KENYA - LABOUR

1980 - 1995

Tanzania gets a message and seeks productivity

STAR 5/5/80

164

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 indisciplined 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 R45,60 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

1 500 strike over a slap

22/8/81 Star

164

The Star's Africa News Service

NAIROBI — Kenya riot police were called in to disperse 1 500 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

164

Rally allowed

C.T. 17/5/86

Own Correspondent

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 Qeqe 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

164
Kenya Labor

of the move.

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 involved 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 their allocation to Kenyans.—(Sapa-Reuter.)

Workers' freedom of park in danger

164

Sowetan 12/12/89

FOCUS

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 "airburger" - 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 Wangari 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 subversive by the government's most vocal stalwarts in this one-party state, where views contrary to the official position are strongly discouraged

DANIEL ARAP MOI

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 R512 million to complete, would include a 60-storey tower, two 10-storey wings, malls, an auditorium, parking for 2000 people, and conference space for 5000 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 criticised 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.

cont

Parliament said her action was tantamount to suing the head of state and legislators criticised 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

(164) (NB3)

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

Star 9/4/91

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

Strike threat over Kenya detainees

STAR 1/4/92

164

By Joe Khamisi
Star News Service

NAIROBI — Kenya is bracing itself for a two-day national strike called by opposition groups if President Daniel arap Moi refuses their demand that the 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 52 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

164

8IDAY 5/8/92

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 12,28% (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 (69c) from the 2,36 shillings (19,4c) they get per kg of tea leaves. — Sapa-Reuter cover of Country Life magazine

d with a single left ear, was een killed by a

Both cats have been buried near Nether Lypiatt Manor, the Kents' country retreat in Gloucestershire. — Star Bureau.

She used the money for her benefit

The case was postponed to Friday — Staff Reporter.

Kenya strike fruitless, says Moi

STAR 4/5/93

164

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

NEWS IN BRIEF

B/D/M, 6/5/93, 164

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.

Star 7/5/93

Kenyan workers fired after strike

(164)

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

RHÔNE-POULENC
FM 14/1/94

Chemical warfare

Multinationals love to gripe about SA tariff barriers, while at the same time enjoying protection at home But French pharmaceutical and chemical giant Rhône-Poulenc — which has been here since 1934 and now wants to expand — says tariff walls are bad everywhere, even when they help out number one (64)

"All the countries that set up duty barriers have set up industries on the wrong basis," says group vice-chairman and president

FM 14/1/94

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 "

Is that what's going to happen to what Les Hillowitz, 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? (164)

Sentrachem says no way "The competition will be fiercer in the future," says A J Brink, executive director of Sentrachem's agro-chemicals division, Agrihold "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 chemical 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

Mais 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

WM 28/4 - 4/5/95 (164)

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 slates "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

(164) WM 2-8/9/94

Reuter in Nairobi

THE Kenyan government said this week that it had sacked most of the 3 000 publicsector 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, Joshuah 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)

CTS 19/9/94

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

ARG 30/9/94

Kenyan doctors call off strike

114

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 (R220) on a salary of 23 510 shillings (R1 595) per month as of September 1. — Sapa-Reuter.

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Saturday Star
December 2 1995

Kenyan armed forces on the warpath over low pay, poor housing

(164) Star 2/12/95

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 R235 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

ET (BR) 5/8/97 (164)

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

AFRICA

Kenya reels under strike

(163)(164) BD 5/8/97

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, Kisumu 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 — Reuter

Kenyan shilling sinks, strike declared 'illegal'

BD 8/8/97 (164)

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 67,50 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 playing down the IMF ruling on Tuesday and urging Kenyans to become self-reliant

He also said the lost 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 low was reached despite Central Bank of Kenya governor Micah Cheserem 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 opposition-backed alliance of groups demanding constitutional reforms for a national general strike today Labour Minister Philip Masinde 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

Masinde's statement appeared to set the stage for clashes today between reform supporters and riot police as the strike organisers 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

Masinde 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

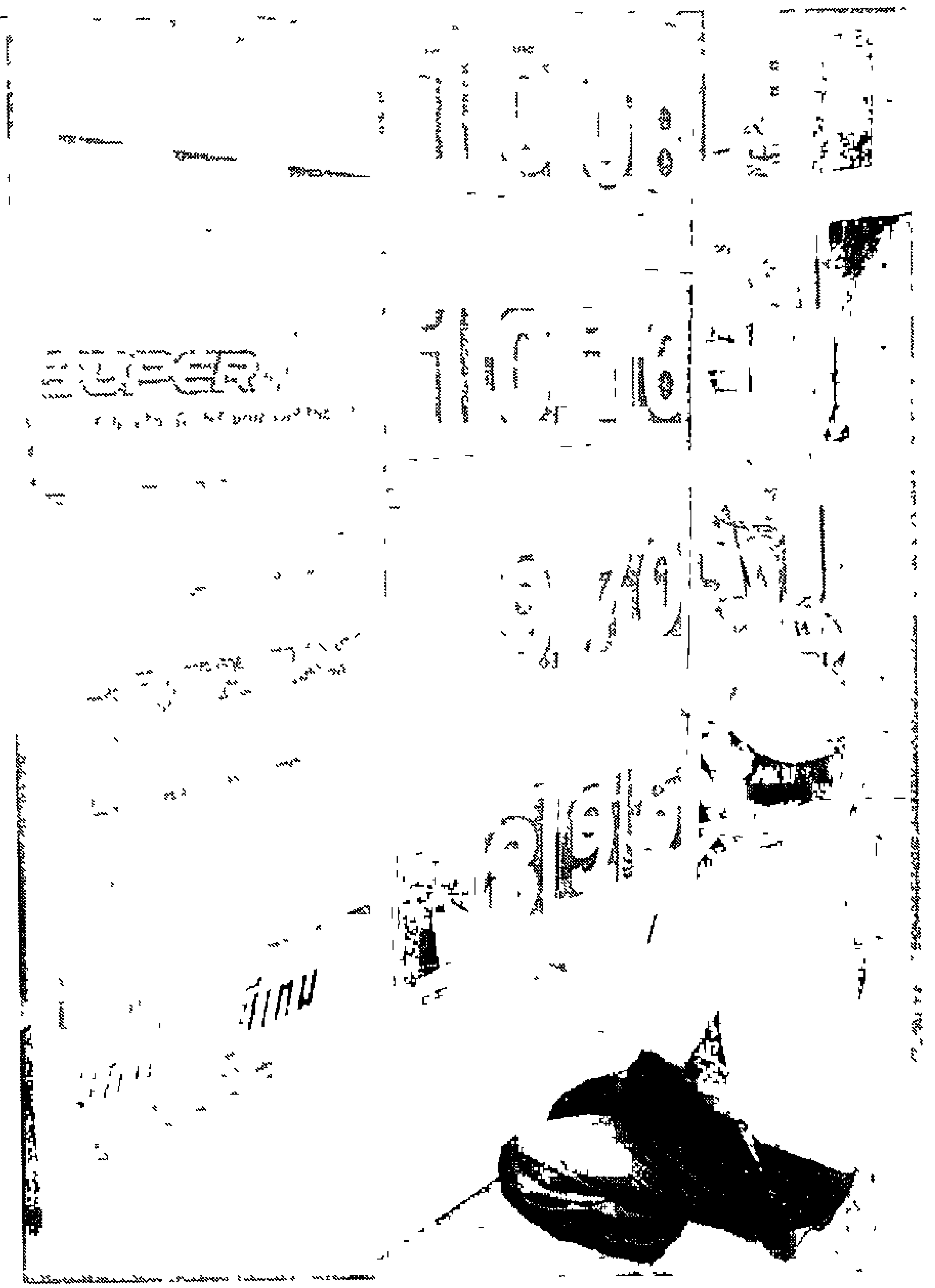
Meanwhile, several hundred activists of the ruling Kenyan African National Union (Kanu) took to the streets of Nairobi yesterday in a show of support for Moi

The demonstrators, representing all the party wards in the Kenyan capital, shouted Kanu slogans in praise of Moi Some placards called on Moi to "sit 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 Kongo, the demonstrators marched along streets of the capital before gathering for a rally at the Kenyatta International Conference Centre, where Kanu headquarters is located.

—Reuter, Sapa-AFP



A petrol station worker updates fuel prices in Bangkok yesterday Thais 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

Picture AP

A

Directors accused of mismanagement and dealing with rivals

Kenyan coffee union wants to sack leaders

CT (PAR) 15/8/97 (164)

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 Kioko, 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, Kioko banned some farmers after accusing them of wrecking the union He said only KPCU directors could remove the managing director from his position

Kioko 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

Getrude Ndunge, 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.

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

Mbaka 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

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 smoothen out wild fluctuations in the shilling exchange rate," the bank said on Wednesday. "After the liberalisation of the foreign exchange market (in 1995), 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 70 shillings and 69,65 at Tuesday's close.

Charles Musawo, a central bank foreign exchange dealer, attributed the stability to the effects of dollar selling by tea and coffee exporters on Tuesday

Tea, coffee and flower exporters — which traditionally dominate the Kenyan foreign exchange market — turn around $2 million a day.

"There hasn't been much move of the currency either side," Musawo said "But it's still premature to say if it will remain like that or if it will fall again "

The shilling fell sharply in the week after the IMF's July 31 decision to withdraw a $220 million loan to the country However, it has been relatively stable since Friday.

Much of the fall was caused by local investors seeking a safer place to put their money Some went to Tanzania, whose currency has continued to climb. Yesterday the dollar was trading at 615,5 Tanzanian shillings compared with 619,73 on Tuesday.

The Ugandan shilling fell to its lowest level against the US unit this year after a surge in dollar demand. However, it has recovered some ground, trading yesterday at 1 075 shillings from Tuesday's 1 092,5.

Kenya's teachers on indefinite strike

(164) Star 2/10/97

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 Chirchir 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 200% would force the government to spend 56% of its revenue on teachers' salaries only.

Education takes 20% of the government's total revenue, and 86% of the education budget is spent on teachers' salaries, the statement added

The lowest paid teachers currently earn about $30 (about R140) a month as basic pay, while the highest ranked get $308 (about R1 416) 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

Sowetan 2/10/97 (164)

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 Chirchir 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*

IN BRIEF

Hope fades for quick end to Kenyan teachers' strike

BD 3/10/97

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 its call to strike for pay rises of up to 200%. The strike [illegible] affected nearly 7-million pupils, most of whom are due to sit national school-leaving certificate examinations this month. The union is demanding the [illegible] accept the advice of an education ministry [illegible] President Daniel arap Moi has rejected their demands.

(164)

Both sides meet to end crippling school strike in Kenya

Star 7/10/97 (164)

Nairobi – The Kenyan government and the teachers' union met yesterday to try to find a formula to end a strike paralysing state schools.

"Whatever we do, we should do for the good of Kenya," said Labour Minister Philip Masinde.

Officials from the labour, education and finance ministries met representatives of the Kenya National Union of Teachers for discussions.

"We must start the deliberations with open hearts," Masinde 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

BD 8/10/97

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

Another union official said secretary-general 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 key month for national exams.

Teachers are demanding increases of up to 200% from the minimum $29 they currently earn each month. — Reuter

164

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Kenyan teachers storm ministry

36 (164)

Kenyan Foreign Minister Stephen Kalonzo Muskoya speaks at the UN General Assembly on Tuesday Picture AP

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 $308 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 28% 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

Star 9/10/97 (164)

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 union, 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 headquarters yesterday and then marched through the city centre to Education Minister Joseph Kamotho'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 Ahaya Juma Ahaya 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 Kilifi, Taita Taveta and Tana River.

In Nairobi, Knut chairman John Katumanga joined a crowd in chanting slogans against the education minister. "Kamotho has said he is going to sack us and employ retired teachers," they cheered. "We are saying - let him try!"

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

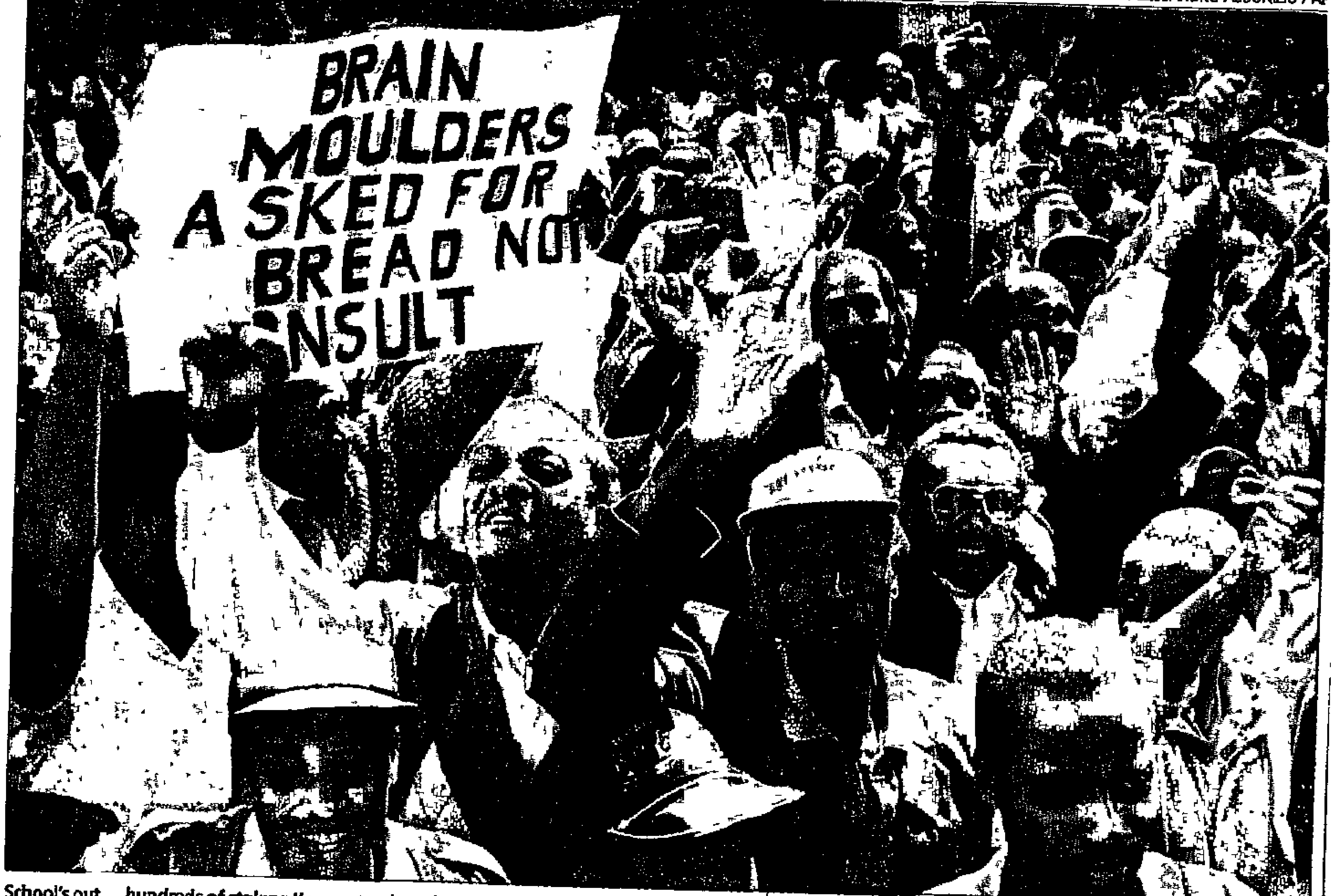
The strike became illegal on Tuesday when Masinde referred the pay dispute to an industrial court. The education ministry also threatened the arrest of striking teachers.

Knut said its first national strike since 1969, 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. - Reuters

ALESSANDRO ABBONIZIO / AF



School's out . hundreds of striking Kenyan teachers demonstrated in Nairobi yesterday after the ministry of education dismissed their demands. More than 200 000 teachers went on strike on October 1 to press for pay increases of 150 to 200%

Kenyan teachers get best pay deal since British independence

Star 14/10/97 (164)

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 150% to 200% 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 150 000 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

ANALYSIS

Moi's generosity may be rued by exchequer

BD 14/10/97 (164)

Increased salaries for teachers after a potentially explosive strike could swallow more than half of Kenya's tax revenue, writes **Louise Tunbridge** in Nairobi

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, surprising in light of the earlier acrimonious exchanges 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 Remuneration Committee 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 $33) while the highest paid is on 19 115 shillings ($320)

At a ceremony at State House in Nakuru, given the prime spot on state television news, Kenya National Union of Teachers secretary-general Ambrose Adongo led union officials in a delivery of "Asante Sana" (thank you) Praising his love of children, Adongo 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 jubilant at their victory, it is no secret that the government simply cannot afford to meet its promise

Few economists would envy the job of trying to juggle with the figures to ensure that the paltry sum remaining in the national treasury stretches to accommodate the president's more than generous award.

Prior to Moi's personal intervention in the dispute, the defiant teachers were threatened first with dismissal and then with legal action by pugnacious Education Minister Joseph Kamotho who, allied with Labour Minister Philip Masinde, attempted to browbeat the strikers into submission The government took full-page advertisements in local newspapers illustrating the severe constraints on the budget Pie charts showed that teachers' salaries already accounted for one-sixth (about $3bn) 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 ministries, including education, have long overspent 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 financial squeeze.

Investor confidence has been shaken by a recent spate of political violence in Nairobi and at the Indian Ocean resort town of Mombasa. Since August, foreigners have sold off shares in local companies on the Nairobi Stock Exchange and ditched Kenyan government bonds Inflation is on the increase and prices have soared.

In the past few months, large pay awards have been given to police officers and staff in the National Youth Service and to air traffic controllers who went on strike in August. With general elections expected this year, and regardless of the shaky state of the nation's finances, Moi and his government are keen to make friends rather than enemies

Economically sound or not, giving in to the teachers' demands was a political decision that defused a dangerously tense confrontation and probably won some votes

Short-term expediency has been the trademark of this government for many years

When he approved recommendations for teachers' pay rises back in July, Kamotho presumably did not foresee that the consequences of his action, aimed at deflecting an irritating problem, would catch up with him so quickly.

Kenya's foreign creditors frequently complain about the government's inconsistency in applying the rigorous management and accounting procedures necessary to keep the books balanced.

A report by the parliamentary public investment committee released this month revealed many financial irregularities in the operations of state corporations

It pointed out that no action had been taken by the government to implement recommendations made in earlier reports, and that none of the government officers named as responsible for financial misdemeanours had been prosecuted.

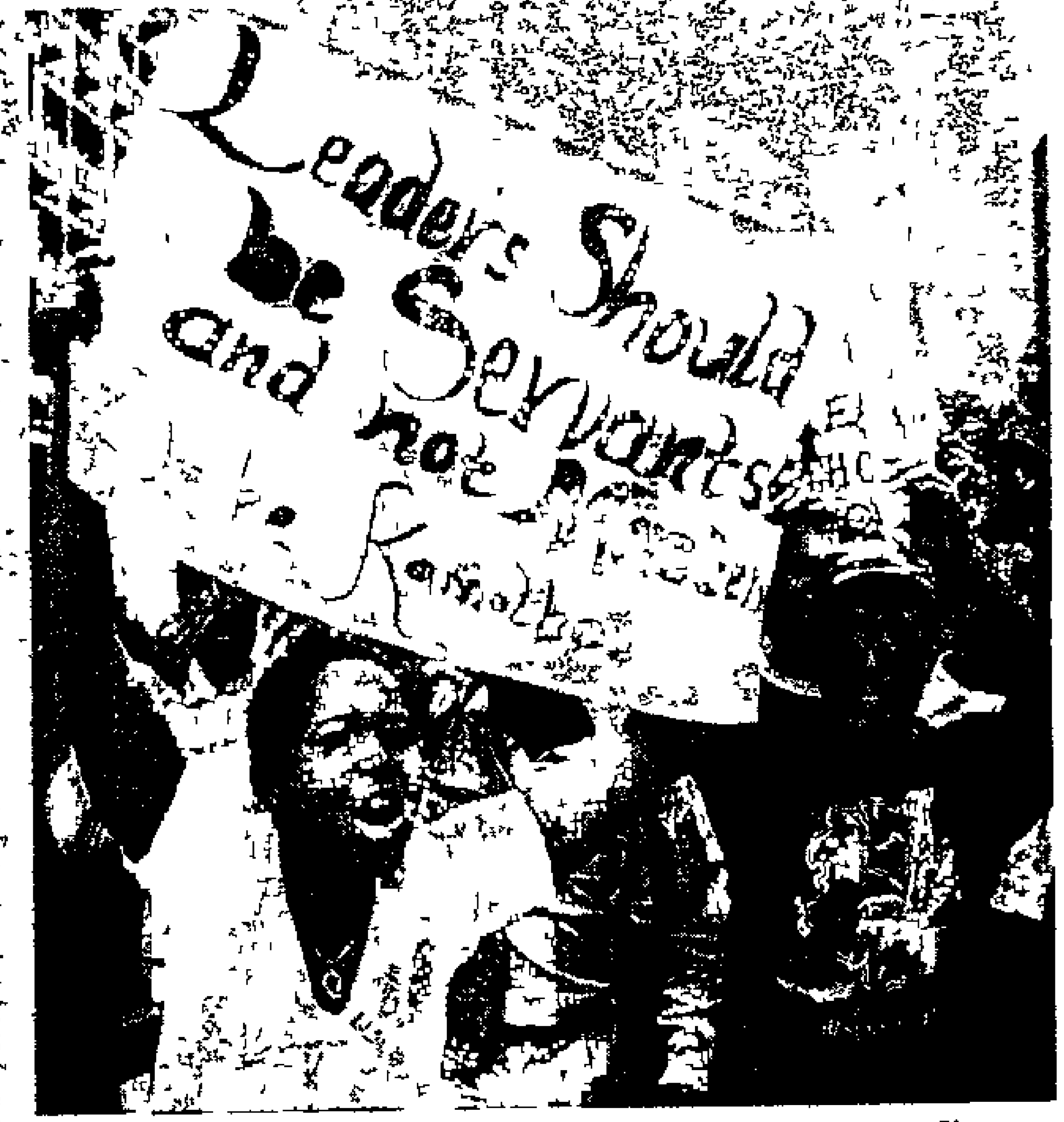
Kenyans and observers remark that recent budgetary constraints have not deterred the government from such lavish purchases as a new presidential jet and the building of a third international airport near the president's home in the Rift Valley.

Parents will no doubt be glad to have their children back in school, but many now fear that the cost of resolving the teachers' strike may be passed on to them.

While Kenya boasts officially of free basic education, most ordinary families are burdened with a variety of school fees disguised as contributions to building, furniture, activities or development funds.

When the first increased teachers' salaries fall due, parents may indeed feel the brunt. In agreeing to the teachers' demands, the government now also runs the risk of facing clamours from other poorly paid public servants, most of whom find that their meagre pay packets and housing allowances have not kept pace with inflation.

In the agreement with the World Bank, Kenya has agreed to scale down its bloated public service, one of the biggest drains on public resources, initially through voluntary redundancies and nonrenewal of posts following retirement But there is little expectation that any move will be made to breathe life into such a potentially unpopular scheme in an election year



Striking teachers protest outside parliament in Nairobi last week. Picture: AP

Moi keeps Kenyans guessing about date

Civil servants get pay rise before election

CT (Bar) 21/10/97 (164)

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 200 000 teachers won much larger awards after a 10-day strike this month

President Daniel arap Moi

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 1952 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 vices 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 $205 million loan to Kenya to lapse last July, singling out official corruption as the main reason

The IMF 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 — Reuter

Kenyan teachers applaud Mandela

(164)

MtG 24 - 30/10/97

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 283-million Kenya shillings (R20-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, Reutech

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 ardent praise 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"

Daniel arap Moi: Intimidating teachers

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 defied 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 soonest," 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"

Workers protest against the closure of brewery

(164) BD 10|11|97

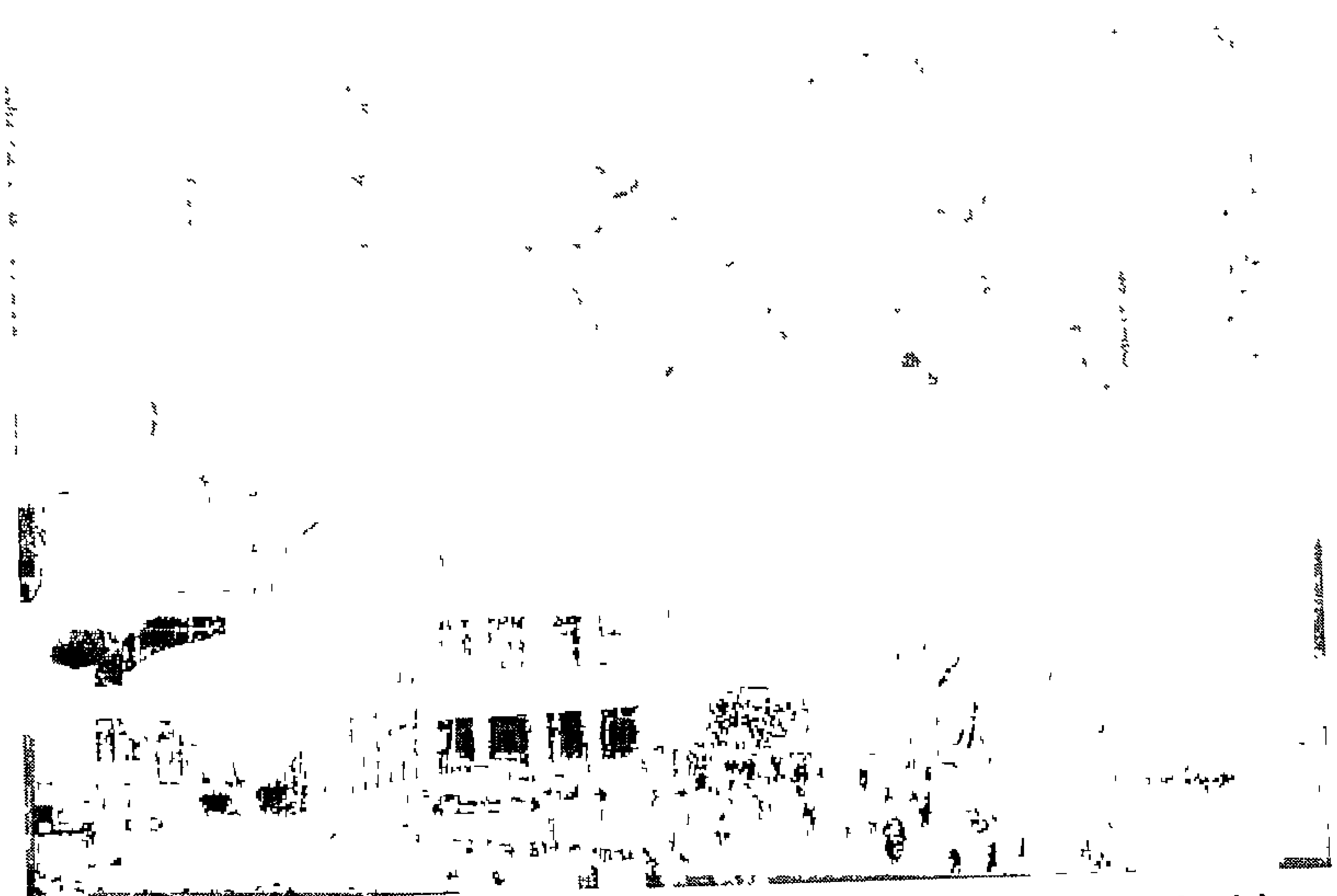
MOMBASA — More than 300 workers have staged a protest against plans to close the brewery in the Indian Ocean port of Mombasa

Led by trade union leaders, they carried placards on Saturday calling for the removal of the managing director of Kenya Breweries, the country's only brewery chain, which has been operating for more than 60 years

A company spokesman in Nairobi told reporters workers had been informed of plans to close the Mombasa brewery at the end of December because of high running costs and competition from imported beer.

The company will concentrate production at its breweries in Nairobi and Kisumu It plans to build a brewery in Moshi, northern Tanzania, to supply the Tanzanian market

Kenya Breweries is facing intense competition from South African Breweries, which has bought control of breweries in Tanzania and Uganda and has announced plans to build a brewery in Kenya — Reuter.



Three balloons for Macy's Thanksgiving Day parade, The Rugrats, left, Aardvark Arthur and the Swedish cow Bumpe, in Hoboken New Jersey on Saturday

Picture AP

(164)

Strike takes deadly toll on patients

Star 1/12/97

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, Naivasha, 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

IN BRIEF

Bank of Kenya workers stay away over loans row

164

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

20/3/98

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 $263m 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 $210m 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

(164)

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

Star 5/3/98

Few Kenyan bank workers support strike

(164) CT (Jbg) 22/4/98

SIMON DENYER

Nairobi — Kenyan bank workers responded patchily yesterday to a call by their union to strike in sympathy with 63 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 But 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 by the union 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 strike over tax on loans

(164) BD 4/8/98

NAIROBI — About 12 000 employees of Kenya's commercial banks began an indefinite strike yesterday to reinforce their demand that a new tax on staff loans rates be removed

The labour ministry yesterday called for a crisis meeting with bank staff and bank employers but the leader of the All Banks Shop Stewards, Jacob Opiyo, said that union officials would not attend.

Opiyo said such a meeting could not resolve the crisis and the burden lay on the finance minister himself

"We are not asking for an impossibility Under Kenyan law the finance minister can ask the commissioner for income tax to abandon any tax measures," Opiyo said

The strike has affected 63 banks and nonbank financial institutions, union leaders said Bank workers belong to the most powerful trade union in Kenya

Commercial banks carried notices saying that due to industrial problems, normal services had been interrupted

Hundreds of customers waited outside banks, hoping that the dispute had been resolved and services would run normally

Banks reported panic withdrawals at the weekend as Kenya braced itself for the latest strike called by the All Banks Shop Stewards and the Kenya Union of Commercial, Food and Allied Workers

Foreign currency dealers said the market was virtually dead because of the strike and the shilling was held at the same levels as Friday — an average of 59 against the dollar

A strike over the same issue paralysed banking services in February and March, but was called off when the government suspended implementation of the tax.

The tax was reimposed in June, and a tax on other fringe benefits was also introduced

The bank shop stewards had given the government up to midnight on Sunday to scrap the tax or face the strike.

"The taxes are unlawful, retrogressive and immoral and should be scrapped if the industry is to survive," Opiyo told hundreds of bank workers when he announced the strike on Friday.

Bank unions called off a strike planned for July 24 to pursue further talks with the government But the labour ministry then cancelled the talks without fixing a fresh date

Opiyo said that suggested that the government was not prepared to discuss the issue.

The finance ministry had no comment but officials there said the minister was likely to address the issue later yesterday

Kenya has been hit by industrial unrest since last year with nurses, bankers, teachers and postal workers going on strike or threatening strike action

Opposition MP James Orengo on Sunday urged the government to scrap the tax on benefits such as loans, saying that they did not constitute income — such as wages or salaries — Reuters

Kenyan teachers prepare for countrywide strike

B05/10/98 (164)

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 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 out in five instalments, but only one instalment was paid immediately The government reneged on the second instalment, due last June, saying it could not afford the increase. Angry teachers vowed to go back on strike

Francis N'gan'ga, 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 instalment, 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 jeopardised 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

(164)

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, engaged in a long-running dispute with the government over pay, were demanding 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, said all 5 000 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.

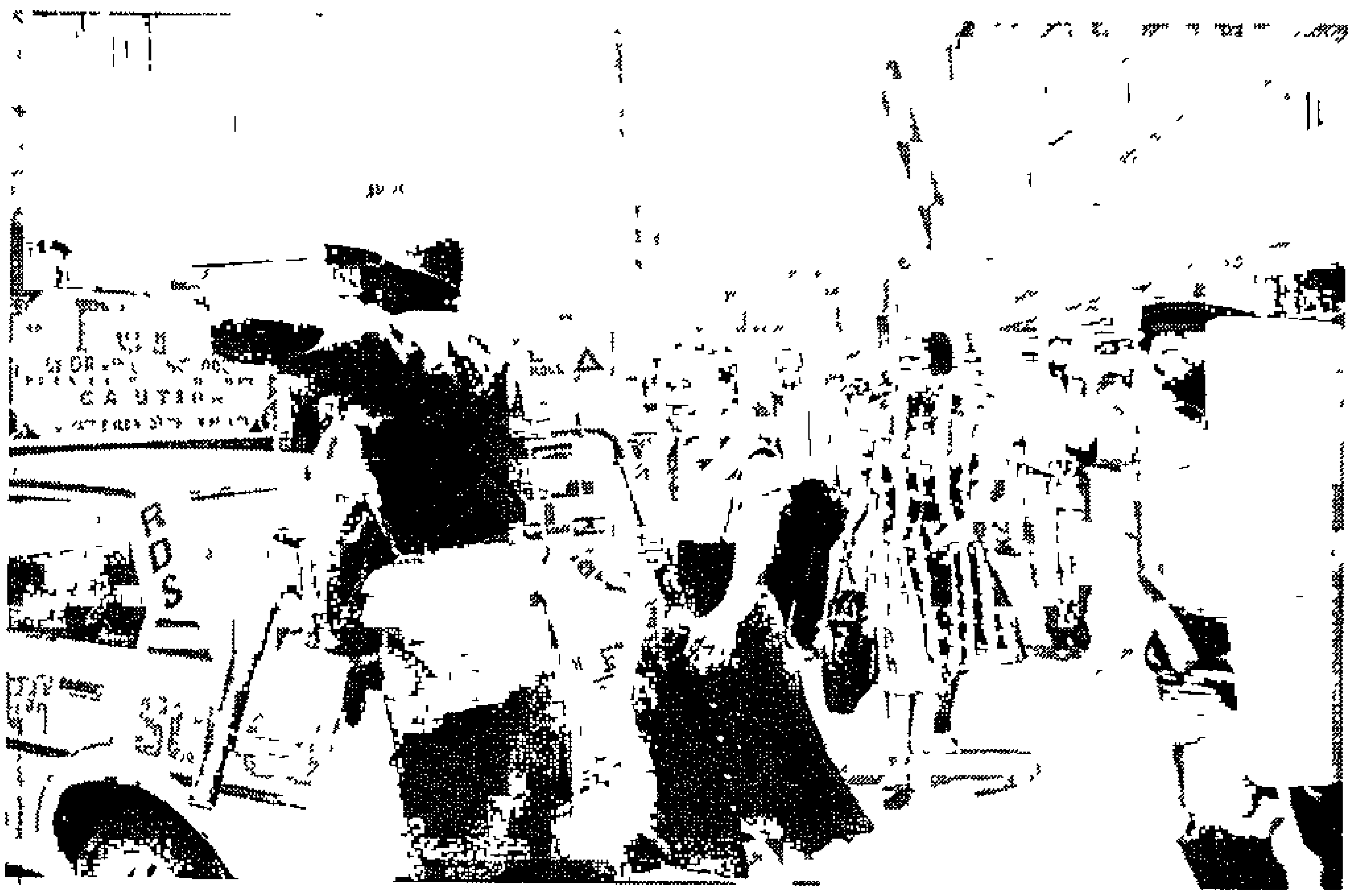
In western Kenya, scores of teachers were injured and one policeman badly beaten in clashes in Migori district, southwest of the town of Kisii, witnesses said.

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 instalment was only paid after teachers went on an acrimonious 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

(16F) Star 7/10/98

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 260 000-member teachers' union at an impasse, analysts 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."

