yesterday: "From our side, we'd like to deal with the Kenyans seriously, on serious issues."

Kamotho told Reuters yesterday that SA subsidised its products before exporting them, but put a lid on its own market to ward off regional competition.

"We have asked them to give the same access to our products, and they refuse to do so," Kamotho said.

"We are reviewing the trade licensing laws and the tariff structure. It is time to say 'stop these games'." He said.

Kenya imported goods worth Ksh20bn ($294m) annually from SA, but exported only Ksh1bn in goods and services in return, Kamotho said.

SA goods that are frequently found in Kenya include eggs, fruit, juices, butter, wine, clothes, farm machinery and cars.

As an example of SA's restrictive trade laws, Kenyan officials said their soda ash exports to SA attracted an additional tax of 10%, which made them more expensive than Botswana's.

Comea secretary-general Evarastus Mwencha, a Kenyan, said the bloc, which does not include SA, remained concerned about its members' lack of access to the SA market.

"A common external tariff structure against SA goods is one area we are examining," he said.

Kamotho rejected Pretoria's explanation that Kenyans were not aggressively marketing their products in SA, arguing that Kenya's trade balance with the US and Germany was better than its trade with SA.

He did not say when the revised trade licensing laws would come into effect.

Chris Kirubi, chairman of the Kenya Association of Manufacturers, said his organisation was pressing for interim measures, to stem the flow of SA goods to be enacted in the state 1999/2000 budget, due for presentation next month.
Most foreign firms dismayed with Kenya

ROBERT OTAKI

Nairobi — At least 96 percent of foreign companies invested in Kenya were dissatisfied with the basic business environment in which they had to operate, a recent survey indicated.

The survey was conducted by the regional office of the Eastern Africa Association, which comprises about 125 leading foreign companies operating in Kenya. Of the 125, mostly British firms, 120 registered unhappiness with basic business conditions.

The 123 respondents in the poll represent 89 percent of the association's member companies or their subsidiaries operating in Kenya. Their concerns are considered an authoritative indication of how possible future investors will regard Kenya.

Of the respondents, 103 firms called upon the government of President Daniel arap Moi to take urgent measures to eliminate high-level corruption.

They also said the government must repair the infrastructure, especially the telecommunications sector, the roads and power supply, and maintain the present level of interest rates at the local financial institutions.

Most of the respondents said the government had to restore good relations with foreign donors, particularly the World Bank and the International Monetary Fund (IMF).

Kenya is in a stand-off with the IMF over the fund's withholding of an enhanced structural adjustment facility funding to the tune of $225 million, citing corruption in the Moi government.

More than 30 percent said they would not consider increasing investment in Kenya with quite a few saying they would instead prefer to decrease it.

Independent Foreign Service
Nairobi slides into crime web

ROBERT UTANI

When the country’s top judges, advocates of the High Court and security officers visited the residence of recently slain magistrate Babu Acheng in western Kenya, they were not only mourning his death, but also that of law and order in the country.

"Protect us," Zacheus Chesoni, the Chief Justice, appealed to the government. Members of the bench and the bar fear that, if serious action is not taken, there will be a repeat of something similar to Acheng's fate.

And why should one not fear? Nairobi, the Kenyan capital, rivals Johannesburg as Africa's most dangerous city.

The security situation in the city, once proudly dubbed "the city of the sun" for its physical and social cleanliness, is slowly slipping out of the hands of the government into that of ordinary and organised gangsters.

Compounding the situation are the gangs for hire who, for as little as Shs 3,000 (about R320) will take lives and torture or maim their victims, depending on the wishes of their clients.

Acheng's butchers may get away with murder. Not a single suspect has been arrested, three months after he was riddled with bullets as he went shopping with his little daughter at a shop near his home in the posh city suburb of Kilimani.

Five days after the killing, President Daniel arap Moi said he was "saddened" by the murder and told police to ensure they brought the killers to book.

Attorney-general Amos Wako vowed: "The perpetrators of this heinous crime, when found, will be subjected to the due process of the law," but this turned out to be just another promise. Wako's pledge was followed by that of Noah arap Too, the director of the criminal investigations department. He appealed to the public to volunteer information that might lead to any arrests, without success.

"Simply killing a magistrate like that shows that there is another power structure in this capital city, that can kill openly and without fear of arrest," says sociology Nairobi University sociology lecturer Edward Njoroge. "The gangs are saying, 'we are in charge.'"

Thugs are everywhere, from small-time purse, necklace and earring snatchers targeting women, to carjackers, street muggers and bank robbers. Confidence tricksters with fake dollar bills, target mostly foreigners.

Most of Nairobi is unsafe at any time.

Recently, robbers strolled into the city branch of Standard Chartered Bank and left with a cool Shs 90 million in different currencies, the country's record.

Kenyans have little faith in the police. Many say the force consists of criminals or those driven by the desire to make money, who moonlight for private enterprises, legal or illegal. Some are accused of running terror gangs.

The problem here is that thuggery operates at so many different levels that it is hard to tell who has done what and why.

There are government-sponsored thugs and there are outright criminals acting on their own. There are also those who would have wished to use the law courts to achieve their ends, and any judge who enters into a deal with them and fails to honour it is at risk.

A United Nations official, who says he has watched Nairobi for the last two decades, is certain that international criminals have invaded the city from all parts of the world.

Nairobi, with all its faults, still has a modern banking system, a modern communication network, good air connections and a modern and expanding hotel industry, making it the first choice for internationally connected criminals.

The trend intensified in the 1990s, says the official. "Police are under-paid, under-funded, under-trained and unmotivated. Add to the culture of corruption, and one sees only the thugs going places.

"The balance of power is clearly tilting towards the criminals. It is becoming safer to do business with criminals in the market, buy from them, and even exchange money with them because if you don't, they will come for what you have legally acquired and police will not help you," the UN official says.

A government official says rising poverty, added to poorly manned borders, weak policing and the notion that hard work does not pay, is wreaking havoc.

One way to control the menace, he says, is to properly monitor the borders, a task too challenging for the Kenyan police force, which often does not have vehicles or fuel.

Criminals are often better equipped than the Kenyan police. "They are armed with mobile telephones, American dollars and modern weapons. Most are well educated. Some are even intelligence officers fleeing their war-torn countries," the UN official says — Independent Foreign Service.

© Tomorow Shaun Johnson's 1999
Terrorist-hit US trains Kenya to protect coastline

Fledgling coast guard is taught to stop and search, writes James Macharia in Nairobi.

KENYA will soon have its first team of Coast Guards to patrol the country's 463km coastline following an emergency security training programme launched by the US government.

Under the programme, one of several launched by the US government since the bomb attacks on its embassies in Nairobi and Dar es Salaam, officials from the police, customs, the fisheries department and the navy are being trained in stop, search and rescue operations.

The new venture follows a slump in Kenyan tourism about two years ago. Kenya has long been a favourite destination for European tourists, but it is still suffering a serious image problem two years after the industry went into a spin as a result of the ethnic clashes in Mombasa's Likoni area.

Officials at the defence department in Nairobi said the Kenyan army was co-ordinating the joint military training in northern Kenya with units of the US armed forces and the Coast Guard patrol project.

US embassy officials said Kenya's porous and poorly patrolled coastline was of particular interest to Washington because three of the suspects implicated in the terrorist attack in Nairobi, in which more than 230 people were killed and about 5,000 injured, came into the country as fishermen.

Investigations by Federal Bureau of Investigation agents revealed that three of the suspected terrorists had been licensed as fishermen while they planned the carnage. Two of the main suspects have been arrested and deported to the US for trial.

Experts from US coast guard units came to Kenya last November, three months after the August 7 bombings, to conduct the training. The Kenyan coast guard is expected to be operational by the end of the year.

Training of the guards will be bolstered by the provision of modern equipment to enable the nascent coast guard, in concert with the navy, to stop the easy infiltration of Kenya's territorial waters.

Regional Development Minister Kipkalia Kones unveiled plans last month to acquire three patrol boats to be placed in Mombasa, Malindi and Lamu to monitor the activities of illegal foreign trawlers which are harvesting fish resources without paying taxes to the government.

Fishing villages in the Lamu and Witu areas border Somalia from where, it is suspected, the bomb-making materials could have entered the country. Experts said that due to lack of surveillance craft for the vast coastline, it was easy for "strange craft" to venture undetected in and out of the small fishing landing points and to transact all kinds of shady business.

The Kenyan navy is too thinly spread to effectively monitor and intercept undesirable vessels. In any case, they have their official docket of defence and only come in upon request by the civilian authorities," said a US embassy official.

Industry sources who have just returned from the International Travel Bourse in Berlin say the opinion of Kenya in the world travel trade is still pessimistic.

The coastal chairman of the Kenya Association of Hoteliers and Caterers, Raymond Matiba, said the European tour operators were getting jittery after losing money on Kenya for two consecutive years.

Taken over

"Their shareholders are questioning the logic of continuing to do business with Kenya while losing money," Matiba, who is also the executive director of Alliance Hotels, said.

Small companies which could not survive were being taken over by bigger ones.

Last week, the Block Hotels K Ltd merged its operations with the Sheraton Group in a bid to strengthen its market share in the wake of poor tourism trade. Since the slump hit, more than 100,000 staff have been laid off and about 20 four and three-star hotels closed at the coast.

Matiba warned: "The reality of the matter is that tourism in Kenya will continue struggling unless we do what the donor community, the industry and the World Bank have been telling us to do all along.

Matiba said those worst hit by the decline were hotels which had financial obligations to banks and finance houses.

'They are now being forced to offer cheap rates, which attracts cheap tourists to the destination,' he said.
Moi's son named in import scam

James Macharia

NAIROBI — Phillip Moi, the son of Kenyan President Daniel arap Moi, evaded paying duty on four Mercedes-Benz cars, a parliamentary committee reported yesterday.

Moi failed to pay Sh116,666 in VAT and import duty on one of the cars alone, the committee said in a report tabled in Parliament yesterday by its chairman, West Muga-ngo MP Henry Obwocha.

The car should be impounded and sold to recover the money, the committee recommended.

The car was registered in Moi's name, and given two private number plates after it was brought into the country under the pretext that it was for a diplomatic mission.

The committee also recommended that the attorney-general investigate how the car was fraudulently issued with two separate private registration numbers, and ensure the culprits were punished.

Tax on six Mercedes-Benz vehicles imported by Sheraton International Holdings was calculated at Sh500,000.

Moi and one Mohammed Muza-him are directors of Sheraton International Holdings.

The committee found that six vehicles — imported in 1993 and 1994 by Sheraton on which duty was not paid — was a top-of-the-range Mercedes 500 SEL, which could not be traced.

"The committee was informed that the police had not traced the whereabouts of the vehicle, and that efforts to trace it are under way," the committee said.

The committee also questioned why some of the vehicles which were impounded had not been auctioned, as recommended in previous committee reports.

Duty on one of the vehicles had been paid while another was sold to an embassy on a tax-free basis, the committee said.

A third vehicle was seized by customs and excise investigators on June 24 last year. It is being held at a customs warehouse at Jomo Kenyatta International Airport.

"The committee was informed that Sh25,000 was paid in relation to the fourth and fifth Mercedes-Benz cars out of the assessed tax of Sh106,666, and that the two vehicles had been detained at the CID headquarters pending payment of duty," the committee said.