Impasse ... plainclothes Kenyan police remove one of several thousand teachers who this week began an indefinite protest.

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, analysts 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 stole 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 (R2 880) 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 $220-million (about R1 320-million) 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

(163)

OT 2/1/98

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, fuelling 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

'Government would not include corrupt, immoral Kanu.' ***— Kenyan opposition***

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-Asili and Shirikisho.

In the presidential race, Mr Raila Odinga of the NDP who was running a distant third with 553 644 votes, Mr Michael Kijana 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-AFP

'Big Man' Moi certain of re-election as Kenyan president

ARG 2/1/98 (163)

Nairobi – Kenyan President Daniel arap Moi is certain of re-election, results showed today as KTN television reported figures from 170 of 210 constituencies.

They gave Mr Moi 2 001 319 votes to 1 646 308 for his nearest rival, Mwai Kibaki, leader of the Democratic Party and a former vice-president.

Mr Moi had more than 25% of the vote in six provinces, overcoming a stipulation that a first-round winner must win a minimum of 25% of the vote in at least five of Kenya's eight provinces.

In the parliamentary elections, with 182 constituencies counted, the ruling Kenya African National Union (Kanu) was neck-and-neck with the combined opposition.

Kanu had 90 seats and the opposition 92 – comprising the Democratic Party with 34, FORD-Kenya 17; National Development Party 20, Social Democratic Party 12, FORD-People three, Safina three, FORD-Asili one; Shirikisho one, and Kenya Social Congress one.

Three other presidential candidates, Raila Odinga, Michael Wamalwa Kijana and Charity Ngilu, had picked up a combined total of about 1,3 million votes early today, according to local television.

Kenya's Electoral Commission has said it will not release official results until all counting is complete.

Kanu yesterday urged the opposition to accept defeat and said it resented any implied threats to peace if it retained power.

"Election defeat looms for the opposition," said Kanu stalwart and cabinet minister Simeon Nyachae.

"They should gracefully accept defeat."

Kanu's warning about violence was in line with a separate one from the government, which said police would "deal swiftly and firmly" with anyone disturbing the peace.

The statement was issued a day after Mr Kibaki and Mr Odinga said Kenya was edging towards civil strife and they would not accept a result giving Mr Moi victory.

The 73-year-old president, one of Africa's last "Big Man" leaders, has been in office since 1978.

He says he deserves a final term to consolidate national unity and crush corruption.

His opponents have charged that graft and mismanagement have thrived in recent years and are ruining Kenya.

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 – Sapa-AFP, Reuters

Moi looks set to win another term as president of Kenya

(163) Star 2|1|98

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 resented any implied threats to the peace if it retained power

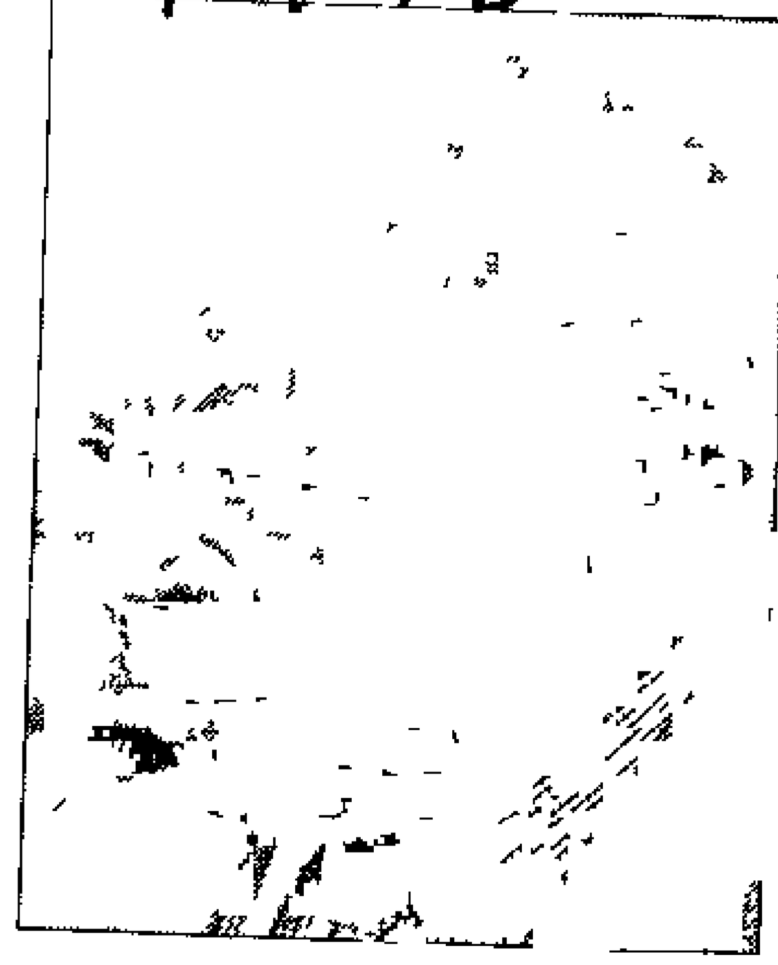
The commercial Kenya Television Network reported that Moi had collected 1,9 million votes with 163 of the 210 constituencies counted, compared to 1,6 million for his closest challenger and former ally, Mwai Kibaki of the Democratic Party of Kenya (DP)

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 30

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



Still hopeful .. Mwai Kibaki

Protection: anti-riot police guard ballot boxes in Nairobi after a fight broke out between supporters of the two main political parties

Marred Kenya poll favours Moi

(163)

ARG 3/1/98

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 1,99 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 summing up the views of many in the nine million electorate

John Mwaola, 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 Kivuitu 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 Kivuitu'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

(163) Star 3/1/98

By ROSS HERBERT
INDEPENDENT FOREIGN SERVICE

Nairobi – Concerned about a violent backlash against this week's flawed Kenyan elections, the United States ambassador to Kenya met privately yesterday with the main opposition politicians to urge dialogue with President Daniel arap Moi, who threatened "swift action" against anyone disrupting law and order

The first major test of Moi's resolve and Kenyan public anger is expected in Nairobi at the weekend A public rally has been called by Kenneth Matiba, the number two finisher in 1992 presidential voting who refused to participate in this election

Ambassador Prudence Bushnell would not comment, as she left apparently inconclusive talks with Raila Odinga of the National Development Party and Mwai Kibaki of the Democratic Party She later met the number four finisher Charity Ngilu and Paul Muite of the Safina party

"I think they (the US) are prevaricating They are being firm but are unwilling to tell Moi to step down We are dealing with a dictator, and the institution of the presidency has emasculated all other institutions You cannot stop this corruption as long as Moi remains," Odinga told the Independent Foreign Service

Unofficial results with 78% of constituencies reporting gave Moi a 345 000-vote lead overall, according to Kenya Television Network

Kibaki, a former vice-president to Moi, was trailing by 1 990 000 votes to 1 645 000, it reported.

Kibaki and Odinga called a press conference to denounce the results "We categorically reject the provisional results of the election We therefore demand the elections be repeated within 21 days," Odinga read from a joint statement He said blame for any violence would be on Moi

Criticism of the chaotic election has come from all quarters in Kenya, but no one has yet quantified the effect of the hundreds of reports of irregularities, spoilt ballots, stolen ballot boxes, and voters turned away for lack of ballot papers

Representatives of 23 foreign donors are meeting this weekend to render a verdict on the poll

"We don't want to comment until final results are in There is a fear (among donors) that Kibaki and Odinga will call for writing off the elections " said Paul Haddow, Canadian deputy high commissioner and chairman of the donor group

Moi's ruling Kanu party, in office for 34 years, declared victory yesterday, dismissing charges that the vote was rigged

"The question of rigging is sheer nonsense because the opposition was present at all times," said Nicholas Biwott, one of Moi's closest advisers who is believed to have masterminded Kanu's election strategy

Biwott was previously identified by British investigators as a suspect in the murder of a popular Kenyan cabinet minister

Kibaki said his and Odinga's party had filed objections with the electoral commission, which detailed incidents of fraud that affected "hundreds of thousands" of votes

He complained that the election, originally set for Monday, was extended as late as Thursday in many Kanu strongholds, while not extended in other opposition areas

The election was also marred by widespread attempts at vote-buying theft of ballot boxes, closed polling stations and lack of ballot papers, according to a trio of Kenyan organisations monitoring the election

The National Council of Churches Kenya, the Institute for Education and Democracy and the Catholic Justice and Peace Commission, which fielded 27 000 observers, said they would pursue legal action against the electoral commission for unfair conduct of the poll

LANTERN POWER: Kenyan election workers count votes after an electricity cut in Mombasa this week Observers have called for a full commission of inquiry into the electoral commission's poor handling of the process, which has been described as rigged PHOTOGRAPH AP

Last of Africa's 'Big Men' holds onto power

(163)

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

ST 4/1/98

MATTHEW BIGG· 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 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 recognise 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 divided opposition was failing 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

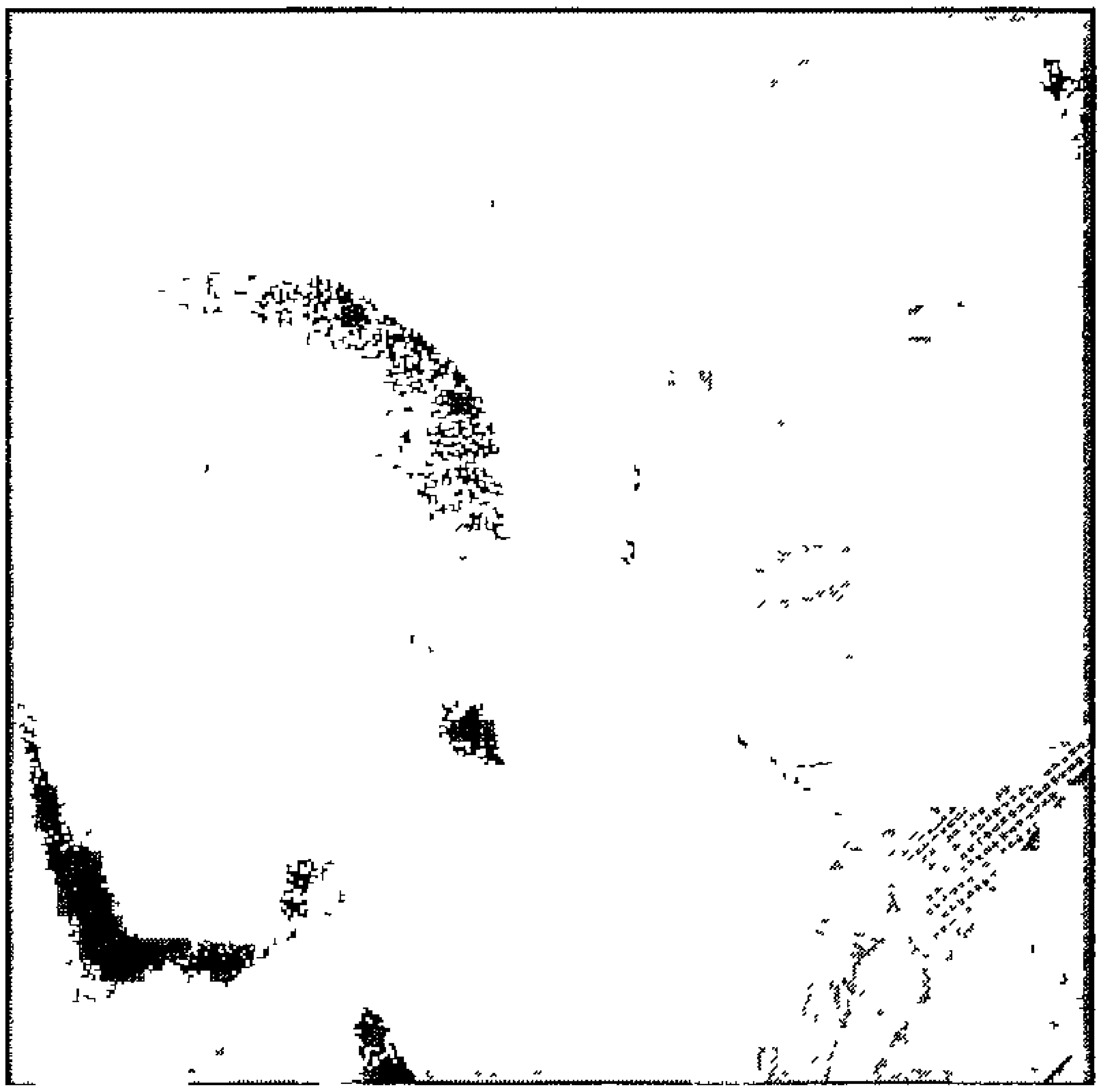
Anger among the dominant Luo tribe turned to violence on Tuesday against the minority Kisii, whom they accused of voting for Moi A fragile peace was restored by Friday, residents said

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



SPANNERS IN THE WORKS: Mwai Kibaki, right, and Raila Odinga, who have demanded a rerun of the presidential poll Picture: AP

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

Safina 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 Kanu supporters as MPs, 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 hammered on the themes of rampant corruption, brutal urban crime, a decaying infrastructure and deficient health and education services — *Reuters-Sapa-AFP*

Arap Moi and KANU claim victory in Kenya

C163

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

Tallies from 190 of Kenya's 210 constituencies gave Moi 2,412,044 votes to 1,789,206 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 198 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 Ofinga – have alleged massive vote rigging and called for fresh elections

KANU spokesman Bonaya Adhi Godana rejected the claims – Sapa-AFP

CP 4/1/98

CONSTITUENCY RESULT DISPUTED

Re-elected Moi govt faces legal challenge

(163) CT 5/1/98

ntary seat in Kenya since independence, waves to supporters outside a vote-counting centre in Nairobi

PICTURE AP

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 Kivuitu, the commission's chairperson, 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 Tett, 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 Tett by about 800 votes was greeted with disbelief by observers and monitors

The arithmetic showed a victory for Tett 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, mishaps and blatant cheating, prompting a call from two losing presidential contenders for a rerun within a month

Tett 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

Kivuitu said he was powerless to intervene

He defended the commission, saying that 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 also pointed out that other opposition parties have already called for the results to be accepted,

Safina, the party of conservationist 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 distract attention from the real issues

These include rampant corruption, a devastated economy and infighting 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

ARG 5/1/98 (163)

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

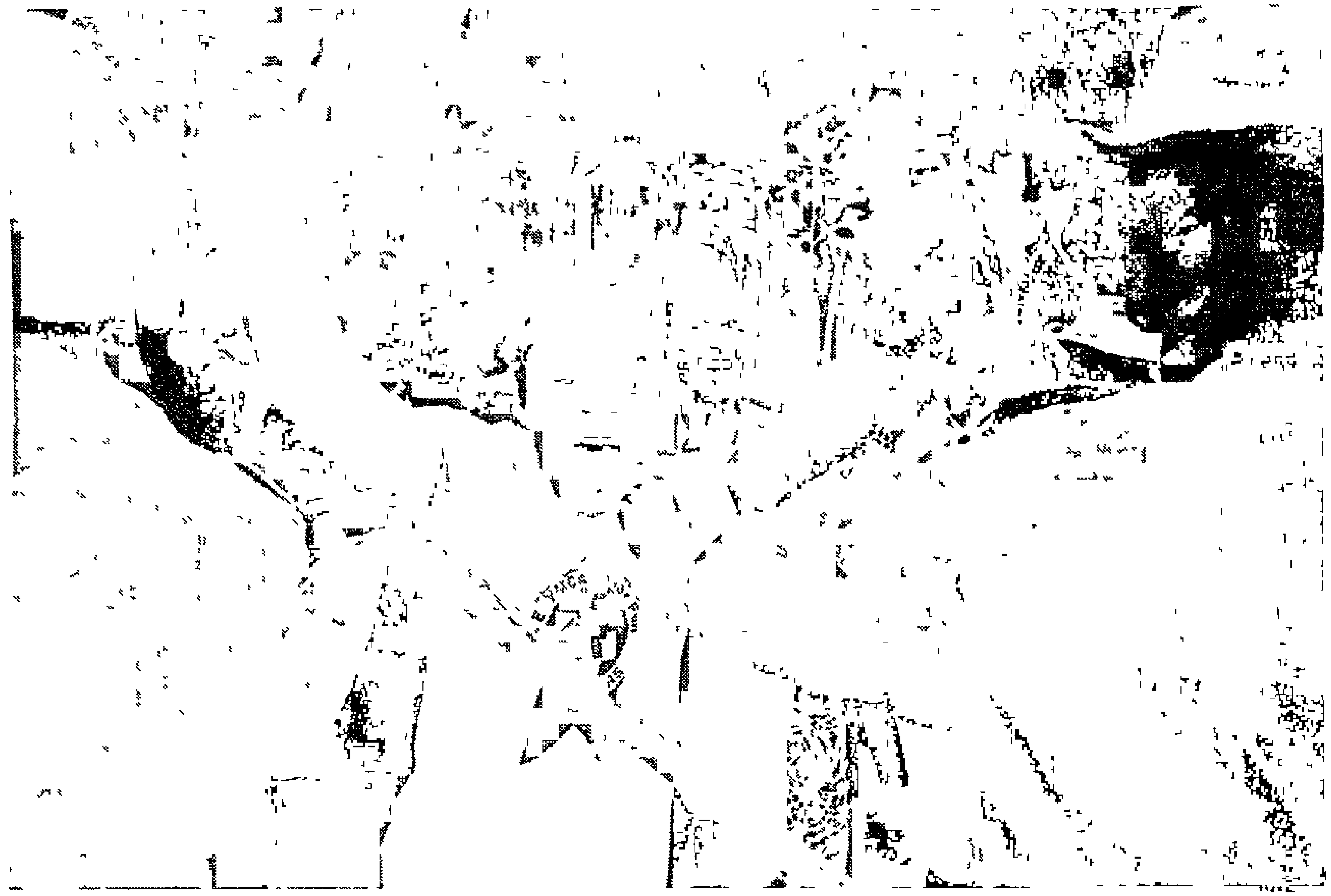
But he is unpopular with most Kenyans – 60% voted for one of 13 challengers

Critics blame him for rampant corruption and inept management that have damaged this once prosperous economy Mr Moi railed 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% – Sapa-AP



Held back by riot police, supporters of Kenyan President Daniel arap Moi celebrate his victory outside a vote-counting centre in Nairobi at the weekend ahead of an official outcome

Picture AP

Results still outstanding, but Moi returns as Kenyan president

(163) BD 5/1/98

NAIROBI — Kenya's electoral commission declared yesterday that incumbent Daniel arap Moi was the winner of last week's presidential elections.

The official result was announced by the commission's heavily criticised chairman, Samuel Kivuitu.

"Daniel arap Moi has received the highest number of votes and 25% in five provinces and is thereby declared the winner," he said.

Under Kenyan election rules, the winner must score the most votes and win at least 25% of the vote in five of the eight provinces.

Kivuitu defended his performance, after a week when the ruling party, the opposition, poll observers and ordinary Kenyans all condemned the shambolic conduct of the presidential and parliamentary elections.

Moi won his final five-year term at the age of 73. He has held power without interruption since 1978 and this time captured 40,1% of the vote.

Kivuitu said although counting had not been completed, it was clear Moi had enough votes to be returned to office. With only a handful uncounted, he said Moi had so far gathered 2,44-million votes to second-place challenger Mwai Kibaki's 1,89-million.

Turn-out by the 9-million electorate was more than 60%, an impressive tally after the chaos which marred the polls. A scheduled one day's voting on December 29 had to be extended by 24 hours and Kenyans in remote, flood-hit areas were still casting their ballots on January 2.

Government and diplomatic sources said Moi would be sworn in with pomp and ceremony in Nairobi's Uhuru Park today.

The top two opposition candidates, former vice-president Kibaki and one-time political detainee Raila Odinga, alleged on Friday the elections were rigged and demanded a rerun within 21 days.

Kivuitu has ignored the demand and the opposition has not staged any protests. Nairobi was peaceful yesterday — Reuter.

Moi wins Kenyan presidential poll amid calls for new vote

Star 5/1/98 (163)

Nairobi – Daniel arap Moi (73) was declared the winner of this week's flawed Kenyan presidential elections yesterday, leaving his opponents to contemplate the high price they have paid for embracing the divisive tribal politics Moi has encouraged in his 19-year reign

According to the Election Commission, Moi received 40,1% of the vote, compared to 31,1% for his former vice president Mwai Kibaki, 10,9% for Raila Odinga, 8,3% for Michael Wamalwa and 7,7% for Kenya's first female candidate, Charity Ngilu All votes are not yet counted, but the commission, contradicting its earlier position, said Moi could be declared the winner because uncounted votes are too few to affect the outcome

Official parliamentary figures are not yet available Moi's Kanu party has won 104 of 200 parliamentary districts, according to the government-owned Sunday Nation newspaper

Controversy over the election chaos continued, with calls by the Kenyan Human Rights Commission and Citizens Coalition for Constitutional Change for a new vote

On Saturday a coalition of Kenyan election monitoring groups said the process was flawed.

Moi, the man who calls him self a "professor of politics", hails from the small Kalenjin tribe This year and in 1992, when he won the country's first multiparty election, he stoked fears that the Kikuyu and Luo would dominate the country if elected In the coastal province, he sent squads of young goons to ethnically cleanse the area of up-country tribes

The Election Commission itself is a toothless body that has no power to adjudicate election disputes Once the local election official declares a victory, even if not supported by vote counts, the loser has no choice but to spend years in court Disputes over the 1992 election have still not been tried – Star Foreign Service

Will Moi stop the rot?

(163

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 ...

Sowetan 5/1/98

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 criticised 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 elections

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-ruling 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 elected seats in parliament, it remained the only effective, nationwide party.

Moi now has a choice 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 voter demands.

Or he can follow the advice of a 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 be an indicator of the path he will take.

Some have predicted that Moi will be a lame duck in what he has said is his final term, essentially marginalised as Kanu barons manoeuvre for advantage in upcoming party elections Moi put off until after the general elections.

But others maintain that Moi, who has been shaken by unflattering comparisons to his friend, the late Zairean dictator Mobutu Sese Seko, could seize the occasion to remedy the neglect and decay that have permeated this once-prosperous nation

Since he does not have to worry about holding onto power any longer, Moi could move to create a truly independent judiciary and a civil service that are loyal not to him, but to Kenya

For the first time since 1964, Kenya appears to have a serious and strong opposition in parliament that could now cease to be a rubber stamp

In balloting for the parliamentary seats voters showed their preference for individuals they trust, rather than parties

Kenyan MP-elect Beth Mugo, 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. Mugo, 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. PIC: AP

Although the political opposition was not capable of – or interested in – fielding just one or two candidates against Moi, there are indications that opposition legislators will work together, and with some Kanu members, to bring to light financial, business and political scandals that highlight the rot spreading through the system.

Political achievements

Kivutha Kibwana, one of the academics spearheading the push for political reforms that was ultimately taken over by parliament at Moi's urging, does not think the movement achieved as much as it should have.

He blames the politicians, who he says "deserted and undermined us"

But the actions of members of Kenya's eighth parliament – as well as those of the nearly six million voters who showed great patience and determination in casting their ballots during the chaotic election – could prove Kibwana's pessimism unwarranted – *Sapa-AP*

● Although regulations barred him from declaring victory for Moi until all votes were counted, Electoral Commission chairman Samuel Kivuitu acknowledged on Saturday that the veteran political leader had won

According to partial official results, Moi had a healthy lead of more than 400 000 votes over his main challenger Mwai Kibaki

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

Kivuitu 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," Mutava Musyimi 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"

Musyimi said 29 600 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 new president would take place today, but this could not be confirmed – *Sapa-AP*

SOWETAN Monday January 5 1998

Sowetan 5/1/98

Moi wins Kenyan election

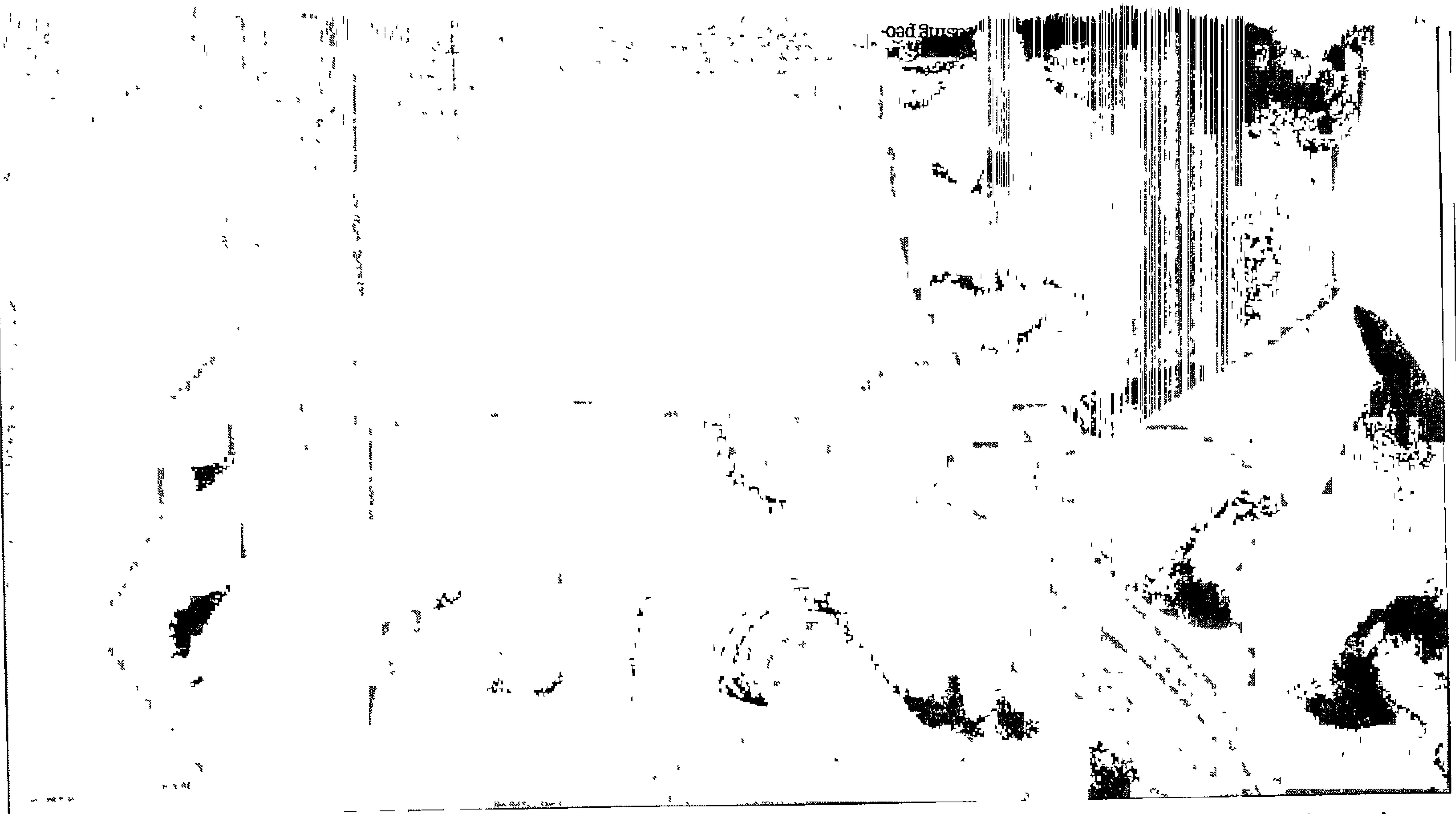
(163)

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 Kivuitu came after results were counted in 200 of the 210 constituencies Kivuitu said the remaining votes would not affect the result

Moi by then had received close to 2 500 000 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*



Back in the hot seat .. newly re-elected Kenyan president Daniel arap Moi is sworn in for a final five-year term in a ceremony in Nairobi's Uhuru Park yesterday

Moi promises to fight corruption and end confrontation

Star 6/1/98 (163)

By Ross Herbert
Star Foreign Service

Nairobi – President Daniel arap Moi swore himself into office yesterday, promising to fight corruption that has flourished under his rule, and focus on the infrastructure, education, health and economic systems that have crumbled during his 19-year reign

"My next government will be more sensitive to the needs and aspirations of all citizens," Moi told the crowd in English "It will be devoid of hate, fear and confrontation

"When Kanu succeeded in 1992 the opposition said they wanted a government of national unity And I said why didn't we remain one party?" he said referring to Kenya's first 29 years as a one-party state

It was a glib laugh line that glossed over the ugly underside of Moi's rule that has focused on maintaining his power

Moi has ruthlessly exploited the powers of state, govern ment-owned media, and the police to stay in power.

In the run-up to Kenya's first multiparty elections in 1992, more than 1 500 people were killed in ethnic clashes that Moi's government provoked Smaller scale, similar ethnic cleansing by Moi's Kanu party members took place around Mombasa before this election

In front of a solemn crowd of about 5 000, Moi chided opposition figures who refused to respect his victory, asking them not to engage in destructive tribal politics

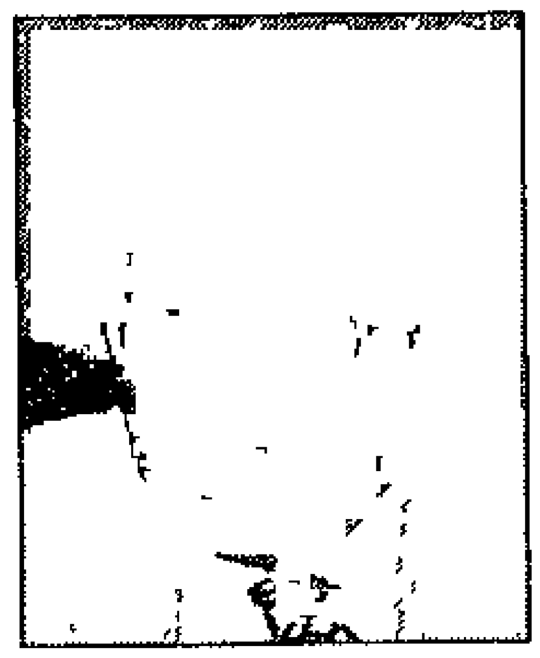
Moi is expected to name a new cabinet soon, in part because several of its present members lost their parliamentary seats in last week's voting

"Those who have made it a habit of living out of the spoils of corruption should know their time is up," Moi said, a comment that drew only a weak smattering of applause from the Kenyan political elite seated behind Moi on the stage

A critical issue will be dealing with the International Monetary Fund, which suspended a \$205-million loan programme last July because of Moi's failure to move against official corruption, including cases touching his vice-president and senior cabinet members.

(163)

Daniel arap Moi



Pyrrhic victory for beleaguered Moi

Star 6/1/98

With his ruling party at its weakest, the world is watching, writes Nicholas Kotch in Nairobi

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 lease 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 party 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 28 000 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 scrutinised 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 rigged into defeat by Moi's Kenya African National Union (Kanu)

But Kibaki has no interest in long-term conflict, analysts say. As a wealthy businessman, the 66-year-old former vice-president has much to lose if the violent runup 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, snapping at his heels most of the way in the presidential poll," columnist Kwendo 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 jostling 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

(163)

Sowetan 6/1/98

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 oppressive colonial-era laws to quash opponents – *Sapa-AP.*

World Health Organisation, Neil Collishaw, disputed the claim, saying there had been "long-term declines among youth" smokers in Norway, Iceland and Finland, all of which had banned tobacco advertising and taken other antitobacco measures in the 1970s.

Collishaw said an independent 1991 study of Organisation for Economic Co-operation and Development countries showed that price increases and advertising bans had both been successful in reducing smoking over 26 years.

Opposition to challenge Moi victory

163

BD 8/1/98

NAIROBI — Kenya's second most popular political party said yesterday it would file a legal challenge to President Daniel arap Moi's fifth electoral victory.

"We will take Moi to court," Jackson Munyao, secretary-general of the Democratic Party, said at an opposition rally in central Nairobi's Uhuru Park where Moi took the presidential oath on Monday.

"I would like to say: reject the election results," Munyao told 2 000 supporters.

In contrast to past opposition events, no police were deployed to control the crowd.

Moi won a chaotic, two-day general election with 40% of the vote. His nearest challenger was Mwai Kibaki, the Democratic Party's candidate, who gained 31%.

Kibaki, runner-up to Moi, said his party would sit in parliament but continue to reject the results. "The DP will not accept the elections were not rigged," Kibaki said.

The electoral commission yesterday said the ruling Kanu party could nominate six extra MPs, while the DP could name two MPs and the NDP, FORD-K, SDP and Safina one each. — Sapa-AP, Reuter.

Department lifts freeze on housing projects

BD 8/1/98

NELSPRUIT — The national housing department had lifted a freeze it imposed on the Mpumalanga housing department, preventing it from approving new housing projects in the province, Mpumalanga director of housing administration Piet du Plessis said yesterday.

He said the freeze was lifted to allow the province to complete a housing project approved in 1995, and to pay the developers of a second housing project.

Du Plessis said the housing projects at Chrissiesmeer near Ermelo and Vukuzakhe near Volksrust were worth more than R8m.

He said 500 houses worth R7,5m would be built at Chrissiesmeer, while the developers of the 50 houses at Vukuzakhe could now be paid. The freeze had delayed the approval of about 10 000 houses in Mpumalanga.

He was confident the 53 000 houses scheduled for construction would be completed by next year. The department had already completed 25 000 houses.

The national housing freeze, which has been effective since March 10 last year, was imposed because of massive overcommitment on housing budgets in a number of provinces and because "some provinces did not know their commitments".

Du Plessis said talks were continuing between the housing department and the provinces to have the freeze lifted. — Sapa.

NEW YORK — lounges, Beanie sports utility ve hottest new tre the US is filing bankruptcy.

According to lished by the V card associatio the number of declaring them rupt shot up 1 million last year at any other tim tion's history, Great Depression

The amount debt discharged

Violence afflicts Kenyan tourism

eT(BR) 9/1/98 (163)

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 1996, the most recent year for which figures are available, tourism brought in $520 million, or 18 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 Flannery, 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 with what we projected," said Dedan Kamau, the chief executive of the Kenya Association of Hotelkeepers 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 150 000 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, 863 000 tourists visited Kenya The number of arrivals dropped to 690 000 in 1995 and revived to 717 000 in 1996

Last year the problem was large-scale violence around Mombasa It began on August 13 when about 100 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 [illegible] Kenyan stock brokers said yesterday that the composition of President Daniel [illegible] ment would determine the direction of the country's financial markets this year

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

President Moi's team will [illegible] mance of the stockmark[illegible] particularly the finance portfolio which is a very sensitive area" said Job Kihumba the chief executive of the Nairobi stock exchange "If he chooses men of integrity" he will [illegible] pursue the economic reforms programme, then are set for a good year

"The acceptance of the [illegible] government [illegible] investors and the international community will determine the direction of the stockmarket" Kihumba said

In his inaugural speech on Monday, [illegible] to improve Kenya's economy by fighting corruption, rehabilitating the country's crumbling infrastructure and enhan[illegible] African regional economic co-operation

[illegible] African nation's Union [illegible] in his favour

[illegible] and constitutional reform [illegible]

Arrest sparks new row between Mandela, Chiluba

(163) ARG 10/1/98

FOREIGN SERVICE

Lusaka – The relationship between Zambia's President Frederick Chiluba and his South African counterpart Nelson Mandela has never been cordial.

But it has sunk to a new low with the arrest of former head of state Kenneth Kaunda. Despite denials that Dr Kaunda would be arrested on his return from an overseas tour, Mr Chiluba's government went ahead and did so – on Christmas Day, no less.

Dr Kaunda's only apparent crime was to warn the ruling Multi-party Democracy about an imminent political explosion.

Dr Kaunda issued the warning in a newspaper interview two days before he left on his international tour. While he was in South Africa, junior army officers led by Captain Stephen Lungu took over the national broadcaster on October 28 and announced that they had ousted the Chiluba government because of corruption and economic mismanagement. The next day, President Chiluba declared a state of national emergency, saying that the situation in Zambia called for emergency powers to bring the plotters to book.

Speculation began that Dr Kaunda was the next to be arrested. He had mounted a civil disobedience campaign in protest against the elections, which some observers said were not free and fair. When word leaked that Dr Kaunda would be arrested, regional leaders called on Mr Chiluba to exercise leniency and to consider his contribution to Zambia's struggle. Among those who expressed concern were Zimbabwean President Robert Mugabe and Mr Mandela, a friend of Dr Kaunda.

Sources said Mr Chiluba talked on the telephone with Mr Mandela, who asked him not to jail Dr Kaunda. The sources said Mr Chiluba decided to turn down Mr Mandela's request. Anaylsts believe he was motivated by spite because of Mr Mandela's personal relationship with Dr Kaunda.

Kaunda forced to face his past deeds

ARG 10/1/98 (163)

Lusaka – Former Zambian president Kenneth Kaunda, appearing in court to challenge his detention, was reminded that he had detained around 1 000 people without trial during his rule.

Mr Kaunda, 73, has been held without charge, first in prison and now under house arrest, since he was detained on Christmas Day under a state of emergency his successor, President Frederick Chiluba, imposed after a failed October coup.

"You are the only person in Zambia who was fully aware of these powers and exercised them to the hilt," attorney-general Bonaventure Mutale said yesterday as he cross-examined Mr Kaunda.

Mr Kaunda is demanding that he be freed or charged. "During the years of your tenure in office you detained people under the same regulations," Mr Mutale added, saying the former leader had detained around 1 000 people without trial during his 27-year rule until 1991, when Mr Chiluba won elections.

"So you must do that to me because I did that to them?" retorted Mr Kaunda, who claimed his detention is a result of a personal vendetta by Mr Chiluba rather than a result of suspicions he was in some way linked to a botched coup by junior army officers.

"If we detained people it was not out of malice, fear or hatred. That is the difference between the detentions today and those in my time," Dr Kaunda replied adding that he was detained to silence his campaign against Mr Chiluba's government for alleged corruption. – Reuters

WOMEN LOSE OUT

Men dominate Moi's cabinet listing again

CT 14/1/98 (163)

NAIROBI: Beth Mugo, one of only four women MPs, has urged the six major parties to select women for the 12 nominated seats to give parliament the "semblance of gender equity".

YEARS of campaigning by Kenyan women for an equal role in politics have been ignored by President Daniel arap Moi, who has failed to appoint a woman in a full ministerial post in his new cabinet.

Even the post of Minister for Women and Youth Affairs was given to a man, Mr Maalim Mohamed.

Ms Mwarere wa Mwachai, the only woman to win a seat on the ruling Kenya African National Union (Kanu) ticket in the December 29 polls, was appointed an assistant minister in the same ministry.

Mohamed's appointment has angered a cross-section of women.

"Women's problems are usually handled better by a woman, not by a man," said one woman here.

Only four of the 50 women candidates made it into the 200-member parliament.

"Kenyan women are respected in the international arena," said one of the four, Ms Beth Mugo.

"It is embarrassing that they are hardly represented in their own parliament. From the composition of parliament, it looks as if there are no women in the country."

Ms Charity Ngilu, of the Social Democratic Party (SDP), was the only woman presidential candidate and expected to give Moi a run for his money. She finished a poor fifth, although she held on to her Kitui Central parliamentary seat.

"It is hardly believable that we got only four seats when we were so well prepared for better representation," said Ms Caroline Masika, a business consultant here.

Some say the 26 parties' structures impede women's participation.

"The few women who managed to go through the election process were not given enough support by their parties," says Ms Julia Ongudi, who serves on the non-government National Commission on the Status of Women (NCSW).

"Also, they were intimidated and subjected to violence."

'It's embarrassing that women are hardly represented in their own parliament.'

The NCSW also blames a lack of awareness among women voters for women candidates' dismal performance.

"With their large numbers, women had the capacity to decide on their political leadership," Ongudi said.

Although women account for 52% of the population of 30 million, they make up only 25% of the workforce. Also, 27,1% of women as opposed to 16,1% of men have received no formal schooling.

Others think the showing by women candidates was undermined by election irregularities.

"Some of us were rigged out," complained Ms Betty Seth, who lost in a Nairobi constituency.

Such charges have been denied by the electoral commission.

The 1992-1997 assembly had six women legislators, the highest number. Of these, only one was offered a cabinet post. Another was appointed an assistant minister.

Encouraged by these achievements, women registered in droves to compete for parliamentary and local council posts. Several women's groups and non-governmental organisations held civic and voter workshops to educate women on their rights as contestants and voters. But the political tide was not in their favour.

Ngilu lost her presidential bid. Environmentalist Ms Wangari Maathai lost the presidential and parliamentary races. Kenya's first and only woman cabinet member, Ms Nyiva Mwenda, lost her bid for parliament at the party nomination stage.

The results mean five more years of under-representation and that women's issues will receive scant government attention, says Mugo.

Moi, in office since 1978, has yet to implement the Beijing Platform of Action adopted in 1995 at the United Nations Conference on Women. Some believe it will never be implemented by a male-dominated government like Kenya's.

"It scares men out of their wits because its tenets touch on the raw nerve of men's superiority in the society," says journalist Samson Midigo.

Some analysts predict that the small number of women in parliament means that pressing issues pertaining to women's rights could be neglected.

Other than education and employment opportunities, violence against women is a key issue. Police report that there are at least six cases of assault or rape in Kenya every day.

There is no law that explicitly defines the rights and the status of women in Kenya, a deficiency that may be linked to women's poor representation in parliament.

Mugo, who is also president of the Council for the Economic Empowerment of Women in Africa, has urged the six major political parties to nominate only women to give parliament a "semblance of gender equity".

"I urge these parties to nominate only women, because currently there are too few," she said.

Under the constitution, half of the 12 nominated seats are to be taken by Kanu and the balance spread across the other five major parties.

If the parties heed Mugo's appeal, the number of women MPs would increase to 16. — Sapa-IPS

PATRIARCH Supporters of Kenya's President Daniel arap Moi wait in front of his party headquarters to congratulate him on his recent re-election. Although women have been fighting for a bigger say, Moi has not appointed any women to ministerial posts in his new cabinet. PICTURE: AP

(163)

Fever in Kenya 'out of control'

NAIROBI: Rift Valley fever, which had caused hundreds of people and thousands of livestock to bleed to death, was "out of control" in northeastern Kenya, aid workers said yesterday.

Helicopters and boats were are badly needed to reach villagers maroon-ed by floods and stricken with severe vomiting, diarrhoea and fever, Red Cross officials said.

The Kenyan Ministry of Health confirmed more than 350 deaths, but a World Health Organisation epidemiologist said the death toll was "possibly double that".

Across the border in Somalia, dozens more people have also died from the virus — Sapa-AFP

CT 16/1/98

Moi says he wants economic reform

(163) BD 16/1/98

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 bale 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 — Reuter

Rift Valley fever 'is out of control'

BD 16/1/98

(163)

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 unseasonally 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, diarrhoea, and bleeding from all orifices.

Efforts to contain the epidemic were being hampered by limited resources, the federation said — Sapa-AFP

Medical services in Kenya falling apart in wake of strike impasse

(163) Star 16/1/98

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 500% 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 haemorrhage 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 Mwanzia, 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.

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

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

Already 800 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 30% 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

BD 19/1/98 (163)

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 fifth-term victory in last month's voting but analysts said 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 $205m 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 hit 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

People struggle along Nairobi's streets last week after heavy rain flooded the city
Picture AP

Nairobi infested by disease-carrying fly

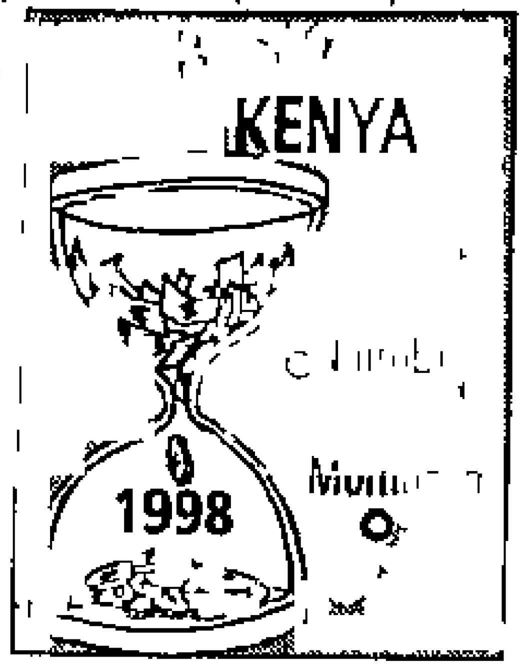
(163) 60 21/1/98

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

Panicked residents who crush the bug are wounded by its secretions and develop ugly blisters and scars Nairobi University microbiologist Professor Ndinya 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 year of tough economic challenges

Moi has to get IMF support back on track by showing commitment to his pledges

Star 21/1/98 (163)

Kenya's economy faces a bleak year because of suspended aid, flooding and violence, which drove away tourists in the second half of 1997.

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 will pursue reforms without flinching.

But financial analysts and businessmen say the cabinet he appointed after re-election last month retains ministers linked to corruption

Scores of people have been killed in floods, which have washed away homes, bridges and the main road link between Nairobi and Mombasa.

The crucial route – the primary channel for imports and exports to the east and central African hinterland – was severed

This will have an impact on transit traffic to Uganda, Rwanda, Burundi and the Congo.

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

He says, by some accounts, GDP growth is likely to be at or below about 2% in 1997, and the budget deficit has already touched 4% – significantly higher than a 1,7% target that was set in the June budget

Moi has ruled since 1978 but analysts, like Gershon Ikiara of Nairobi University's Institute of Diplomacy and International Studies, say he still has to overcome scepticism over failure to deliver on earlier pledges.

An example is Moi's anti-corruption authority, headed by a former policeman but which has no budget or financial independence and has to ask the treasury for cash to meet any obligations.

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 \$205-million (R1,025-billion) enhanced structural adjustment facility the IMF suspended in protest against official graft and governance

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

Joe Wanjau, a Kenyan executive promoting the South African Breweries Castle beer and an important business player, said. "Nyachae has to show the way. his interventionist policies at the agriculture ministry have cast a shadow over his appointment"

Experts say the government must show seriousness to win back the IMF's help, which is necessary for increased aid flows from other donors and key to regaining investor confidence.

They say that without increased donor support and the ability to attract foreign investment, it will be difficult to raise the level of annual GDP growth to the 10% required to generate jobs for the 450 000 young people who enter the market each year

Two issues could also undermine the government's economic focus – the Moi succession and a full constitutional review pledged by Moi last year.

Moi is serving his final term, but is yet to appoint a vice-president, expected to become his successor.

Violence and weather have also hit revenues. Tourism, the leading foreign exchange earner, was devastated by violence last year

Ikiara says research shows an overall drop in earnings of about 50% in 1997 in the \$400-million-a-year (about R2-billion) industry

Production of the leading commodities – tea and coffee – has already been hit by the weather, although some of the losses will be compensated for by high international prices. – Reuters

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 — Reuter

CT 26/1/98

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 Laikipia 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 — Keny[illegible] to fall to 65 000 tons in [illegible] the year before [illegible] berry dise[illegible] agriculture ministry said yesterd[illegible]

Lower production has resulted in a short[illegible] of Kenya's weekly export auction [illegible] ing high prices for its mild arabica coffe[illegible]

BD 27/1/98 REPORTS Sapa AFP, Reuter (163)

Kenyan education a privilege, not a right

(163) ARG 28/7/98

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 1,25% 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 percentages. Primary school enrolment in Kenya increased steadily after independence from Britain in 1963, reaching 97% for boys and 93% for girls in 1989. It then shrank, however, and by 1996 it was 78,75% 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-IPS

Envoys call on Moi to curb violence

(163)

ARG 29/1/98

Nairobi – Western embassies have joined a growing chorus of voices demanding President Daniel arap Moi's government put an immediate end to violence that has claimed almost 90 lives in two weeks in parts of the Rift Valley.

A 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 "slow and ineffective response by security forces" in stemming the violence.

The call came only hours after the Conference of the Catholic Bishops of Kenya issued a similar appeal for action to end the bloodshed.

The bishops called on Mr Moi to dismiss from his cabinet those "well known" ministers who uttered inflammatory statements that the bishops believe sparked off the clashes.

So far, the bishops said, the government's "feeble response and loud silence" indicate the violence is politically motivated.

People have been killed and property destroyed in Laikipia and Njoro in Kenya's Rift Valley, thousands have been rendered homeless and schools have closed, the bishops said.

Kenya's police chief Duncan Wachira said the situation was now under control and the government was committed to ending the bloodshed.

Clashes that erupted two weeks ago in Kenya's western Rift Valley were similar to the infamous 1991 ethnic clashes in the same region, one observer said. – Sapa-DPA

INTERNATIONAL

Political overtones in ethnic clashes in Kenya

BD 29/1/98 (163)

NAIROBI — What started as simple cattle-rustling almost two weeks ago in Ol-Moran village, 280km north of Nairobi in Laikipia district of Rift Valley province in Kenya, has escalated into full-blown ethnic violence.

Analysts and human rights groups in Kenya say the violence has political overtones reminiscent of the ethnic cleansing that rocked the province in 1991 in the runup to the country's first multiparty elections in 1992.

The co-ordinated attacks carried out by marauding 'Kalenjin warriors' against members of the Kikuyu community residing in the province, have left 55 people dead, property worth millions of shillings destroyed, and several thousand people displaced

The violence has spread to Njoro, 170km northwest of Nairobi in Nakuru district, Rift Valley province, where more than 10 people have been killed, reports said yesterday

Both Laikipia and Nakuru are multi-ethnic districts of the large Kikuyu ethnic group and several other smaller groups known as 'Kamatusa', which includes the Kalenjin, Maasai, Turkana and Samburu. The Kamatusa regard themselves as the indigenous residents of Rift Valley province and since 1991 they have warned the other communities, especially the Kikuyu, to vote for the ruling Kenya African National Union (Kanu) and President Daniel arap Moi, or be prepared for reprisals

The Kikuyu, who make up the majority in the two districts, voted overwhelmingly for the opposition in the December general election. The voting pattern gave the opposition 90% of the parliamentary seats in Laikipia and Nakuru.

Mwai Kibaki, who ran for the presidency of the Democratic Party (DP) ticket in the last elections, won hands down in the two districts, although he finished second in the presidential poll

Kibaki has warned the government that if it does not intervene to halt the violence, the victims will be forced to arm themselves in self-defence

"Mr Moi cannot afford to maintain silence as if nothing is happening and the killing of citizens has been going on in the past two weeks It is only natural that the victims will take arms to defend themselves," the DP leader said

According to Joel Ndirangu, a primary school teacher at Kihingo in Njoro, the raiders, some of whom are known by residents, were armed with guns, bows and arrows He said more than 10 people were killed and more than 100 houses razed.

"The warriors wore red shukas (a piece of cloth that is popular with pastoral tribes) and white Kanu T-shirts with President Moi's portrait in front and the cockerel (Kanu's symbol) in the back," said Ndirangu, whose family and more than 1 000 others have sought refuge at St Joseph's Catholic Church in Njoro

So far the government-funded Kenya Broadcasting Corporation (KBC) has ignored the violence while human rights groups have accused the government of having a hand in the violence

"When the Kanu government recently took office, it pledged that it would be more sensitive to the people However, within weeks it has reneged on the promise, and Kenyans continue to be subjected to some of the most blatant human rights abuses," the Kenya Human Rights Commission said.

Security personnel in Laikipia say no instructions have been given to either arrest or disarm suspects.

"We would have ended this operation in a matter of days, but as you know, instructions are instructions because we are told to do nothing," one senior police officer said.

The infamous 1991 ethnic violence that rocked parts of the Rift Valley province came in the wake of rallies addressed by the Rift Valley-based Kanu politicians

Two weeks ago, Kenya's Transport Minister William Ole Ntimama and Public Works and Housing Minister Kipkalia Kones reprimanded the Kikuyu for voting against Kanu and Moi. The two told Kibaki, who is challenging Moi's election in court, to withdraw the suit or face the consequences

Kenyan churches have joined the human rights groups in expressing concern over the continuation of the violence The National Council of Churches of Kenya has accused the government of abdicating its responsibility to protect the lives and property of Kenyans — Sapa-IPS

Conflict continues: Page 8

Conflict continues in Kenya

(163) BD 29/1/98

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 Kanyiri

Witnesses and survivors said the raiders are 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 Njue said — Sapa-AP

Like those in Kenya, ordinary people involved in SA tourism will have to ensure th...

SEPP ...

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.

. tourism will have to ensure that visitors are secure, writes Winnie Graham

SEPP SPIEGEL

...in entertaining tourists. This group was

An industry that has to take care of itself

Star 29/1/98 (163)

Kenyan tour operator Mike Kirkland was shocked when he learned two foreign visitors had been murdered within days of each other in South Africa – the one 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 visitors 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, or even hurt, in the riots, 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 I know where every one of them is at any given time."

He patted his bleeper as he spoke Tourism in Kenya is such an important money spinner that tour operators, hoteliers 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 Wood carvers 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 Nairobi 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 the wives and children home to safety

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, safe places to visit?

Reservations were cancelled by the thousands as tourists found alternative destinations for their holidays Hoteliers and tour operators who had done excellent business in the Christmas 1996 season saw the numbers for 1997 drop dramatically

Chris Modigell, group general manager of the Alliance hotels, says his chain had a 98% occupancy rate in 1996 The percentage dropped to between 50 and 60% last year. His hotels, among the most luxurious on the Kenya coast, where security is as good as the service, were lucky. Smaller resorts report an occupancy of between 15 and 20%. Thousand of jobs were lost. The elections took place and there was no 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 proprietory 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 Morby, involved in dhow tours off 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," he said. "People still talk about it. I dread to think what would happen if a tourist to Kenya was murdered."

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.

ST 30/1/98

Opposition in Kenya calls for armed defence

(163).

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 Kivutha Kiubwana, 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'

(163)

BD 30/1/98

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 violenc

Lucrative trade under threat as ru

CAROL CAMPBELL

Fruit n' veg: at first glance the tropical tamarind fruit, on sale in the streets of Mombasa, looks like a sausage

Heaven scent: the Arab quarter in Mombasa is filled with the aroma of spices, coffee and perfume

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 in 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 within 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 businesses would collapse if this ever 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 no foreigner was 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, immediately after Christmas ... holiday season

For Chris Mod... director of the A... the drop in tourist ... stating "I have ... and over Christmas I ... hotels which were ... time of year when ... packed," he said

The Alliance ... Beach, Jadini Beach ... are on the south coast ... the Naro Moru R... world famous base ... Mount Kenya

"Obviously this ... impacts on the ... nity, as restaurant ... fishermen are ... hawkers selling p... bananas are turned ... kitchen door," said M...

Villagers who se... scuba diving inst... take visitors to the ... even hawkers on the ... struggling to make a ...

Despite the trouble ... risk of a tourist being ... fighting is zero

Mr Modigell's ... guests to and from the ... arrangement, will ... to be taken into the city ... to see famous sight... Island and to go on ...

Mike Kirkland ... of Southern Cross ... kept tabs on all his ... out their stay in Ke... where each one was at ... tourist were to be kille... would all be dead," he ...

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A Korean family ... day at the Safari ... they had chosen Kenya ... nation out of a catalogue

"It was either Ke... Africa, but we heard ... you folks have and so I ... vous to take my chil... the father, an invest...

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, historical and chaotic

This is Africa in the raw, Poverty everywhere, but in an overwhelmingly beautiful and fascinating context

We took a taxi into Mombasa (about an hour's drive from the hotel) and our driver, Maurice Owinoe, stayed with us all day

He arranged for a freelance tour operator to escort us through the old Arab town and warned us to beware of pickpockets as we walked into the bustling fruit and vegetable market

The only time tourists were likely to get ripped off, he said, was when they allowed hawkers to talk them into paying R10 for a coconut worth R2

You haggle everywhere in Kenya, which can be tiresome, but if you don't keep too much money in your wallet you can't be persuaded to hand it all over for a single cotton sarong The taxi for the day cost R350 and Omar, our very well-informed guide and chaperone, cost R60

Chris Modigell, managing director of Alliance Hotels, chuckled when he heard of our day's adventure and said we should have used hotel transport, which was much cheaper (R80 a passenger for the round trip) I didn't know it was available Obviously we should have asked the guest services manager for help before forking out hard-earned cash

"We don't like our guests to walk ... on ... they ... to ... the ... crim... ex... gen... ating

iolence tars Kenya image

:at as rural clashes scare tourists

(163) AALT 31/1/98

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For Chris Modigell, managing director of the Alliance Hotel Group, the drop in tourist numbers was devastating "I have retrenched 300 staff and over Christmas I was sitting with hotels which were barely half full at a time of year when they should be packed," he said

The Alliance hotels – the Safari Beach, Jadini 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 community, as restaurant orders from local fishermen are cancelled and the hawkers selling pineapples and bananas are turned away from the kitchen door," said Mr Modigell

Villagers who sell dhow rides, scuba diving instructors waiting to take visitors to the coral reefs and 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

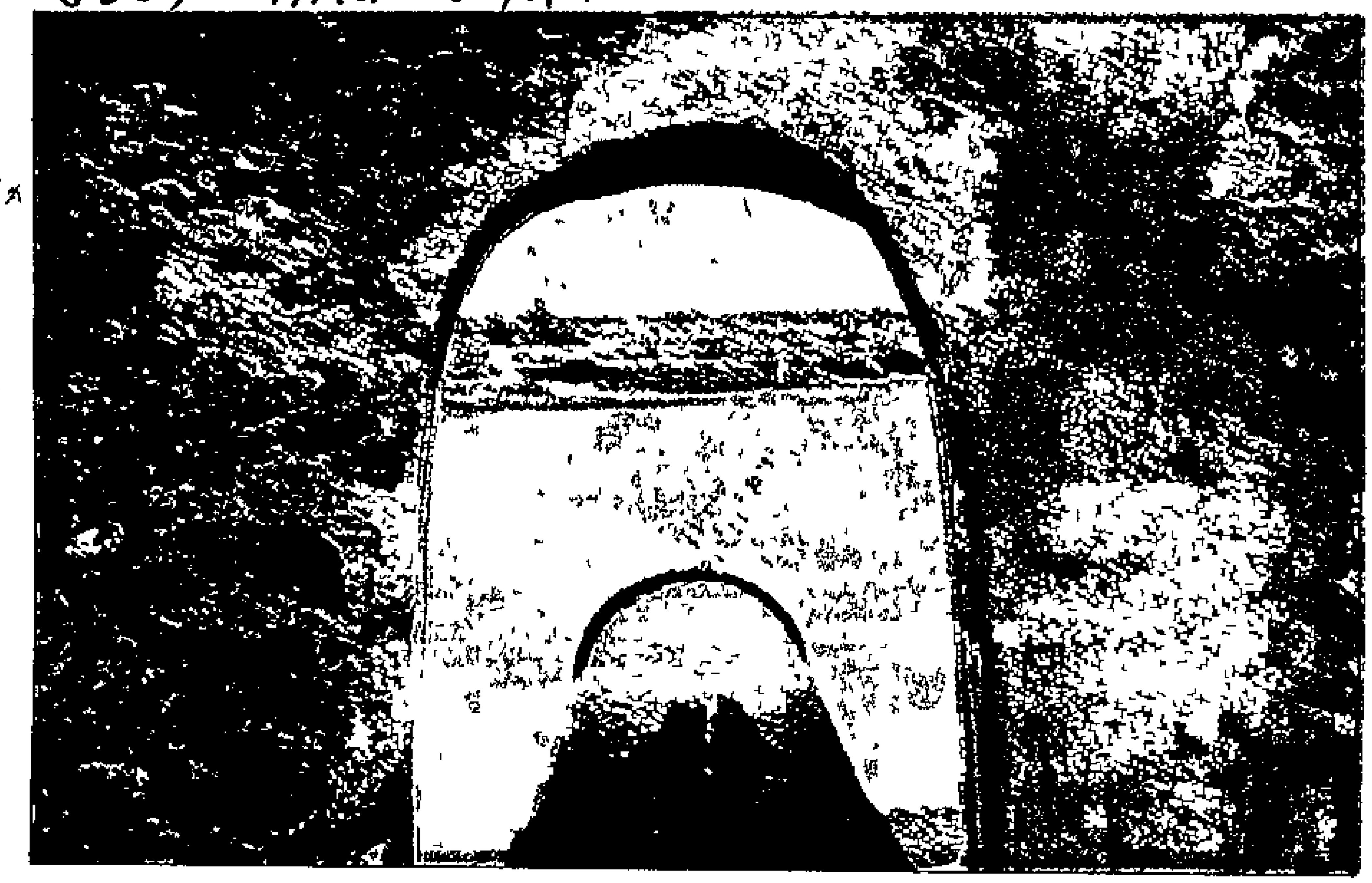
Mr Modigell's hotels transport guests to and from the airport and, by arrangement, will organise for people to be taken into the city centre to shop to see famous sights like Wasini Island and to go on safari

Mike Kirkland, managing director of Southern Cross Safaris, said he kept tabs on all his visitors through out their stay in Kenya and knew where each one was at all times "If a tourist were to be killed in Kenya, we would all be dead,' he said

He is amazed South Africa has not been wiped off the tourism map after the recent killings "If that happened here we would be out of business "

A Korean family enjoying a holiday at the Safari Beach Hotel said they had chosen Kenya as their destination 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 nervous to take my children there," said the father, an investment banker



Cannon fodder: Fort Jesus, built by the Portuguese in the 16th century, guards the entrance to Mombasa

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

s off rough edges to offer a warm welcome

Chris Modigell, managing director of Alliance Hotels, chuckled when of our day's adventure and we should have used hotel transport which was much cheaper (R80 a for the round trip) I didn't it was available Obviously we have asked the guest services for help before forking out earned cash

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 Modigell 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 creating jobs and treat them very well

We were amazed by the friendliness 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 avoided at all costs Despite the hardships, the tourism industry has done everything possible to give holidaymakers a good time

Hotels have their own water purification plants and electricity generators The food, especially the seafood in Mombasa, is exceptional

The country might be chaotic but the business people who run the tourist trade know what they are doing It s well worth a visit

Work for Kenya Africans as country's Asian entrepreneurs flourish

(163) ARG 2/2/98

Breaking the fast: a girl prepares a meal

CAROL CAMPBELL
Special Writer

In the streets of Kenya's capital, Nairobi, and of its major port, Mombasa, there is a growing appreciation of the jobs created by the country's 200 000-strong Asian community, the entrepreneurs of this vast East African country.

At last Indians and Pakistanis are being accepted by the Africans as vital to the economic success of a country which is expected to flourish once the government frees itself of corruption.

"In spite of the problems of our past, we live together peacefully," says Fatma Amin, a Muslim housewife whose family roots are in Pakistan. "There is more mutual respect now than ever before.

"What helps a great deal is that we all speak Swahili, so at least the hurdle of communication has been overcome." Most Asian children in Kenya attend multiracial government schools, where they are taught in English and Swahili.

Asians are allowed to run private schools where their children can learn Gujerati and the fundamentals of either the Muslim or Hindu faiths.

"You have to make an effort to keep your culture alive because it does tend to get swamped by the sheer 'African ness' of this place," she said.

But in fact the Islamic impact on Mombasa has seen more Africans assimilating its culture than Muslims losing a way of life.

"Islam is so deeply ingrained in Mombasa society that it is in the very pores of the city," she said.

The first recorded Indian immigrants were brought to Kenya by the British to build the railway line from Lake Victoria to Tanzania.

But the Asian influence had already been felt centuries earlier when the Arabs sailed on the trade winds in their dhows down the east coast of Africa for trade and slavery.

In modern times the good feeling on the streets of the country's two major cities is a far cry from the days after independence in 1963 when Asians bore the brunt of African anger after centuries of oppression by Arab, Portuguese and British settlers.

Thousands of Indians and Pakistanis fled the country in fear of their lives and those who stayed lived through rape, murder and the looting of their homes and businesses.

"One of the opposition candidates in the recent presidential election came up with this idea that all Asians should hand over their business and leave the country again, but luckily he was shouted down," said Mohamed Jeewa, a long-time Kenyan.

"We might not agree with the way that our president spends our taxes, but at least we are left to live in peace."

The Asian community is perceived to be among Kenya's wealthy and therefore pays the highest taxes, he says. "Where this money is spent we have yet to see."

In neighbouring Uganda thousands of Indians who fled the country in the early '70s at the height of Idi Amin's violent dictatorship are slowly coming home at the invitation of Yoweri Museveni.

"These people were completely dispossessed and most fled to Britain where they had to restart their lives. Now they are being given the opportunity to claim back their lost land in a similar way to the apartheid land claims currently under way in South Africa," said Mr Jeewa.

In Kenya's African community there is real appreciation of Asians' ability to work hard and build up a business from nothing.

"The Asians with their many businesses give our people jobs – without them we go hungry," says taxi driver Maurice Owino, who works in Mombasa, hundreds of kilometres from his home in Lake Victoria. "Jobs are scarce and many, many people are employed by the Indians and the Pakistanis in their shops."

Mr Owino was one of the many victims of the Likoni riots last August. The fighting, between local and upcountry Kenyans over jobs, has devastated tourism.

"The local people thought we were stealing their work, so they tried to hound us out of town – but everything is back to normal now. Nevertheless, I have sent my family home for a little while," said Mr Owino.

The fight for work in Kenya is now a battle between the urban and the rural poor. Mombasa people don't want rural people winning "their" jobs in the city.

Mr Jeewa said: "The battle between race groups is over and the Africans know that to chase away your Asian community is to destroy the spirit of entrepreneurship now flourishing in this country."

Rains wash away vital Kenyan road

(167)

WAMBUI CHEGE

et (BR) 3/2/98

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, said police spokesman Peter Kimanthi

The road was first closed on January 16 after three bridges were washed away by heavy rains Kimanthi said the army was erecting a temporary bridge from Nanyuki, 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 50km 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 AFP ET (BR) 3/2/98 (168)

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 impending government negotiations with an 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 $205 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

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Three days of unrest also shook Tuban some 85km north-west of the East Java capital of Surabaya. – AFP

AFP

Warning that Kenya faces a civil war

(163)

Star 3/2/98

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 voting 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 Kamba 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 cogwheels.

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. – Sapa-AFP

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Moi's 'indifference' slated

CT 4/2/98

(163)

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 60 of Mr Njehu Gatabaki of the Social Democratic Party (SDP).

The new assembly — Kenya's eighth since independence in 1963 — sees Kanu with it 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 Raila 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". — Reuter

All aboard jet feared dead

BD 5/2/98

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 stay at home in memory of the more than 100 people who had been killed by armed raiders.

Kenyan government faces uphill task with IMF team

BD 6/2/98 (163)

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 mountainous 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 including 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 linking "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 February 9-25 visit is not for negotiations about a new ESAF But it will assess 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 late 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 promising protests to coincide, surely by design, with the IMF visit — Reuter.

MAIL & GUARDIAN
February 6 to 12 1998

Kenya's divided opposition fails to halt Moi

mtcr 6-12/2/98 (163)

Lucy Hannan in Nairobi

Dismay 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 killing".

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, Mwi 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

BD 9/2/98 (163)

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

On Friday, Agriculture Minister Musalia 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 220,7-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 $3,28/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

M+G 9-15/1/98 (163)

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

Jubilation: Supporters of Daniel arap Moi in Nairobi celebrate their president's victory. PHOTOGRAPH: BRENNAN LINSLEY

There is a place at sea, about two nautical miles from the coastal town of Shimoni and a little north of Kenya's border with Tanzania, that echoes Ernest Hemingway's depiction of this coastline as a case of natural beauty that is unmatched in the world

When the tide goes out, a sandspit emerges from the middle of the Indian Ocean From here visitors can, for a few ephemeral hours, swim out to a reef alive with tropical fish and iridescent coral, watch dolphins cavort in the pastel-blue waters, or gaze at the hazy mountains on the horizon where all of Africa's wild mammals abound

The perfection of the place belies the political chaos that gripped the mainland of Kenya during and after that country's multi-party elections on the eve of New Year

Daniel arap Moi won at the polls to become one of Africa's longest-serving rulers, even though most political observers agree that he has, in the words of a *New York Times* report, "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"

While the few tourists who did not cancel their holiday for fear of violence and a cholera outbreak in the shantytowns were lazing on the white sands or watching wildlife in some of the world's most famous game reserves, a volatile political process was unfolding around the elections which will determine whether Kenyans regain their prosperity or see their country slide into the kind of internecine violence that has afflicted neighbouring Somalia, Rwanda, Burundi and Congo

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, four of them shot by security forces during political demonstrations, and some 150 000 people became internal refugees as they fled their homes on the beautiful south coast after political leaders whipped up ethnic conflict to consolidate their power.

The election results indicate an divided nation, with voters casting their ballots mainly along ethnic lines Members of the two biggest of Kenya's 42 tribes, Kikuyu (the largest) and Luo, tended to vote against Moi's ruling Kenya African National Union (Kanu) party

Moi, in power for 19 years, won 40,12% of the presidential votes to earn another five-year term in office He appears to have received the support of minority ethnic groups, while his closest rival, Democratic Party leader Mwai Kibaki, got 31,09% of the vote by appealing mainly to members of his Kikuyu tribe Raila Odinga of the National Development Party, a member of the Luo group, came third with 10,9%

Moi's Kanu party also won only a slim majority in Parliament, where nine other political parties will be represented

The fractured situation is akin to what political analyst Nicos Poulantzas called "Bonapartism" after the situation that prevailed in post-revolutionary 18th-century France where an authoritarian figure is able to impose his rule because factions and classes are too divided to form an alternative and stable governing bloc

The opposition parties have rejected the poll as being rigged and have warned of increased dissent unless Moi forms a government of national unity

Sedition is a real prospect as ordinary Kenyans blame Moi's misrule and tolerance of high-level corruption for maladies that range from expensive school fees to cholera, from shortages of water and power to a lack of medicines and supplies in local hospitals

Yet there appears to be no stable alternative to Moi's rule Okech Kendo, a local political reporter, argues that a "coalition or 'government of national unity' may be working in South Africa, but in Kenya, where tribal sensibilities influence national politics, it will be unity of parties led by leaders who embody tribal sentiments With this ethnic orientation, a coalition will be no more than a congress of tribes with temporary interests"

There are indications that Moi is now more willing to curb the balkanisation and top-level corruption that threatens to rip his country apart

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

Opposition newspapers, under headlines that proclaim "Moi ordered massacre", insist that the ruling party orchestrated the internecine violence that broke out in the tourist belt on the south coast of Kenya in the month prior to the elections.