It recommended that duty and VAT be paid in full on the vehicles. Those that had been impounded should be auctioned to recover the outstanding amount.
Budget promises 'sound hollow'
Manoah Esipisu

Nairobi – Kenya’s central bank said yesterday that the country’s economic gloom would continue this year with all sectors showing weakness.

In its monthly report for May, the Central Bank of Kenya (CBK) revised its forecast for gross domestic product (GDP) growth in 1999 to 2 percent from an earlier 2.5 percent.

Kenya’s GDP grew 4.8 percent in 1998 and 4.6 percent in 1996. Growth subsequently slowed to 2.5 percent in 1997 and just 1.8 percent last year.

The government had predicted an economic recovery this year but its confidence has declined steadily in recent months. CBK said GDP growth stood at 1.7 percent in the 12 months to March 31, unchanged from January and February.

“Viewed against the population growth of about 2.4 percent per annum, the slowdown in economic growth, particularly in 1997 and 1998, implies that no substantial gains were made in the fight against poverty and unemployment,” the bank said.

It blamed the economy’s troubles on poor roads, telecommunication services, port operations and water supply, which limited production and marketing by increasing the costs per unit of output across the economy.

It said the flow of resources into the more efficient private sector had waned. There was lack of security in tourist areas and investor confidence was eroded by poor public services.

Another problem was a series of delays in implementing donor-led reforms.

The International Monetary Fund halted a three-year $305 million loan package to Kenya in 1997 to protest official corruption. Last month the fund’s board and Kenya’s finance ministry officials failed to agree on a date to resume talks.

Kenya’s government had initially forecast 1999 GDP growth of 3 percent, but last month the planning ministry revised it down to 2.3 percent. Investment analysts said even this figure was far too optimistic.

The CBK GDP growth forecast for 1999 was still higher than that of private analysts. The Institute of Policy Analysis and Research forecast GDP growth at 1.4 percent in 1999, citing stagnation in many areas of the economy.

CBK said the marginal increase in GDP growth in 1999 would be helped by the macroeconomic environment of low inflation and stable exchange and interest rates. It also hailed measures to restore and strengthen the banking sector.

The bank urged the government to increase the pace of privatisation of Kenya Ports & Telecommunications, Kenya Ports Authority and Kenya Railways – Reuters
Desert ships bring books to nomadic youth

NAIROBI — From a shady spot under a broad acacia tree Hassan Abdi has a fine view of the little caravan trotting its way towards him.

The Somah boy flicks impatiently through the pages of Gulliver’s Travels. For the past few days he has been enchanted by Jonathan Swift’s tale of an imaginary voyage. Now it is time for some fresh reading material.

The moment the three camels and their drivers arrive in the Somah village of Bulla Ilfin in northeast Kenya they are thronged by eager readers.

Their cargo from the provincial town of Garissa is books — 400 of them — ranging from fairy tales to adventure stories, from novels to manuals, picture books and teaching materials.

The village elders hold back from time to time they usher a child to the front of the crowd.

When they return to the herds the children will read out loud from the books by the light of a campfire.

Most of the old herdsmen cannot read. In their day there was no school at Bulla Ilfin or anywhere near it.

"Since we began supplying books to the region a lot of the children’s parents have started sending their children to the village schools," said Wycliff Olouch, the Kenyan national library agent for Garissa province. "Before that a lot of them didn’t really see why nomadic children should bother to learn anything."

Kenya’s Somali tribesmen, most of whom are nomadic herdsmen cross-crossing the northeast of the country, are much poorer than the Kikuyu or the Luo tribespeople, who live in more fertile regions.

Most nomads have no money for textbooks and Kenya’s library service is equally impoverished.

Buying an off-road vehicle to bring the books to their nomadic readership along sandy tracks was out of the question.

One day Olouch came up with the idea of transporting books in the same way that the nomads move their household effects and folding huts from one grazing area to another — on the back of camels.

Somali elders are traditionally suspicious of new-fangled ideas from the city but this time they did not need much persuading. "They really took to the idea of transporting the books by camel," said Olouch.

Three years ago village elders donated a camel to Garissa library and now three "desert ships" laden with books ply the area around Bulla Ilfin five days a week. It is appropriate since Bulla Ilfin means "the village that became enlightened" — Sapa-DPA
Labour officials grilled by CCMA

RONALD MORRIS

A SENIOR official in the Department of Labour has told the Commission for Conciliation, Mediation and Arbitration (CCMA) that an important report on which it was decided to suspend Brian Williams, the provincial director of labour, was withheld from Williams.

Deon Haasbroek, chief director of administration and Williams’ manager at the time, stated under cross-examination in arbitration proceedings over three days last week that the documents were withheld from Williams on the instructions of Sipho Pityana, the director-general, despite a court order that the department hand over all relevant documentation to Williams in preparation for his case.

The report, compiled by Haasbroek, was an analysis of Williams’ strengths and weaknesses.

Williams is challenging the validity of a decision to suspend him on October 1 last year.

Asked by Graham Taylor, counsel for Williams, in which respects Williams had transgressed the Labour Relations Act, the staff code or the Constitution, Haasbroek replied that Williams had contravened the department’s own policies.

Asked if that was a ground for suspension, Haasbroek said he was not prepared to answer that question, nor was he prepared to answer the magistrate’s query about whether it was sufficient grounds to suspend Williams.

During the course of his evidence Haasbroek declined to answer several questions and Taylor cautioned him that this could constitute contempt of the commission.

However, Haasbroek did admit that he was not concerned that Williams would tamper with evidence or interfere with witnesses, and claimed he did not consider transferring Williams as an alternative to suspending him as prescribed by the staff code.

Taylor put it to Haasbroek that despite a letter the department had written to the Cape Times in which its communications director claimed that the department had complied with the terms of a court order by handing over all documents to Williams, the minister and Pityana did not comply with the court order because Haasbroek’s report on Williams was not included, nor were the contents of his personnel file.

Again, Haasbroek had no answer.

Taylor said he would argue that the minister and the director-general have not presented a case for Williams to answer and had failed to meet the minimum requirement to lawfully suspend Williams.

A date for the resumption of the arbitration is yet to be determined.
Kenya splits telecoms body into three units

Licences awarded to two commercial units, cellular firm

NAIROBI — Kenya split the state-owned post and telecommunications corporation into three units yesterday, post telecommunications and regulation, to prepare for eventual privatisation.

Genesus Kithinji, head of posts and telecommunications at the ministry of transport and communications, said the Kenya Posts & Telecommunications Corporation will cease to exist from today. It will be replaced by Telkom Kenya, Postal Corporation of Kenya and the regulatory body Communications Commission of Kenya.

The commission granted licences to the two commercial units yesterday and a third to cellular company Safaricom.

Safaricom will operate as a joint venture between Telkom Kenya and Vodafone, with the British firm holding a 50% stake in the firm.

The split will pave the way for Telkom Kenya to seek a partner for a 25% stake in the company.

The commission's boss Samuel Chipkong'a said it would invite bids for a second cellular provider on July 24 and that it was expected to license an operator in March 2000.

The former MD of the Kenyan corporation, Augustine Chesere, who was moved to Telkom Kenya, said his company will focus on reducing tariffs.

Kithinji said the transfer of assets was complete and that a transition management committee had been set up to deal with any complications that may arise.

The reform and liberalisation of Kenya's telecoms sector was one of a series of conditions applied by the International Monetary Fund before it would consider resuming financing a major loan to restructure the country's economy.

Meanwhile, it was reported that Tanzania's privatisation commission invited bids yesterday for a 35% stake in the state-owned telecoms operator, Tanzania Telecommunications Company.

The invitation carried in a newspaper advertisement invited bids from operators acting alone or in a consortium with investors. The closing date is July 31.

Tanzanian officials said once the 35% stake was sold to the strategic investor, another 14% would be sold to employees and the Tanzanian public.

Eventually the government would reduce its remaining 51% stake to a minority holding, officials said.

Tanzania Telecommunications is the country's largest telephone operator. It was granted a cellular licence yesterday and was expected to begin operating by the end of December.

Tanzania has one of the lowest per capita rates for telephones in the world, with about seven lines for every 100,000 people. — Reuters
Kenya splits posts and telecoms into three

FROM REUTERS

Nairobi – Kenya's government yesterday split the state-owned Kenya Posts & Telecommunications (KPTC) into three units – post, telecommunications and regulation – to prepare for eventual privatisation.

KPTC would cease to exist from today, said Genesus Kithuji, the head of the posts and telecommunication department at the ministry of transport and communications.

It would be replaced by Telkom Kenya Postal Corporation of Kenya and the regulatory body, Communications Commission of Kenya (CCK).

CCK will immediately grant licences to the two commercial units and a third company, Safaricom, which is Telkom Kenya's cellular company, to start operating on Wednesday.

Safaricom would operate as a joint venture between Telkom Kenya and Vodafone VODA, with the British telecoms company holding a 30 percent stake in the company.

The split will pave the way for Telkom Kenya to seek a strategic partner for a 26 percent stake in the company.

“We have consultants working on the information memorandum, which should be ready early next year,” Kithuji said.

After taking in a strategic partner, Telkom Kenya would operate for another one year before issuing a further 20 percent shares through an initial public offer.

The restructuring of the sector would see a second cellular provider licensed to compete with Safaricom by the end of the year.

“There will be no delays in the privatisation of the communication sector, it is right on schedule,” Kithuji said.

“Each of the companies will have their own manager, logo and new offices from Wednesday,” Augustine Cheshire, the present KPTC managing director, would move to Telkom Kenya.

Samuel Chepkong'a would head the CCK, while the Postal Corporation's postmaster general was expected to be appointed shortly, Kithuji said.

Kithuji said the transfer of assets was complete, and a transition management committee had been set up to deal with any complications that may arise.

“The committee is there to wind up the corporation and deal with its liabilities and disputes,” Kithuji said.

He said the split was not expected to cause job losses. Of the KPTC's workforce of 24,000, Telkom would retain about 18,000 employees. The rest would be shared between the Postal Corporation and CCK.

The two companies would sign a memorandum of understanding whereby they would outsource each other for services rendered through a transitional arrangement, Kithuji said.

The reform and liberalisation of Kenya's telecoms sector was one of a series of conditions applied by the International Monetary Fund before it would consider resuming financing a major loan to restructure the country's economy.
Kenya warned on corruption

Mark Turner

NAIROBI—The International Monetary Fund (IMF) has called on the Kenyan government to "take" tougher measures to curb corruption and improve economic management before formal talks on the resumption of a suspended $205m. loan agreement can get under way.

The demands reiterated an IMF decision in May that essential conditions for negotiations, including the creation of an anti-corruption authority, had not been met.

"Resumption of Kenya's enhanced structural adjustment facility is crucial to restoring confidence in an economy which has seen the growth rate decline for a third year." Officials are predicting a 1% growth in 1999, down from 4.8% in 1998 and 2.3% in 1997.

The fund says it will hold off presenting a report on the economy until a visit in October, "A positive report will improve the chances of an earlier resumption of negotiations," said Micah Chéverem, the Kenyan central bank governor.

nevers. la1
Kenya bans anti-malaria medicine

KENYA has become the first country in the world to ban the anti-malaria drug chloroquine, British Airways Travel Clinics said yesterday. It was useful in the treatment of malaria in Kenya for many years, but up to 80% of strains now show resistance. Kenyan malaria victims will now be treated with a combination of quinine and fansidar.