One informant, who has close links to Kenya's intelligence services, told me there was evidence that a professional paramilitary group, disturbingly similar to the "third force" used by South Africa's apartheid government to remain in power, was trained in the Shimoni Hills district near the Tanzanian border

The coastal economy of Kenya, by far the most vibrant in the country because of the region's tourism appeal, is dominated by people from "up-country", many of them members of the dominant Kikuyu and Luo tribes

The smaller coastal groups resent the intrusion of the "uplanders" who dominate senior jobs and businesses connected to the travel trade

"Kanu needs to win in five out of eight provinces in order to remain in power It appears that professional instigators were sent into the south coast area to whip up antagonism between the coastal and inland people About 150 000 people fled the area and most were from the anti-Moi inland tribes," said the informant, who asked not to be named, days before the election

"Election rules prevented people from voting unless they were in the area where they are normally resident and, as a result, the violence and the social dislocation it caused will deprive the opposition of these votes"

This appears to have been the same strategy used in the Rift Valley before the 1992 elections Similar "third-force" tactics were apparently used to whip up conflict between Moi's minority Kalenjin tribe and the Kikuyus, who were also ousted en masse as a result, allowing Kanu to win the district

Members of Moi's own party indicted senior Kanu leaders as the instigators of ethnic cleansing in the Rift Valley at the time

There are, however, countervailing indications that Moi is now more willing to curb the balkanisation and top-level corruption that threatens to rip his country apart and that he is moving away from the dictatorial style that once caused him to say "I call on all ministers, assistant ministers, and every other person to sing like parrots"

The president's mind may have been concentrated by vehement international opposition to more than a decade of misrule The World Bank, the International Monetary Fund (IMF) and donor nations suspended aid in November 1991, thus catalysing the first multi-party elections a year later

By 1995, foreign investment had dried up partly because infrastructure was inadequate, but also because politicians and bureaucrats demanded huge kickbacks

In June last year the IMF suspended talks about a $220-million loan after the collapse of court proceedings in the so-called Goldenberg scam At least four senior government officials were implicated in a case in which a jewellery company was paid millions of dollars for faked exports of gold and diamonds

More important than global economics and international pressure are indications that the unprecedented levels of free speech and internal opposition have convinced Moi that his fragile hold on power will be eroded unless the corruption and misrule stop

Instead of singing like parrots, ordinary Kenyans are now willing to speak out and oppose corruption and human-rights abuse A vibrant free press has emerged in the last two years that acts as an important watchdog over the government.

During a speech at his swearing-in ceremony this week, Moi hardly bothered to deny corruption charges against his senior aides and chose instead to promise they would be "rooted out"

He also hinted that, with the elections behind him, ethnically divisive tactics would be curbed and he urged all parties to unite and work for a united country

If these cohesive tendencies can override the forces of fragmentation, it may just be that the people of Kenya will be able to bring their political and economic systems more into line with the unrivalled natural harmony of their beautiful country

Kenya scores low marks on graft, but the figures look good

(13) BD 11/2/98

NAIROBI — Kenya has done little to meet International Monetary Fund concerns over graft and poor governance but its economic indicators are set to receive endorsement in a current IMF review, financial analysts said yesterday.

The IMF suspended a $205m three-year enhanced structural adjustment facility (ESAF) last July to reinforce its protest against high-level corruption.

An IMF team began its annual review of the Kenyan economy on Monday and was also due informally to examine progress by the government in meeting new conditions agreed to in August after the IMF suspended the ESAF package.

By not formally reopening talks on the package, Kenyan authorities have postponed possible confrontation with the IMF on key issues, preferring to show figures that suggest economic progress instead, analysts said

"The review won't amount to anything," said Mbui Wagacha, a senior fiscal analyst at the Institute of Policy Analysis and Research

"In terms of aggregate economic indicators, the figures look right and Kenya will most likely get a clean bill of health"

Wagacha said the discussions would have been tougher if the IMF team had combined its annual review with ESAF talks and might have gauged the government's commitment to fighting graft

"The government has quite a long way to go," said Charles Gardner, resident representative of the Eastern Africa Association that groups mainly British companies in the region.

"We haven't seen any way forward or any other conditions met"

Despite heavy pressure on the economy from natural and man-made disasters, the Central Bank of Kenya has kept inflation in its desired single-digit range and the shilling currency is relatively stable at 60-63 against the dollar.

A slowdown in gross domestic product growth — seen by analysts at lower than 3% last year compared with 4,6% in 1996 — can be attributed to political instability from the middle of last year and crop damage after rains in the last quarter of last year.

"In arithmetic terms, Kenya can explain away its figures," said a senior treasury official "If the review is about figures ours are just fine and can be backed by facts."

"The important thing is for Kenya to succeed in opening talks for negotiations (on the ESAF)," Gardner said.

A host of key issues linked to the ESAF remain unresolved.

The government has created an anti-corruption authority which has no money of its own and the expenditure of which must be approved by the treasury, making its independence questionable

The most well-known example of corruption in Kenya involves the company Goldenberg International, which received $100m from the government between 1990 and 1992 in a project designed to encourage gold and diamond exports. Kenya produces little gold and no diamonds.

The trial of five people linked to the Goldenberg fraud is finally due to start in March — after six years of delays. Its resolution remains on the IMF list

Kenya has also not yet put on trial individuals and companies allegedly involved with illegally importing sugar worth 500-million shillings last year and then failing to remit due taxes

Specific laws that strengthen the hand of the independent tax agency, the Kenya revenue authority, are also still lacking

"The rhetoric will be fantastic but nothing (in real terms) will come out of the review," said a markets analyst at a leading international bank — Reuter

Moi visits violence-hit province

ARG 11/2/98 (163)

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 Njoro 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. – Sapa-AP

Kenya denies it has lost favour with US

ET(BE) 12/2/98 (163)

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"

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 more 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 vital artery as proof of the corruption and mismanagement which led the IMF to suspend a $205 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, like diplomats, preferred to cover the region, he said — Reuter

Bad weather will slow Kenya's GDP

(163) ET(BP) 12/2/98

MANOAH ESIPISU

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 5,2 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 estimated 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 led to 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

"The 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

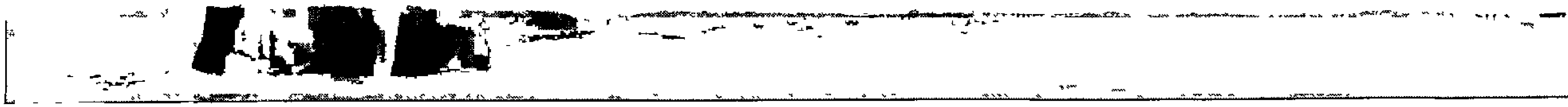
"The repair of the road infrastructure, which in any case was already in bad shape, is now urgent and will require donors' assistance more than before the rains."

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" — Reuter



Scourged by God: The land flooded, their children struck by a bleeding disease, their cattle dying, the people of north-eastern Kenya are enduring a plague of biblical proportions

El Niño unleashes floods, plagues

M+G 13-19/2/98 (163)

Global climate change is spawning deadly epidemics in Africa, writes **Fred Pearce**

For the second time in six months, the world is glimpsing the consequences of escalating climate change After triggering the choking havoc of smoke from Indonesian forest fires last autumn, the worst El Niño for 50 years has in the past two months unleashed plagues of disease across East Africa in the wake of unprecedented dry-season rains and floods

Cholera and malaria have claimed record numbers of victims across Kenya, Tanzania, Uganda and Somalia Pests, such as a toxic insect known as the Nairobi fly, have proliferated Locusts may be on the way But most frightening of all comes an outbreak of Rift Valley Fever, a cattle disease that has decimated herds across eastern Kenya and southern Somalia and jumped the species barrier to kill hundreds of humans It attacks with such ferocity that medics at first feared an outbreak of anthrax, and now speculate that they may have seen the emergence of a new super-strain of the virus that could take permanent residence in humans

Rains in parts of Kenya in the past month have been 20 times the normal rate. El Niño, a climatic convulsion in the Pacific, has warped tropical weather fronts around the globe and left a band of intense rain over the country for weeks

News reports in Kenya have concentrated on floods in Nairobi and the severing of the country's main highway to Mombasa But the real havoc has been caused in the north-east — a vast, normally arid land of cattle herders, which has effectively been cut off by floods for more than two months now

Just before Christmas, news began to filter out of thousands of cattle deaths and a mysterious "bleeding disease" among humans Louise Martin, an American disease consultant with the World Health Organisation (WHO) in Nairobi, flew out to stricken villages on Christmas Eve with helicopters bringing food aid.

"They were living, huddled with their animals, on small patches of dry land They had no clean water and little food except for their diseased animals," recalls Martin

Victims of the bleeding disease, at first concentrated in the districts of Garissa and Wajir, were struck down literally overnight They became delirious, began bleeding from ears, nose and mouth and died within hours "I watched one 14-year-old girl, the same age as my own daughter, dying before my eyes," says Martin

Samples of blood collected by Martin and analysed in South Africa and Kenya revealed the Rift Valley Fever virus in both animals and humans Last month the International Red Cross said the virus had killed "more than 450 people" so far and remained out of control With dozens of settlements in the flooded region still not contacted, Martin refuses to be drawn on the death toll. Some suggest several thousand may be dead And things could be even worse over the border in Somalia

The disease has invaded a rural population without medical help and already severely weakened by malnutrition, tuberculosis, malaria and a range of parasitic diseases The death rate from the disease appeared to be around 50% in humans and even higher in animals

"One family I met had a herd of 200 goats one week, and only four left the next," recalls Martin

'They were living, huddled with their animals, on small patches of dry land. They had no clean water and little food except for their diseased animals'

The virus spreads among animals via mosquitoes, rather like malaria. But, according to John Githule, human disease specialist at the International Centre of Insect Physiology and Ecology (Icipe) outside Nairobi, transmission is much faster

The disease was first identified in 1931 in the Rift Valley in Kenya — hence its name Until now, the largest known outbreak in humans was in Egypt during floods in 1977, when 600 people died. Some researchers have sugges d the virus could have been responsible for biblical plagues in Egypt

Humans, like animals, can be infected via mosquitoes "The mosquitoes prefer to bite livestock, but will bite humans as a second best," says Donald Klaucke, the WHO's acting head in Nairobi But he believes that human epidemics are largely caused by eating infected meat Either way, with humans and animals huddled together against the floods, animal carcasses the only available food, and standing water causing an explosion in the number of mosquitoes, the people of north-eastern Kenya are a sitting target

The Kenyan government, only recently getting back to work after the December elections, appears uninterested in the crisis The country's most respected newspaper, the *Nation*, complained last month that the government had yet to broadcast even basic advice to affected villages on how to minimise their risk of catching the disease The Red Cross claimed the army had refused to provide helicopters to reach the stricken zone

On January 14, at a meeting with the health ministry, Martin and WHO officials recommended immediate vaccination to prevent further spread of the disease among livestock. The Red Cro agreed. With the country holding stocks of vaccine for 300 000 animals there need have been no delay But 10 days later, with reports of the disease spreading west and south, reaching the Magadi district just 50km from Nairobi, no decision on vaccination had been taken, says Martin

Despite initial reports to the contrary, there is a human vaccine It was developed secretly by the United States army in 1967 as part of experiments into the use of tropical diseases as biological weapons The vaccine is offered to laboratory staff working with the disease, but according to Klaucke, has never been licensed for wider use "The matter is a bit sensitive," says a US army representative, without elaborating

Whatever its original motivation, military research into exotic diseases could prove increasingly valuable Hans Herren, director of Icipe, is in no doubt that remote regions could act as reservoirs for exotic diseases that could suddenly break out of their existing ecological niches because of a change in climate In effect, humans could inadvertently unleash biological warfare on themselves

Such epidemics may happen suddenly And with many governments in Africa and elsewhere imploding, crippled by corruption and unable to keep either roads or hospitals open for business, the conditions for the return of major epidemics and the incubation of diseases new to humans could h [illegible]

US warns Moi to end tribal clashes

(162)

BY JOE KHAMISI
Star Foreign Service

Star 10/2/98

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 8 000 displaced The violence has been raging for three weeks in the forests and ridges of Njoro, Laikipia, Baringo and Nakuru But the government has done little to suppress it, fuelling 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 (BR) 17/2/98 (163)

Manoah Esipisu

Nairobi — Kenyan 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 $205 million three-year loan made under its soft-terms 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 29 as a sign of Nairobi's commitment to better governance

Kenyan 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

PHOTO MONTAGE JAMES DE VILLIERS

"What Kenya needs now is some form of encouragement to move ahead on all the issues the donors have discussed," Musikari Kombo, an MP 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 little (the government) has achieved will go a long way in doing that," Kombo said

Kombo and other business leaders urged action on graft

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," the weekly newspaper said in an editorial

"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 echoed those views "The big-time thieves of Goldenberg and the mass-murder masterminds of the Rift Valley violence must be brought to book "

Over 100 people have died in ethnic violence in the Rift Valley since January 11

"Graft is a problem, but violence is a bigger problem," said Chris Kirubi, a prosperous businessman and the 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 1996, 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 Niño 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 – Reuter

AFRICA

Port hold-up puts pressure on firms

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The crisis [illegible] port [illegible] hitch at the border [illegible] the Tan [illegible] route to north [illegible] and Burundi are [illegible] Kenya because of [illegible] caused by the rain and flooding. — Sapa-AFP

Better governance key to Kenyan revival

(163) BD 17/2/98

NAIROBI — Kenyan business is seeking qualified endorsement from the International Monetary Fund (IMF) for President Daniel arap Moi's measures to improve governance, which they see as necessary for rebuilding investor confidence

They say recognition that the government has implemented some of the measures it agreed to 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 a growth path. However, the government must change its reputation for rarely keeping promises made in policy papers.

In July the IMF halted a $205m, three year loan made under its soft terms enhanced structural adjustment facility (Esaf) to protest against official graft and poor governance in Kenya In August the IMF and the Kenyan government agreed on four main conditions to be met before general elections on December 29 as a sign of Nairobi's commitment to better governance.

Kenyan authorities say that they complied with agreements to set up an anti-corruption authority, strengthen the independent tax agency Kenya Revenue Authority, renegotiate purchase contracts of independent power producers and implement energy sector reform to ensure transparency

Goodall Gondwe, IMF deputy director in the Africa department, said last week that Nairobi had "broadly" met the conditions, but he was in Kenya to verify these actions and in some cases set a timetable to follow up antigraft actions

However, he was emphatic that the reopening of Esaf talks was dependent on Nairobi's full compliance with all conditions.

Musikari Kombo, MP and secretary for public policy and economic affairs for the opposition Ford-Kenya party, said in a letter to Gondwe: "What Kenya needs is some form of encouragement to move ahead on issues the donors have discussed

Act on graft

"A qualified endorsement to the little it (the government) has achieved will go a long way towards doing that."

Kombo and other business leaders urged action on graft.

The Sunday Nation, Kenya's biggest-selling newspaper, said it was undeniable that corruption had run rampant in the country and "it is a crying shame that Nairobi cannot be trusted to put donor money to the use for which it was intended"

It said: "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

"Second, arresting and charging those involved in fraud and doing this expeditiously increases the confidence of donors in government When this does not happen, the impression created is that the government condones theft."

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The Sunday Nation echoed those views: "The big-time thieves of Goldenberg and the mass-murder masterminds of the Rift Valley violence must be brought to book."

More than 100 people have died in ethnic violence in the Rift Valley since January 11.

Chris Kirubi, a prosperous businessman and vice-chairman of the Kenya Association of Manufacturers, said: "Graft is a problem, but violence is a bigger problem Violence puts into dispute the whole question of Kenya as a stable investment destination." — Reuter.

Kuanda charged with knowing about coup

Lusaka – 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, Moyse 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 92 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.

Misprision 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.

Kenneth Kaunda ... in court

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 Mvunga 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. – Reuters

Star 19/2/98

(163)

Swapo wins low-turnout poll

By Tabby Moyo
Star Foreign Service

Star 19/2/98

Windhoek – Namibia's ruling party, Swapo, has taken control of 26 of 45 local authority councils in Monday's poll, which was characterised by a poor voter turnout.

About 40% of the 188 000 registered voters cast their votes – compared with 82,3% in the first 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 election 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 Kauandenge, 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 silently passed a vote of no-confidence in the overall performance of political parties.

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Row brewing in Kenya's tea industry

(163) TEA

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 monolithic 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 Eustance 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 is usefulness.

MD 20/2/98

"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." — Reuter

Kenya has much to do before aid resumes — IMF official

OD 24/2/98 (163)

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 $205m 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 1990 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 uninfluenced by calls from a section of the opposition to freeze aid to Kenya. The IMF dealt with governments, not parties or individuals — Sapa-AFP

'Kenya a persistent human rights offender'

(163)

LONDON — 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 Nigeria'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

BD 26/2/98

Defiant Kaunda speaks out

(163) ARG 28/2/98

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 the 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

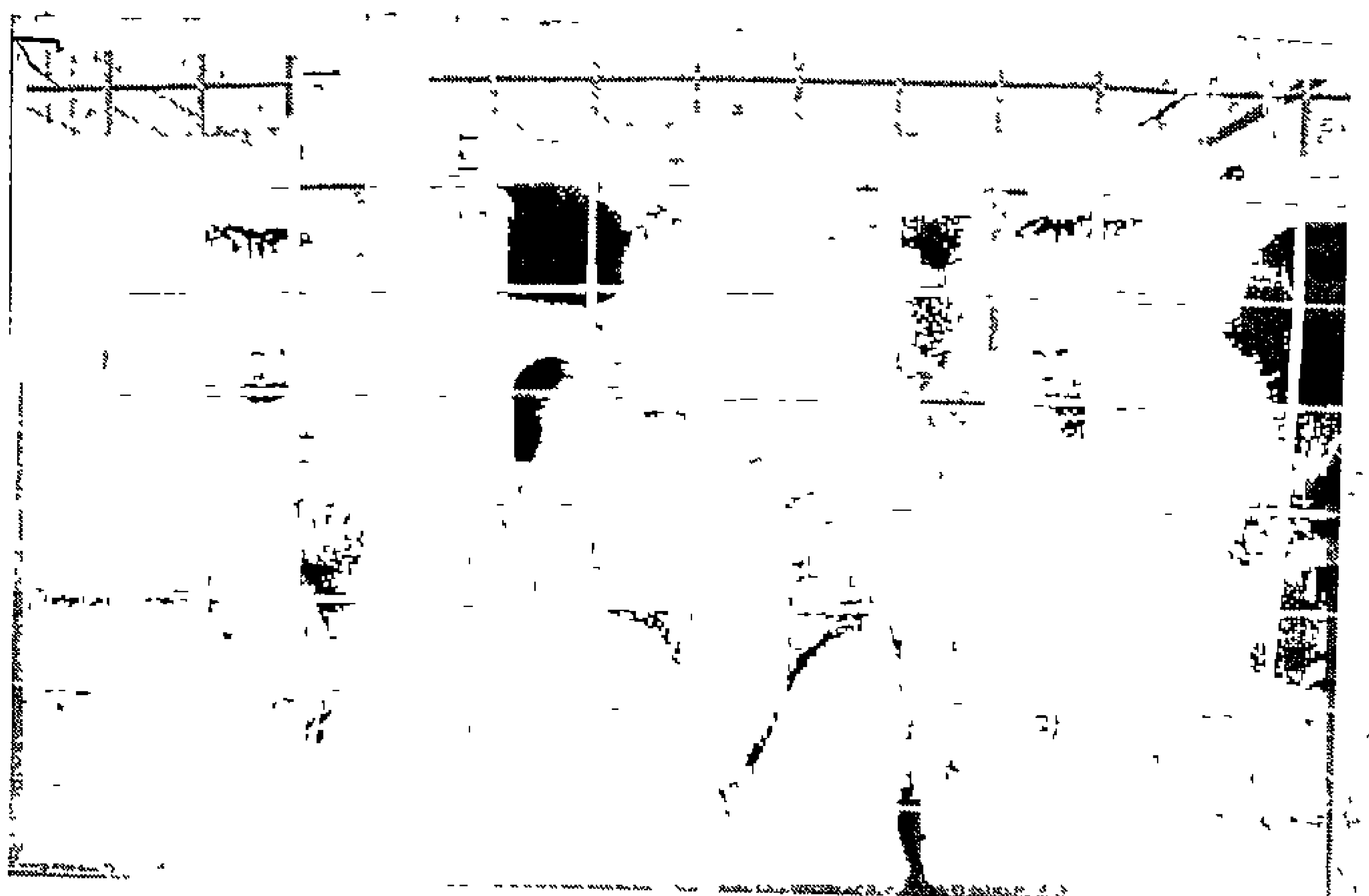
House arrest: Kenneth Kaunda

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 misprision 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



This trio of baboons is among the animals, including lions and cheetah, released into a temporary 2ha home while Kenya's wildlife service began work on Nairobi Safari Walk, a special park designed to please both the animals and visitors

Picture AP

'Kenyan economy is facing a bleak future'

NAIROBI — Kenyans faced a tough year with gross domestic product (GDP) growth set to fall to the lowest level in five years, and graft still rampant, senior government officials and financial analysts said at the weekend BD 3/3/98

The International Monetary Fund (IMF) painted a bleak picture of the economy on Friday — the budget deficit ballooning, GDP growth declining, shilling currency declining, interest rates climbing and inflation rising well beyond projections

On Saturday Finance Minister Simeon Nyachae tried to limit the damage He said the government planned to spend scarce state resources only on emergency and essential services and urging a "drastic change of attitude" to help turn the economy around

(163)

The IMF ended a three-week economic review of Kenya with a news conference after markets had closed for the week Financial analysts saw that as a move to reduce the impact of its statement on domestic markets, heading off possible turbulence to yesterday

Central Bank of Kenya governor Micah Cheserem said at the weekend that Kenya had faced economic problems despite progress in the last five years in which macroeconomic stability was restored, economic controls removed and debt service obligations honoured

The IMF set no date for resuming talks on a $205m, three-year loan under its soft-terms enhanced structural adjustment facility, which was suspended last July to reinforce the IMF's concerns over corruption and poor governance in Kenya — Reuter

Goldenberg fraud trial finally starts

BD 4/3/98 (163)

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 Koinange, former permanent secretary at the treasury; Eliphaz Riungu, 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 6,6-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 — Reuter.

AFRICAN BUSINESS

Showcase trial may unlock IMF support

MATTHEW BIGG (163) CT(MR) 4/3/98

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 Chunga, the director of public prosecutions, told Uniter Kidullah, the chief magistrate, he would prove the defendants jointly stole 5,8 billion shillings (about R448 million at today's exchange rate) from the central bank in 1993

"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," Chunga 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 $205 million loan to Kenya last July — Reuter

Côte d'Ivoire airline 'needs privatisation'

ABIDJAN — The chairman of Air Ivoire, the loss-making national carrier of Côte d'Ivoire, said the airline had no planes capable of flying and privatisation was vital to save the company.

"I think that it is desirable that the privatisation process be accelerated in order to save what can still be saved," Coulibaly Zambe Souleymane said in an interview published yesterday.

"Today the company does not have even one plane that is operational. You might even say that the company doesn't exist any longer," Zambe said. Air Ivoire used to run three Fokker airplanes — two Fokker 100s and one Fokker 28.

Other west African airlines have covered for Air Ivoire on its scheduled flights, more or less, for the past few months.

The government announced on September 11 last year it planned to sell 51% of Air Ivoire, retaining a 35% stake, with 2% going to employees and the balance sold to the public.

The government has been trying to attract a big foreign carrier to take a strategic stake, without success.

Zambe said he had done his best to improve morale and management at the company, but said he had not received the co-operation of MD Col Guidy Leopold.

He said Leopold had transferred all the board's powers to management. The board had, for its part, passed a resolution limiting the colonel's powers.

Asked how the crisis at Air Ivoire could be solved, Zambe said: "I've got nothing against anyone, but I know that even if you give F10bn or F20bn to Guidy, the company will still be in the same position." — Reuter

Kenyan unionists call general strike

BD 5/3/98 (163)

NAIROBI — Kenyan union leaders called a general strike yesterday in sympathy with thousands of bank staff sacked after protesting against tax rises, officials at the Central Organisation of Trade Unions said.

The organisation's assistant secretary-general, George Odiko, said the organisation had called a workers' rally in Nairobi today to seek public endorsement for the action and announce a strike date. The bank workers' action has paralysed banking countrywide.

The general strike call was the first major challenge to Kenyan President Daniel arap Moi since he won a final five-year term as president in December. The strike is seen likely to undermine economic growth, already hit by heavy rains.

Last week the International Monetary Fund (IMF) said Kenya faced a grim year with gross domestic product growth declining, budget deficit rising, inflation climbing and the currency easing. Moi has made no comments on either the IMF statement or the union organisation's call.

Odiko 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 5 000 workers camping outside the organisation's offices.

About 12 000 bank workers in 42 banks representing at least 400 bank branches went on strike on Friday to protest against an increase in the tax on soft loans and said they would not return to work until it was scrapped. The workers were dismissed. Another 3 100 workers from 10 small banks have gone back to work.

The union organisation's hand appeared strengthened by employees of state utility Kenya Posts & Telecommunications Corporation and the pension agency National Social Security Fund, who said they were joining the strike in sympathy with bank staff.

The pension agency began its protest on Tuesday and the telecommunications corporation planned to join on Friday "unless the grievances are unconditionally met". State utility Kenya Power & Lighting Company staff planned to join the strike next week.

The Kenya Revenue Authority said it could not scrap the tax increase on soft loans to bank employees, increased to 22% from 15% earlier this year.

It said the government needed all the money it could get to plug a budget deficit expected to climb as high as 3,9% of GDP in 1997/98 from a forecast of 1,7%. — Reuter

Mugabe govt faces tough choices

HARARE — Zimbabwean President Robert Mugabe's government faced tough choices if it gave in to union demands to cut some taxes, economic analysts said yesterday.

A Zimbabwe Congress of Trade Unions strike pressing Mugabe to remove a 2,5 percentage point rise in sales tax from last December and a 5% levy on income, shut businesses in the southern African country for the second day yesterday.

Economists estimate the strike will cost about Z$200m in lost production but the country will lose dearly in terms of long-term investment as a result of a sullied image.

Economists Eric Bloch and John Robertson said it would cost Mugabe about Z$1,7bn to abandon the sales tax increase and the development levy. That would push the 1997/98 18-month budget deficit to more than 15% of gross domestic product from a target of 8,9%.

They said that would send inflation soaring and sever ties with the World Bank and International Monetary Fund — with which Zimbabwe had agreed to maintain a low budget deficit — at a time when foreign currency reserves had sunk to their lowest level in the past five years. — Reuter

West dominates UN body

BD 5/3/98

GENEVA — No representatives of sub-Saharan Africa are taking part in the discussions within the United Nations' committee on the elimination of racial discrimination this year.

The committee started its first period of sessions on Monday, with a representation of nations biased toward western countries.

Of the 18 members of the body, 10 come from Europe, four from Latin America, three from Asia and only one, Egypt's Mahmoud Aboul-Nasr, from Africa.

The absence of representatives from southern Africa was judged by other members as a delicate problem, compounded by the low number of women, with only three in the entity.

Outgoing committee president, Britain's Michael Parker Banton, said the distribution of seats "creates a very serious panorama".

Indian expert Shanti Sadiq Ali described the situation as "tragic" because it was stated in the international convention on the elimination of all forms of racial discrimination that "all civilisations must be represented geographically in our committee".

The last two committee representatives from sub-Saharan Africa, Nigerian Hamzat Ahmadu and Zimbabwe's Andrew Chigovera, withdrew last year.

The absence of delegates from sub-Saharan Africa is due to internal problems, sources say.

UN deputy high commissioner for human rights Enrique ter Horst said that governmental delegates from sub-Saharan Africa could not reach the agreement necessary to designate representatives during the meeting of member states in New York last January. — Sapa-IPS

Abacha rallies get limited support

ABUJA — Rallies staged to back Nigerian military ruler Gen Sani Abacha as a presidential candidate drew limited support yesterday, while police deployed once again to prevent a counter-rally.

In the capital Abuja, the second day of the pro-Abacha "carnival" brought out thousands of people, many waving placards, but far short of the expected 2-million.

Meanwhile, a few dozen police took up stations in Lagos, to stop any pro-democracy demonstrations, after rounding up 10 opponents of the junta on Tuesday, according to police sources.

Witnesses said those detained included Olisa Agbakoba, a lawyer and former president of the Civil Liberties Organisation, a Lagos-based human rights organisation behind planned rights protests in the city. — Sapa-AFP

Kenyan minister suspends new tax to avert strike

(163)

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

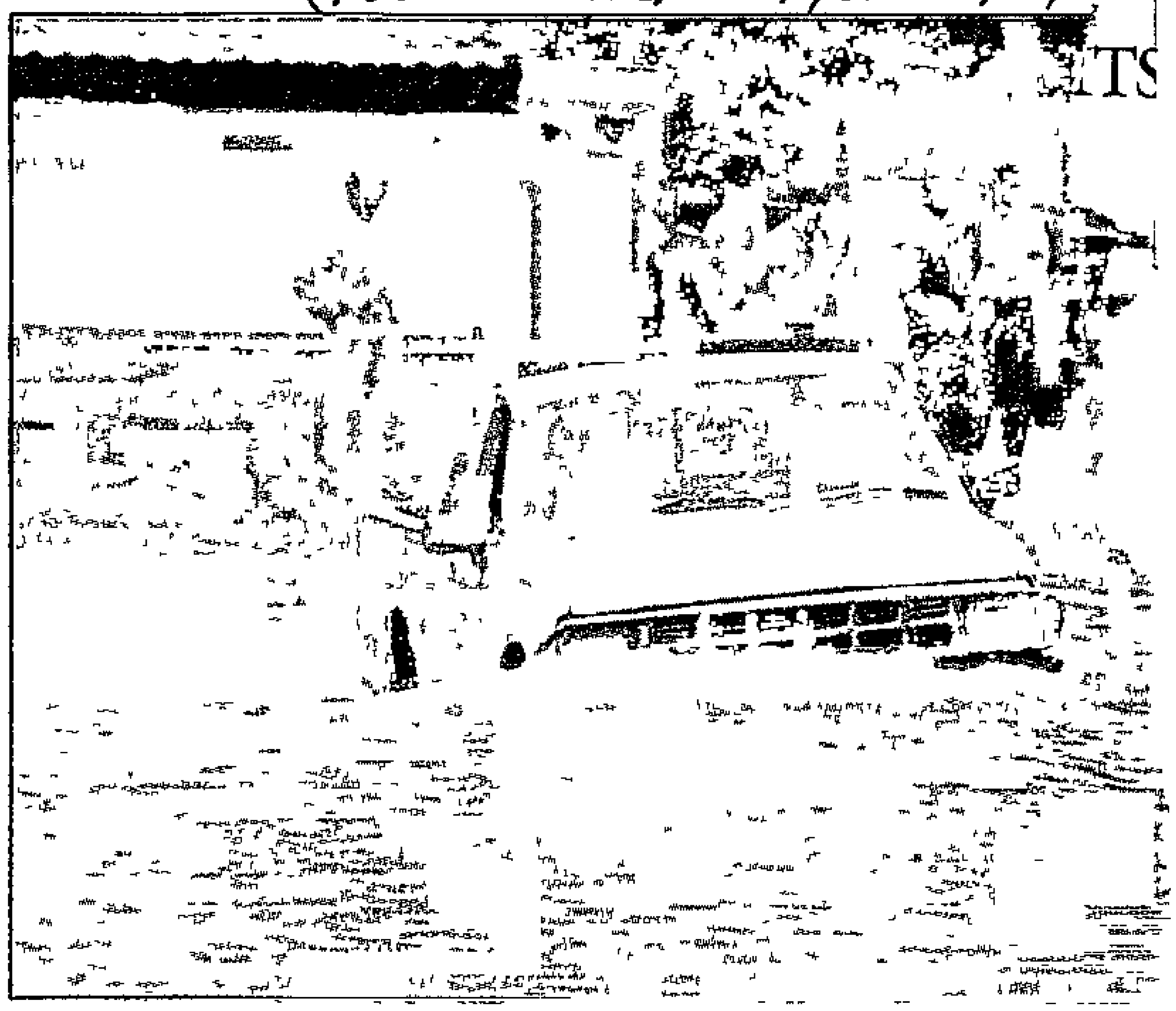
Nyachae said that once parliament had reviewed the law, it would be enforced with any amendments the legislators might make. – AFP

Star 5/3/98

Nairobi: City in sewage

(163) M+G 27/2-5/3/9

El Niño and corruption are conspiring to turn one of Africa's most romantic cities into a slum, writes **Ian Ramas**



On the brink of collapse: Unseasonable rain has stretched Nairobi's limits. PHOTOGRAPH: PICTURENET AFRICA

Nairobi, once called the City in the Sun because of its romantic appeal, is in trouble The social fabric is straining, almost snapping The rains associated with El Niño found a gullible victim

The drainage and sewerage systems either clogged up or barely 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 scapegoat It took the blame in 1984 when rains pounded 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 Umoja estate, metre-high streams stalled hundreds of vehicles, causing kilometres-long traffic jams

The trip from Koma Rock estate 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 assist

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 Phillip Ochieng in a local newspaper "Should rain come down like it did in 1986 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 1992 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 1963 and 1992

Refuse collection is in the same sorry state Refuse trucks have been reduced from 81 trucks in 1978 to 52 in 1988 By last year, there were only 13 operational vehicles

A solution for Nairobi's miseries will not come soon In just two years, say urban experts, 80% of the city's estimated 2,5-million residents will live in unserviced areas At present, 60% of its population live in badly constructed shanties in sprawling slums

Every month, the city council receives R580-million in tax revenue In a fair system, it would receive R4-billion, but most of the money ends up lining officials' pockets The council pays R742-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 hawker 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 "Magic" Mwangi, John King'ori and David Waweru did since 1993.

An urban expert, Professor RA Obudho, 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

(163) BD 11/3/98

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 Shaba 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 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 — Sapa-IPS.

IN

Kenyans protest against tax hikes

(163)

BD 16/3/98

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 sang 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 ethnic violence

If the government did not respond to the demands, workers should go on strike, said Kivutha Kibwana 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 nonprofit 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 into 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 — Sapa-AP

AFRICAN BUSINESS

Higher taxes ignite Kenyan street protest

(163) CT(BR) 16/3/98

CHEGE MBITIRU

Nairobi — Thousands of labourers, students and opposition politicians on Saturday protested against tax increases imposed by the cash-strapped Kenyan government, which they accused of failing to provide basic services

Beneath a scorching sun, they sang anti-government songs and chanted "Moi must go", showing their derision for President Daniel arap Moi, the country's ruler for 20 years

By voice vote, 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 ethnic violence

If the government did not respond to the demands, workers would go on strike on April 3, said Kivutha Kibwana, of the National Convention Assembly, a group of opposition political, 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 earlier this month to plug a widening bud get deficit

The price of gas and diesel went up, and tax deductions were revoked on gifts to charities and non-profit organisations Faced with a strike by bank workers, the finance minister, Simeon Nyachae, delayed plans to raise taxes on cut-rate loans made by employers

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In contrast to other rallies which have drawn mostly male students, Saturday's rally also attracted labourers, businessmen and women — Sapa-AP

BRAVING THE SUN *Ngonya wa Gakonya, a grand priest to the Kikuyu god Munyiki, waves as he enters a tax rally in Nairobi on Saturday* PHOTO AP

Ration cut for refugees in Kenya could lead to poorer health, warns UN

(163)

NAIROBI: A 50% reduction in food rations for thousands of refugees in Kenya could lead to a deterioration in their health, a UN food agency has warned here.