Announcing the ban, Deputy Health Minister Basil Criticos said malaria had reached alarming proportions in western Kenya. He said 27 children suffering from malaria were being admitted to the region's Eldoret hospital every day.

British Airways Travel Clinics, said: "The ban reflects what we have known for some time, that chloroquine is of little use in east Africa. Travellers to the region are advised to take either mefloquine or doxycycline." — Sapa

(163) BD 21/7/99
Leakey to root out Kenyan corruption

While Mugabe admits to cabinet graft

Kenya's President Daniel arap Moi has appointed high-profile conservationist Richard Leakey to head the country's civil service in an effort to clean up corruption.

The surprise appointment of Dr Leakey, a former political adversary of Mr Moi who helped set up the opposition Safina party, was accompanied by a shake-up of the civil service, with several top jobs going to private sector experts.

"Dr Leakey is recognised, both at home and abroad, as a man of determination and integrity," Mr Moi said. "He will have my complete and undivided support."

Dr Leakey, a white Kenyan and internationally known palaeontologist, achieved recognition for his successful efforts to combat poaching as head of the Kenya wildlife service.

He was forced out of his job with the service in 1994 amid allegations of mismanagement and accusations that he was confrontational and overbearing.

Subsequently, as a member of Safina, he engaged in bitter verbal battles with Mr Moi, who accused him of racism and colonialism.

In addition to his new post, Dr Leakey was also appointed permanent secretary in the president's office and secretary to the cabinet.

The president said the changes were intended to clean up the civil service and restart the economy.

Meanwhile, in Zimbabwe, President Robert Mugabe has declared his regime to be corrupt, with his first public acknowledgement this week that his cabinet ministers are receiving "huge bribes" in exchange for state contracts.

And the high court in Harare was told by one of the country's leading barristers that torture by "nameless, faceless" interrogators and abuse of the rights of suspects was now standard procedure in security cases.

Chris Andersen said that in not one of the thousands of cases of torture catalogued by human rights agencies since independence in 1980 had there been a prosecution for maltreatment.

Mr Mugabe's admission of the bribery that saturates the senior levels of government is seen as a personal revelation of the despair he feels as the country once renowned as "the breadbasket of Africa" slides into economic chaos.

"I know that they are buying you for tenders and that some of you are accepting huge bribes," the independent Daily News quoted him as saying.

Telling a usually private lunch for the opening of parliament.

No senior official has been punished, despite volumes of evidence in the independent press and the government's own investigations.

Like the torturers referred to by Mr Andersen, the overwhelming evidence of corruption is either ignored or, in the rare cases of legal action, perpetrators are granted presidential amnesty.

The Daily News also carried front-page pictures of cabinet ministers asleep minutes after Mr Mugabe began his address to parliament. -- The Times, London, and Reuters
Reforms boost

World Bank hopes of aid for Kenya

NAIROBI — World Bank country director Harold Wackman said yesterday he saw a "reasonable chance" that Kenya's western donors would step up aid to the country by year-end if the government delivered on its promise of reform.

Wackman said he had grown more optimistic that the political will was there to overhaul the way the government was run after Friday's appointment of conservationist Richard Leakey to head Kenya's public service.

"It's a good start," he said in an interview.

The probability of us moving to a higher level of lending is greater than it was (a few months ago) there's a reasonable chance (of higher lending) within six months.

Western aid to Kenya has fallen sharply since the International Monetary Fund (IMF) suspended a key loan in July 1997, complaining of inefficiency and corruption in government.

Other donors soon followed, with the World Bank moving to a "low case" scenario, which envisages new lending commitments of up to $150m — spread over three years from July 1998 — compared with typical past levels of more than $200m a year.

Wackman said a new IMF arrangement was a precondition for higher World Bank lending, but said that could be in place by the end of the year if Leakey and his team were given the muscle to push through a serious reform programme.

Leakey's appointment by President Daniel arap Moi was accompanied by a shake-up at the top of the public service, with several senior jobs going to private sector experts.

The president said that Leakey had his "complete and undivided support" in his bid "to change the culture of corruption and inefficiency in our public service."

Some diplomats suggest Leakey's reform efforts could bring him into conflict with the political establishment and speculate that a cabinet reshuffle could be on the cards.

"It is better if you can have a cabinet which is genuinely supporting the changes," Wackman said.

He identified cutting the government's bloated bureaucracy, which employs nearly half a million public sector workers, as a key challenge for Leakey, as well as reinforcing fiscal discipline throughout the administration.

"If you spend two-thirds of taxpayers' money on public servants and on interest on debt, you'll find it pretty tough to get the economy going," he said. Kenya needed a public service half its current size, but a better paid one.

The World Bank is also looking for faster privatisation and "a comprehensive programme to tackle corruption," including a clean-up of the judiciary — Reuters.
Leakey makes another comeback, as minister

Robert Ooko
Former Speaker
Nairobi - Kenyan attained independence 36 years ago
Thus, the last thing Kenyans would have expected now is to have a white man at the head of the civil service.
But President Daniel arap Moi had no regrets last week about appointing internationally renowned palaeontologist and conservationist Richard Leakey to head the badly-corrupted and corrupt civil service.
Mr. Leakey may safely be described as having the canes of a man.
In 1969, he was called upon to save the Kenya Wildlife Service (KWS) at the height of rampant poaching in Kenya's sprawling game reserves and national parks. At that time, such species as the rhino and the elephant were threatened with extinction.
Mr. Leakey turned the moribund State corporation around using his international al work to collect funds from overseas donors. After only a few years poaching had been reduced to bare minimum, and the threatened species began to multiply.
But his efforts at the KWS were been to wildlife conservation, the tourism industry and the economy in general. Mr. Leakey's success was not going down well with some powerful politicians in the Moi government. And the major bone of contention was parts of the animal reserves, which the politically correct individuals were opposing for private development.
Mr. Leakey stuck to his guns and not a single square metre went to the land grabbers. But the powerful men succeeded in convincing President Moi that Mr. Leakey was not the right man to head the KWS, a job which Moi himself would have relished.
On his part, Mr. Leakey had very few kind words to say about the president himself, or the government. But if anybody thought Mr. Leakey was down and out, they had a rethink coming.
Towards the end of last year Mr. Leakey confided friend and foe alike when he got back from right back in a move political and diplomatic observers said was influenced by his close friends and one-time powerful constitutional affairs minister Charles Nyoro, at present KWS chairman.
Mr. Leakey's appointment to the top civil service job has, been secrecy to the cabinet in boot, and that of several other technocrats, the faintest to be Mr. Moi's first step towards political and economic recovery.

Survivor Richard Leakey, who has been appointed head of the Kenya civil service.

Leakey makes another comeback, as minister

Robert Ooko
Former Speaker
Nairobi - Kenya attained independence 36 years ago
Thus, the last thing Kenyans would have expected now is to have a white man at the head of the civil service.
But President Daniel arap Moi had no regrets last week about appointing internationally renowned palaeontologist and conservationist Richard Leakey to head the badly-corrupted and corrupt civil service.
Mr. Leakey may safely be described as having the canes of a man.
In 1969, he was called upon to save the Kenya Wildlife Service (KWS) at the height of rampant poaching in Kenya's sprawling game reserves and national parks. At that time, such species as the rhino and the elephant were threatened with extinction.
Mr. Leakey turned the moribund State corporation around using his international al work to collect funds from overseas donors. After only a few years poaching had been reduced to bare minimum, and the threatened species began to multiply.
But his efforts at the KWS were been to wildlife conservation, the tourism industry and the economy in general. Mr. Leakey's success was not going down well with some powerful politicians in the Moi government. And the major bone of contention was parts of the animal reserves, which the politically correct individuals were opposing for private development.
Mr. Leakey stuck to his guns and not a single square metre went to the land grabbers. But the powerful men succeeded in convincing President Moi that Mr. Leakey was not the right man to head the KWS, a job which Moi himself would have relished.
On his part, Mr. Leakey had very few kind words to say about the president himself, or the government. But if anybody thought Mr. Leakey was down and out, they had a rethink coming.
Towards the end of last year Mr. Leakey confided friend and foe alike when he got back from right back in a move political and diplomatic observers said was influenced by his close friends and one-time powerful constitutional affairs minister Charles Nyoro, at present KWS chairman.
Mr. Leakey's appointment to the top civil service job has, been secrecy to the cabinet in boot, and that of several other technocrats, the faintest to be Mr. Moi's first step towards political and economic recovery.

Survivor Richard Leakey, who has been appointed head of the Kenya civil service.

Leakey makes another comeback, as minister

Robert Ooko
Former Speaker
Nairobi - Kenya attained independence 36 years ago
Thus, the last thing Kenyans would have expected now is to have a white man at the head of the civil service.
But President Daniel arap Moi had no regrets last week about appointing internationally renowned palaeontologist and conservationist Richard Leakey to head the badly-corrupted and corrupt civil service.
Mr. Leakey may safely be described as having the canes of a man.
In 1969, he was called upon to save the Kenya Wildlife Service (KWS) at the height of rampant poaching in Kenya's sprawling game reserves and national parks. At that time, such species as the rhino and the elephant were threatened with extinction.
Mr. Leakey turned the moribund State corporation around using his international al work to collect funds from overseas donors. After only a few years poaching had been reduced to bare minimum, and the threatened species began to multiply.
But his efforts at the KWS were been to wildlife conservation, the tourism industry and the economy in general. Mr. Leakey's success was not going down well with some powerful politicians in the Moi government. And the major bone of contention was parts of the animal reserves, which the politically correct individuals were opposing for private development.
Mr. Leakey stuck to his guns and not a single square metre went to the land grabbers. But the powerful men succeeded in convincing President Moi that Mr. Leakey was not the right man to head the KWS, a job which Moi himself would have relished.
On his part, Mr. Leakey had very few kind words to say about the president himself, or the government. But if anybody thought Mr. Leakey was down and out, they had a rethink coming.
Towards the end of last year Mr. Leakey confided friend and foe alike when he got back from right back in a move political and diplomatic observers said was influenced by his close friends and one-time powerful constitutional affairs minister Charles Nyoro, at present KWS chairman.
Mr. Leakey's appointment to the top civil service job has, been secrecy to the cabinet in boot, and that of several other technocrats, the faintest to be Mr. Moi's first step towards political and economic recovery.

Survivor Richard Leakey, who has been appointed head of the Kenya civil service.

Leakey makes another comeback, as minister

Robert Ooko
Former Speaker
Nairobi - Kenya attained independence 36 years ago
Thus, the last thing Kenyans would have expected now is to have a white man at the head of the civil service.
But President Daniel arap Moi had no regrets last week about appointing internationally renowned palaeontologist and conservationist Richard Leakey to head the badly-corrupted and corrupt civil service.
Mr. Leakey may safely be described as having the canes of a man.
In 1969, he was called upon to save the Kenya Wildlife Service (KWS) at the height of rampant poaching in Kenya's sprawling game reserves and national parks. At that time, such species as the rhino and the elephant were threatened with extinction.
Mr. Leakey turned the moribund State corporation around using his international al work to collect funds from overseas donors. After only a few years poaching had been reduced to bare minimum, and the threatened species began to multiply.
But his efforts at the KWS were been to wildlife conservation, the tourism industry and the economy in general. Mr. Leakey's success was not going down well with some powerful politicians in the Moi government. And the major bone of contention was parts of the animal reserves, which the politically correct individuals were opposing for private development.
Mr. Leakey stuck to his guns and not a single square metre went to the land grabbers. But the powerful men succeeded in convincing President Moi that Mr. Leakey was not the right man to head the KWS, a job which Moi himself would have relished.
On his part, Mr. Leakey had very few kind words to say about the president himself, or the government. But if anybody thought Mr. Leakey was down and out, they had a rethink coming.
Towards the end of last year Mr. Leakey confided friend and foe alike when he got back from right back in a move political and diplomatic observers said was influenced by his close friends and one-time powerful constitutional affairs minister Charles Nyoro, at present KWS chairman.
Mr. Leakey's appointment to the top civil service job has, been secrecy to the cabinet in boot, and that of several other technocrats, the faintest to be Mr. Moi's first step towards political and economic recovery.

Survivor Richard Leakey, who has been appointed head of the Kenya civil service.
Kenya cuts duties as maize stocks dwindle

David Mageria

Nairobi - Kenya had reduced duty on maize imports to 25 percent from 32.5 percent to increase supply after the state National Cereals and Produce Board (NCPB) said commercial stocks were running low, the finance ministry announced yesterday.

In a legal notice the ministry said it was also waiving an additional 50 percent suspended duty on the commodity after an expected poor crop meant Kenyans would have insufficient supply of their staple food.

The suspended duty is an additional discretionary tax that the government usually imposes to protect its farmers when imports are seen to hurt local growers.

On Tuesday the NCPB said its stocks had fallen to 700,000 bags from 2.3 million at the start of the year.

The bulk of remaining stock was owned by the government and was mainly for use the for famine relief, NCPB said.

Industry sources said the country needed to import at least 2 million 80kg bags to meet its needs in the next harvest, "We are encouraging our commercial partners to consider limited importation," said Justice Kemei, a NCPB spokesman.

The NCPB normally stores the bulk of Kenya's grain although farms and millers carry limited stocks.

A bag crop of 26 million bags last year forced Kenya's ministry of agriculture, through the NCPB, to buy maize from farmers after prices slumped by more than 50 percent.

Kenyans' annual maize consumption stands at 33 million bags.

Analysts have said 9 million bags were brought into the country in 1998 through indiscriminate imports. This was 4 million over the expected shortfall.

But below-average rains during the main rainy season between March and June have undermined crop prospects for 1999.

The US Agency for International Development's Famine Early Warning System said in its June report that Kenya would produce 1.68 million tons of maize during the long rains season compared with an average output of 2.23 million tons in the period 1991 to 1997.

Kenya did not officially export any maize from the 1998 crop, but analysts reported smuggling to neighbouring countries - Reuters.
Kenya faces job cuts

Civil service head Richard Leakey needs to trim 126,000 posts

NAIROBI — Kenya's new team of technocrats, headed by conservationist Richard Leakey, faces a tough choice of removing 126,000 jobs from a bloated civil service, the East African weekly reported yesterday.

The paper said a 30% manpower cut through attrition and abolition of jobs was among the proposals contained in a document likely to guide a long-awaited public service re-organisation.

The measure, to be spearheaded by officials named by President Daniel arap Moi two weeks ago, will be aimed at making the government leaner and more efficient, the authoritative weekly said.

The new appointments, made with the help of the International Monetary Fund (IMF) and the World Bank, include Leakey as head of the civil service and cabinet secretary, permanent secretary for finance, treasury financial secretary and permanent secretary for agriculture.

Leakey confirmed at the weekend that a report, published in April last year by the country's Director of Personnel Management (DPM) and approved by the cabinet, was among the options his team is studying.

Leakey told the East African the report was only one of several documents passed on to him by his predecessors being reviewed, although no decision had been taken on its proposals.

If the government opted to implement the crucial sections of the DPM's reform strategy some 126,127 staff and teachers will retire or be retrenched, the weekly East African said.

The study recommended that 59,680 civil servants and 66,447 teachers should be retired and retrenched between 1998 and 2001.

Leakey said his team's objective is come up with a civil service reform plan within 90 days.

According to the DPM study, an estimated 18,000 civil servants would leave due to attrition.

A further 10,000 aged over 50 years would retire early, while the remaining 31,680 would be retrenched through abolition of office due to privatisation, contracting out of services and the voluntary early retirement scheme.

Out of the 31,680 civil servants, 10,000 are expected to qualify for pensions, and the government will pay them $1,350 severance pay.

The average salary net benefits for non-pensionable staff is estimated at $3,578 each.

About 18,000 teachers would leave the service through attrition and 12,000 teachers aged above 50 would qualify for normal pension.

A further 12,000 teachers aged below 50 years will be pensionable and will only qualify for payment of three months' salary in lieu of notice and a "golden handshake" of about $1,081.

The remaining 24,447 non-pensionable teachers to leave will each get $2,358 dollars.

By end of December 1997, the Kenyan civil service staff level stood at 220,000, while by March 1998, there were 224,945 teachers.

According to the East African, the British government was willing to meet part of the cost of reducing the civil service, with a provision of $185.6m — Sapa-APP.
Kenya faces up to poor GDP growth

Nairobi - Kenya's real gross domestic product (GDP) growth slowed to 1.5 percent in the year to May 31 from 1.6 percent in the 12 months to April, the Central Bank of Kenya said last week in its monthly report.

The central bank said the government had begun implementing measures to arrest the decline.

"Real economic growth, which declined to 1.5 percent in the 12 months to May 1999 from 1.8 percent in 1998 and 2.3 percent in 1997, should show signs of recovery in the coming months," it said.

The bank first forecast GDP growth for 1999 at 2.8 percent, then lowered that figure to 2 percent and 1.6 percent. The latest report offered no revised forecast for the year.

"The main reason behind the slowdown in economic growth during the first half of 1999 continues to be poor infrastructure, reduced investor confidence, delays in the implementation of economic reforms and reduced inflows of external inflows from bilateral and multilateral donors," the central bank said.

It noted decline or stagnation in the agricultural, tourism, construction and services sectors.

"It said the establishment of an anti-corruption authority combined with envisaged reforms in public sector administration were expected to increase efficiency and rebuild investor confidence. Government ministries and departments were taking measures to remove constraints to economic growth.

"These included the repair of roads and the privatization of the telecommunications sector to reduce inefficiency," the central bank said.

Public-sector reform was launched nearly three weeks ago when President Daniel arap Moi tapped leading private-sector technocrats to lead what he called Kenya's economic recovery.

Among those Moi turned to were noted paleontologist Richard Leakey, whom he appointed the head of the civil service.

Martin Okurut-Otheno, formerly of Barclays Bank, was brought in as the top public servant at the treasury.

Both appointees have been given a strict mandate to stamp out corruption and enforce fiscal discipline in the government.

Otheno-Otheno has said that a key step to rebuilding investor confidence was to repair strained relations with the International Monetary Fund (IMF).

The IMF halted a $335 million, three-year loan package in 1997 to reinforce its protest against rampant official corruption and poor governance in Kenya.

Diplomats said Kenya had until the end of September to show the IMF that it was taking concrete action to deal with these problems.

Such action might lead to a reopening of negotiations on the suspended loan in October, they said.

Govt admits to debt payment problems

James Macharia

NAIROBI — The Kenya government admitted yesterday it had experienced cash-flow problems in meeting its debt obligations on time.

This had delayed its interest payments and redemption on an outstanding $4.4m debt.

In July, the government admitted to having delayed payments of $1.2m owed to multilateral donors and the Strutton Woods institutions but denied having defaulted on payments.

Finance Minister Francis Masahal said the demands of maintaining a balanced budget had caused the government to fall down on loan payments.

"It is becoming a tall order for the government to meet its recurrent, development and debt servicing needs given the balanced budget policy," he said.

He denied that the government had defaulted "Default is a very strong word and Kenya is the only country in Africa that is able to pay its creditors despite the harsh economic conditions," he said.

The minister also denied government wanted to have the debt servicing rescheduled or that it had considered borrowing from the money market through issue of treasury bills.

Indicators from the central bank show foreign currency reserves held by Kenyan banks dropped to $846m in May compared with $1,089m previously.
Kenya tries to kick its corruption habit

Five magistrates interdicted as Moi cracks down

W WAGASHI EABARRIE
Nairobi

AGAINST the backdrop of the sensational case of a businessman who allegedly coerced the Kenyan government out of more than $0.9 million with the help of civil servants, President Daniel arap Moi has taken a tough stand against corruption in Kenya.

This week, the government interdicted five magistrates and said several others were being investigated for corruption in a sweeping move on the judiciary, which with the police is considered the most corrupt institution in Kenya.

Internationally famous palaeontologist Richard Leakey was named to head the civil service, which staff describe as ‘‘thoroughly inefficient and demoralized’’ — about 125,000 public workers are expected to be retrained soon.

Kenya's donors have frozen much of their aid because the government apparently condones high-level corruption and has dragged its feet on constitutional reforms. In May, an assessment mission from the International Monetary Fund said Kenya three months to take some vital “prior actions” before the fund would consider resuming stalled talks on more aid.

Kenya is rated by the global anti-graft body Transparency International as one of the seven most corrupt countries in the world.

Kenya's economy has taken a serious battering over the past few years because of high levels of corruption, withdrawal of donor support and a breakdown in infrastructure. Lack of security has also scared away tourists who were the main source of foreign exchange for the country.

Kenya's growth rate has slowed to 1.1 percent for the 12 months ending April 1999 — down from 1.8 percent in 1998, 2.3 percent in 1997 and 4.5 percent in 1996. Investors have also fled. Finance ministry figures indicate that investments as a percentage of gross domestic product stand at 17.2 percent — compared with 29.4 percent three years ago.

COMING TO THE FORE: Famous palaeontologist Richard Leakey will head Kenya's civil service. Picture: AP
Moi appoints new finance minister

NAIROBI — Kenya’s unpopular Finance Minister Francis Masakhalila has been replaced by Energy Minister Chris Okemo. In a cabinet reshuffle ordered by President Daniel arap Moi yesterday, Masakhalila and Okemo swapped portfolios. The move comes as Kenya is struggling with an economic crisis. Masakhalila had been in the finance ministry for only six months but failed to impress the financial markets, especially as his predecessor Simon Njoroge was widely respected at home and abroad. His appointment was a total mistake. Almost from day one it was clear that he couldn’t manage the portfolio, he couldn’t inspire the confidence of anybody, be it his fellow workers, donors or the private sector,” said Robert Shaw, an independent economist. Okemo, a Canadian-trained economist with extensive experience in the oil industry, joined the government as energy minister in January 1998. He is widely regarded as an efficient technocrat, although some analysts wonder whether he has the experience to restore Kenya’s relations with the International Monetary Fund (IMF) and revive the economy. Kenya’s economy was plunged into recession when the IMF suspended lending to the country in 1997, citing corruption and poor public administration. Njoroge had been credited with vastly improving Kenya’s relations with foreign donors but he resigned from the government in February when he was replaced by Masakhalila. Kenya’s currency, the shilling, fell sharply in the weeks after Njoroge’s resignation amid concerns that Masakhalila lacked the political acumen or determination to push through economic reforms. “He was not aggressive or assertive enough to boost confidence in the economy. The markets want someone like Njoroge who displayed confidence,” said a source. Ernst & Young’s equity broker in Nairobi.