The World Food Programme (WFP) said the cut, imposed at the beginning of this month because the roads to the camps were impassable and funds for air transport insufficient, would continue until the end of the month

The WFP said it needed $2 million (nearly R10m) to deliver food by air to the Dadaab refugee camps in north-east Kenya — on the border with Somalia — until the end of May. The camps are home to some 125 000 refugees, mostly from Somalia and the Sudan.

WFP said the transport of food to the Daadab camps continued to be a problem because heavy rains had severed road links earlier this year, and donations for the agency's airbridge had been slow to arrive

Only half the amount of food needed for distribution on March 15 had reached Dadaad "Refugees have been patient although disappointed with the reduced rations," said Mr Mike Sachett, WFP's regional manager. "We're extremely concerned and are trying to do everything we can to ensure that this is the last ration cut."

The agency also warned that the rains could be expected to return at any time from the end of March, which would make the main road to Dadaab impassable again Some stretches of the road had recently dried, but large food trucks were unable to pass over the worst parts

CT 18/3/98

Taking advantage of drier weather in north-eastern Kenya over the past three weeks, the WFP has been working with the Kenya Ministry of Public Works and the Ministry of Agriculture to repair the road between Garissa, the main town in the region, and Dadaab To date, 70km of road had been repaired, said Sachett

With the imminent onset of the seasonal rains, WFP says the next few weeks will be a critical time for it to build up April-May stocks for the Dadaab camps

"Ideally, we should now be stockpiling enough food for a full ration at the camps before the next onslaught of rains," said Sachett "But we're so shackled by road and air transport problems that we can't even deliver enough food for the refugees' basic ration "

Normally, WFP provides nearly 2 000 tons of food each month to the 125 000 refugees in the three camps at Dadaab. — Sapa-IPS

Kenyan bank owed millions by directors

BD 19/3/98 (163)

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, Bellhouse Mwangi Ernst and Young, as saying that bank general manager Elijah arap Bii 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 on Monday and Tuesday, the bank's executive chairman Alexander Kaminchia 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 73,5-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 discipline 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 — Reuter

Students riot over loans

(163) ARG 23/3/98

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 Sitima, 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

(1639 BD 24/3/98

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 roughed up journalists from the ruling party-owned Kenya Times, witnesses said It was not clear if there were any injuries

Emmanuel Sitima, 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 student land . here there are no police," a student at a roadblock told one 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 — Reuter

Kenyan students run riot

(163)

CT 24/3/98

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 rioters.

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

Star 24/3/98 (163)

Nairobi – Kenya's main university was closed yesterday after rioting in which students shut down part of the capital in the worst urban violence in nearly a year.

Kenyan police fired dozens of bullets and teargas shells to try to disperse students protesting that their study loans were being eroded by inflation and that the government had cut education spending.

By evening students from the University of Nairobi were slapping one another on the back and claiming victory after a day of running battles with riot police

Two policemen sustained serious head wounds from stones hurled by students Three cars were burned and around 20 shop windows near the campus were smashed.

University authorities responded by ordering the university closed indefinitely for a second time in under a year.

Traffic on Uhuru Highway, the main road through the capital, was blocked from 9.30am until after 7pm, the height of the rush hour.

Riot police fired more than a hundred rounds of teargas into the campus and a steady stream of live ammunition into the air in an attempt to beat back the demonstrators.

Students responded with a barrage of stones – some launched from crude slingshots – and an increasing confidence in their ability to hold turf against the police.

The protest stemmed from a decision by the university to admit fee-paying students to the business and medical faculties despite lower grades, students said. They said this would "dilute the quality of the university" and admitted that student leaders were no longer able to control the protest.

Students also accused the government of ethnic bias in the distribution of student loans

President Daniel arap Moi, in power since 1978, won a further five-year term in elections in December against a divided political opposition

The rioting centred on a roundabout that bisects Uhuru Highway and University Way, with police and protesters fighting running battles for control.

Office workers in nearby high rises were trapped in their buildings, while bemused tourists watched from the world-famous Norfolk Hotel.

By evening the road remained closed to traffic and pedestrians and was occupied by thousands of students. Some filled oil drums with stones in anticipation of a police counter attack while others – bare-chested and sporting captured police helmets – danced along the deserted highway – Reuters

Clinton safari leaves Moi's Kenya out in the cold

(163)

"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 itineraries 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

BD 27/3/98

Kenyans look 'down under' for help in land rights battle

BD 5/4/98 (163)

DARWIN — Kenya's Masai tribe were examining two Australian legal judgments regarding Aborigines for clues to help them in their own land rights struggle, a Kenyan judge said yesterday.

On a visit to Australia, anthropologist and human rights advocate Justice Moijo Keiwua said his people's struggle for land rights was "not dissimilar" to that of Australia's indigenous people.

Australia's high court has in recent years handed down landmark findings in two cases.

In the Mabo case, the court overturned a previous legal fiction that Australia was an empty land when the first white settlers arrived in 1788 and ruled that native title can still exist.

In the later Wik case, the court ruled that native title rights can also coexist with the leases on which the nation's farmers and ranchers hold their often vast cattle and sheep properties.

"The Mabo and Wik decisions by your high court have opened the way, and we are studying them to see if we can use them as a legal precedent in our country in the Masai's fight for indigenous land rights," Keiwua said.

"We are particularly interested in the fact that the court found that native title rights can still exist even after many years of not being recognised." — Sapa-AP.

Magic fails when it comes to saving the world's third largest lake

Colonies of water hyacinth in Lake Victoria have left thousands of shore dwellers in Kenya, and other neighbouring states, facing financial ruin

(163)

By Thomas Burmeister
Kampala

The witchdoctor was not worth the money Day after day the grey-haired old man muttered his incantations to the heavens, stretched out his hands, danced, shouted and even raged, but the mighty storm intended to free the blocked harbour of Kisumu on the Kenyan bank of Lake Victoria of a huge carpet of water hyacinth failed to materialise

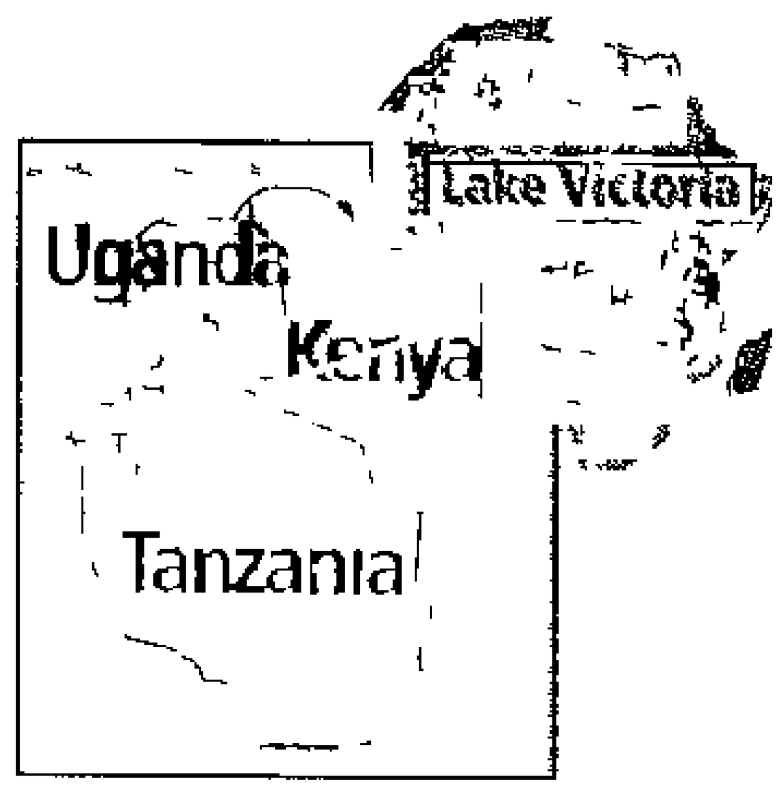
After two weeks the magician had to return his commission of 20 000 Kenya shillings (R2 000) to the fisherman

"The spirits were not listening to me," he conceded "Their magic is stronger"

Where 10 years ago clear water lapped at the edge of the world's third largest lake, colonies of water hyacinth are now taking over almost everywhere

The blanket is so dense and thick that small children can play on it

But for the great majority of the tens of thousands of shore dwellers the water hyacinth infestation is a catastrophe



Innumerable families who have been fisher folk for generations, boat owners who make a living from ferrying people and goods across the lake, and even many firms in the surrounding region, are threatened with ruin.

Energy supply could even "soon collapse" in large parts of the littoral states of Kenya, Tanzania and Uganda under pressure from the hyacinths, experts are warning

The total weight of the long stemmed plants is currently estimated to have risen to 80 000 tons just at the legendary source of the Nile near the Ugandan town of Jinja, where they are blocking the water flow to the turbines of the Owen Dam, the largest power station in the region.

"It's like tilting at windmills," says engineer Peter Okello.

"The hyacinths are multiplying faster than we can haul them out of the water, even with hundreds of workers," he adds

The power station has to be shut down increasingly often to free it of the infestation.

Uganda is the country worst hit. The government has declared the fight against the water hyacinth plague a national task, akin to the struggle against poverty and the spread of the killer disease Aids

Backed by financial support from the World Bank, a working group is testing chemicals for use against the hyacinth along several sections of the shoreline

Star 2/4/98

There are similar programmes in Tanzania and Kenya, but with only limited success so far. The rapid rise in the population has resulted in an increased burden of human excrement along the shore.

These factors both damage the fish stock – half of the 400 species that used to be indigenous to Lake Victoria are thought to have become extinct – and contribute to the rapid multiplication of the water hyacinth, according to experts.

The source of this ecological disaster lies – as is so often the case with mistakes in Africa – in the unthinking intervention of white colonials

Belgian settlers once imported Eichornia crassipes from the Amazon to Rwanda for decorative purposes, and the hyacinths reached Lake Victoria via the Kagera River.

Whereas they multiply only gradually in the humid Amazon, nothing has so far put a brake on their growth in the cooler altitudes of Lake Victoria. – Sapa-dpa

IMF applauds Kenya's plans to cut spending

(163) BD 8/4/98

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 Reimer 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 20-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.— Reuter

Kenya 'teetering on brink of civil war'

(163) BD 9/4/98

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 Binaifer Nowrojee 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 violence in January and February and thousands of 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 Mwai 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 (Kanu) 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 — Reuter, Sapa-AFP

Kenya's fuse is burning, rights groups warn

(163) Star 9/4/98

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 Kanyongolo, 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 Kalenjins 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 1991-94, 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

Kenya's lowly terraces halt deserts

(163) MHG 9-16/4/98

Fred Pearce *takes a visit to a Kenyan valley where environmental theory has been turned on its head*

Jane Ngei, a 30 year old Kenyan mother and farmer, built her own dam with an ox-plough, spade and wheelbarrow It's not a big dam, less than 15m across. It collects the water running down the road after it rains," she explains It irrigates her half dozen hectares of maize vegetables and fruit trees, and keeps her small herd of cattle and goats watered.

Hardly the kind of dam to turn back the tide of history, you might think Yet, scientists from all over the world keep dropping in to discover if Ngei has found the secret of how to halt the advance of the world's deserts and save Africa from an ecological Armageddon.

According to conventional environmental wisdom Ngei s farm and hundreds of others throughout the drought prone hills of Machakos district, east of Nairobi should not be here. This landscape should long since have turned to dust and blown away

Sixty years ago, British colonial soil inspector Colin Mather condemned these hills as "an appalling example' of environmental degradation in which 'the inhabitants are rapidly drifting to a state of hopeless and miserable poverty and their land to a parched desert of rocks, stones and sand" Much the same was said in the 1950s and again in the 1970s

And through that period, with Kenya recording the fastest population growth rate in the world, the population of Machakos district rose a staggering fivefold. A recipe for disaster, surely? And yet, these hills have failed to turn to desert.

Today, they are greener and more heavily planted with trees, more productive and less eroded, than ever

What went right? Some say that rising population was the best thing that happened. It forced the farmers to change from cattle herding to settled farming And it gave them the labour to work the land properly

Ngei is one of hundreds of farmers in these hills, the heartland of the Akamba people, who have dug dams, planted trees and constructed terraces up the steep hillsides to trap rainfall and prevent soil washing away

It sounds simple Yet this environmental transformation has become known as the "Machakos miracle" And by refusing to bow to the apparently inevitable, the Akamba farmers have offered a challenge to the doom sayers of desertification.

One steppe at a time. Homespun techniques result in environmental transformation

It is a challenge in particular to the scientists at the United Nations Environment Programme, whose world headquarters are an hour's drive from Machakos in the Nairobi suburb of Gigiri.

For two decades, that agency has warned of rampant worldwide desertification It has mapped the arid east of Kenya, including much of Machakos district, as a prime target for advancing deserts

Have its scientists come to find out why, on their very doorstep, those predictions are being confounded? If so, there is no record of it.

What was once a subsistence economy, geared to nothing more than survival on crumbling soils, has turned into something much more productive and environmentally sustainable

If they had come, they would have met Akamba farmers who saw terraces for the first time while serving in India during World War II, and decided to try them out back home. And dam-building farmers like Ngei And crop innovators like Joseph Kisalu in Ukalani, who deliberately cross-pollinates Katumani maize from the research station with older local varieties, as well as inter-cropping cowpeas and sunflowers with his maize to improve soil fertility

What was once a subsistence economy, geared to nothing more than survival on crumbling soils, has turned into something much more productive and environmentally sustainable.

"Farmers here grow maize to eat, but everything else for cash," says Benjamin Ikombo, a soil and water expert at the nearby National Drylands Research Station, who in his spare time tends 5ha of hillside.

Boxes of his mangoes, oranges and paw-paws are regularly exported from Nairobi International airport to Europe and the Middle East.

Others sell coffee, French beans and tomatoes. No less valuably, Ngei's six head of cattle contribute milk for an expanding dairy in nearby Masii town, which sells its products as far away as Nairobi. Desertification this isn t.

Some outside researchers have come to see Michael Mortimore and Mary Tiffen, from Britain s Overseas Development Institute, investigated the Machakos miracle in their book *More People Less Erosion* (John Wiley, 1994)

It is genuine, they say A vicious circle of environmental decline, fuelled by population growth, has been turned into a circle of virtue Yes, says Mortimore, "there are more mouths to feed, but there are also more brains to think and hands to work" And in Machakos at least, the brains and hands have won.

That book has become a standard text for both environmental optimists and free-market economists, who see in it the triumph of private farming enterprise over state planning. (A bit simplistic that last claim. Exports need good roads and most of the Machakos terraces have been dug by communal effort, often organised by women's groups.)

Some insist Machakos is a one-off. Its proximity to Nairobi provides an easy market for produce and financial capital for investment in farming that other communities across the arid lands of Africa could not match.

There is no doubting the importance of Nairobi, says Mortimore. He has, for 20 years charted a similar virtuous circle in the arid farming zone around the city of Kano in northern Nigeria.

"Maybe we need more Nairobis and Kanos as well as more Machakoses," he says That proposition, too, cuts across the grain of green theory, which holds that Third World cities are leeches on the farmland around them. Not here

But Ikombo warns against too much optimism. "Mortimore and Tiffen are right about declining soil erosion here," he says "But the big problem in Machakos today is declining soil fertility"

The new intensive farming means soils no longer lie fallow They need more nitrogen in particular, either from manure (in short supply as farmers give up cattle for crops) or from artificial fertiliser (which poorer farmers cannot afford) And drought could still bring malnutrition to some people here, especially in the driest areas.

But whatever the problems, the big story from Machakos is that the region has bucked the conventional wisdom and offered a lifeline to a country, indeed to a continent, whose population is expected to triple within the lifetime of today's children. For now at least, Ngei's children look remarkably well fed on fields that really just shouldn't be here any more

Report adds to pressure on Kenyan govt

BD 14/4/98 (163)

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 unauthorised or excessive expenditure and negligent accounting practices affecting virtually every government department.

Ministry cash-books, government bank accounts and expenditure on everything from the presidential jet to unused computers are all held up to scrutiny and found wanting.

"It will add to the pressure on Finance Minister Simeon Nyachae, who last week said he wanted to cut government spending by $335m, 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 slimming 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 officers 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 $58,6m. 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 unbudgeted construction of an international airport at Eldoret, in Moi's home area, Njoroge said a balance of about $1,6bn is "still illegally and unconstitutionally charged" to the country's Consolidated Fund.

The report says land for the airport was bought at far above its official valuation and payment was made in part by giving the unnamed vendor rich land near Nairobi to which the government "does not apparently have title".

The finance ministry does not escape opprobrium.

Statements of its accounts with the Central Bank and majority state-owned Kenya Commercial Bank "reflect large unexplained balances which have been outstanding for a considerable period of time".

The reconciliations of the office of the president's recurrent cash book "are significantly in arrears" with the latest dated November 30 1994, the auditor-general says.

On the revenue front, Njoroge hit out at the poor quality of accounting by the government unit in charge of privatising state enterprises. The result was "that it was not possible to determine the amounts collected from the privatisation 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 neighbouring countries. — Reuter

Kenya's domestic debt goes up

BD 15/4/98 (163)

NAIROBI — The Kenyan government's total domestic debt stood at 149,6-billion Kenyan shillings at the end of February 1998, 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." —Reuter.

BT (BR) 15/4/98 (163)

Year-on-year inflation falls to 8,1%

[illegible] 0,1 percent in [illegible]

[illegible] monthly [illegible]

[illegible] helped lessen tax induced inflation [illegible] costs caused underlying three-m[illegible] [illegible] percent [illegible]

AFRICAN

Auditor-general's report lists details of government corruption

Kenyan state fraud exposed

CT (AR) 17/4/98 (163)

JOE 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 now 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 (R170 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 $300 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 says clearly who has stolen what, looted what. We want them tried'

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 looted what," said Mwai 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 fall short of providing a cure for the limping economy They also want the Cabinet, with 120 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 (163)

BD 21/4/98

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 25% 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 Kirigia, 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. — Reuter

East African bank votes to cut state's role

ST (BR) 21/4/98

(163)

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 25 percent stake on Friday.

The government will sell about 28 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 Kirigia, 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 sacking the three directors mentioned, the general manager and the executive chairman

KENYA ET(BR)21.4.98 (163)

Bank cheats hotel chain of VAT payments

[illegible] had been defrauded of [illegible] 3750 000 in tax payments through a bank scheduled for pu- [illegible] ed at the weekend.

It said the chain had lost [illegible] shillings (Rs 75 million) in VAT payments [illegible] of the Kenya Commercial Bank (KCB) and possibly offic[illegible] in the Kenya Revenue Authority. The newspaper said [illegible] al Bank of Kenya anti fraud personnel [illegible] believed the fraud [illegible] ffected other businesses.

[illegible] duled to float 25 percent of its shares in a public sale beginning on Friday [illegible] the shares. The paper [illegible] not been credited to the VAT commissioner's account at the Central Bank of Kenya althou[illegible] Lonrho had a credit [illegible]

Kenya woos missing tourists in ad campaign

CT (B30) 21/4/98 (~~360~~)

FROM AP (163)

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 '97-April '98 season is the worst on record, with dozens of coastal hotels closing and thousands of Kenyans laid off from jobs in the industry

Eliud Mahihu, 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 $500 million in 1996

Nonperforming loans could throw Kenyan banks into crisis

(163)

BD 23/4/98

NAIROBI — Kenyan banks faced a difficult year, with profit undermined by a growing mountain of nonperforming loans, analysts said yesterday

"The honeymoon is over for banks in this country," said Amish Gupta, the associate director of Shah, Munge & Partners "Profit will be flat"

Asset quality deteriorated last year, with the proportion of nonperforming loans to total advances increasing by three percentage points to 21%, the Central Bank of Kenya said in its report for last month.

Nonperforming loans amounted to 43,8-billion shillings at the end of December from an overall 209-billion shillings in loans and advances, the report said

Analysts estimate nonperforming loans represent 8,6% of the country's gross domestic product

"It is striking that the Kenyan banking system's level of nonperforming loans and advances is on the rise," Gupta said "It is deteriorating precariously close to other emerging markets that have already undergone serious banking crises which were very expensive."

The latest figures from Standard Chartered Bank show nonperforming loans shot up to 458-million shillings last year compared with 47,2-million in 1996 Barclays Bank of Kenya's results for the same period show bad debts rose to 222-million shillings from 72-million shillings in 1996

Barclays noted that last year was exceptionally bad for nonperforming loans

"We made a net specific provision to take account mainly of four large lendings whose recovery became doubtful," said bank chairman Samuel Ambundo

He said he was "cautiously optimistic" about the Kenyan economy this year and hence the performance of the bank.

His optimism is despite interest rates of 30% to 40%, caused by high government borrowing through treasury bills. The high rates were in turn the main reason for the bad loans problem, analysts said.

Poor supervision of lending is another factor behind defaults

Last month, the government fired three directors, the general manager and the executive chairman of Kenya Commercial Bank, the country's largest bank, after local newspapers reported the directors and general manager had been allowed irregular and unsecured loans

Analysts said commercial banks would struggle to recover the bad debts already on their books, but nonperforming loans should not increase much further as banks are not lending much money privately

With interest rates on three-month treasury bills at about 27%, analysts said banks found it more profitable to lend to the government in the past nine months, at the expense of ordinary Kenyans.

The central bank's report for this month showed loans and advances for the year to January declined to 204-million shillings against 209-million in December last year

"Lending is now being reduced from this year The difference in the money between January and December is going into government securities," Gupta said

Professor Joseph Kimura, acting executive director of the Institute of Policy Analysis & Research, said. "It is well known that certain banks do not care for small borrowers They are considered a nuisance. In the case of many public banking institutions, the problem is aggravated by what is euphemistically called political interference"

A report by Equity Stockbrokers said big banks were also feeling the squeeze from smaller competitors as smaller banks managed a higher growth in deposits due to competitive interest rates, aggressive marketing and superior customer service

Last year, Kenya Commercial Bank posted a pretax profit of 4,12-billion shillings from 4,05-billion in 1996

The National Bank of Kenya, Barclays Bank, Standard Chartered Bank and Kenya Commercial Bank together control 48% of total banking assets — Reuter there, most of them...

Picture AFP

MPs defy Moi by attending forum

BD 30/4/98

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, Assisant Agriculture Minister Kipruto arap Kirwa said

(163)

Moi dismissed as of "no consequence" a Mombasa seminar attended by 162 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 organisers, 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 Kirwa — Sapa-AFP

Without state pruning, this business is blooming

Kenya's horticultural industry is thriving thanks to minimal government interference, writes Gary Mead

BD 30/4/98 (163)

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 horticulture 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 35 736 tons of blooms to Europe last year, representing about 60% of total African cut flower exports and earning the equivalent of $100m 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 areas being at Lake Naivasha and Thika

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 alacrity 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 exigent 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 Simeon Nyachae 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

(167) Star 30/4/98

Authorities pledge urgent action to revitalise a moribund industry

Kenya agonises as visitors stay away

(163) ET (BR) 3/7/98

Manoah Esipisu

Nairobi — The tourism industry in Kenya suffered its worst year in history last year, and urgent action was needed to revitalise the sector, tourism authorities said on Wednesday

Henry Kosgey, the tourism minister, vowed to take action "The time for rhetoric is over We cannot accept anything short of a full recovery We have experienced the worst tourism decline in history"

The number of European tourists arriving at the coastal resort area around Mombasa has slumped to 400 a week from between 4 000 to 5 000 in the previous year

Eliud Mahihu, the chairman of the Kenyan Tourist Board, said charter flights to Mombasa from European cities had ceased Only 18 months ago, there were 14 flights a week The number of people directly employed in tourism had therefore dropped by 50 000 in the past 12 months

Kenya's tourism woes began last July when ethnic rioting on the coast sparked fears that tourists might be targeted in the chaos that followed This was followed by unseasonal rains, blamed on the El Niño phenomenon, which washed away the roads and bridges leading to game parks and reserves

Uncertainty over December's general elections did little to calm fears, and another outbreak of ethnic violence on January 11, this time in the Rift Valley, buried what had already been a dead season.

Tourism was Kenya's leading foreign exchange earner before the industry nose-dived, with annual receipts of about $400 million

The Kenyan government initially shrugged off violence in tourist areas and blamed the media for exaggerating the problem Now the government is boosting security

"Our challenge is to collectively strive to elevate Kenya's image in the tourism market," Kosgey said

The European Commission (EC) said this week that it would give 140 million shillings (R14,3 million) to Kenya's Tourist Board to aid its rebuilding effort in 1998-99 It also pledged a marketing endowment fund worth 980 million shillings

Lutz Salzmann, an EC official, said. "The sector is facing a major crisis owing to long-term structural problems and short-term reasons like security, poor infrastructure and lack of proper marketing" — Reuters

Inflation breaks Kenya's 5% target as food prices surge

[illegible] from the Central Bank of Kenya [illegible] Tuesday

[illegible]

[illegible] road network and a disruption [illegible]

But Kanga [illegible] inflation [illegible] expected to be sustained because supplies of food and drink items would improve in the months ahead

The central bank said underlying inflation, which excludes food prices, increased from [illegible] percent in May to 11,3 percent in June. — Reuters

National carrier turns in unexpectedly good results despite sharp decline in country's tourism industry

Kenya Airways' 32% profit smoothes flight path

(163) CT(BR) 9/7/98

Manoah Esipisu

Nairobi — National carrier Kenya Airways is well placed to reap the rewards of an eventual upturn in the Kenyan economy and to consolidate its share of the African market, brokers and market analysts said this week

The company appears to be turning the corner after some difficult years Last week it posted unexpectedly good results despite a sharp decline in Kenya's tourism industry and the overall economy

"The general feeling is that Kenya Airways did very well in a very difficult environment," said James Murigu, the managing director of Suntra Stocks "One key was moving to meet the heavy demand for good flight business across African states

"They will do well to consolidate those African gains But a turnaround in tourism could boost Kenya Airways even better They are now in a position to reap full benefits — a revival in Kenya will add to their gains elsewhere," he added

Murigu said that a decision to modernise its fleet and continued co-operation with Dutch airline KLM — which holds 26 percent of Kenya Airways — had already paid dividends

Last year Kenya Airways launched flights to Nigeria and Cameroon It also flies to a host of other African destinations — from Egypt to South Africa, Ethiopia and Uganda It has also increased flights to Dubai and rationalised its European flights

Last week, Kenya Airways posted a 31,7 percent rise in pre-tax profit to 1,43 billion shillings (about R150 million) in the year to March 1998, compared with 1,09 billion shillings recorded in the same period last year

Kenya Airways shares have rallied since the announcement, gaining 1,20 shillings or about 17 percent to 8,25 on Monday They made a slight correction to 8,0 at the close on Tuesday but are expected to make gradual gains in coming days, brokers said

Kenya Airways was floated at a price of 11,25 shillings a share in June 1996 and fell to a low of 7,0 shillings this year, responding to a decline in investor interest on the bourse

Kenya Airways' managing director, Brian Davies, said that with a net asset value of 14 shillings a share, his airline remained grossly undervalued on the Nairobi bourse But he added "What the Nairobi Stock Exchange needs are a few successes to give people confidence (to invest) I hope this will be a start"

Tourism in Kenya was severely rocked by violence across the country last year, ahead of December's elections that returned President Daniel arap Moi for a final five-year term

The number of European tourists arriving at the coastal resort area of Mombasa has slumped to just 400 a week from between 4 000 and 5 000 the previous year, authorities say

"We cannot accept anything short of a full recovery of the industry," tourism minister Henry Kosgey said last week "We have experienced the worst tourism decline in history"

At the same time, the Kenyan economy has suffered after the IMF suspended a key loan last July in a dispute over graft and poor governance

Kenya Airways' gains compares with poorer performances in other regional airlines such as Air Afrique — which is 70 percent owned by 11 West and Central African countries — as well as Air Mauritius, South African Airways and neighbouring Uganda Airlines

Brokers said the Kenya Airways' results could not be taken as a barometer for an upturn in other companies' performances on the Nairobi Stock Exchange

"It would be dangerous to use the Kenya Airways result as a standard for the market," said Ashley "When all factors are examined, underlying profit is not significant" — Reuters

Kenya reports contraction in GDP

(163) BD 14/7/98

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

Growth down to 'dead' 1,9%

Kenya GDP shrinks in first quarter

(163) CT(M/R) 14/7/98

SIMON DENYER

Nairobi — 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 99,13 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 dilapidated 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 154,2 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 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.

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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

(163) BD 15/7/98

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 1996

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 1995 the turnaround was complete and, in the privatisation that followed, the government retained 23% of the equity, while 14% 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 shilling for much of the past two years.

A big factor in the decline was a 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 shilling last week But few expect a sustained revival of buying interest — Financial Times

US says 'corrupt' Kenya on the slide

(163)

Visiting treasury boss Rubin points to graft as major cause of economy going backwards

ARG 18/7/98

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 moreover, 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 corruption was an issue which could not even be discussed as recently as a few years ago But he said African nations must take responsibility for dealing with the problem

"The largest burden in this effort to eliminate corruption falls on the shoulders of African governments and for citizens of their countries," he said

Mr Rubin's recipes included clear and easily enforceable laws, and strong and independent anti-corruption units He also called for privatisation of state-owned firms, reduction of the government's role in the economy and lowering the potential for corruption by, for example, making licensing laws easier

Countries also needed competitive, well regulated and well supervised financial markets as well as rules to prevent money laundering

Mr Rubin also visited Ivory Coast, South Africa, Namibia and Mozambique on his African tour – Reuters

Graft threatens Kenyan reform, warns Rubin (163)

BD 20/7/98

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 . and 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.

This 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

(163) BD 23/7/98

Michael Wakabi

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 destruction of wetlands was forcing the bird on the national emblem, the crested crane, to migrate to neighbouring Kenya and the Democratic Republic of Congo as its habitat in Uganda is encroached on

"All industries located in wetlands in and around Kampala will have their leases shortened to enable them to close up so we can restore the wetlands," Isoke said in Kampala Environmental activists 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 nineties 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 would "be sensitive to the interests of investors who are legally settled in the wetlands"

Kenyan hopes for donor funding dashed

BD 27/7/98 (163)

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 Msafari, head of the Kenya Revenue Authority, Samuel Chebii, commissioner for customs, and Joseph Kinyua, finance secretary at the treasury

Donor representatives said, however, their brief arrest on Thursday at the direction of the much criticised 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 witchhunting 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

BD 28/7/98 (163)

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 Msafari, the agency's commissioner for customs and excise, Samuel Chebii, 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 — Reuter.

Anticorruption move checked

BD 30/7/98

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)

Star 1/5/98

Parliament in Kenya votes for truth body

(163)

By Joe Khamisi
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

(163)

CT 1/5/98

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 in the past few years.

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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 force with official backing — Independent Foreign Service

AFRICA

Economy in dire straits, says Kenyan government

(163) MD 7/5/98

NAIROBI — The government was forced yesterday to acknowledge that the Kenyan economy was in dire straits, a 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 25 ministries — 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 Simeon Nyache 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.

Nyache 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 Nyache 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 Nyache was prominently absent — listed unemployment and poverty as the major challenges facing Kenya.

The team, which includes Central Bank chief Micah Cheserem, said 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 shillings.

It did not say that the wholesale printing of money to ensure that Kanu 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 91-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

AFRICAN BUSINESS

Improved food supplies, a stable currency and restraint in money supply ease figure to 7% in April

Tight controls reduce Kenya's inflation

(163) CT(BR)12/5/98

MANOAH ESIPISU

Nairobi — Kenya's year on-year inflation fell to 7 percent in April from 8,1 percent in March and was forecast to drop to below 5 percent by June, the Central Bank of Kenya said yesterday

In its monthly report, the bank said the fall in inflation was a result of improved basic food supplies, the stability of the shilling against major currencies and restrained expansion of money supply

"Food price increases eased as a result of improved supplies of food items towards the end of the (first quarter)," the bank said

"The improved availability of basic foods implied the food price inflation of all groups rose by only 3,7 percent in the year to April 1998 compared with an increase of 22,8 percent over the same period last year"

The underlying year on-year inflation was posted as 12,3 percent, about the same level as in March, it said

It said inflation was forecast to come down in the months ahead on restrained expansion in money supply and the stable shilling

ENCOURAGEMENT *Kenya's President Daniel arap Moi*

The bank said to ensure that the year-on-year inflation was brought down and kept below 5 percent by June, the annual expansion in broad money supply would be maintained below 8,3 percent

The bank pledged to 'closely monitor the other stores of liquidity in the economy", such as the holding by residents of foreign currency deposits and treasury bills

It said the budget deficit should be reduced to below 2,4 percent of gross domestic product (GDP) by the end of fiscal 1997-98 (July/June)

The International Monetary Fund said the budget deficit would rise to 3,9 percent of GDP by June if the state did not implement urgent measures to repair its battered economy

The deficit was 1,7 percent in 1996-97, and the government initially had forecast it would be maintained at that level Data issued from the finance ministry now suggests that the state wants to pin it about 2,4 percent

"These measures, combined with the steps to address the anticipated deficit in food production in 1998 and the rehabilitation of the infrastructure, are expected to lower year-on-year inflation to below 5 percent by June 1998," the bank said — Reuters

Kenya's huge domestic debt burden rises to 24 percent of GDP

Nairobi — Kenya's net domestic debt rose to 158,3 billion shillings (R12,6 billion) or 24,6 percent of gross domestic product (GDP) in March from 149,6 billion shillings or 23,2 percent of GDP in February, the Central Bank of Kenya said yesterday

Simeon Nyachae, Kenya's finance minister, and leading business executives have repeatedly said the huge domestic debt burden was keeping interest rates high, which discouraged any new investments and threatened to derail the economy

The central bank said in its monthly report for May that outstanding government debt in treasury securities amounted to 171,2 billion shillings, while direct advances to the banking sector were 10 billion shillings by the end of March

But it added that government deposits with banks and advances to parastatals amounted to 17,2 billion shillings and 5,7 billion shillings respectively

"Net domestic debt, therefore, is 158,3 billion shillings or 24,6 percent of GDP, compared with 130,8 billion shillings or 23,1 percent of GDP at the end of the 1996/97 (July/June) fiscal year,' the central bank said

The government's net domestic debt stood at 149 6 billion shillings in February

The total outstanding debt was posted at 165 billion shillings in February, but was partly offset by net government deposits at both the central and commercial banks of 15,4 billion shillings, the central bank said. — Reuters

SAB to start Kenyan production in August

(163)

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.

BD 28/5/98

Their entry into the Kenyan market is seen as part of the wider expansion of SAB in east Africa

In 1995, they acquired a 46% 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

BD 28/5/98 (163)

NAIROBI — Kenyan President Daniel arap Moi yesterday sacked an outspoken assistant minister for agriculture, Kipruto 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 interparties 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 Kipruto 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'

BD 28/5/98 (163)

NAIROBI — The Kenyan government said on Wednesday that the privatisation of its main white sugar miller 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 Mumias Sugar Company would be completed by end of this year

In a controversial about face, the government said it had offered farmers a 20% stake and Mumias 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 Mumias 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 Mumias will be used to develop Busia Sugar factory. Mwaisaka said Mumias 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 Mumias Sugar.

Mumias Sugar accounts for half of Kenya's sugar production but has complained in recent months that cheap imports undermine its performance — Reuter.

Kenya to plug sugar corruption

(163)

From Reuters

8/6/98

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

AFRICAN BUSINESS

Critics claim Kenya languishes on Internet 'dirt road'

(163) - CT (MR) 9/6/98

MANOAH ESIPISU

Nairobi — Kenya's telecommunications industry, still struggling with technology that became obsolete elsewhere years ago, is viewed by Internet service providers as backward and elitist, and they fear planned reforms will do little to improve things

"Are we on the superhighway or a bylane?" Suchindranath Aiyer, the chairman of the East African Internet Association (EAIA), asked yesterday "Are we taking the scenic route, hopping from pothole to pothole, using breakdowns as an opportunity to photograph wildlife?"

Internet technology will reach many people 'very soon', argues state utility

Internet service providers in Kenya are saying planned reforms in the sector will do little to improve things and could provide loopholes for abuse or monopolies by regulators

"The Internet is viewed as elitist because of the high cost (It) has not spread to deliver its full potential to Kenyans "

A litany of service-related costs seem to bear out Aiyer's case

Licensing fees are pegged at 850 000 Kenyan shillings (R71 553) and bandwidth charges are $10 800 a month for 64 kilobytes of a line that seldom performs to full capacity

Kenya Posts & Telecommunications Corporation (KPTC), the state utility, which is the regulatory agency at present, also charges a yearly royalty of 1 percent of all revenues, the EAIA says

But KPTC argues things will get better "Very soon, KPTC may become an Internet service provider, then this technology will reach many people," an official said "As you know, KPTC is a giant in telecommunications "

A giant it may be, but critics say it is a sleeping one that at best has not realised its full potential

Kenya has just five licensed Internet service providers — all members of the EAIA, which groups about 150 partners in Kenya, Uganda and Tanzania — and Internet use remains limited

"You will now appreciate that Kenya is a *murram* (gravel road) bylane occasionally connected to the information superhighway," Aiyer said

He said Uganda and Tanzania were better off because they had licensed VSat (Virtual Small Aperture Terminal) for satellite use and other "pragmatic and palatable technologies"

But in Kenya, experts say because of KPTC's inability to provide down link communications, a 64 kilobyte line cannot be accessed by end users, who must contend with speeds as low as 9 6 to 14 4 kilobytes a second

A Kenya Communications Bill, due to be debated in parliament next month, will create an independent regulator and split KPTC into separate telecommunications and postal companies

How the regulator will operate has stimulated much debate in Kenya Critics say it has too much government control and can sidestep the constitution in unspecified "state emergencies"

The EAIA said in a letter to members "We are concerned that any provision that bypasses the constitution is a loophole that can lead to abuse, arbitrariness or a subversion of the democratic process "

It wants people with Internet expertise drafted to the regulatory board as opposed to domination by government appointees

A fall-out between Kenya and the International Monetary Fund over bad governance and corruption, which has damaged growth in Kenya, east Africa's economic engine, appears also to have hurt the development of the Internet industry

Aiyer said perceptions in some circles that the Internet was "corrupt and immoral" was partly responsible for a reluctance by Kenya's rulers to allow easier access

Service providers say reforms will do little to improve things and may aid abuse

Another concern of business has remained the licensing of radio communications. The draft bill will give the regulator licensing powers but no authority to develop the sector

"These can surely be only the means by which the commission is to achieve the objects, and not the objects themselves," said one senior communications expert in Nairobi

The EAIA noted that transparency, accountability and consistency were essential if the bill was to achieve its objectives

It said it wanted the regulatory agency to publish in the official Kenya Gazette every type of deal it sanctioned It also wanted a decision by the agency rejecting an application for a licence to be made in 30 days rather than the 60 allowed for in the bill

The EAIA said it was concerned that the bill made no mention of a penalty for breach of confidentiality, and recommended a fine of 500 000 shillings or harsh prison terms

It also said the bill needed to specify how the chief regulator would be appointed and maintain impartiality — Reuters

Capital rules may force Kenyan banks to merge

BD 12/6/98 (163)

NAIROBI — Kenya's 14 nonbanking financial institutions and 26 of its 53 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 Kanga, the central bank's research director, said yesterday mergers offered a way out to small institutions, to help them to 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. — Reuter.

Kenyans 'facing two years of economic pain despite reform'

(163) BD 17/6/98

NAIROBI — Kenyans 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 if the government was to avoid an even deeper crisis, he said "We will have to go through pain for perhaps two years, but it is for the good of the country "

Cheserem was enthusiastic about Finance Minister Simeon Nyachae's agenda for reform announced in last week's budget

In his budget speech, Nyachae said he wanted to balance the budget in fiscal 1998/99 after running a deficit of about 2,7% of gross domestic product in 1997/98

Faced with a growing mountain of short-term domestic debt and cripplingly 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 within the government itself "For the public good these people had better accept to let go," he said

The economy has come to a standstill this year with interest rates of more than 25% on the government's three-month treasury bills choking off its 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 government to translate its words into action

"The major thing now is implementation," Cheserem said "We need a major commitment to implementation because there is no more room for manoeuvre " — Reuter

Hand over weapons, Kenya tells refugees

BD 24/6/98

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 reopen a military camp in the province to counter insecurity

Refugees in the [illegible] have complained openly about roving groups of bandit[illegible]

Women refugees are tar[illegible] the bandits because they often walk 10km-20km a day to fetch firewood More than 74 rapes were reported in the camps last year To combat this, the United Nations High Commissioner for Refugees plans to buy firewood worth $1,5m 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 Karamoja 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

HORTICULTURE *Cut flowers are now the country's third-leading export*

Kenya: land of tea, coffee and roses

CT(PR) 30/6/98 (163)

PHILIP NGUNJIRI

Njabini, 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 returns of the crops," says Ian Rotich of the agricultural ministry

The horticulture 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 alstroemeris, a flower "We prefer to grow alstroemeris 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 3 and 6 shillings in Kenya. The flower is then resold to big exporters 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, 84 824 tons of fresh horticulture produce were exported from Kenya, a rise of 5 percent in five years, says the Horticultural Crop Produce Development Authority This figure accounts for 10 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, German, France, Switzerland, Belgium, Holland, Italy, Saudi Arabia and South Africa.

Kenya is also a major exporter of mange tout, 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 $80 million

Roses are the main export, followed by statice, 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

(163)

BD 6/8/98

NAIROBI — Kenya's stock market faces stagnation unless the government reforms archaic 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 The electronic trading system cuts the time between striking a deal and settlement

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 Melly, CE of the regulatory Capital Markets Authority

Kenya's equities market had made good progress compared with other countries in the region

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

Analysts say a vibrant bourse on the Indian Ocean island of Mauritius is partly the result of open access for foreigners

The only limitations are on sugar stocks, where investment of more than 15% must be approved by the prime minister — Reuter

Fires ravage Swazi timber

James Hall

MBABANE — The timber industry in Swaziland estimates losses amounting to millions after what the agriculture ministry terms "probably the worst veld 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 5% of SA's timber needs

El Niño weather conditions are blamed for a winter which saw no rains from mid-May to late-July, and daily temperatures averaging 5°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 minimal 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 —Reuter

Kenyan bourse under fire for being outdated

CT (BR) 6/8/98 (163)

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 hampered 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 Melly, 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 Kihumba, the Nairobi exchange's chief executive "We will just have to sit and wait" — Reuters

Kenyan strikers call for finance minister's dismissal

(163) BD 7/8/98

NAIROBI — Sacked Kenyan bank staff raised the stakes yesterday in their strike against planned taxes, demanding the removal of Finance Minister Simeon Nyachae as part of a deal to end the crisis

About 12 000 staff members of Kenyan commercial banks and non-bank financial institutions were sacked on Wednesday after they defied an ultimatum to return to work

They were dismissed for protesting against government plans to tax the interest-free or low-interest loans available to bank staff The commercial interest rate for ordinary borrowing customers is around 25%.

"The tax must be scrapped completely. The tax must go and then Simeon Nyachae must follow," All Banks Shop Stewards leader Jacob Opiyo told about 5 000 cheering workers in Gikomba, a poor district of Nairobi that is home to the umbrella Central Organisation of Trade Unions (COTU)

They carried posters that read "Sack Nyachae", "We cannot entrust our tax to looters" and "The war begins now". Nyachae came into sharp focus because union leaders said he had refused to use his powers to revoke the contentious tax

Ohlo Nyumba, deputy secretary-general of the Kenya Union of Commercial and Allied Workers — to which the bankers also belong — said a tripartite meeting of COTU, the labour ministry and bank employers had recommended the tax be scrapped

Nyachae and Labour Minister Joseph Ngutu have not commented.

Foreign currency dealers said clearing procedures had improved, having recovered from near paralysis earlier.

"Clearing went very well today, and interbank payments can be made through the central bank," one dealer said Dealers said most currency trade was restricted to inhouse transactions while the strike persisted

The central bank posted the shilling at a commercial mean of 58,9972 Kenyan shillings against the dollar yesterday from 59,0028 on Wednesday

"Activity is still very limited People want to minimise the transactions they are doing," another dealer said

The Nairobi Stock Exchange 20-share index gained slightly, but turnover fell to a 28-month low as trade was brought to a virtual standstill by the bankers' strike. The index gained 11,98 points or 0,42% to 2875,37

Turnover was posted at 3,1-million shillings ($52 542) on 134 000 shares — the lowest since April 1996

Queues snaked through many local branches of commercial banks. Many residents in the capital were withdrawing cash from automated teller machines — many at night when the queues are shorter.

Companies complained about the disruption to business

"We cannot bank cheques, customers cannot pay us It is a vicious circle We are losing money in terms of lost sales," said Vijay Gidomal, managing director of Car & General.

The Kenya Bankers Employers' Association met yesterday to review the defiance of the sacked staff. They will then advise the government on a return-to-work formula. — Reuter.

Bodies lay amid the devastation of the bomb explosion near the United States embassy in Nairobi, Kenya, on Friday. The blast killed at least 174 people, including 11 Americans, and nearly 5 000 were injured US ambassador Ms Prudence Bushnell was slightly hurt in the blast which reduced a six-storey building to rubble. Another bomb exploded at the US embassy in Dar es Salaam in Tanzania, killing 10.
PIC AFP

SA tightens security after bomb blasts

(163) Sowetan 10/8/98

By Willie Bokala 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 his government would 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 Ossama 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 hospitals 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 Khaliq (27), and August Naffry (55) were airlifted to Pretoria on Saturday morning after being evacuated from Nairobi

● US President Bill Clinton has thanked President Nelson Mandela for South Africa's assistance in 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

(163)

ET (BR) 12/8/98

MANOAH ESIPISU

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 directed 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 Ufundi House next to the US embassy and severely damaged the neighbouring Co-operative House and other buildings in a 150m 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 absolved any of its members from the obligation to meet damage compensation

Erastus Mureithi, the managing d[illegible] of the Co-operative Bank, [illegible] owned the heavily dam[illegible] operative House, said at the weekend [illegible] would cost about [illegible],2 billion shillings (R126,6 million) to repair the damage

Moi, touring the bomb blast site for the third time since Friday, said yesterday the total cost of the damage could be up to $500 million

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 already had received pledges of support from a number of regional and Kenyan firms

Joshuah Matui, 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 utilised, 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 in some instances for 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 [illegible]uld 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 203 dead, nearly 5000 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* PHOTO AP

Nairobi's bomb-blasted central bank reopens

(163) ET (BR) 12/8/98

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 59,0556 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 58,80/59,20 to 59,00/50 shillings to the dollar yesterday morning

Dealers said that, while spreads might gradually begin to narrow slightly, they would probably continue to quote fairly wide bid/offer margins for the rest of the week 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 do not see any reason why the shilling should depreciate," 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 (R2,2 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

EXPORTS (163) CT (BK) 12/8/98

Kenya black tea output up 66% in first half

Kenya [illegible] leading exporter of black tea is [illegible] TBK confirmed yesterday that Kenya was set for [illegible] this calendar year [illegible] cumulative (production) [illegible] at 169.95 million kg, an increase [illegible] cent over the same period last year [illegible] temporarily held the position of leading exporter in 1996 but [illegible] which [illegible] production to just 220 million kg, [illegible] suggest that we should, with relative ease, reclaim our position as [illegible] exporter of black teas," [illegible] official [illegible] duction to reach at [illegible] million kg. -- Reu

AFRICA

Bomb blasts Kenya's economy

BD 13/8/98 (163)

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 economic 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-collapse of the tourism industry had prompted many economists to predict growth this year would be less than 1% after a disappointing 2,3% 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 catered 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

The aftermath of the Kenyan bomb blast may provide an opportunity for the country to forge a new future, writes **Daniel Kamanga**

BD 18/8/98 (163)

WHEN the search for survivors of the Nairobi bomb blast ended last week it paved the way for a shift of focus to the way forward, a look at how the bomb blast affected the country and the potential fallout for the region

Kenya, which with 247-people dead and 4 624 injured in the attack, was hit harder than neighbouring Tanzania, is the regional powerhouse Its economy is about that of Uganda and Tanzania combined In 1996, Kenya's gross domestic product (GDP) was $9,3m compared with Uganda's $6m and Tanzania's $4,2m However its fortunes have been declining as the other two East African countries catch up

Although Uganda has a thinner base for economic take off, it has opened up its economy and embarked on aggressive privatisation Tanzania's economic performance has also been good and of the three countries, it has the highest real GDP growth of 3,4% 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 pessimism that the wider ramifications of the bomb blast will be to worsen the country's already battered economy and pull down the region's entire performance

However the economic situation was gloomy well ahead of recent events Since the first multiparty elections in 1963, the country's political temperature has increased, sometimes to dangerous levels Daniel arap Moi's re-election last year failed to attract local and international excitement, thereby contributing to an 18-month slump that has seen a near halt of foreign investments

The situation is worsened by a donor aid freeze and the devastation of tourism and agriculture — the economy's main driving forces — by violence and the El Niño weather phenomenon.

This year's economic growth is forecast at 1%, but the respected economic think tank, the Institute of Economic Affairs, has predicted negative growth for the country

The blast also temporarily scuttled an opportunity for Kenya and SA to patch up their rocky relationship by forcing Moi to postpone his state visit to SA which was scheduled to begin on August 13

The visit was to follow a thawing of differences emanating from a string of misunderstandings between the two governments dating back to 1992

Moi was feted by SA's former president, FW de Klerk, during a visit in 1992 and the two met again during de Klerk's visit to Kenya in February 1994 In retaliation, the African National Congress placed Kenya — despite its significant position politically and economically — way down the list of countries that SA's new president, Nelson Mandela, was to visit.

When he finally did visit Kenya in 1995, it was not lost to observers that he thanked "the people of Kenya" for their support during the years of the struggle, as opposed to the government.

Several years later, when his plane stopped in Nairobi, Mandela declined to get off, to the chagrin of the Kenyan protocol officials who had been waiting to receive him The SA and Kenyan diplomats said he was too tired and needed a rest.

Moi's visit to SA, which was postponed to allow him to lead the country in mourning the victims of the blast, was therefore significant as a first step towards normalising relations between the two countries

A trade agreement was due to be discussed but sources said an inability to bridge differences meant the agreement would not be part of the originally scheduled visit

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 R1,7bn, only R86m was made up of Kenyan imports entering SA.

SA is the largest foreign investor in Kenya while Kenya is SA's largest African trading partner outside of the Southern African Development Community

Now with more time, the two sides may work harder at getting an agreement signed

Given the loss of life, people injured and property damaged in the bomb blast, one would hesitate to see it as a blessing in disguise However could the bomb blast be what Kenyans needed to bury their differences and begin the onerous task of reconstructing the country?

During one of the five visits to the scene of the bomb blast, leaders of the opposition accompanied Moi in the same vehicle to the site — a rare occurrence in Kenya's highly charged political landscape

Like many African countries, Kenya has nearly everything it requires to turn around its battered economy The problem is politics

The bomb blast adds a new negative perception — that of a lack of safety However hidden among these negative perceptions is the fact that the country has been brought into the global spotlight.

A calculated and creative approach to this "negative publicity", supported by bold political moves may be what the country needs

The public appearance of Moi with opposition leaders should not be something that is limited to the mourning period. After such loss, the best gift to the nation would be for the country's leaders to chart a united way forward. This means that Moi needs to adopt a more inclusive leadership strategy while the opposition makes a fresh pledge to focus on the needs of the country

Moi also has a window of opportunity to leave the legacy he so much desires when he quits politics in 2002 How he handles it will depend on his ability to break from the circle of advisers whom critics say are responsible for his hard stance towards true democratic change and inclusive political leadership

This is critical if he is to leave a positive historical legacy, but this is proving complicated as reflected by his failure to appoint a deputy president since his re-election last year This gap would throw the country into chaos if Moi were to die

Global attention also gives the country an opportunity to refocus on rebranding itself as open, democratic and reform oriented The best insulation that the US and other world powers can give Kenya is support that facilitates positive political and economic change True political change lies in constitutional reforms that the Moi government has been slowing down and complicating for obvious reasons.

Moi's adversaries who hope to inherit political power are scared of levelling the political playing field for fear of being swept aside by the tide of democracy

If, at this time of national introspection, Moi paves the way for true political change, he will not only buy a peaceful future but also get international support from a world saddened by the fact that Kenya was caught in the crossfire between the US and its enemies

Most of its economic problems are of its own making High-level corruption has led to the freeze in donor aid while economic reform has been implemented haphazardly and without real commitment.

There are political ramifications of fighting corruption, at the moment the head of the anticorruption unit is under presidential suspension following the arrest of what many refer to as "untouchables"

The privatisation programme has not been altogether transparent. Only a handful of companies have been privatised through the stock market and the major utilities are still in the grip of government.

For Kenya's friends, the time for greatest intervention is now In particular, the US must stand by the country, not only because of the suffering Kenya has borne on its behalf, but because of the country's stabilising role in the region.

If the Kenyan leadership extends a hand of friendship, SA should reciprocate and perhaps go an extra step towards cementing a mutual and long-term relationship

If the bomb blast has sent Kenya, and by extension, the region, to its lowest levels, things can only change for the better

However to assume things will change without proactive signals from Kenyans themselves is expecting too much. It is dangerous to use old mindsets to forecast the future of Kenya and the region, the power of positive thinking could be what is required.

□ *Kamanga is the former associate business editor of Kenya's Nation Group of Newspapers and is now based in SA.*

Tanzanian Deputy President Benjamin Mkapa, left, with Kenyan President Daniel arap Moi Picture: AP

Kenya to cut cash ratio for banks to 13%

BD 21/8/98

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" (163)

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. — Reuter.

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Central bank says existing institutions meet farmers' needs

Kenya rejects scheme to set up farm banks

ET (..) 28/8/98 (163)

MANOAH ESIPISU

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

State ready to sell 49% of Kenya-Re

Nairobi — The sale of Kenya Re-Insurance Corporation (Kenya-Re), the state insurance concern, would be launched next week when the government invites strategic investment partners, company and privatisation officials said this week

By the end of the year, or in the first quarter of 1999, the government would have sold a 49 percent stake in Kenya-Re, starting with an offer of 24 percent of the shares to strategic institutional investors

No share price details were available

The government has not an indicated how much money it plans to raise from the sale.

In 1995, Kenya-Re had net assets valued at 1,4 billion shillings (R150 million) and total liabilities of 4,5 billion shillings According to Ace Communications, Kenya-Re's privatisation publicity managers, the company posted pretax profit of 116 million shillings in that year.

Kenya-Re will be the second privatisation 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

(169) ET (MR) 4/9/98

SHIRLEY JONES
KWAZULU NATAL EDITOR

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 criticised this week by Musalia Mudavadi, Kenya's agriculture minister, for failing to adjust to the 1993 liberalisation 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

Nzoia, 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

Nzoia 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 ruined 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 65 000 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

(163) BD 9/9/98

NAIROBI — Public service chief Fares Kuindwa has rapped Kenya's police force for brutality and corruption, newspapers reported yesterday

Kuindwa, who is head of the civil service and secretary to the government cabinet, said police corruption had to be stamped out

Kuindwa 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," Kuindwa said

The image of the police was tarnished and had to be cleaned up, Kuindwa 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.

Kuindwa 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.

AFRICA

Kenya bans six Islamic aid groups 'for security reasons'

BD 10/9/98 (163)

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 Co-ordinating Board, which registers aid 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 5 500.

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, Rabitat Islam Ali 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 Rashed Daoud Al-'Owhali and Mohammed Saddiq Odeh — 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 Odeh 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

(163)

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 17,283-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 hail 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 325 679 packages were sold at an average price of $1,70/kg, compared with four sales during the same month last year when 180 621 packages were sold at an average $2,20/kg

Auction tea packages range from 50kg to 70kg

The average price for Kenyan teas through the first seven months of this year was $1,88/kg, compared with $1,47 in the same period last year — Reuter

BD 16/9/98

Kenya rejects lower credit rating

CT (OR) 16/9/98 (167)

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 (EPC) described the move as unnecessary Themba Ndebele, 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 EPC 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 Ndebele says the decision will only lead to higher credit insurance premiums South Africa sells goods worth 20 billion shillings (R2 billion) to Kenya, while the latter's exports to South Africa amount to only 1,2 billion shillings — Independent Foreign Service

Kenya urges regulators to minimise crisis

(163) CTBR) 17/9/98

Manoah Esipisu

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, bourse 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

AFRICA

Closure of Kenyan banks causes panic

(163) BD. 23/9/98

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 Reliance Bank, Trust Bank and Bullion Bank have been placed under the statutory management of the Central Bank of Kenya after failing to honour an amount of 1,264-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 Reliance and Trust banks had been prompted by allegations of fraud and mismanagement

Five businessmen and four directors of Reliance Bank, 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 Micah Cheserem said

A Bullion 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 to 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," Cheserem said

Friday's proposals include a freeze on lending and the merging of small banks to increase capital shares "It is important to merge or inject new funding because when there is a bit of wind, the small banks are easier to pull down," said Cheserem

Economists say unless the central bank applies stricter rules on Asian-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 Asian 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 insider lending without proper securities —Sapa-IPS

Kenya's Prudential also hit by small banks' crisis

BD 1/10/98 (163)

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 afflicting Kenya's small banks The other three have been placed under statutory management by the central bank They are Trust Bank, Kenya's seventh-largest commercial bank, Reliance Bank and Bullion 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 Marambii, the central bank's chief 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 Marambii

Prudential Bank made no comment on its suspension Its assets of about $13m represent about 0,2% 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 — Reuter

Kenyan teachers prepare for countrywide strike

(163)

B05/10/98 (~~KE4~~)

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 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 out in five instalments, but only one instalment was paid immediately The government reneged on the second instalment, due last June, saying it could not afford the increase Angry teachers vowed to go back on strike

Francis N'gan'ga, 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 instalment, 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 jeopardised 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

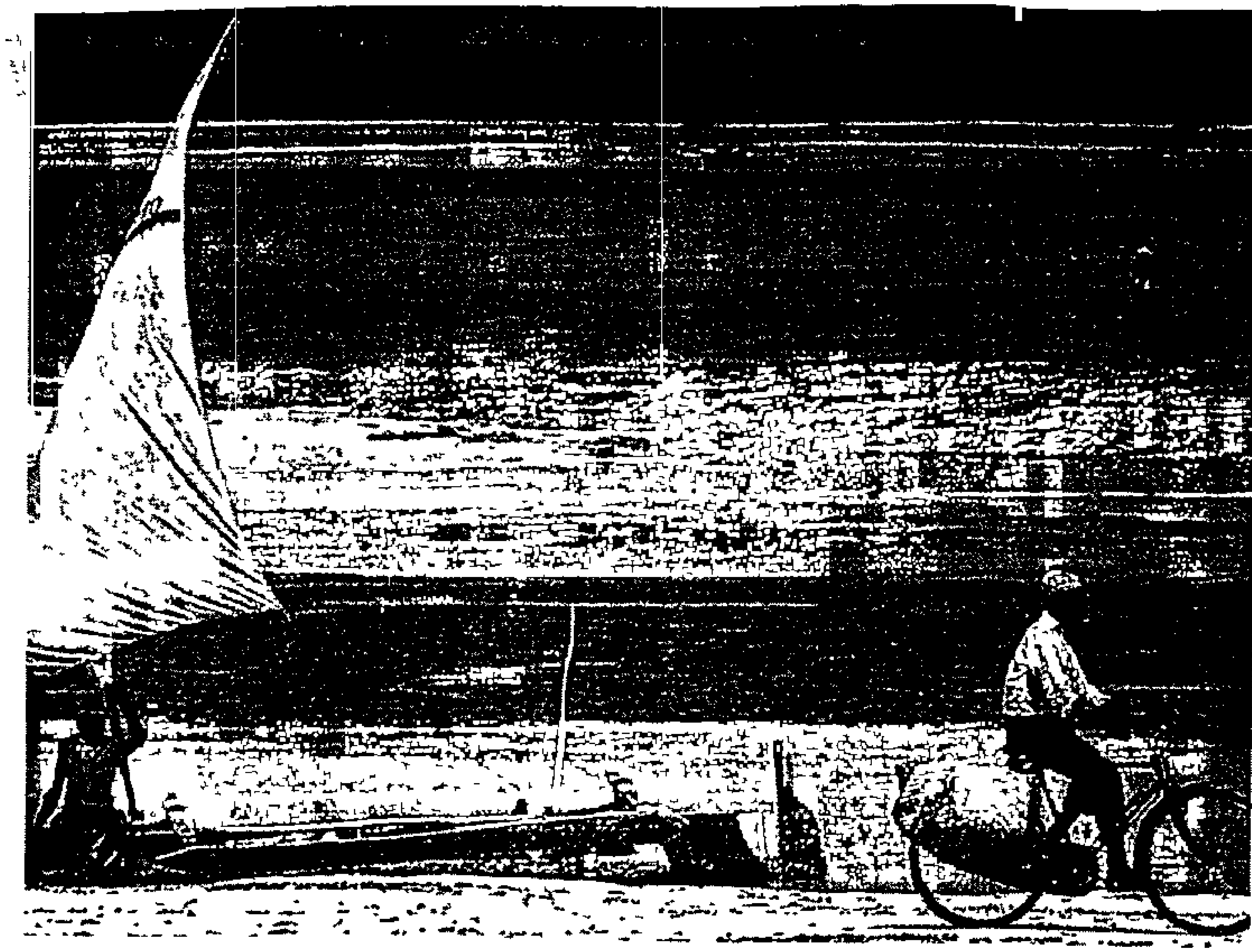
The government has said it will use police to supervise the exams if necessary — a prospect which has caused outrage among teachers and students — Sapa-DPA.

Kenyan tourism faces a tough future

(163)

Just as political violence in Kenya fizzled out, the bomb blast at the US embassy blew hopes of an increase in tourism to smithereens writes James Macharia in Nairobi

BD 16/10/98



Kenya's choices of water-related leisure activities for tourists are unparalleled

THE goose that lays the golden egg for Kenya, the top foreign exchange earning tourism sector, has faced its worst slump over the past 10 months and further problems are predicted.

Security fears were sparked by political violence in November last year which claimed more than 100 lives along the Kenyan coast in the run-up to the country's election. Just as these fears seemed to be fading, twin bomb blasts at US embassies on August 7 claimed 300 lives in Nairobi and Dar es Salaam, Tanzania.

The blasts triggered considerable panic in the sector and many tourists cancelled trips to favoured spots like the beaches of Mombasa and the pristine scenery of the Lamu isles.

However, officials of the Kenya Tourist Board are putting on a brave face. "The flights from Europe are still full and we hope tourist interest will remain strong. However, US tourists are scared and not venturing out of the US for now," said Jim Flannery, adviser to the board.

Most tourists to Kenya are from Germany and Britain at 23% and 20% respectively. SA tourists top the list from Africa, but make up only 2% of total tourists in Kenya.

Ironically in Tanzania, the prominent hotels recorded full occupancy in the aftermath of the blasts which killed 11 and injured 60 in Dar es Salaam (Haven of Peace).

The tourism board has been marketing Kenya aggressively as a tour destination in Europe, lobbying for and winning a $10m budget allocation for magazine advertisements targeted at about 40-million potential tourists in Germany, Switzerland, France and Britain.

But bed occupancy is at an all-time low of 20%, at least 20 hotels have closed and more than 70 000 have been rendered jobless.

The bomb attack could not have come at a worse time, says the executive director of the Hotel Keepers' and Caterers' Association, David Osiro. The slight upswing in tourist arrivals early this year after the violence at the coast ceased has been lost since the bomb attack.

Average bed occupancy at coast hotels rose to 24% in June and 37% in July in what was regarded as a major rise in the sector, emerging from a year-long slump.

Competition has also eaten into Kenya's high profile position as a desirable tourist destination, especially from SA, Zimbabwe and Tanzania.

"SA is a strong competitor, especially over the past six years or so after the lifting of apartheid, free elections and the Mandela-factor," said Flannery.

Others in the sector say the decline in tourist arrivals results from emphasising coastal beaches as the main tourist attractions rather than game safaris.

An estimated 800 000 tourists visit Kenya annually and about 80% of these people head to the sunny beaches.

The many hotels on the Kenyan coast which closed were hurt by this trend, says Tasneem Adamji, chairman of the Mombasa Cultural Carnival.

Plans to market Kenya abroad to counter the negative effect of insecurity are in top gear and the tourism board has acquired a new mandate from government — it now controls all tourist promotion offices in Kenya's diplomatic missions which previously fell under the tourism ministry. Th[e] aim is to attract European tourists as the winter sets in during October.

Some in the sector feel this may not b[e] enough. The chairman of the Kenya Ass[o]ciation of Tour Operators, Sam Mwaur[a] said the market drive would be ineffectiv[e] without an equal guarantee of security, e[s]pecially at the coast.

Individual hotel chains are badly affec[t]ed by the tourism slump. At the Sarov[a] chain, group sales manager Phillip Kis[a] said the company, which was involved i[n] $15m renovations prior to the Mombas[a] violence, had registered a 35% drop in o[c]cupancy and 45% fall in profits.

"This is our worst period in 13 years said Kisia. The chain is yet to lay off staff.

The other two major hotel groups hav[e] also suffered — Serena Hotels' share valu[e] on the Nairobi Stock Exchange has dippe[d] and although Block Hotels of SA declined t[o] comment, sources said they were also fee[l]ing the pinch.

The tourism sector has fared poorly as a result of a decayed road network tha[t] marks Nairobi and adjoining highways, es[-]pecially the busy Mombasa road to th[e] coast. Game safaris have also borne th[e] brunt of unrepaired roads, made worse b[y] the El Niño weather phenomenon.

The 1998 Economic Survey released re[-]cently describes 1997 as "a poor tourism year" when earnings from the industry fel[l] 11,6% from $474bn in 1996. Projections fo[r] this year can only be lower after the bom[b] attack portrayed Kenya as unsafe. It mad[e] Kenya's oft-promoted tourist catch phrase "hakuna matata" (no problems), sound lik[e] an empty slogan.

Kenya acts to clean up three embattled banks

ET(AR) 22/10/98

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 conditions set are the 'minimum needed' before the three banks can reopen*

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 80 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 Bullion 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

> *New directors and board members will be prohibited from borrowing*

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 overbanked 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

(163)

Moi set to get golden handshake

TO 30/10/98

(1077)

NAIROBI — Kenya's parliament [illegible] the way for President Daniel arap Moi to step down [illegible] in 2002, voting him a [illegible] retirement package.

This will include [illegible] house with [illegible] swimming pool, [illegible] tennis court, a staff of 27 [illegible] and travel and entertainment allowances.

The house will also include [illegible] room for Moi, [illegible] when his term expires. Moi, Kenya's [illegible] holder.

The Presidential Retirement Pension Bill, moved by Peter Anyang Nyong'o of the opposition Social Democratic Party, was [illegible] approved on Wednesday, paving the way for its enactment when brought back as a government bill.

Moi is serving his fifth and last five-year term after [illegible] challengers in elections last December [illegible] of the vote.

He came to power in 1978 following the death of founding president Jomo Kenyatta after serving as his vice president for 11 years.

Retired presidents will also receive free medical care for themselves and their families under the bill and be entitled to a state funeral. The [illegible] allowances and [illegible] expenses will be [illegible].

A president who is impeached loses all his retirement benefits, according to the bill.

Kenya's present constitution provides for a pension for a retired head of state but does not go into details.

Opposition member Otieno K[illegible] [illegible] and retired president should [illegible] covered in the retirement package.

Nyong'o said SA, Botswana, Senegal, Tanzania, Uganda and Zambia had retirement packages for presidents but other African states tended to neglect retired heads of state.

A retired president would be banned from [illegible] in active politics, according to Nyong'o's bill. — Sapa-AFP

Rail link from south has Kenyans worried

(167) BD 3/11/98

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 for initiatives 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 Fourie says that 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 150 000 tons of cement a year for Tanzania's Tanga 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 Ogana said "What we are likely to see is a deflection of focus 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 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 ($2 500) 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 between 10% and 20% less in shipping costs than its competitors

Audit report damns employee scheme

James Macharia 6/11/98 (161)

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 $22,8m 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 $16,6m

Another dubious investment is the fund's headquarters opened in 1994 whose construction cost shot from $7,8m to $33,3m

Kenyan small-bank sector shattered by two closures

James Macharia BD 12/11/98. (167)

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 Cheserem 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 Ajay Shah has come under scrutiny by the central bank for his role as both owner and CE of the banks When the central bank took over Trust Bank, it required him to relinquish his position as CE 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 begun 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 0,5% 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 $65m in the next 18 months to qualify under the regulations, which come into effect at the end of next year

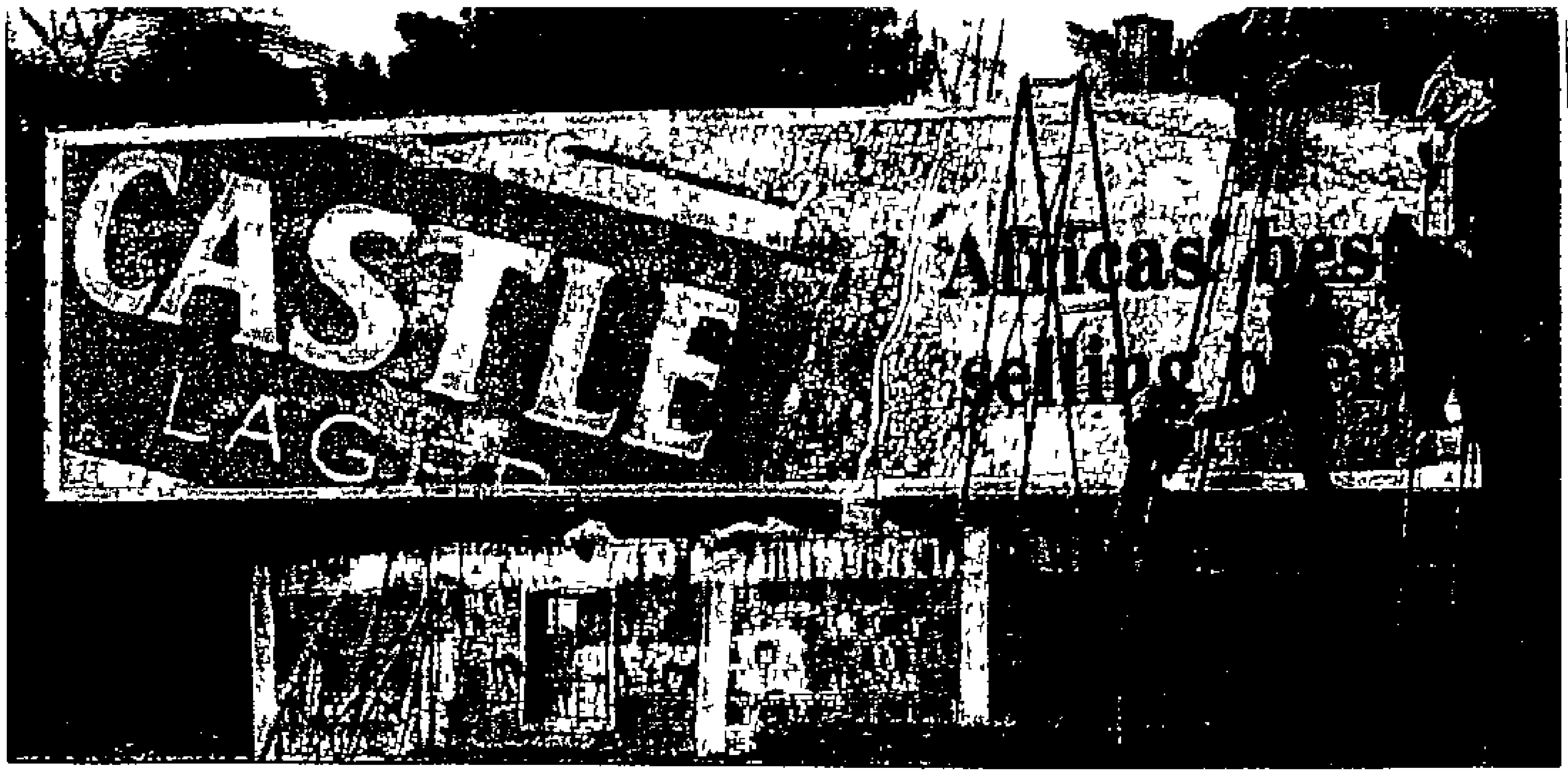
The central bank said it was unlikely several small banks could raise $3,3m capitalisation before then This amount is now at $1,2m

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



BATTLE OF THE BILLBOARDS *A hoarding for Castle beer along a highway in Nairobi, where several outdoor ads have been sabotaged in a row over trading turfs between Kenya Breweries and SAB* PHOTO: REUTERS

Beer war brews as SAB challenges in Kenya

(169) 18/11/98

Matthew Bigg

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.