Masakhalila’s budget in June was poorly received and in recent months Kenya has cut in arrears on its foreign debt repayments. The first time in years. Arthur Daragh, a London-based economist with Barclays Bank, said the latest reshuffle might help improve Kenya’s relations with the IMF. “The bottom line is you need to get the IMF on board,” he said. Kenya’s economic growth dropped from 4.6% in 1996 to 2.3% in 1997 and 1.8% last year. It is expected to be even lower this year. — Reuters

Kenya’s wealthy are ‘going to the Devil’

NAIROBI — A large business, fast car and healthy bank account may once have been the mark of a successful and well-connected businessman in Kenya, but no longer. As of last week, they have become the hallmarks of Satanism.

Over the past week, the country’s press has been dominated by one story according to a leaked report of a presidential commission. Devil-worship is rife in Kenya, proving an efficient route to political and commercial success.

Some Satanists “own large enterprises, drive sleek cars and possess large sums of money,” it said, lingering Freemasons, Mormons, and the New Age movement as occult businessmen and, most intriguingly, the report singles out a colourfully-named sporting group, the Lucifer Golfing Society.

“They are just normal, respectable people,” protests Chris Kibua, chairman of the Kenyan association of manufacturers. For days, Nairobi has talked of little else. But the government’s critics and social analysts suspect the report has more sinister undertones to distract attention from economic decline and political discontent.

In 1993, the East African Standard News ran a series of investigations into the growth of cults. In response, the president set up a commission of mainstream church leaders to investigate. But the findings, although ready in 1995, were kept secret until the mysterious leak last week.

When the commission began, Kenya was undergoing transformation. The first multiparty elections were held in 1992, there was widespread political violence and the economy was showing signs of economic strain.

Today, conditions are not dissimilar. Social services are collapsing, economic growth has dropped for three years and running and infrastructure is a mess.

“This is filling a vacuum,” says Kibua. “We should be discussing the causes of our problems: the collapsed economy, the weather, what we can do to develop our infrastructure.”

“People are desperate,” says Paul Muite, the embattled leader of the opposition Alliance Party, who was also accused of Devil worship in the early 1990s. “There is no hope, there is no direction. The human mind has to have a way of explaining things.”

Kenya is fertile ground. Witchcraft beliefs are common on the coast and around the southern part of the country.

About 70% of the country is Christian and a majority has turned to evangelical and Pentecostal movements. But a new youth-based protest movement, the Mungiki, is causing concern as its anti-Christian message wins converts.

According to Rev. Tam Nyota, an outspoken Presbyterian, “The government wants to create an evil with which to transfer the blame. This won’t affect people in the opposition but it will consolidate those in support.”

The irony is that the establishment may find the report comes back to haunt it. Many officials have done rather well from the current regime and are showing the signs of wealth the commission says are suspect. “Perhaps that explains why the government did not openly release this,” says Mitch Odero, spokesman for the All-Africa Conference of Churches.
Coffee industry under threat

Poor performance by co-operatives provokes violent split among Kenyan producers

NAIROBI — Mismanagement of co-operatives which has provoked violent clashes among farmers and smallholders, poses the latest threat to Kenya's coffee industry, Agriculture Minister Musalia Mudavadi said yesterday.

In the past three months growers in the prime central Kenyan area have resorted to violence in their campaign to force changes in the management of co-operatives.

They say overheads are too high because of corruption and mismanagement and they are demanding a major role in the running of factories.

Farmers seeking change and those satisfied with the situation have fought pitched battles, say witnesses who have visited the main trouble spots in the key growing district of Nyera.

Farmers have attacked factory managers and cut down coffee trees of growers seen as opposing the campaign for a smaller, more efficient co-operatives in which producers could have a stronger voice.

Local television images have shown farmers armed with machetes, knives and clubs taking over factory grounds. One person has been killed in the clashes and dozens injured. "Unless it stops it can slow down our recovery process in the sector. Our desire has been to step up production," Mudavadi said in Nairobi.

Kenya's production has slumped in the past decade, falling to only 47,000 tons last year. Coffee, once Kenya's leading foreign currency earner, now lags behind tea and tourism.

Officially production is estimated to increase to 70,000 tons for the 1998-99 crop year and 30,000 tons in 1999-2000.

Many industry figures doubt that those targets can be achieved. Smallholders produce the bulk of quality Kenyan coffee.

The top public official at the finance ministry Martin Odur-Otieno agreed with Mudavadi, saying some discipline and a sense of ethics was required in co-operative management.

"The frequent wrangles in these areas are causing irreparable damage to quality and quantity while frustrating producers," Odur-Otieno said.

Mudavadi said farmers were sending signals to various institutions in the industry that they needed to change. "I think the institutions that have been handling farmers' produce may not have got the signal, they have not been delivering services as required."

He said his immediate concern was to expedite a review of the current laws to ensure they addressed farmers' problems — Reuters
Kenyan trade body vows to narrow gap with SA

Nairobi - The much-touted trade imbalance between Kenya and South Africa would soon be a thing of the past, Chris Kirubi, the chairman of the Kenya Association of Manufacturers, said this week.

"I have discussed the matter with South Africa's minister for finance Trevor Manuel during the ongoing seminar on Africa's external debt in Nairobi, and the prospects are quite encouraging," he told the participants in an Automobile Association Kenya seminar.

Kirubi regretted the 20:1 trade ratio between South Africa and Kenya in favour of the former, and said it was one of the causes of the problems bedevilling Kenya's industrial and agricultural sectors.

Kirubi called on the Kenyan agriculture and trade ministries to come up with a trade policy that was favourable to both countries and that would protect their economies.

He condemned the importation of such products as eggs, chicken and juices, which could be produced locally.

The shelves in the main supermarkets, especially in Nairobi, are awash with goods from South Africa, including eggs and fruit juices. Most of the capital city's fast food outlets, including Nando's and Steers, sell chicken imported from South Africa.

Kirubi said most Kenyan industries had closed down certain lines of production and concentrated on importing finished products, which had resulted in a higher rate of unemployment.

He cited the textile sector, saying that out of the initial 500 firms, only 20 had survived the competition.

Kirubi commended the South African government for encouraging investment by financing trade missions, maintaining the infrastructure and dispensing low-interest loans.

He backed Tanzanian President Benjamin Mkapa's view that the member countries of the Common Market for Eastern and Southern Africa should assess the consequences of trade issues before entering into any agreements - Independent Foreign Service
Critics say Kenyan reshuffle was window dressing

James Macharia
NAIROBI — President Daniel arap Moi's cabinet reshuffle on Monday, which saw the number of ministries drop from 27 to 15, has been dismissed by critics as window dressing designed to impress donors.

Critics say the move will neither reduce heavy government expenditure nor convince donors that Moi is serious about reform. They are particularly sceptical after he recently assured public servants their jobs were secure, despite expectations he would slash the bloated public sector.

The reduction in cabinet posts was the most dramatic since Kenya's independence in 1963, but critics were quick to note that the new cabinet kept all 27 ministers and 45 assistant ministers. In some cases up to three ministers will be kept in one merged ministry.

Economists had also expected the cutbacks to be aimed at trimming the cabinet. Key ministries like finance have remained untouched. Chris Okemo, who took over three weeks ago, is heading the ministry.

'The World Bank's acting country director in Kenya, Prof. Ladapo Adamolekun, declined to comment on the shuffle,' says the bank will first consult with its head office. The donors — mainly the World Bank and the International Monetary Fund — have made it clear the government cannot expect financial aid unless the number of ministries is halved.

The first official reaction to the cabinet changes may come later this month when the IMF meets Kenyan officials to negotiate resumption of suspended financial aid of $206m and to discuss a revision of this year's June budget.

Disappointment

Opposition leaders and the business community reacted with disappointment to the changes this week, calling them "a game of musical chairs" and unlikely to motivate economic recovery.

Nairobi Stock Exchange shares analyst Arthur Namu of Shah Minge & Partners echoed what many have asked: "Who will be the final policymaker in ministries with two or three ministers?"

Kenya Association of Manufacturers chairman Chris Kirubi said the changes were disappointing but he hoped things would improve.

Opposition members claimed the ministerial appointments were ceremonial and politically motivated rather than intended to improve the ailing economy.

Sources close to the cabinet say Moi was forced to be expedient and to retain his team to avoid disaffection in the run-up to a no-confidence debate in parliament.

The motion has been filed by opposition member Kiaru Muringi.

Sources say the initial cabinet list had 15 positions — each headed by one minister — with 12 ministers dropped. However, Moi's advisers warned him he would lose the support of the 12 dropped ministers and several assistants at a crucial time, close to the motion of no-confidence, and thus forced a change of strategy.
Bears ravage Nairobi bourse

There has been upturn in foreign investment, but 97% of it has gone on just one share

James Macharia

HARARE — The Nairobi Stock Exchange has recorded a dramatic decline in market capitalisation, with the bear market attributed to factors such as low investor confidence, limits on foreign investors and a depressed economy.

Investors and stockbrokers say they are concerned about the poor performance of shares at the bourse whose 20-share index plunged to an eight-year low of 2 479 last week. Many investors feel they have absorbed too many losses with large drops in profit for the listed companies.

John Munge, chairman of stockbroker Shah Munge & Partners, admits the exchange is experiencing its worst run yet. "I am disappointed by the poor corporate results but it is not unexpected when the economy is doing so poorly," he says.

The exchange’s market capitalisation has fallen by $133m since its 1994 high when the index broke the 5 000-point mark to touch 5 068.

Lincoln Njenga, investment manager at Absco Asset Management, says "This is no longer a recession, we are in the middle of the most severe economic depression yet." He and other stock exchange analysts argue that the depressed exchange is the result of the half-hearted manner in which the government has conducted political and economic reforms.

This has affected many leading companies which announced declines in half-year profits recently. These companies include Barclays Bank Kenya, Kenya Commercial Bank, the Housing Finance Company which is Kenya’s leading mortgage finance company, National Bank, the country’s leading maize and wheat miller Unga Ltd, and Nation Media Group.

Shareholders are disillusioned because many companies have not offered dividends, but management at the exchange is more optimistic. Acting CEO Jonathan Muthiani calls the rise and fall of shares a "normal market occurrence." He argues that with a recent increase in volumes traded, it is only a matter of time before the bourse bounces back. He expects prices to improve soon on the back of an economic turnaround plan that is top of the government’s agenda.

The withdrawal of foreign investors from the exchange started in September last year, although their confidence seems to be building again slowly, as evidenced by the positive trend in August when investment totalled $1.06m against sell-offs of $412 446. However, analysts say the foreigners’ return does not reflect general confidence as 97% of this inflow went into East African Breweries’ shares. The investors remain wary until key issues surrounding the running of the country are addressed, mainly corruption and a return of donor goodwill.

The exchange has struggled to recover since the suspension of International Monetary Fund aid in July 1997. At the same time Treasury Bill yields are improving again, averaging 16% and attracting foreign fund managers to the money market at the expense of the exchange.

The market has been hurt by the lack of new listings over the past two years, and computerisation of the exchange’s activities has still to be implemented properly.
Kenyan recovery ‘is still a year away’

DAVID MAGERIA (CTCEB) 16/9/99

Nairobi – Kenya’s long-awaited economic recovery would not get underway until at least the second half of next year, the Central Bank of Kenya said yesterday. It said, however, that a recovery depended on the government implementing appropriate economic policies.

Nicholas Korir, the bank’s deputy chief economist, said recent efforts by the government to put Kenya’s economy back on track would take some time to bear fruit. “I think the second half of next year is a reasonable period because there is always the gestation period before the child is born,” Korir said.

Kenya’s gross domestic product growth slowed to 1.4 percent in the year to June compared with 1.5 percent in May and 1.8 percent in 1998.

President Daniel arap Moi recently made a series of changes to his government in a bid to revitalize the troubled economy. Last week he reshuffled his Cabinet, slashing the number of ministries from 27 to 15 to rationalize public service operations.

In July, Moi appointed a number of technocrats to key posts in the civil service, which is now run by Richard Leakey, the famous paleontologist.

Analysts have greeted the changes, especially to the civil service, with cautious optimism. Hopes are rising that formal negotiations with the International Monetary Fund (IMF) on a stalled loan package could get under way after an IMF visit in October.

Growth has slowed dramatically since the IMF suspended a loan package in mid-1997. The economy grew a real 2.3 percent that year.

“We are looking at whether or not they (the new civil service team) will put in place the right kind of policies, if they will carry on with the required reforms, rehabilitate infrastructure,” Korir said.

The bank said poor infrastructure and a decline in the delivery of public services had undermined growth in the year to June. — Reuters
Second-hand clothes
ruin Kenyan industry

FROM REUTERS

Nairobi - Angered by a ballooning trade in second-hand clothes and goods, Kenyan manufacturers had launched a campaign aimed at forcing the government to clamp down on the industry.

Chris Kirubi, the chairman of the Kenya Association of Manufacturers, said yesterday:

Second-hand clothes, underwear, shoes and bedding are shipped into Kenya from Europe and Asia and sold all over the country in a business that has grown rapidly over the past five years.

With the country suffering a deep recession, "mtumba" (which means second hand in Kikuyu) is one of the nation's few growth industries.

But Kenyan manufacturers said it was killing domestic production, and the thousands of jobs that went with it.

"Mtumba has destroyed cotton growing in Kenya, it has destroyed the textile mills and destroyed the jobs of ordinary people who bought sewing machines and sat outside their homes to make clothes for families," said Kirubi.

Kirubi was now leading a campaign calling on the government to change import laws in order to wipe out the second-hand imports industry.

One ironic newspaper advertisement showed a tennis shoe with a Mtumba logo above a message which read: "Durable mesh, impact resistant soles, reinforced double stitching, Just what you need to work in Kenya where it hurts!"

Under another Mtumba logo at the bottom of the full-page advert, it read: "A second-hand brand for a second-hand Kenya."

Kirubi said Kenya's main port of Mombasa was being swamped with containers of second-hand goods from the rest of the world.

"The biggest number of containers are not raw materials so we can produce goods in Kenya but this Mtumba rubbish," he said.

The second-hand clothes are undeniably cheap - pairs of shoes routinely sell for 200 shillings (R16) instead of about 1,500 shillings for a similar pair new in the shops.

"But Kirubi said the savings they represented for Kenya's poor were short-term.

"It is temporary relief for the oppressed but it displaces them from getting jobs. This time next year, people won't have enough money even for mtumbas," he said.

Thousands of people sell mtumbas in market places and on roadsides across Kenya, but Kirubi said the business was run by "faceless companies" who earned the real profits.
Kenya to decide future of railways by next month

Mark Turner

NAIROBI — Kenya will decide how to privatise its moribund rail service by next month, according to Titus Nakum, permanent secretary for information, transport and communications.

He said one of several options would be chosen within three to four weeks — including a complete sell-off, a single concession to lease the line, a management contract or splitting the railway into several parts.

Kenya's railways, which have been in decline for years, are potentially a crucial transport link from the coast to millions of consumers in the interior.

Nakum, appointed recently as part of a recovery team led by controversial conservationist Richard Leakey, appears well placed to save them.

As head of the Magadi Soda Company, he successfully set up a privately operated line branching from the Nairobi-to-Mombasa track.

"Railways is one area where I have knowledge," said Nakum. "I was a dissatisfied customer." His appointment has been widely welcomed by donors and private businessmen.

Nakum has already begun work on revitalising the Nairobi-to-Mombasa link, which has suffered from speed restrictions — caused by dented sleepers and the need for proper culverts — and problems with crossing stations. Trains were taking about 24 hours, and as long as 28 hours, to travel a track that should take 16-18 hours.

His next project will be to improve the vital link from Nairobi to the border with Uganda, rehabilitating the 1700 wagons which are out of service and addressing management problems. He expects noticeable improvements within six months.
Leakey targets tea and coffee chaos in Kenya

NAIROBI — Management changes made last week in Kenya's main tea and coffee agencies should help restore the faith of growers in the organisations and bolster production, say analysts.

Analysts said this week the drastic reforms were only a first step. Streamlining the management of smallholder co-operative societies, improving marketing and ensuring cheaper credit to farmers were the keys to revitalising the sector.

Last week, civil service head Richard Leakey scrapped the autonomous status of the Kenya Tea Development Authority and the Coffee Board of Kenya. He then sacked the agencies' CEOs.

"Coffee has had serious problems. In some cases, farmers have taken up arms to reinforce their protest against bad management," said Wilson Ngoyo, of the country's top agricultural school, Egerton University.

"Tea farmers have also complained about how poorly the tea authority was running their affairs," Ngoyo said.

Ngoyo said reforms of the two agencies could go further. Both agencies will continue to perform regulatory and marketing roles, which farmers say would prevent fair arbitration in a dispute.

Agriculture is the mainstay of Kenya's economy. Tea is the country's leading foreign exchange earner, while coffee comes third after tourism.

Tea production is forecast to decline to 235,000 tons in 1999 from a bumper 294,000 tons in 1998. Coffee production has been on the decline for the last decade, falling to 47,000 tons in 1997/98 from a peak of 130,000 tons in 1987/88.

Government officials say they are preparing a bill to separate the coffee board's marketing and regulatory roles.

The coffee board has blamed the fall in coffee production on rising inflation, volatility in global prices, higher labour and agrochemical costs and lack of affordable credit.

The board admitted that poor liberalisation policies and mismanagement had also contributed to falling output. — Reuters
Kenyan occupancy rates rise

SA gained many of the country's tourists after election violence erupted in 1997

James Macharia

NAIROBI — Kenya's depressed tourism industry is on the road to recovery, with many share banks in the country.

After two years of being transplanted to the sector, the number of tourists has increased to 70% over the past three months. This recovery has reversed the big drop in occupancy levels experienced since late 1997, when they fell to 15.2%. Visitors to game reserves and parks dropped to a 20% capacity.

The decline in the sector followed negative press publicity in Europe, which accounted for more than 40% of Kenya's tourists, after civil unrest in the country. However, the government has determined to rid the beaches of the "beach boys" — hawkers selling anything from animal wood carvings and curios to sex.

Tourists have long regarded the "beach boys" as a nuisance and complained of harassment. Although the number of tourists has increased, the government has seen some real growth in the market, but the visa waiver has not been enough to attract tourists. It signaled a willingness to eliminate travel barriers on the part of Kenyan authorities, he said.

One of the agencies for achieving further recovery will be the marketing of Kenya abroad, and the Kenya Tourism Board has been successful in securing more funds from government to challenge SA's image as a tourist destination. The annual marketing budget estimated at $21m by Kenyan officials shows Kenya's allocation of less than $1m.

A newly appointed Kenya Tourist Board chairman, Uhuru Kenyatta — son of former Kenyan leader Jomo Kenyatta — has appealed to government for funds to market Kenya as a tourist destination.

His appointment is regarded as a public relations boost to the sector because Kenyatta is considered adept with foreigners.

The future of tourism rests on developing new sites for visitors and marketing Kenya abroad. There are so many features that the tourists can find interesting but they have not been highlighted enough.

Many Kenyans believe SA was a key beneficiary, followed by Zimbabwe and Egypt, when tourists avoided Kenya. But Kenya is a superior destination to SA, argues Jan Mohamed, who says Johannesburg's crime rate is worse than Nairobi's problem cited as a threat to tourism.

Moi hindering reform — church

NAIROBI — The Roman Catholic Church in Kenya has blamed President Daniel arap Moi for blocking an important constitutional reform and has warned of its consequences.

In a pastoral letter released on Sunday, the church said Moi's main stumbling block to the constitutional reform process and warned that Kenyans have had too much of this and Moi himself, with the civil strife, has been too lenient over the whole process.

The mood for reform has been allowed to wriggle over allocation of seats on the commission.

"Revolutionary women and some people who are not the political leadership will be squarely held accountable for," said the letter, signed by the country's 73 bishops.

They said that Moi had threatened to block any reform.

"We are deeply appalled by Moi's recent statement that the present constitution is good for Kenya. It is not good for Kenya as Moi claims then we should not have wasted our time and resources to discuss the revision," the bishops said.

In the letter, the bishops also blamed the Kenya African National Union government for failing to tackle major problems like corruption, bribe-taking, insecurity, collapsed infrastructure and the HIV/AIDS epidemic.

Moi joins in African leaders' gay-bashing

NAIROBI. Kenya President Daniel arap Moi has joined a growing list of African leaders to attack gays, saying homosexuality is a "southern" that goes against Christian teachings and African traditions.

Speaking at an agricultural show in Nairobi on Wednesday, Moi said Kenya should stand against "unjustified practices" such as homosexuality.

"It is not right that a man should go with another man or a woman with another woman. It is against African tradition and biblical teachings," the 75-year-old Moi said. "I will not shy away from warning Kenyans against the dangers of the vice.

Yowet Mwenda, president of the Kenya National Union, earlier this week coined the term of homosexuals for carrying out what he termed "unholy acts".

Homosexuality is illegal and taboo in many African countries and to be gay or lesbian is to be open about their sexuality.

Zimbabwean President Robert Mugabe has been particularly outspoken in his condemnation of the homosexuality, once describing gay people as "lower than dogs."

"SCOURGE: Daniel arap Moi

Moi made fun of gays in his comments on Wednesday.

"Now we are asking men wearing earrings to make it easy for them to be identified by others," he said "laughed at the audience.

More and more young men in Nairobi's urban areas wear earrings but many of them are simply copying Western music stars whose videos are shown on Kenya television.

Earrings are also part of traditional attire for some of Kenya's old tribes.
Plessey expands into Kenyan market with privatisation

James Machana and Reuters

NAIROBI — A black empowerment firm, Plessey has expanded its services to Kenya in a bid to penetrate the Common Market for Eastern and Southern Africa.

The company's account executive for East Africa, Peter Zim, said Plessey’s key executives were sending a mission to negotiate contracts for its services and future business partnerships.