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 insinuations 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 is 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 98 percent of South Africa's domestic beer market and dominates the African industry.

SAB has been market leader in the Tanzanian market since 1993 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 2,2 million hectalitres consumed annually in Kenya, said McInnes.

Castle's distribution and marketing are aimed at the Nairobi area, which accounts for 60 percent of the Kenyan market.

"If you take over a yearly 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 as much 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 9,5 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

(163)

DAVID MAGERIA

CT (ISR) 30/11/98

Nairobi — 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 Ongeri, local authorities minister, and Kipkalya Kones, 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 milked 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 efforts 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

BD 3/12/98 (163)

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 tax payers 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, is affected by, or is a victim of corruption," said Musikari 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 "kitu kidogo", or "something small" in Swahili

Last May, Finance Minister Simeon 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 $83m 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 baleout 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 $25m 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

(163)

World Bank-driven privatisation reforms on track in east Africa

Michael Wakabi

BD 3/12/98

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 Besides 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 foreigner 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 $1 166 it takes to get connected

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 said 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 $23m 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

Kenyan govt to sell stake in National Bank

(163) BD 4/12/98

James Macharia

Political and business elite have traded on bank's official connection

NAIROBI — The Kenyan government plans to sell off its 22,5% stake in the troubled National Bank after an International Monetary Fund team recommended that it do so to make it more attractive to a major buyer

The government's stake is regarded as a drawback, particularly as the country's political and business elite appear to have traded on this connection to run up heavy debts Prominent debtors include a son of President Daniel arap Moi, two cabinet ministers, the deputy speaker in parliament and a former State House comptroller The bank's other loans are to parastatals - and were accumulated over nearly two decades

The crisis at National Bank is reminiscent of that at the Uganda Development Bank which collapsed last month after it was owed about $81,5m by senior officials in President Yoweri Museveni's government It mirrors also the experience of Zimbabwe's Finhold banking group in which government has a 20% stake Finhold was subjected to a Reserve Bank salvage operation after bad debts were run up by the ruling Zanu (PF) party and government agencies

National Bank, Kenya's fourth largest bank, needed a $33m bale-out from government several days ago after a run on the bank's deposits forced it to pay out $21m over one week This came at a time of general crisis for Kenya's banking sector which has seen the collapse of five small and medium-sized banks over two months.

National Bank's bale-out was necessitated by unserviced loans to parastatals that government had guaranteed $23,5m and $19,6m to the Nzoia and Muhoroni sugar factories respectively, and $13,4m to the Kenya Meat Commission.

The IMF team now says it believes a further $50m injection is needed to sustain the bank.

Finance Minister Simeon Nyachae has appointed an experienced central banker to oversee the revival of National Bank and recover debts amounting to $140m However, analysts project the most that can be retrieved is 50% of the bad debts identified

Bank head John Simba says most debtors have filed court injunctions to prevent the bank recovering money owed to it Central Bank of Kenya governor Micah Cheserem has accused the courts of doing little to punish politically connected loan defaulters

Uproar over regulation for govt export agencies

BD 9/12/98 (163)

Mark Turner

Financial Times

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 Farakikya, 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, conversely 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

~~160~~ (163) BD 15/12/98

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 Kuloba 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 recorded 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

BD 4/11/99 (163)

IMF loans to Kenya depend on new anti-corruption unit

(163)

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 Osunsade, the IMF's resident representative in Kenya

"The matter needs to be dealt with expeditiously," Osunsade said

The IMF halted a $205m three-year ESAF aid package in July 1997 to reinforce its protest against corruption and bad governance in Kenya

Osunsade 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 —Reuter

BD 15/1/99

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 says

"The project involves onlending by KCB to export-oriented small and medium enterprises, which use the funding to rehabilitate, restructure and expand investments in the agribusiness, manufacturing and tourism sectors," 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

(163) BD 15/1/99

Moi's succession and IMF spat beset Kenya

07(AR) 19/1/99 (163)

MANOAH ESIPISU

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 $205 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 Goldenberg 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 jostling 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

Kenya meets key condition for IMF aid

(163)

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 Osunsade said solving the authority's problems would be an important step towards reopening talks on the Enhanced Structural Adjustment Facility arrangement

The IMF halted a $205m, 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 — Reuter

BD. 20/1/99

SA Breweries relaunches its controversial Kenyan lager

James Macharia (163)

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 20/1/99

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

GEORGE MULALA / REUTERS

University of life . students dance in the street near a burning barricade after being barred from planting trees in a forest the Kenyan government is selling.

Scores hurt as students protesting against land sale run riot in Nairobi

Star 1/2/99 (163)

Nairobi – Hundreds of Kenyan students barricaded a main highway with burning tyres and staged a noisy hit-and run battle with riot police in central Nairobi yesterday

Police fired teargas canisters to stop the students from marching from Nairobi University's halls of residence into the nearby central business district.

Student sources said scores of demonstrators sustained minor injuries in the confrontation

Worshippers attending morning services cowered in Roman Catholic, Presbyterian and Lutheran churches only a few metres away, afraid to leave and run the gauntlet of the rioters.

The confrontation followed incidents on Saturday when students were driven back by riot police when they tried to plant tree seedlings in a forest area on the city outskirts which has been sold for luxury housing.

Student leaders said they were protesting at the destruction of Kenya's forests.

They demanded the release of an unknown number of their colleagues who had been arrested on Saturday, and said they would not sit examinations scheduled for today unless authorities met their demands.

Traffic along the main trans-Africa highway through central Nairobi was diverted when the students blocked a junction 200m from their halls of residence.

Traffic lights and a clock at the junction were smashed and motorists had their windscreens smashed.

Witnesses said some of the students later retreated into the halls of residence when opposition MPs and outspoken environmentalist Professor Wangari Maathai addressed them and expressed supported for their protest. – Reuters

REUTERS

Firepower: police at the University of Nairobi in Kenya disperse students protesting against plans to erect houses in a forest near the capital

Campus closure quells three-day student riot

ARG 2/12/99 (163)

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

Kenya 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 – Sapa-AFP-Reuters

CAPE TIMES
★ TUESDAY, FEBRUARY 2, 1999

ANGER OVER SELLING OFF OF FOREST LAND

Rioting disrupts Nairobi

CT ~~2/1/99~~ 2/2/99

(163)

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 teargas and rubber bullets, before firing at least two live shots

The protests started over the despoilation 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 kicked, 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 riot police, who fired back volleys of teargas 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 teargassed 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 —

Page 4

Squabbles delay process to draft new Kenyan constitution

Star 8/2/99 (163)

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

2/98

Privatised firms profit

BD 4/3/99 (163) ~~(360)~~

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 Mitine, 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 divestiture 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 Mitine 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 74,28% in the year of divestment, while the average annual increase rose 191,38%

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

(163)

James Macharia

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 Sugisaki

Sources said President Daniel arap Moi's government formally requested the Bretton Woods institutions to help it identify a non-Kenyan 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

BD 5/3/99

Williamson should not get amnesty, says Bizos

PD 3/3/99

Stephané Bothma

Amnesty requirements of disclosure, political motive and proportionality were not met

PRETORIA — Apartheid spy Craig Williamson is a vindictive man who lied to the truth commission and whose actions were completely out of proportion to any political objective and he should therefore not be granted amnesty for the murder of Ruth First, the commission's amnesty committee heard yesterday

The committee heard the former security policeman had acted out of personal malice, ill-will and spite when he dispatched a parcel bomb to First in 1982

This was the argument of George Bizos SC, who is opposing the amnesty application of Williamson for the murder of First on behalf of her three daughters First, the wife of late African National Congress military wing Umkhonto weSizwe leader Joe Slovo, was killed when a parcel bomb mailed by Williamson exploded in Maputo in August 1982

"Williamson is a vindictive human being He hated Joe Slovo and wished him dead or captured However, despite the best efforts of the SA security forces, he was not killed or caught and to destroy or to weaken Slovo, Williamson dispatched a packet bomb to First and then planted a story in the press that the ruthless Slovo had killed his own wife," Bizos told the amnesty committee under the chairmanship of judge Andrew Wilson

Bizos also argued that Gerry Raven, the security police explosive expert who prepared the bomb, should also not be granted amnesty.

Williamson had failed to comply with all three of the requirements for amnesty — namely full disclosure, a political motive and proportionality, Bizos argued

Bizos also said Williamson had lied to the commission when he testified that former security police chief and later police commissioner Gen Johan Coetzee had no knowledge of the parcel bomb mailed to First

"The close and special relationship between Williamson and Coetzee over many years has been clearly established," he said

Williamson had, he said, also lied when he told the amnesty committee he had not seen the name of the addressee on the parcel bomb and that he thought the bomb was meant for Slovo

"On Williamson's version he must have seen the name of the addressee If he saw the stamp, the logo, the name of the university (where First worked at the time) and the name of the city, he could not possibly have failed to see the name of the addressee," Bizos said

About Williamson's alleged political motive in killing First, Bizos argued the former policeman had after the fact tried to justify First as a legitimate target for assassination At the time the bomb was mailed, Williamson ought reasonably to have known that the activities of First and her husband, were fundamentally different.

"First was not involved in MK activities or in planning and strategy against the SA state. She was not a high-ranking official of either the ANC of the SA Communist Party She was not even an official of those organisations

"Her work (as an academic) was no secret. Her writings had been published and she was employed as a lecturer in the Centre for African Studies of the Eduardo Mondlane University in Maputo," Bizos said

Bizos told the committee that Williamson was a skilled deceiver and calculating liar. "He even attempted to manipulate the evidence in this hearing."

He submitted that Williamson's true motives at the time for killing First were that he considered her to be a member of the family of a prom nent ANC official and, as such, a target for attac

"In essence, Williamson was pursuing his a proach of terrorising the terrorists," Bizos said

Williamson also applied for amnesty for th 1984 murder of ANC activist Jeanette Schoo and her six-year-old daughter Katryn in Luba go, Angola

Meantime, committee chairman Andrew Wi son yesterday expressed his condolences to 1 year-old Fritz Schoon, the son of Jeannette an Marius Schoon, over his father's recent death

"Your father very bravely gave evidence b fore us (late last year) while suffering from th illness that eventually caused his death He wi remain in our memories," Wilson said

He also expressed regret about the death o Fritz Schoon's mother and sister when Fritz wa only two years old "It must have been a ver heartbreaking experience for such a young boy

"Your family will always remain a part of the new history of this land," Wilson told Schoon

Kenyans criticise visa requirements

(163) BD 17/3/99

It will now cost visitors to SA R150 for a stay of more than a month

James Macharia
and John Dludlu

NAIROBI — Kenyan exporters have criticised SA's new travel regulations, saying the measures will hinder the expansion of trade.

SA's home affairs department confirmed this week that from this month visitors from Kenya — businessmen, students and tourists — would need a visa.

Hennie Meyer, the spokesman for the home affairs department, said the measures were designed to clamp down on corruption and fraud in travel documents by people claiming to be Kenyans

Peter Muthoka, the CE of the Export Promotion Council, said the new rule would hinder trade "The visa rule will cause delays to business travellers and it can be seen only as yet another barrier to increased trade with SA," he said

A source at the Kenyan foreign ministry said reciprocal action for SA visitors to the country was "under consideration".

Muthoka said the rule had come at a time when SA was increasingly seen as a potential market by Kenyan businessmen who, however, had to contend with high tariffs and trade quotas on their goods

Meyer confirmed that a host of requirements — including confirmation with SA business partners — would have to be met for the visa to be granted

While Meyer said requirements depended on each traveller's circumstances, it is understood from Kenyan businessmen that conditions for a visa include a letter of invitation to SA stating the purpose of the visit and a letter from the employer indicating length of employment, position and permission to travel had been granted

Other requirements include bank statements going back six months and an air ticket

An SA official said it usually took at least 10 working days to process a visa application

Although no fee will be charged to visitors staying for less than a month in SA, it would cost R150 for a stay beyond 30 days, according to home affairs

Kenya exports flowers, textile, pyrethrum products, wines and soda ash among other commodities At present Kenya's exports to SA are a third of its imports from that country, which the export council estimates at nearly 20-billion Kenyan shillings a year

Kenya and SA have never had visa requirements on visitors from either country — Kenya still has no such requirement. Prior to the new rule, Kenyan businessmen and students required visas only for visits exceeding one month

An SA Airways official said the airline transported about 1 700 Kenyan businessmen to SA every month The official said the new rule may have been introduced after several Kenyans travelling to SA in search of employment and business opportunities did not to return to Kenya, adding to SA's growing illegal immigrants population

Nairobi's bourse faces tough times

BD 17/3/99 (163)

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 18 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 Ngaine, 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

AFRICAN BUSINESS

With key revenues depressed, resumption of IMF lending is vital

Kenya's bullish new growth forecast wins few converts

CT (BR) 23/3/99 (163)

MANOAH ESIPISU

Nairobi — The forecast by Francis Masakhalia the Kenyan finance minister, of a near doubling in economic growth in 1999 looks over-optimistic, economists said on Monday

In his first interview since his appointment last month, Masakhalia said last week he expected real gross domestic product growth in Kenya of about 3,0 percent this year, up from 1,6 percent in 1998

However, with revenues from tourism, agriculture and manufacturing still depressed, Masakhalia's projection is above that of most private forecasters

Nick Douch, an analyst at BZW in London, said "That forecast was a little on the higher side I am inclined to stand by a growth figure of around 2,0 percent"

Joseph Kimura, the executive director of the private Institute of Policy Analysis and Research in Nairobi, is even less positive All indicators point to economic decline," he said

Much depends on a resumption of lending by the International Monetary Fund (IMF), whose withdrawal of a key loan in 1997 sent the economy into a period of slow growth from which it has yet to fully recover

"For the economy to grow it will need a little bit of outside money," Douch said "If IMF conditions are met, there can be funding in the summer Kenya will need IMF and World Bank funds and more investment for the economy to grow"

On a sectoral basis, economists find little to cheer

Commodity revenues, a key source of foreign exchange and economic growth, would drop this year, said Musalia Mudavadi, the agriculture minister

Coffee output has been in decline for the last three years, while tea is unlikely to repeat its record 1998 harvest owing to poor weather

Many tourists continue to shun Kenya since violence on the coast tarnished the country's image in 1997 Manufacturing is still hampered by poor infrastructure, particularly the dangerous state of Kenya's road network

Although interest rates on 91 day treasury bills have fallen dramatically to under 10 percent from a peak of over 27 percent last April, base rates are falling more slowly Weighed down by the millstone of large bad debts, banks are not rushing to lend more to the private sector, which in turn is limiting its borrowing because of a lack of confidence

Finally, some analysts say the government's determination to balance the budget at all costs is having unintended negative consequences for the economy

Instead of targeting spending to priority areas, the government is piling up a mountain of unpaid bills, to create the illusion of budget balance

'Some of us have advocated for the government to forget this pledge about a balanced budget and fully meet its pending bills and other commitments in order to jump-start this economy," said a senior economist in one government department

"Government also has to free money to repair infrastructure, especially roads You have to make big investments before the economy can grow again Juggling with numbers by statisticians is simply not the solution," he added — Reuters

Kenya gets corruption body chief

(163)

ROVERT OTANI

CJ (BE) 27/3/99

Nairobi – After nine months of long waiting and uncertainty, Solicitor-General Aaron Ringera has finally been appointed as director of Kenya's controversial anti-corruption organisation.

The Kenya Anti-Corruption Authority (Kaca) statutory body was instituted about two years ago by parliament to find ways to curb levels of vice in the country.

The top Kaca job has remained vacant since last July when President Daniel arap Moi suspended the independent-minded John Harun Mwau, the director since its inception.

Contrary to reports that an expatriate would be hired to head the anti-graft body, Ringera, a former high court judge, will now take up the post for a four-year term. It was learnt that several foreigners had applied for the job.

Ringera's appointment was approved by the Kaca advisory board, chaired by Tom Diju Owuor, who is also the executive director of the Federation of Kenya Employers. The Kaca board was itself reappointed on January 19 after being disbanded.

Mwau, who was appointed in December 1997, just a week after he quit the presidential race on a Party of Independent Candidates of Kenya ticket, was shunted from his anti corruption crusade on July 30 last year.

Interestingly, Moi finally re-appointed the body's advisory board on January 19 after protracted pressure from the International Monetary Fund (IMF).

Last month, an IMF technical team visited Kenya to assess how much ground the country had covered in its efforts to curb high-level corruption.

Festus Osunsade, an IMF representative, said Kenya had to appoint the Kaca director before the resumption of negotiations for a $205 million enhanced structural adjustment facility loan suspended in 1996. — Independent Foreign Service.

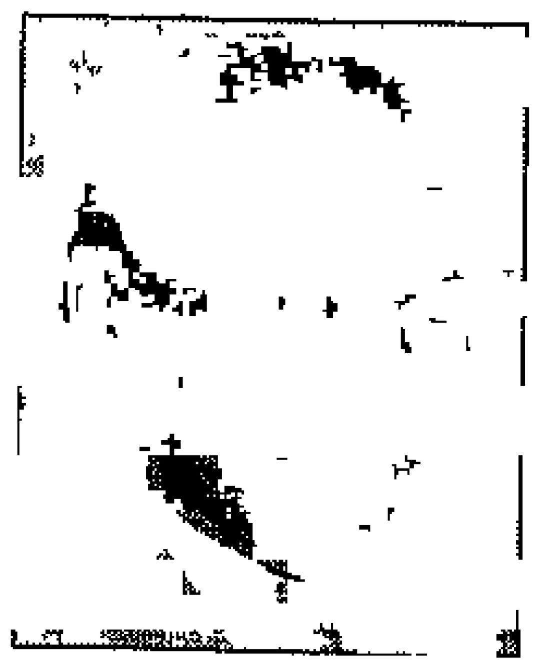
(165) ~~(564)~~ ~~(575)~~

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


Daniel arap Moi

Disquiet in Kenya over Moi's choice

(163) Star 9/4/99

People now think they know who will be their next leader, writes Robert Otani

By re-appointing former university teacher George Saitoti as Kenya's vice-president last week, President Daniel arap Moi believes he has put to rest the contentious issue. It is a whole 14 months since he named his cabinet after the last general election, but the president has stubbornly left the No 2 job vacant in readiness for what Kenyans now call the Moi succession

The president's final term ends on December 29 2002 This delay means that all is not well in the ruling Kenya African National Union party It means also that Moi failed to find a suitable successor from within his own Kalenjin ethnic community or the Kanu-supporting communities

This is borne out by the fact that, in January 1998 Moi dropped Saitoti, a one-time abstract mathematics professor at the Nairobi University, as vice-president Although he and his family emigrated into Maasailand when he was a child and now represents a Maasai constituency in parliament, Saitoti is of ethnic Kikuyu extraction.

The Kikuyu and the Luo, Kenya's two largest ethnic communities, form the bulk of the opposition They have been the most implacable critics of the Moi government, which they accuse of being steeped in high-level corruption, tribalism and general mismanagement

For the past two or so years, Moi has repeatedly said he wants to bequeath to Kenyans a legacy of peace and prosperity Political observers see in the reappointment of Saitoti a thinly veiled attempt to forestall chaos upon his retirement or death

But the appointment has staggered many Kenyans for two reasons. It was when Saitoti was the minister for finance that the infamous Goldenberg scandal happened In the scam, a Kenyan of Asian descent, Kamlesh Pattni, and his Goldenberg International company were paid a whopping KSh13-billion (R1,4-billion) as compensation for what has since turned out to be imaginary exports of gold and gold products. Saitoti and senior government officials at the treasury at the time were seen as being as culpable as Pattni himself

The second reason is Moi has crossed swords with people within Kanu who have been eyeing the job, top among them his close confidant, Nicholas Biwott, the regional and East African co-operation minister Like Moi, Biwott is a Kalenjin Naming his possible successor would have meant two Kalenjins assuming the presidency twice in a row, when more than 40 other ethnic communities wish to have one of their own have a stab at the top job in the land.

But what is likely to subject the president to a few sleepless nights is what to do with the opposition party leaders who have a forged an amorphous co-operation with the government party.

Saitoti's resurrection is also likely to further widen the division in the ruling party For the past few years, Kanu has been segmented into what the press refers to as Kanu A and Kanu B Saitoti belongs to Kanu B, which is fronted by Biwott and with Kanu secretary-general and trade minister Joseph Kamotho, a Kikuyu

Political observers believe that Biwottís alignment with the two Kikuyus is 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 so 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 treads warily in speech as well as in deed

His re-appointment has received wide acclaim, especially from the hard-to-please Kikuyu community and the petulant clergy 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

ANALYSIS

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 Nyeri, fourth city of Kenya. Road? The stretch through the town was a dusty, pot-holed track with diversions to allow for non-existent roadworks Matatus (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 "dukas" selling produce, carvings, simple furniture, refreshments, old clothes from crazy and squalid 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, noticing my gaze

An even more jaundiced view was expressed by a Kenyan woman whose husband had worked abroad for 20 years "I wish we'd never come back. I've told my children to stay in Europe. When we left everything worked and people were honest. Now the whole country is falling apart and everyone is on the take"

Kenya's "uhuru" came 36 years ago and has left almost no place at all for the "mzungus" (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, Powyses — they still have a flavour of the old ruling class "white Highlands" days before uhuru 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 "mzungus" should be the last to complain Theirs is a wonderful way of life Comfortable homes in large plots, servants (in Kenya domestic service has no stigma), endless open-handed entertaining, good schools, a wonderful coastline for holidays and supermarkets with groaning 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 Ismailis, remain very rich and most are prosperous If the crunch came it's they who would bear the brunt of black rage, for which there is every provocation. Not from the Asians, of course, but from the misdeeds 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 bitterness 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), derisory pensions, schools overflowing 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 mzungus' hardships are nothing compared with these. frequent power cuts, dreadful roads and appalling phone service, bureaucratic thieving, 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 Ololua Environmental Conservation Group held in the office of the location chief (another colonial survival but with no hereditary aspect) to work out plans to stop the destruction of Ololua 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 despoiling a large part of the 600 ha forest, driving out its giraffes, bushpigs and antelopes and damaging nearby homes with uncontrolled blasting. There was realism, good humour and a mood of co-operation, glorified here as "harrambee", seen at its best in the months after the carnage of last year's bombing of the US Embassy There was an awareness of the needs of the estimated 3 000 (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 selling off of parts of the Karura forest even nearer Nairobi city centre last month.

This is how civil society can work in Kenya 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 innumerable 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 "harrambee", which it cannot share with its political opponents or the country's admirably free press

("The mess and chaos that the city of Nairobi is, is largely the product of leadership that is alien to the urban issues and the institutionalised corruption that characterises the Kanu regime" is the rubric to one story, "Why the rape of Kenya forests must be stopped and the struggle to save Karura be sustained" is another, in this week's news magazine *Finance*)

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.

(163) CT 20/4/99

Kenya upbeat about growth of economy

(163)

CT(BR) 22/4/99

From Reuters

Nairobi – Central Bank of Kenya (CBK) 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, 4,6 percent in 1996 and 4,8 percent in 1995.

Outstanding IMF issues like corruption and 'governance' are being attended to

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

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Mr Johan Swemmer

Appointed General Manager of the ATNS College Previously Human Resources Manager at ATNS

DAY

100 Awards

y Top 100 Awards

All in place for Kenya's telecoms industry

(163)

BD 23/4/99

NAIROBI — The long-delayed liberalisation 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 Ntimama 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," Chekong'a said

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 between Telkom Kenya and British telecommunications company Vodafone The British firm is to 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 —Reuter

Responsibilities to be split and Vodafone to take stake in cellphone operator

Kenya liberalises telecoms sector

CT(BR) 24/4/99 (163)

David Mageria

Nairobi – The long-delayed liberalisation of Kenya's telecommunication 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 Chekong'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 in 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

Star 26/4/99 (163)

By Robert Otani
Nairobi

You are sauntering along Tom Mboya 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 traders

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 undisciplined 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, Koinange and Muindi Mbingu streets has seen bloody confrontations, which occasionally leave scores injured – and thousands of dollars worth of property either destroyed or confiscated

"They have taken over control of the town"

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 Tayari, the main open-air market, are littered with all sorts of consumer goods being sold, particularly by refugees from war-weary Somalia

Here you may buy almost anything, from clothes and shoes to electronic gadgets such as radios, radio cassette recorders and other goods

The street trade concept is rather new in Kisumu, the third largest town on Lake Victoria, about 500km west of Nairobi

Until only recently, the streets in Kisumu were dirty only in the sense that they were not being kept clean by the lethargic and civic authorities, which are often broke

But now, due to the nagging need for survival, in every nook and cranny of Kisumu there is somebody selling one thing or another

The pavements are littered with especially textiles and electronic equipment

While most of the street traders in Nairobi and Mombasa receive their goods from neighbouring Tanzania, Somalia, Sudan and Ethiopia, their counterparts in Kisumu mostly smuggle theirs from Uganda

If they do not smuggle the goods, Kisumu vendors buy them in Kampala

What makes the Ugandan goods cheaper is that the government of President Yoweri Museveni subsidises imports heavily

Goods are imported almost duty-free, unlike in Kenya where heavy tariffs and taxation make imported goods almost out of reach to the common man

But the slip side of the booming business is that the conventional traders, especially the Asian *dukawallahs*, are up in arms

Ayub Khan, has been running a retail outfit shop in Kisumu for the past 20 years

But now, he gripes, all is not well with his business as hardly a customer visits the shop in a whole day

He would rather go to a street vendor for second-hand clothes, or "*mitumba*" in the local parlance

"I pay heavy tax for this business and the vendors who pay very little, are allowed to operate right outside my door," complains Ayub

"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 shoeshiners, 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

CT (MR) 6/5/99 (163)

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 18/5/99 BD.

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 Comesa 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

Mfundo Nkuhlu, 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"

(163)

He warned that a preoccupation with accusations based on inaccurate information undermined efforts to build a healthy bilateral relationship

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' "

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

Comesa 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 forpresentation next month

Most foreign firms dismayed with Kenya

ET (BDR) 26/5/99 (163)

ROBERT OTANI

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 Nairobi 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 125 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 $205 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

(163) ET 27/5/99

ROBERT OTANI

NAIROBI. When the country's top judges, advocates of the High Court and security officers visited the residence of recently slain magistrate Babu Achieng in western Kenya, they were not only mourning his death, but also that of law and order in the country

"Protect us," Zacheaus 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 Achieng'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 gangs

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 victim, depending on the wishes of their clients

Achieng'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 frailties, 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

Terrorist-hit US trains Kenya to protect coastline

(163)

Fledgling coast guard is taught to stop and search, writes **James Macharia** in Nairobi

BD 1/6/99

KENYA will soon have its first team of Coast Guards to patrol the country's 640km 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 also 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 of Kenya

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 Hotelkeepers 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

BD 10/6/99 (167)

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 $116 666 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 Mugirango 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 $500 000

Moi and one Mohammed Muzahim are directors of Sheraton International Holdings

The committee found that among 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 $25 000 was paid in relation to the fourth and fifth Mercedes-Benz cars out of the assessed tax of $106 666, 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

KENYA *Overspending and corruption to be eliminated*

Budget promises 'sound hollow'

ET (BR) 11/6/99 (163)

Simon Denyer

Nairobi — Francis Masakhalia, Kenya's finance minister, announced tax cuts yesterday to try to alleviate poverty and resuscitate the moribund economy, but admitted he could not balance the budget in the 1999/2000 fiscal year

He also promised to tighten up on spending, repair the country's battered infrastructure and improve the quality of public administration

While some analysts welcomed the tax cuts, they said his words rang hollow after years of broken promises The projections underpinning the budget appeared optimistic

Masakhalia said he expected to run a budget deficit of 1,5 per cent of gross domestic product (GDP) in 1999/2000, although he did not factor in any direct budget or programme support from foreign donors

The International Monetary Fund suspended programme lending to Kenya in 1997 in protest against rampant official corruption The World Bank and other donors followed suit

Masakhalia told parliament the government ran a budget deficit of 2,6 percent of GDP in 1998/99, after targeting a balanced budget this time last year

He promised to stamp down on ministry overspending and to eliminate corruption

'The government intends to make corruption intolerable"

He set his four priorities this year as upgrading and repairing the economic infrastructure, particularly roads and the power supply, improving the provision of basic services such as health, education and water, improving security and the administration of justice, and alleviating poverty

He also promised to push through privatisation of state interests in telecommunications ports and railways

Masakhalia said he would cut the top rate of income tax and corporate tax to 30 percent from 32 percent, and the top rate of value added tax to 15 percent from 16 percent

Nikhil Hira, a tax partner at Deloitte and Touche, said the measures would have some positive impact on growth, but were not significant enough to revive the economy

'[But] in a time of economic crisis and budget deficits, it is quite radical to reduce tax rates,' he said

Robert Shaw of the Institute of Economic Affairs said the budget, like many of its predecessors, acknowledged some of the important problems but failed to make enough specific promises to tackle them

"There were all the nice-sounding pledges, but of course the track record of implementation is very poor," he said

There was a less positive reception for Masakhalia's plan to increase the road maintenance levy on petrol Economists said this would push up inflation, as world oil prices were rising and the Kenyan shilling was falling – Reuters

PAPER CHASE *A protester marches towards parliament in Nairobi as Kenya's budget is read yesterday Police tried to break up the march against the writing of a new constitution*

PHOTO REUTERS

Central bank says dilapidated infrastructure and delays in implementing reforms will retard recovery

Kenya's GDP forecast revised down to 2%

(163) CT (MR) 15/6/99

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 1995 and 4,6 percent in 1996 Growth subsequently slowed to 2,3 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 in to 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 $205 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 Posts & Telecommunications, Kenya Ports Authority and Kenya Railways – Reuters

15/6/99 (163) B/D

(163)

'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 Somali 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 matter

The moment the three camels and their drivers arrive in the Somali village of Bulla Iftin 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 Iftin or anywhere near it

"Since we began supplying books to the region a lot more parents have started sending their children to the village schools," said Wycliff Oluoch, 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 criss-crossing the northeast of the country, are much poorer than the Kikuyu or the Luya 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 Oluoch 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 Oluoch

Three years ago village elders donated a camel to Garissa library and now three "desert ships" laden with books ply the area around Bulla Iftin five days a week It is appropriate since Bulla Iftin means "the village that became enlightened" — Sapa-DPA

CAPE TIMES ★ FRIDAY, JUNE 4, 1999

Pityana, Mdladlana face court

(165)

LABOUR MINISTER Membathisi Mdladlana and his director-general, Sipho Pityana, may be called before the Cape High Court to explain why they should not be held in contempt of court for failing to give Brian Williams, the suspended provincial director of labour, documents as ordered by the court on Tuesday.

Justice Jeanette Traverso had ordered Mdladlana and Pityana to hand over "forthwith" the documents on which Williams' suspension was based in order to assist him at a hearing before the Commission for Conciliation Mediation and Arbitration (CCMA) to determine the lawfulness of his suspension.

When Williams and his legal team arrived at the CCMA yesterday morning, Zwe Ndlala, Pityana's representative, said the documents were not yet ready.

She undertook to provide them late in the afternoon.

Ndlala had been removed as Pityana's legal representative at an internal disciplinary inquiry when presiding magistrate Liana Myles disclosed he had telephoned her at home — days before she was due to rule whether Williams should face misconduct charges — and threatened that she would be removed if she did not rule in the department's favour.

Graham Taylor, counsel for Williams, said he was extremely disappointed at the failure of the department of labour to comply with a court order.

He added that the department should set an example to indicate to society at large that there should be compliance with the law.

Dee Cranswick, president of the Professional Employees' Trade Union of South Africa (Petusa), said in a statement that the union was giving "strong consideration" to once again applying to the High Court and advise the court of the minister and Pityana's failure to comply with a court order.

"Petusa is alarmed that the Labour Department should have to be ordered by a court to comply with a fundamental constitutional right dealing with the protection of workplace rights which is supposedly the custodian of our employment and constitutional rights," Cranswick's statement read. — Special Correspondent

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 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

(165)

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

CT 28/6/99

Kenya splits telecoms body into three units

(E163) BD 1/7/99

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

Genesius Kithinji, head of posts and telecommunication at the ministry of transport and communications said Kenya Posts & Telecommunication 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 30% stake in the firm

The split will pave the way for Telkom Kenya to seek a partner for a 26% stake in the company

The commission's boss Samuel Chepkong'a said it would invite bids for a second cellular provider on July 24 and that it expected to license an operator in March 2000

The former MD of the Kenyan corporation, Augustine Cheserem, who was moved to Telkom Kenya, said his company will focus on reducing tariffs

Kithinji 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 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 a about seven lines for every 100 000 people — Reuter

Kenya splits posts and telecoms into three

(163) CT (BR) 1/7/99

From Reuters

Nairobi – Kenya's government yesterday split the state-owned Kenya Posts & Telecommunication (KPTC) into three units – post, telecommunications and regulation – to prepare for eventual privatisation

KPTC would cease to exist from today, said Genesius Kithinji, 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 VODL, 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," Kithinji 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," Kithinji said

"Each of the companies will have their own manager, logo and new offices from Wednesday"

Augustine Cheserem, 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, Kithinji said

Kithinji 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," Kithinji said

He said the split was not expected to cause job losses Of the KPTC's work force 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 outcharge each other for services rendered through a transitional arrangement, Kithinji 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

BD 16/7/99 (163)

Mark Turner

Financial Times

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 reiterate 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 1,5% growth in 1999, down from 1,8% 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 Cheserem, the Kenyan central bank governor.