The company offers consultancy services in information technology, integration services and high-speed networking systems for companies. It focuses on high voice growth, data and multimedia networking markets.

The company hopes to take advantage of the liberalised telecommunications sector, Zim said: “The region is offering exciting new opportunities for information technology providers.”

Telkom SA recently contracted Plessey to install 250 radio telephones. Plessey was also awarded a parallel project to install a wireless access project in rural SA.

Zim says Plessey intends to involve local subcontractors in a bid “to empower the locals.”

The telecoms sector has opened up in the wake of the split of the monopolistic telecoms company in Kenya last July and several multinational firms have planned ventures into the market.

Next month, a second cellular phone service provider is to be named among six companies that have bid for the contract, including MTN of SA.

In addition, the Kenyan government is prepared to offer up to 49% of Telkom Kenya to a foreign investor, after its initial offer of a 26% stake in the telecoms firm met little foreign interest, officials said yesterday.

But even this may not be enough to attract a bid, officials say, with prospective strategic investors holding out for a cast-iron option to increase their stake to a controlling 51% in time.

Simply put, it will be difficult to attract a strategic investor without offering at least a path towards a 51% ownership, advised Salomon Smith Barney, which wrote to the government recently.

Privatising Kenya's telecommunications industry is seen by the World Bank as a major test of the government's commitment to its privatisation programme, and would help unlock suspended Western aid to Kenya.

Nevertheless, ending a controlling interest to foreigners is a politically sensitive issue.

The government originally proposed selling 26% to a foreign strategic investor, to be followed by the sale of 20% to the public through a share offer. Then at a cabinet meeting last month, ministers agreed to increase the stake available to a foreign partner to 49%.

Kenyan inflation ‘to continue its surge’

Simon Denten

NAIROBI — A falling currency and higher food and oil prices sent Kenyan inflation up in September and economists expect further increases in the months ahead.

Overall inflation hit 7.2% in the year to September up from 6.9% in August. This followed a sharp climb from minus 0.6% in July, the central bank said yesterday.

Much of that rise could be blamed on higher food prices caused by drought this year.

But underlying inflation, which excludes food, has also been rising. It hit 6.6% in the year to September, from 5.9% in August and 2.3% in March.

The central bank said prudent macroeconomic policies would keep inflation capped in single digits through to the middle of next year, but acknowledged that inflationary pressures were rising.

“The depreciation of the shilling exchange rate, recent increases in energy costs and the expected shortfalls in supply of staple foods are expected to put additional pressure on inflation,” the central bank said.

Economists said the rise in inflation was just one more concern for a government already grappling with a sharp economic slowdown and a lack of credibility at home and among foreign investors.

“If it’s a steady rise in the inflation rate in the next few months,” said Duncan Okello of the Institute of Economic Affairs. “But it is not just inflation, there is a comprehensive structural and managerial crisis in the economy.” — Reuters
EQUITIES Trade has dropped and index is sliding

Hard times spell change at Nairobi’s exchange

Robert Ondivi

Nairobi - The Nairobi stock exchange is going through a rough patch and has lost six-year low stockbrokers are being compelled to restructure and pull through the lean times.

"If the downward trend continues, I will consider it a miracle if I have a job next year," says a dealer on the exchange.

The main business outlook is exerting pressure on the 11 member brokerage fraternity with some quarters questioning the rationality of the market regulation.

Capital Markets Authority (CMA), in licensing such a large number of stockbrokers in a thin market that registered only a paltry 4.7 million shillings (500 million US dollars) turnover last year.

In 1997 the bureau had a turnover of 6.1 billion shillings while the index stayed above 300 points on average.

The index is now below what many analysts consider to be the "confidence level" of 500 points.

The breaking of the mould of the original club of six to 12 brokers was propelled by James Mugaru, the managing director of Tanzania Stock Exchange, an exchange member.

"But the breaking of a barrier like this may not have been too marauder with market capacity," he adds.

Paul Molly, the chief executive of CMA, dismisses the notion that the market has a problem of overcapacity and that its organization has opened the doors to too many operators.

"There are always critics, who want to sell what they don't have," he says.

The CMA licensed seven brokers between 1990-1994, bringing the total to 12. In 1995 the number dropped to 12.

The index is below what many analysts would consider the level of confidence.

Exchange’s job is to license those operators who meet the minimum requirements.

Kenya’s Telkom cannot paint over cracks

Nairobi - One of Kenya’s leading public service, the country’s formerly state-owned telecom company was falling to deliver on its promise to the country’s sitting telecommunications sector.

Telkom Kenya is split from the Kenya Post & Telecommunication Corporation on July 1 as a first step towards its eventual privatization.

Since then television screens have been full of glossy and expensive-looking advertisements portraying Telkom as a state-of-the-art telecommunications firm which promises to "keep customers in touch worldwide.

"We need to be aware of this situation," said a member of the new board of directors.

The company was not able to meet its monthly bill for electricity, and the situation is said to be "cruel" because of its high interest rates.

"We cannot keep quiet when the economy is suffering," said the same member.

Telkom Kenya’s new board consists of former KCC chairman Salim Kibue, Telkom Kenya managing director and other members.

Norman is one of the team of private sector technocrats appointed in July by President Daniel arap Moi to reform the public sector and revamped Kenya’s sitting telecoms sector.

To widespread applause, Kibue said the company was not a loss leader, but delivered.

"We may be in a difficult situation, but we believe in the future," he said.

Telkom Kenya came under heavy criticism last month when the data link which it promised to deliver for internet services was never delivered.

Reuter
Kenya film (b9)
industry loses
R2,4bn to SA
in shoots (292)

Nairobi - Kenya has lost
location shootings to
South Africa of at least
eight feature films with
budgets totalling some
$602 million (R2,42bn), a
Kenyan film producer
said yesterday.

Noor Ali of Telecine
Productions said the
films were lost to the
South African Film and
Telecommunications
office in Los Angeles
because of poor market-
ing of Kenya as a loca-
tion site. - Sapa-AP
Continued reforms will increase aid to Nairobi

FROM REUTERs

Nairobi - Britain would increase its aid package to Kenya if economic reforms undertaken in the past few months were sustained, British government minister said yesterday.

Peter Hans, a Foreign Office minister who has special responsibility for Africa said Kenyan President Daniel arap Moi had assured him of his commitment to the reform process.

We are committed to a substantial increase in our developmental assistance to Kenya provided that the economic recovery strategy is successful and an effective reform programme can be put in place," Hans said.

Jeffrey James the British high commissioner to the country's annual aid to Kenya stood at between 120 million and 140 million.

Hans welcomed the appoint ment of a team of consultant Richard Leakey to head a team of private sector technocrats who are aiming to revamp the country's relations civil service. I am confident that Kenya has turned the corner and that these changes are irreversible," Hans said.

He outlined eight steps he believed Kenya needed to take including judicial and constitutional reform and improving its human rights record, before the International Monetary Fund (IMF) would resume lending to the country.

The IMF suspended a key loan in 1996 to protest against official corruption and poor public administration.

The jury is still out internally on Kenya but there is much greater confidence of a favourable verdict than there has been for some time," Hans said.

He also warned present and future African dictators they could expect to pay for their crimes.

What happened to former Chilean dictator General Augusto Pinochet should be a salutary and grim warning to leaders around the world and in Africa," he said. "If they commit crimes or genocide they will be brought before world courts."

Hans is in Kenya the country of his birth at the end of a three-country tour of east Africa.
Uganda and Kenya clamp down on smokers

WAIRAGALA WAKABO

Nairobi - Uganda and Kenya were to enact tough laws against the use and advertising of tobacco products, the governments of the two countries confirmed yesterday.

Ugandan health minister Dr Crispus Kiyonga announced that a bill was being drafted to ban smoking in public places, to require tobacco makers to display health warnings on cigarette packets and to ban advertising in the electronic media.

The bill, which is expected to be debated by parliament before the end of this year, proposes placing production and marketing of all tobacco products under the control of the Tobacco Products Regulatory Board. This body will oversee the quality of tobacco products, including the maximum tar and nicotine levels and carbon monoxide yields.

Both countries propose to ban distribution of free branded merchandise and tobacco advertising at sports events.

"The crude reason why tobacco companies sponsor sport is to associate a fundamentally unhealthy activity (smoking) with a fundamentally healthy one (sport) in order to increase its profits," says anti-tobacco activist Ronnie Rooke.

Tobacco companies are leading tax contributors in both countries. In Uganda they contribute up to 6 percent of government revenue, while Kenya's tobacco industry is three times larger.

The anti-tobacco lobby has said that, while the tobacco industry in the two countries generates employment, tax revenue and export earnings, "there has to be a compromise between producer and consumer interests. At present there are just unfettered producers pursuing profits."

In a report last September, a committee of the Ugandan parliament called for a law to curb tobacco smoking, including banning smoking in public places. The MPs suggested that parliament be declared a no-smoking zone.

Kenya's anti-smoking bill prohibits tobacco manufacturers from marketing cigarettes through sponsorship of cultural, artistic or entertainment and sporting activities.

Kenya and Uganda have seen aggressive campaigns by international cigarette makers. British American Tobacco is the main cigarette maker in both countries.

Last year, the company started advertising its products on television, featuring athletes and footballers as well as prominent socialites. Independent Foreign Service
Mombasa's tea market draws in global interest

From Sanap-Ap

Nairobi - Started in 1859 as an emergency auction of low-grade teas, Kenya's weekly tea sale has grown to one of the world's largest markets for tea leaves.

It now ranks behind only London and Sri Lanka as a source of high-quality teas for consumers worldwide.

George Waithiri, the chairman of the trade association that oversees the auction, said this week that the weekly sale of premium tea at the port of Mombasa had become a bellwether of world tea prices.

"Every major tea producing and consuming country in the world follows the weekly pricing of top-quality tea leaves," Waithiri said. "It's like a benchmark for their international price trend." Waithiri said.

The auction, run by the East African Tea Trade Association, a union of growers, buyers, brokers and handlers, has a big impact on the fortunes of tea growers.

Unlike India and Sri Lanka, where tea growing is seasonal, the Mombasa auction is open every Monday. It's now a key part of the global tea market for top-quality tea leaves.

Another important trade union, theInternational Monetary Fund and has been concluded the auction in dollars.

The amount of tea sold at Mombasa has more than doubled since 1955, jumping from 127,000 tons in 1955 to 50,000 tons last year, the association said.

But Waithiri said the promotion of local tea consumption is key. "We must promote high-quality tea to the world," he said. "This will create demand and improve prices for better returns to the farmer."
Kenya awards private contract for cell network

FROM SAMP-AP CT (OPIN) 15/11/99

Nairobi - Kenya's second cellular communications network, the first private contract awarded after the breakup of the state-run telecommunications monopoly, would be called KenCell, the head of the Kenyan partner said on Friday.

The Communications Commission of Kenya (CCK) awarded the contract on Thursday to the partnership of Sameer Investments and the French firm Vivendi who bid $25 million for the right to establish a network serving 382,700 subscribers.

"Once the system is fully operational, it will be one of the most sophisticated, with a roaming facility for overseas use," said Naushad Merali, the chairman of Sameer.

Three other bids were considered in the second round, and two were disqualified.

Samuel Chepkonga, the chairman of CCK, said the MTN/Telkom bid to manage a network of 90,000 subscribers for $35.5 million was in second place.

Sameer is a major shareholder in the Nairobi-based Commercial Bank of Africa, Prestige Hotels, Eveready and Firestone's East African operations, and Kazuku tea and coffee estates.

Vivendi will hold 40 percent of KenCell, and Sameer 60 percent, as stipulated in an April 1999 policy statement from the ministry of transport and communications.

Critics charged that the 60 percent share awarded to the Kenyan partner would not really open up the industry to much needed foreign investment and expertise and could be a way to perpetuate the economic control of a few.

But Eric Bourland, the vice-president of Vivendi, told reporters his group was satisfied with the percentage and was operating with similar shareholding arrangements in other countries.

"KenCell, which Merali said is expected to be in operation by June, will compete with Telkom Kenya's Safaricom cellular telephone network."


Kenyan award of cellphone tender raises MPs’ suspicions

By Brian Chirchir

Nairobi — Kenya’s parliament will summon the Communication Commission of Kenya (CC&K) this week to demand an explanation as to what criteria its management used recently to select the country’s second mobile telephone service provider.

Parliament’s ecology, public works and communications departmental committee, which handles all telecommunications issues, is due to summon the entire commission management, headed by its director, Samuel Chepanga.

A committee source told The People Daily in confidence over the weekend that the house was concerned about the manner in which the evaluation procedure was arrived at.

The committee felt obliged to demand an explanation as to why none of the higher bidding firms were invited out.

The bids, which were opened only a fortnight ago amid much controversy, over the contract ended with Vodafone International and its local partner S&L Investments winning the tender after submitting a bid worth $55 million.

The winning partnership was certified by the CC&K to have polled 99.99 percent of the approval ratings, clinching the deal from three other companies at the final level of the bidding.

Over 20 bids were received by the CC&K when it advertised for the tender earlier this year.

Most of the bidders, who were all required to have local partners, were disqualified during the tender process, leaving six firms.

Out of the six short listed companies, two were technically disqualified on the day of opening the bids, leaving only four to proceed to the final stage.

Three were Vodafone/S&L Investments/ Millicom International/Amstran Interphone/Telesom and Transatel/IPP.

The NMT/Telecom partnership also submitted a bid equal to that of the winner at $50 million, while the other bids came in at $11.5 million for Transatel/IPP and $35.6 million for Millicom International.

The parliamentary committee is perturbed that some of the higher bids were technically disqualified even before they were opened.

Another top bidder, Qvision which together with its local partner, was said to have submitted a second bid worth $64 million which was also technically knocked out.

The CC&K rules stipulat ed that the highest bidder who met none of the other requirements would be awarded the tender for a second Global Mobile System service to operate alongside Telecom Kenya.

The parliamentary source said the committee was not satisfied that the right procedures were used and indeed wanted the CC&K to give reasons why it had deviated from its own regulations.

“We have all the documents pertaining to the matter. The source told a People Daily reporter asking that the committee wanted to know why the CC&K had left out some of the higher bids.

The sources said the committee members were also preparing to grill Manilla Muthoni, the information transport and communications minister last week, assistant minister Peter Lenes who failed to respond on behalf of Muthoni to a question relating to the tender.

He asked for more time and Muthoni was scheduled to respond to the question this week.

Opposition MPs last week accused the government of trying to cover up massive corruption that they alleged had dogged the tender procedure.

The question to Muthoni asked to have the minister table a list of all the firms that had applied for the tender and to specify what firms had their applications accepted and which had been rejected and the criteria used to judge the bids — Independent Foreign Service
IMF ‘still far from renewing aid to Kenya’

Nairobi — The International Monetary Fund (IMF) will probably resume talks with Kenya after this month but a return to its extended Fund facility Programme is still a long way off, analysts say.

Although President Daniel arap Moi’s government had been tackling official corruption and was showing determination to deal with the problem, there were few results to convince the IMF to speed up the process.

"I think they are on the right track for a sustainable way, but I don’t think at this moment one can confidently say the IMF can resume talks by February or March," said leading private economist Robert Shaw.

"There are two major issues that remain — the IMF is particularly keen to see more progress on the tax front and the issue of credibility," Shaw said.

MoI has 21 years of rule characterized by declining growth in the economy, so the new government is facing a daunting task in terms of fiscal management and a need to ensure that the economy is on a sustainable path.

The IMF will decide by next week whether to resume talks on a new support programme. The fund has set strict conditions for a potential agreement, including the need for significant reforms in the public sector and the implementation of a rigorous anti-corruption strategy.

The government, said MoI, needs to demonstrate its commitment to boost business and investor confidence. The latest World Bank and the International Finance Corporation (IFC) reports on the economy highlight the need for robust policies and reforms.

Coffee board denies graft allegations

Nairobi — Directors of the Coffee Board of Kenya have ended allegations of corruption that had dogged the board over the past year. The board has denied any impropriety and has launched an independent investigation into the matter.

The coffee industry in Kenya faces imminent collapse because of massive losses of farmers’ money due to mismanagement of the resources," said the auditors’ report.

Board chairman John Zacharia said the board had been cleared of wrongdoings. "In view of the fact that the audit team never talked to any board members to establish the truth on the matter. It is obvious the board was clear from the misconceptions," he said.

He rejected allegations that the board was responsible for heavy losses through coffee auctioning, saying the government had ignored the red flags alerting the industry.

The board blamed the government for mismanagement through failing to take action too much while failing to make financial support available to small coffee growers through a price stabilization fund. The board regulates and markets Kenya’s coffee industry and carries out research. — Reuters
Minimum consent age raised to curb Aids

NAIROBI: Kenyan President Daniel arap Moi's decision to raise the minimum consent age for marriage from 14 to 18 years, as a measure to curb the spread of HIV/AIDS, has been welcomed throughout this East African nation of 30 million people.

But rights groups say the decree, issued last week by Moi, should be translated into legislation to make it more effective.

"We are in agreement with the new steps proposed to curb the spread of HIV/AIDS and the resultant needless loss of life by innocent girls through rape and sexual exploitation," says Judy Thongon of the International Federation of Women Lawyers in Kenya.

"But statements and directives that are not followed up with concrete legislative changes will remain just statements," she said.

About 500 people die daily in Kenya from AIDS-related illnesses, a scourge that costs an annual 40 billion shillings ($540 million) in terms of wasted human resources, according to the latest official figures.

With more than two million Kenyans currently infected with the virus and 70% of hospital beds occupied by AIDS sufferers, Moi said HIV/AIDS is the biggest crisis facing the East African country.

He called on all political leaders to take up the responsibility of fighting the dreaded scourge.

He also ordered the formation of special committees of local administration officers and elders in villages to find solutions to cultural practices which have fuelled the spread of the virus, and ordered the re-introduction of special lessons on AIDS in schools and colleges.

"AIDS is not just a serious threat to our social and economic development, it threatens our very existence," Moi told a symposium on HIV/AIDS attended by members of parliament at the Indian Ocean port of Mombasa on November 25.

He directed the courts to deal severely with rapists who put the lives of innocent young girls in danger by infecting them with HIV.

Human rights group FIDA-Kenya says the presidential directive would not be enough, if it is not followed with law reform to address not only the age of consent to marry, but also all laws relating to sexual offences, as a measure of curbing the spread of HIV/AIDS.

"Until they are made into law, our courts will not be in a position to effect them and those violating them will still go unpunished," says Thongon.

The lack of a specific laws on the minimum age of consent for sex or marriage for women in Kenya has been considered a key cause of violation of human rights of girls and women who are considered the most vulnerable group. Human rights groups like FIDA-Kenya have been fighting for the enactment of legislation which addresses the crimes of rape and early marriage.

Although the current minimum age for consent for marriage for girls is 14, many girls as young as nine are forced to drop out of school in many communities, many of them are also abducted by their suitors from their homes or school after prior dowry arrangements with their parents.

The Kenyan law is also weak in its definition of a child as one year below 18 years of age but reduces the age of consent for sex to 14.

Furthermore, rape of a minor, defined as delictum, is considered as a lesser offence than the rape of an adult woman and gives a maximum penalty of 14 years. Adult rape gives a maximum life sentence.

Many girls as young as nine are forced to drop out of school, or are abducted by their suitors.
After textiles, tobacco and beer comes Kenya's pasta war

By ROBERT OMAN

Nairobi - At first it was the tax still war when the local industry took heart to cheaper and better quality imports than locally produced or second-hand clothes.

Then about three years ago it was the tobacco war after American cigarette manufacturer RJ Reynolds encountered the Kenyan and East African markets to subject decades of virtual monopoly, HAT Kenya, to sheep's weeds.

September last year marked the beginning of the latest battle with the launch of Castle brewing Kenya, subsidiary of South African Breweries CAPI, to dramatically give East African Breweries until then a virtual monopoly, a run for its money.

A soft drinks war is simmering between Coca-Cola and Schweppes which is making a comeback after almost two decades. In the early 1980s, Schweppes the European soft drinks manufacturer group and Pepsi-Cola left Kenya in a half-citied understanding by Coca-Cola and although Pepsi-Cola has since returned to Uganda, it has not found its way back into Kenya.

Schweppes is already running a bottling plant in Nairobi and is set to launch the company in time for Christmas.

A new war is raging for the Kenyan beef this time a very sticky war indeed. House of Mangi, for decades the greatest butcher and breakhouse manufacturer company in East Africa, is crying foul over one its products - pasta.

This has been the world trade scenario in Kenya since the country embarked on a liberalisation programme, as the trade to it by the International Monetary Fund and the World Bank - about a decade ago to attract investment from the outside.

According to its executive director, Zia, Mangi, House of Mangi, is facing a grim future as a result of unfair competition from Italian pasta whose quality may be traced back to drought relief food recently donated by the Italian government.

With the imported pasta selling at sometimes 25 percent below the production costs, the Italian imports are precisely achieving the effect expected of the Ricardian law: pricing us out of the market.

While last month House of Mangi threatened to sell its pasta line to Ugandan nun facturers after the line lay idle for nine months as a result of lack of business, the Korean Army was unable to supply with pasta, a basic meal that at times exceeded 25 percent of the company's total sales.

Until this happened, House of Mangi should have sold 20 percent of its 200 workforce to compet for the market. The Kenyan Army realised that the Italian film is hot on pace to serve anyone who wants to be served in the US market. This situation, besides the fact that Italian pasta has flooded the North American market was recently presented against the US and Canada and is likely to feature at the World Trade Organisation talks in Seattle, Washington.

The Caraffa International Trade Tribunal recently concurred on an investigation into claims of Italian pasta dumping and subsidisation and found it to be causing injury or threatening to cause injury to its local industry.

Under the export restriction system an export refund is made to European producers to help them in exporting cured and cured products such as pasta.

This comment is understanding. There is no way you are going to compete with some one selling below your production costs even without hurting your market.

"And," says Zia, "House of Mangi is the sole survivor as the local pasta market continues to shrink over the past eight years. Others have been forced to make an unprofitable exit, victims of the competition."

The fact is, the Italian firms have been a boon to their Italian counterparts through their Nairobi agent. The local firms also blame the reasons on the recent US ban in the US for the US and its troubling neighbours. They argue that, for the imports to sell as cheaply, they must be granted import and related tax exemptions.