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 mefliam or doxycycline "—Sapa

(163) BD 21/7/99

Leakey to root out Kenyan corruption

While Mugabe admits to cabinet graft

(163) ARG 24/7/99

Nairobi

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

TOUGH COOKIE: Richard Leakey

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 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

(163)

BD 28/7 1999

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 is 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 — Reuter

CT (BR) 29/7/99

Kenya denies defaulting on its debts

(163)

FROM SAPA-AP

Nairobi – The new permanent secretary at Kenya's finance ministry said yesterday he was unaware of any foreign debt payments that his country had not been able to meet.

"None to the best of my knowledge at the moment," Martin Oduor Otieno said in response to a question about whether Kenya had defaulted on any bilateral debt.

The weekly East African reported on July 19 that Kenya had defaulted on repayments of 4,6 billion shillings (about R383 million) owed mainly to France Japan, Austria and Britain.

The newspaper, which did not give a source for the information, said about 3 6 billion shillings represented repayment of princi pal and 1,1 billion shillings in interest payments. It said President Daniel arap Moi s govern ment was meeting its obligations to the International Monetary Fund and the World Bank.

Oduor Otieno, who was appointed on Friday from his position as planning and finan cial director at Barclays Bank Kenya said interest rates on 91 day treasury bills were rising simply because of repayment of money raised earlier to meet government expenditure.

The rates have nearly doubled to 14 percent in recent weeks.

The former chairman of the Kenya Institute of Certified Public Accountants said part of his brief was to improve revenue collection, widen the tax base and tighten financial discipline in the government to raise money for state expenditure instead of relying on treasury bills.

He was brought in to fill the key post in the finance ministry as part of a government reshuffle Moi said was aimed at turning around Kenya s economic mess.

Leakey makes another comeback, as minister

(163) ARG 29/7/99

ROBERT OTANI
FOREIGN SERVICE

Survivor Richard Leakey, who has been appointed head of the Kenyan civil service

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 palaentologist and con servationist Richard Leakey to head the badly disjointed and corrupt civil service.

Mr Leakey may safely be described as having the nine lives of a cat.

In 1989, he was called upon to save the Kenya Wildlife Service (KWS) at the height of wanton 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 internation al fame to collect funds from overseas donors After only a few years poaching had been reduced to a bare minimum, and the threatened species began to multiply

But if his efforts at the KWS were a boon 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 con tention was parts of the animal sanctuar ies, which the politically correct individu als were eyeing 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, arguing falsely that the palaentologist was too arrogant and had no respect even for the head of state himself They accused him also of misappropriating the donor funds

So in 1994 Mr Leakey was kicked out of KWS with very little ceremony and replaced by another scientist, David Western.

Hardly amused by the move after doing so much for KWS, Mr Leakey joined the opposition bandwagon and helped found the Safina party, which was registered only months before the 1997 general election.

Mr Leakey's association with Safina and the opposition so infuriated President Moi that he called him a white chauvinist being used by his western masters to recolonise Kenya.

But Mr Leakey is Kenyan born. Besides, his elder brother Philip was once a cabinet minister in Kenya.

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 confounded friend and foe alike when he got back his KWS job back in a move politi cal and diplomatic observers said was influenced by his close friend and one-time powerful constitutional affairs minister Charles Njonjo, at present KWS chairman.

Mr Leakey's appointment to the top civil service job, being secretary to the cabinet to boot, and that of several other technocrats, is believed to be Mr Moi's first step towards political and economic recovery.

Observers say the fact that Mr Moi has chosen the white man for this highly crucial job just shows how much faith the head of state has in his own black community

The civil service is bedevilled by corruption, a fact that has caused the International Monetary Fund (IMF) to withhold $205-million (R1,2 bn) worth of enhanced structural adjustment facility

It is strongly believed that the interna tional donor community exerted pressure on Mr Moi to have somebody they could trust to clean up the civil service mess.

Kenya cuts duties as maize stocks dwindle

ET (MR) 30/7/99 (163)

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 90kg bags to meet its needs in the one to two months before 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 big 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

Kenya's annual maize consumption stands at 32 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 1,83 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

(163) BD 3/8/99

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 Directorate 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 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 safety net benefits for nonpensionable staff is estimated at $3 378 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 nonpensionable teachers to leave will each get $3 378 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 $185,4m —Sapa-AFP

Kenya faces up to poor GDP growth

ET (Mr) 13/8/99 (163)

MANOAH ESIPISU

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 2,5 percent, then lowered that figure to 2 per cent 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 privatisation of the telecommunications sector to reduce inefficiency, the central bank said

Nairobi is ushering in reforms to halt corruption and enforce fiscal discipline

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 Oduor-Otieno, 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

Oduor-Otieno 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 $205 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 – Reuters

Govt admits to debt payment problems

(163)

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 $12m owed to multilateral donors and the Bretton Woods institutions but denied having defaulted on payments

Finance Minister Francis Masakhalia 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 $946m in May compared with $1,089m previously

BD 13/8/99

Kenya tries to kick its corruption habit

(163)

Five magistrates interdicted as Moi cracks down

W WAKABI ISABIRYE
Nairobi

AGAINST the backdrop of the sensational case of a businessman who allegedly conned the Kenyan government out of more than R600-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 its staff describe as "thoroughly inefficient and demoralised" — about 126 000 public workers are expected to be retrenched soon

COMING TO THE FORE: Famous palaeontologist Richard Leakey will head Kenya's civil service Picture· AP

GT 15/8/99

Kenya's donors have frozen much of its 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 a key donor gave 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 1,6 percent for the 12 months ending April 1999 — down from 1,8 percent in 1998 2 3 percent in 1997 and 4,6 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 20,4 percent three years ago

Moi appoints new finance minister

NAIROBI — Kenya's unpopular Finance Minister Francis Masakhalia has been replaced by Energy Minister Chris Okemo

In a cabinet reshuffle ordered by President Daniel arap Moi yesterday, Masakhalia and Okemo swapped portfolios The move comes as Kenya is struggling with an economic crisis

Masakhalia had been in the finance ministry for only six months but failed to impress the financial markets, especially as his predecessor Simeon Nyachae 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

Nyachae 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 Masakhalia

Kenya's currency, the shilling, fell sharply in the weeks after Nyachae's resignation amid concerns that Masakhalia 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 wanted someone like Nyachae who displayed confidence," said Einstein Kihanda of Equity Stockbrokers in Nairobi

Masakhalia's budget in June was poorly received and in recent months Kenya has fallen into arrears on its foreign debt repayments for the first time in years.

Arthur Darragh, 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 and donors 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 — Reuter

BD 19/8/99 (163)

Kenya's wealthy are 'going to the Devil'

BD 19/8/99 (163)

Mark Turner

Financial Times

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, fingering 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 Kirubi, 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 detract attention from economic decline and political discontent

In 1993, the East African Standard Newspaper 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 running and infrastructure is a mess

"This is filling a vacuum," says Kirubi "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 Safina 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 Kisii in western Kenya

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 Muguki, is causing concern as its anti-Christian message wins converts

According to Rev Tim Njoya, 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 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 it," says Mitch Odero, spokesman for the All-Africa Conference of Churches

Coffee industry under threat

(163) DD 27/8/99

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 Nyeri

Farmers have attacked factory managers and cut down coffee trees of growers seen as opposing the campaign for smaller, more efficient co-operatives in which producers could have a strong 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 90 000 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 Oduor-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," Oduor-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 —Reuter

Kenyan trade body vows to narrow gap with SA

(163) CT (BE) 1/9/99

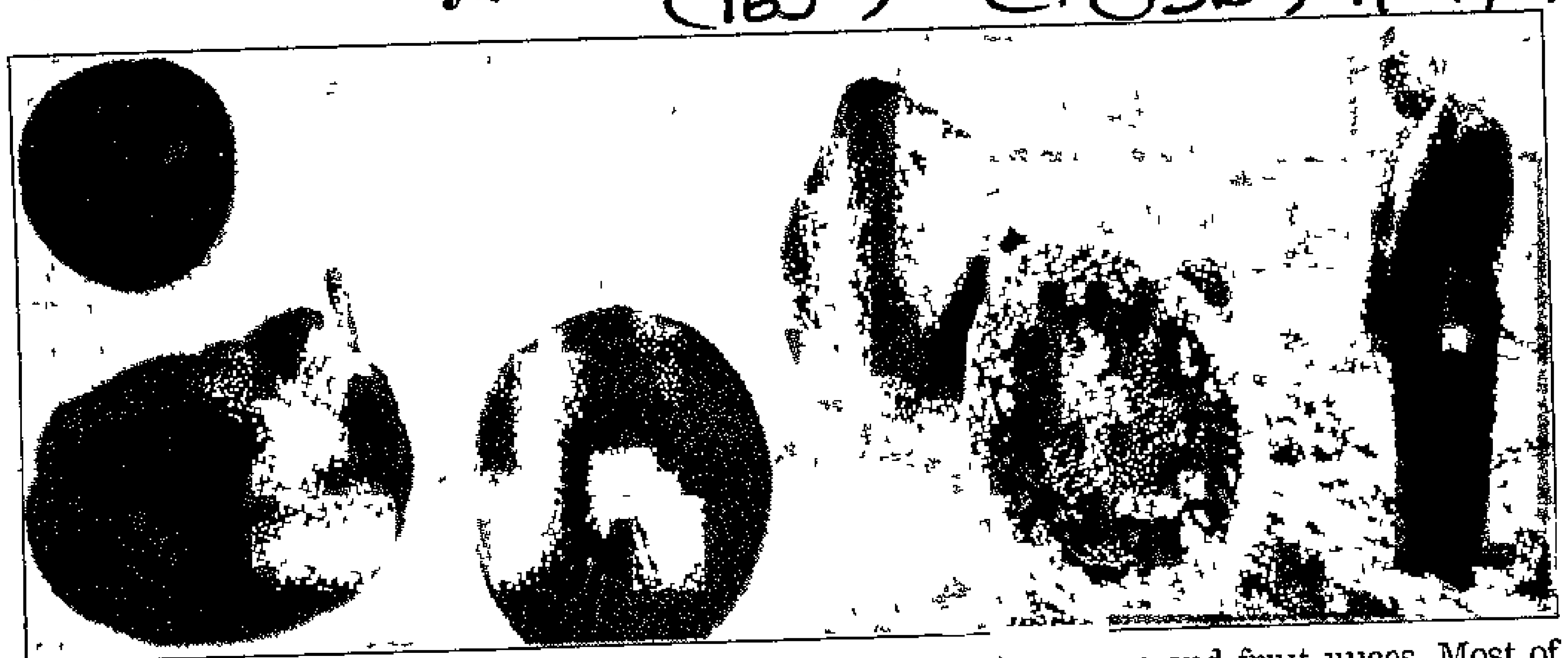
ROBERT OTANI

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 on-going 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 Ben 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

80 9/9/94 (163)

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 with Chris Okemo, who took over three weeks ago, still heading the ministry

The World Bank's acting country director in Kenya, Prof Ladipo Adamolekun, declined to comment on the shuffle, saying 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 are 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 $205m 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 Kiraitu Murungi

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 this forced a change of strategy.

Bears ravage Nairobi bourse

BD 15/9/99

There has been upturn in foreign investment, but 97% of it has gone on just one share

James Macharia (163)

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 Alico 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 disenchanted because many companies have not offered dividends, but management at the exchange is more optimistic Acting CE 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'

(163)

DAVID MAGERIA ET(BR) 16/9/99

Nairobi – Kenya's long-awaited economic recovery would not get under way 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 resuscitate the troubled economy Last week he reshuffled his Cabinet, slashing the number of ministries from 27 to 15 to rationalise public service operations.

In July Moi appointed a number of private sector technocrats to key posts in the civil service, which is now run by Richard Leakey, the famous palaeontologist

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 parastatal 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

(163) ET(Be) 17/9/99

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, "mitumba" (which means second hand in Kiswahili) 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

"Mitumba 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

'Cost savings are temporary relief for the oppressed but displace them from jobs'

One ironic newspaper advertisement showed a tennis shoe with a Mitumba logo above a message which read "Durable mesh Impact resistant soles Reinforced double stitching. Just what you need to kick Kenya where it hurts"

Under another Mitumba 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 mitumba 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 mitumba," he said

Thousands of people sell mitumba 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

BD 28/9/99 (163)

Mark Turner

NAIROBI — Kenya will decide how to privatise its moribund rail service by next month, according to Titus Naikuni, 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

Naikuni, 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 Naikuni "I was a dissatisfied customer" His appointment has been widely welcomed by donors and private businessmen

Naikuni 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 1 700 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

(163) BD 30/9/99

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' CEs

"Coffee has had serious problems. In some cases, farmers have taken up arms to reinforce their protest against bad management," said Wilson Nguyo, of the country's top agricultural school, Egerton University

"Tea farmers have also complained about how poorly the tea authority was running their affairs," Nguyo said

Nguyo 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 — Reuter

Kenyan occupancy rates rise

BD 1/10/99 (163)

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 rebound and forging plans to win market share back from SA.

After two years of deep trouble in the sector Kenyan hotels' bed occupancy rates have risen to 70% over the past three months This reverses the plunge in occupancy levels experienced since late 1997, when they fell to 16.2% Visitors to game reserves and parks dropped to a 20% capacity

The decline of the sector followed negative press publicity in Europe, which accounts for more than 80% of Kenya s tourists after violent clashes in the Coast province during the December 1997 elections

Most tourists visiting Kenya head for the sunny beaches near Mombasa island along the coastal part of the country

More than 50 mostly three-star hotels closed at the coast — leaving at least 100 000 people jobless — when the sector downturn was at its worst in mid-1998 Last year earnings from the sector dropped 22,7% to \$233m and tourist arrivals fell 10% to 921 700

Mahmud Jan Mohammed, chairman of the Kenya Tourism Federation, said "We have seen some reasonable buoyancy in the safari market since the start of July"

He attributes the resurgence to efforts by the trade and tourism ministry, the tourism federation and Kenya Wildlife Services to beef up security at game parks and along the coast

At a recent ceremony marking World Tourism Week Vice-President George Saitoti said the government was 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

Saitoti said the waiver of a \$50 visa fee requirement for tourists has also won Kenya public relations points and attracted tourists "It was not so much the money, but the visa waiver looked good to tourists because it signalled a willingness to eliminate travel hassles on the part of Kenyan authorities," he said

Top of the agenda for achieving further recovery will be the marketing of Kenya abroad, and the Kenya Tourist Board is keen to source more funds from government to challenge SA's image as a tourist destination

SA's annual marketing budget estimated at \$21m by Kenyan officials dwarfs Kenya's allocation of less than \$1,3m

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 the tourists can find interesting but they have not been tapped " says Kenyatta

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 Mohammed who says Johannesburg s crime rate is worse than Nairobi s a problem cited as a thorn in the flesh for Kenyan tourism

Moi hindering reform — church

NAIROBI — The Roman Catholic church in Kenya has blamed President Daniel arap Moi for blocking important constitutional reforms and has warned of imminent civil strife

In a pastoral letter released on Wednesday, Roman Catholic bishops accused Moi of being the main stumbling block to the constitutional reform process and warned that Kenyans have become so desperate they may soon opt for civil strife

Although political pluralism was introduced in 1991, the constitution continues to concentrate executive power in the office of the president

In February Moi reneged on an act of parliament that provided for a broadbased nonpartisan commission charged with distributing executive power more equitably

Three months after signing the act into law he insisted this review was the job of parliament alone, which he controls, and that other civic groups — whose reform role was enshrined in the act — should be excluded from the process

The momentum for reform has also been slowed by MPs wrangling over allocation of seats on the commission

"If civil strife comes — and we hope it does not — the current political leadership will be squarely held accountable for it," said the letter, signed by the country s 23 bishops

They said talks with Moi had proved fruitless

"We are deeply astounded by Moi's recent statement that the present constitution is good for Kenyans If (it) is good for Kenyans as Moi claims then we should not have wasted our time and resources to discuss the review," the bishops said

In the letter, the bishops also blamed the Kenya African National Union government for failing to tackle major problems like corruption, hunger, insecurity, collapsed infrastructure and the HIV/AIDS epidemic —Sapa-AFP

(163) BD 1/10/99

CT 1/10/99

Moi joins in African leaders' gay-bashing

(163)

NAIROBI. Kenyan President Daniel arap Moi has joined a growing list of African leaders to attack gays, saying homosexuality is a "scourge" that goes against Christian teachings and African traditions

Speaking at an agricultural show in Nairobi on Wednesday, Moi said Kenyans should guard against "dangerous 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 scourge "

Yoweri Museveni, president of neighbouring Uganda, earlier this week ordered the arrest of homosexuals for carrying out what he described as "abominable acts"

Homosexuality is illegal or taboo in many African countries and few gay people feel able to be open about their sexuality

Zimbabwean President Robert Mugabe has been particularly outspoken in his condemnation of 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 seeing men wearing earrings to make it easy for them to be identified by other men," he said to laughter from the audience

More and more young men in Kenya's urban areas wear earrings but many of them are simply copying Western music stars whose videos are shown on Kenyan television

Earrings are also part of traditional dress for some of Kenya s oldest tribes — Reuter

Plessey expands into Kenya with privatisation

(163)

BD 6/10/99

James Macharia and Reuter

NAIROBI — SA 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," advisers Salomon Smith Barney 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, ceding 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'

CT (PR) 6/10/99 (163)

Simon Denyer

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 percent in the year to September up from 6,9 percent in August This followed a sharp climb from minus 0,6 percent 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 excluded food, has also been rising It hit 6,6 percent in the year to September, from 5,9 percent in August and 2,3 percent 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

"I foresee 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

CT (BR) 7/10/99 (163)

Robert Otoni

Nairobi – The Nairobi stock exchange is going through a rough patch and has hit a six year low Stockbrokers are being compelled to restrategise to pull through the lean times

"If the downward trend continues, I will consider it a miracle if I have a job next year" confesses a dealer on the exchange.

The sombre business outlook is exerting pressure on the 18 member brokering fraternity, with some quarters questioning the rationale of the market regulator, Capital Markets Authority (CMA), in licensing such a large number of stakeholders in a thin market that registered only a paltry 4 5 billion Kenyan shillings (R366 million) turnover last year

The index is below what many analysts would consider the level of confidence

In 1997 the bourse had a turnover of 6,1 billion shillings while the index stayed above 3000 points on average

The index is now below what many analysts consider to be the "confidence level' of 2500 points

The breaking of the mould of the original club of six to 13 brokers was proper, says James Murigu, the managing director of Suntra Stocks, an exchange member

"But the licensing of a flintier eight as happened may not have been commensurate with market capacity"

Paul Melly, the chief executive of CMA, dismisses the notion that the market has the problem of overcapacity and that his organisation has opened the doors to too many operators.

"'Too many' is a relative term I would say that as a regulator, our job is to licence those who meet the minimum requirements," he says.

Exchange's job is to license those operators who meet the minimum requirements

The CMA licensed seven brokers between 1990 and 1994, bringing the total to 13 In 1993 the number dropped to 12 before a further eight were registered This brought the new total to 20 in 1996

Arthur Nanu Runyenje, the chief executive of brokering house Shah Munge and Partners, also argues there is no problem with registering as many stakeholders as are willing to operate in the market, but the depressed state at exchange presents a challenge for companies to look inwards and improve their efficiency.

"It is a fact that incomes have come down in the trade Other sectors have not been spared either But I choose to read this as an opportunity for the strategically alert In order to successfully ride through the recession, brokers have to start with their internal environment," he says

But be that as it may, there are fears that some of the small outfits on the fringes of the practice and whose sole source of income is the commissions from stock trading, may be compelled to close shop

The persistent poor performance has ruled the exchange since the beginning of the year, defying some analysts' prediction that the build up witnessed towards the end of 1998 would stand the test of hard times and bring exciting developments at the bourse

The brokerage houses have incurred serious cash flow problems which, insiders admit, threaten their very survival

The warning bell that all is not well in the brokering fraternity was sounded recently when a local brokerage, Sterling Securities, announced that it was up for sale

"Maybe the only ones that could be off the hook right now are the big five because of their wide diversification, stable capital base and huge reserves,"a dealer says

The five are Shah Munge and Partners, Standard Stocks, Dyer and Blair, Kestrel Capital and Equity Stockbrokers. – Independent Foreign Service

Kenya's Telkom cannot paint over cracks

(163) BD 7/10/99

NAIROBI — One of Kenya's leading public servants said yesterday that the state's newly formed telecoms corporation was failing to deliver on its promise to improve the country's ailing telephone services

Telkom Kenya was split from the Kenya Posts & Telecommunication Corporation on July 1 as a first step towards its eventual privatisation

Since then television screens have been full of glossy and expensive-looking advertisements portraying Telkom as a state-of-the-art communications firm which promises to "keep customers in touch worldwide" Newly painted vans sporting Telkom's green livery are everywhere in the capital s streets

However, the reality behind the promises and the fresh paint is that Telkom is still struggling to deliver a working telephone service after years of underinvestment and inefficiency at the old telecommunication corporation

"The 100 days of honeymooon are over," said Titus Naikuni permanent secretary in the information, transport and communications ministry

"We cannot keep quiet when the economy is suffering," he told an audience of businessmen, Telkom Kenya managers and other guests at the launch in Nairobi of Telkom's new domestic fixed satellite communications link Kensat

Naikuni is one of the team of private sector technocrats appointed in July by President Daniel arap Moi to reform the public sector and revamp Kenya's ailing economy

To widespread applause Naikuni said the company was wasting resources, overcharging and not delivering

"You may hate me for what I am saying but a malaria patient takes quinine not because it is sweet but because it cures," he said, directing his comments at the corporation's senior management

Telkom Kenya came under heavy criticism last month when the data link which serves as Kenya's backbone for internet services crashed for four days on two occasions —Reuter

Kenya film (163) industry loses R2,4bn to SA in shoots (292)

ARG 9/10/99

Nairobi – Kenya has lost location shootings to South Africa of at least eight feature films with budgets totalling some $402 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 marketing of Kenya as a location site. – Sapa-AP

Continued reforms will increase aid to Nairobi

CT (MR) 14/10/99 (163)

From Reuters

Kenyan President Daniel arap Moi

Nairobi Britain would increase its aid package to Kenya if economic reforms undertaken in the past few months were sustained a visiting British government minister said yesterday

Peter Hain 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 development assistance to Kenya provided that the economic recovery strategy is successful and an effective reform programme can be put in place " Hain said

Jeffrey James the British high commissioner said his country's annual aid to Kenya stood at between £20 million and £24 million

Hain welcomed the appointment of famed palaeontologist Richard Leakey to head a team of private sector technocrats who are aiming to revamp the country's bloated civil service. I am confident that Kenya has turned the corner and that these changes are irreversible " Hain 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 1997 to protest against official corruption and poor public administration

'The jury is still out internationally on Kenya but there is much greater confidence of a favourable verdict than there has been for some time," Hain 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"

Hain 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

CT (BR) 21/10/99 (163)(334)

Wairagala Wakabi

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 5 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

KENYA *Farmers are paid in pennies while their product sells for many times more*

'Bean wages' anger coffee growers

(163) CT(BR) 3/11/99

FROM SAPA-AP

Mukurwe-ini, Kenya

Even though Joseph Githigi farms 1 200 coffee trees in central Kenya producing a product that fetches top prices on the international market he lives in squalid conditions

Conditions got even worse for the 55-year-old father of seven when fellow farmers burnt down his house recently as a result of a fight over alleged corruption within the huge Mukurwe ini Coffee Growers Co operative

Githigi was targeted because he opposed efforts by some to break up the 22 000 member co operative, whose 28 factories skim the red coffee beans and dry them

They burned my house with all my possessions and even made holes in my water tank " Githigi said "They left me with nothing."

PLUCKY HARVESTER *An armed man picks coffee on his farm in Mukurwe ini, 130k north of Nairobi. Two people have been killed and property worth millions of shillings destroyed as rival farmers fight over the splitting of their co-operative*

PHOTO AP

An estimated 3 000 co op members have taken up arms in favour of the split

They want to sell their coffee directly to bean millers and bypass the co-operative s managers, whom they accuse of stealing proceeds from the sale of their unique, moun tain grown Arabica coffee.

At least two people have been killed and property worth millions of dollars has been destroyed since the con flict erupted in July.

Observers say farmers' frustrations over declining profits from what was once the major export crop of this east African nation are behind the coffee war in the region 130km north of the capital, Nairobi

Farmers have waited for more than a year for payment from the co-operative.

And they are upset over large deductions from the amounts due them, ostensibly for fertiliser, pesticides and management salaries

"Deductions amount to more than the payments," said Maina Githira "I want to sell my coffee directly to millers.

"I know coffee earns good money because there has not been once when management came back to me and said they were unable to sell because the prices were bad "

The Seattle based Starbucks coffee chain buys a lot of Kenyan coffee, although for competitive reasons the company will not say how much it pays. About half a kilo of Starbucks premium Kenyan coffee beans costs $10,95

Githigi, Maina and the other farmers will be lucky if they see 4,5 Kenyan shillings (R0 37) for a pound of their fresh red berries. On the inter national market, Kenyan cof fee is quoted at between $1 06 and $1,16 a pound, depending on the grade.

Small scale farmers who usually have fewer than 1 000 trees but account for 60 per cent of Kenya's coffee produc tion, say that discrepancy is not fair.

"A coffee farmer is just a slave,' said farmer Mwangi Wagendo

If I received even one third of what coffee goes for at the Nairobi auction, I would not be living in a mud house."

In mid-October, a 50kg bag of coffee sold at auction for between $80 and $100

During the Kenyan indus try's heyday in the mid 1980s, the country produced 160 000 tons of coffee a year But out put now stands at 70 000 tons

Insufficient rainfall has been an important factor in the decline but many farmers contend that mismanagement and corruption in the country's 500 coffee co operatives is the real problem

' My son is at home because I cannot pay his school fees " said Amina Muthoni Kariuki

I sold my cow and my goats to send him to secondary school Now the money is finished and my son has not fin ished his education

If the co operative had not stolen my money, I would not be having these problems

Farmers in the Mukurwe ini co opera tive grumble about reports that managers borrowed 300 million shillings from the co-op s funds and failed to pay it back

Maina Ndurige, the co-op chairman, denied that happened We have not even sold coffee worth 300 million " he said

In some areas farmers have abandoned or even up rooted their coffee bushes an act prohibited by a law dating from the days of British colo nialism when coffee growing was reserved for whites

But farmers in Githigi s neighbourhood have not given up on coffee

They take pride in the dark green leaves of the well pruned bushes that glisten in the soft morning light on the slopes of Mount Kenya

"I hope one day I will make good money from coffee " Githigi said 'After all, this is all I have."

Mombasa's tea market draws in global interest

(163) CT(BR) 3/11/99

FROM SAPA-AP

Nairobi – Started in 1953 as an unimportant auction of low grade teas, Kenya's weekly tea sale has grown into one of the world's larger markets for tea leaves.

It now ranks behind only Colombo, Sri Lanka, as a source of high quality teas for con sumers worldwide.

George Waireri, the chair man of the trade association that oversees the auction, said this week that the weekly sale in the port of Mombasa had be come a bellwether of world tea prices.

"Every major tea producing and consuming country in the world focuses on the weekly ac tivities in the centre to gauge the market trends and create a benchmark for their interna tional price for tea," Waireri said

The auction – run by the East African Tea Trade Association, a union of growers, buyers, bro kers and handlers – had a big boost in June when the London tea auction closed

"With the closure of the Lon don auction the volumes offered at the Mombasa auctions have grown considerably," Waireri said Most of the primary and secondary teas now offered at the auction are from Kenya, but increasing quantities are com ing from Uganda, Tanzania, Rwanda, Burundi, Congo, Madagascar, Malawi, Zambia and Zimbabwe.

Unlike India and Sri Lanka, where tea growing is seasonal, the Mombasa auction is open every Monday, 50 weeks a year. For the sake of efficiency, the auction was moved to the Indian Ocean port from Nairobi in 1969

Another important break through came in 1992, when the association heeded the advice of the International Monetary Fund and began conducting the auction in dollars

The amount of tea sold at Mombasa had more than dou bled since then, jumping from 127 000 tons in 1993 to 291 000 tons last year the associ ation said

But Waireri saw a need for the region to promote local con sumption. "Due to the slow, al most stagnant global growth in tea consumption, tea producing countries should encourage and promote tea drinking in their own countries," he said

"This will create demand and improve prices for better re turns to the farmer"

Kenya awards private contract for cell network

FROM SAPA-AP (163) CT (PR) 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 $55 million for the right to establish a network serving 582 700 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-Telia bid to manage a network of 301 100 subscribers for $35,57 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 Kazuki 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

AFRICAN BUSINESS

Parliament to summon communications commission for questioning

Kenyan award of cellphone tender raises MPs' suspicions

(IB) CT (BR) 23/11/99

ROBERT OTANI

Nairobi - Kenya s parliament will summon the Communication Commission of Kenya (CCK) this week to demand an explanation as to what criteria its management used recently to select the country's second cellular telephone service provider

Parliament's energy public works and communications departmental committee, which handles all telecommunication issues is due to summon the entire commission management, headed by managing director Samuel Chepkonga

A committee source told the People Daily newspaper in confidence at 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 how some of the higher bidders were locked out

The bids, which were opened only a fortnight ago amid much controversy over the contract ended with Vivendi International and its local partner Sameer Investments winning the tender after submitting a bid worth $55 million

The winning partnership was certified by the CCK 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 CCK 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.

The committee is perturbed that some of the higher bids were never even opened

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 stages

These four were Vivendi/Sameer Millicom International/Amiran MTN/Telecomm and TransTelia/IPS

The MTN/Telecomm partnership bid equalled that of the winner at $55 million, while the other bids came in at $42 15 million for Transtelia/IPS and $35,6 million for Millicom International/Amirari

The parliamentary committee is perturbed that some of the higher bids were technically disqualified even before they were opened

Another top bidder, Orascom which together with its local partner, was said to have submitted a tender bid worth $94 million was also technically knocked out

The CCK rules stipulated that only the highest bidder who met most 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 it wanted the CCK to give reasons why it had flouted its own regulations.

"We have all the documents pertaining to this tender, the source told a People Daily reporter adding that the committee wanted to know why the CCK had left out some of the higher bids

The source said the committee members were also preparing to grill Musalia Mudavadi the information transport and communications minister Last week assistant minister Peter Lenges failed to respond on behalf of Mudavadi to a question relating to this tender He asked for more time and Mudavadi 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 Mudavadi seeks to have the minister table a list of all the firms that had applied for the tender, and to specify which 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'

(163)

NAIROBI — The International Monetary Fund (IMF) will probably resume talks with Kenya after this month but a return to its aid programme is still a long way off analysts say

Although President Daniel arap Moi s government had begun tackling official corruption and was moving privatisation forward analysts said there were few results to convince the IMF to speed up the process

"I think they are well on the way, maybe two-thirds of the way, but I don't think at this moment one can confidently say the IMF can resume lending by February or March," said leading private analyst Robert Shaw

"There are two major issues that remain — the IMF is particularly keen to see more progress on the budgetary front and the issue of credibility," Shaw said

Moi his 21 year-rule threatened by dwindling growth in the economy, appointed Richard Leakey as head of the public service in July, slashed government ministries by almost half in September and declared war on corruption in a bid to revitalise the economy and win back the IMF after a two-year absence

The fund which withdrew in disgust at official corruption in 1997 has demanded concrete steps to stem the haemorrhage of public resources by public servants before it begins talks on a new aid package

The IMF will decide by next week whether to resume talks on new support to replace a $205m loan it suspended in 1997

Leakey, who made his name as a palaeontologist has since his appointment sacked a number of prominent public servants, vowed to make huge cuts in the bloated public service, and promised to cleanse the public service of corruption

"I think we have a long way to go and we need to produce concrete results but it seems to me that the IMF must appreciate that if they do not come we will get further and further into the ground," said Deloitte and Touche s Nikhil Hira.

The government, said Hira, needed in the meantime to boost security and improve infrastructure to lift investor confidence which has been badly dented by the IMF's absence. — Reuters

BD 25/11/99

Coffee board denies graft allegations

(163)

NAIROBI — Directors of the Coffee Board of Kenya defended themselves yesterday against accusations of corruption and incompetence by state auditors

Top officials at the board have been accused by auditors of paying themselves hefty salaries, overstating expenses, flouting tendering procedures and paying out money to non-existent farmers

"The coffee industry in Kenya faces imminent collapse because of massive losses of farmers' money (and) mismanagement of the resources," said the auditors' report.

Board chairman John Zacharia said the auditors had got it wrong. "In view of the fact that the audit team never talked to any of the board members to establish the truth on the matter it is obvious the board was hit from the back."

He scoffed at allegations that the board was responsible for heavy losses through coffee milling, saying the government had ignored the real issues afflicting the industry

The board blames the government for industry woes through taxing farmers too much while failing to make financial support available to small coffee growers through a price stabilisation fund.

The board regulates and markets Kenya's coffee industry and carries out research. — Reuters

BD 25/11/99

Minimum consent age raised to curb Aids

ET 30/11/99 (163)

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 Thongori of the International Federation of Women Lawyers in Kenya

"But statements and directives that are not followed up with concrete legislative change 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.

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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 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 Thongori

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 marriages

Many girls as young as nine are forced to drop out of school, or are abducted by their suitors

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 defilement, is classified 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 — Sapa-IPS

TRADE WAR *Italians flood Kenya with cheap pasta*

After textiles, tobacco and beer comes Kenya's pasta war

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ROBERT OTANI

Nairobi - At first it was the textile war when the local industry lost heavily to cheaper and better quality imports especially the mitumba or second hand clothes.

Then about three years ago it was the tobacco war after American cigarette manufacturing group RJ Reynolds stormed the Kenyan and east African markets to subject decades-old virtual monopolists BAT Kenya to sleepless nights.

September last year marked the beginning of the great beer war with the launch of Castle Brewing Kenya, a subsidiary of South African Breweries. Castle Brewing is already giving East African Breweries, until then a virtual monopolist, 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 manufacturing group and Pepsi Cola left Kenya in a huff citing undercutting by Coke. And although Pepsi has since returned to Uganda, it has not found its way back into Kenya.

Schweppes is already putting up a bottling plant in Nairobi and is set to launch the comeback in time for Christmas.

A new war is raging for the Kenyan turf, this time a very sticky war indeed. House of Manji, for decades the greatest biscuits and breakfast manufacturing company in east Africa, is crying foul over one its products - pasta.

This has been the sordid trade scenario in Kenya since the country embarked on a liberalisation programme, as dictated to it by the International Monetary Fund and the World Bank about a decade ago to attract multinational aid.

According to its executive director, Zia Manji, House of Manji is facing a grim future as a result of unfair competition from Italian pasta, "whose origin may be traced back to drought relief food recently donated by the Italian government.

"With the imported pasta trading at sometimes 50 per cent below the production costs, the Italian imports are precisely achieving the effect imports are expected to fulfil - pricing us out of the market," gripes Zia.

Last month House of Manji threatened to sell its pasta line to Ugandan manufacturers after the line lay idle for nine months as a result of lack of business. This had been caused by the withdrawal of a 20-year-old Kenya Army tender to be supplied with pasta, a business line that accounted for 25 percent of the company's total sales.

> **World Bank and IMF rescue plans lead to textile, beer and tobacco wars**

Had this happened, House of Manji should have laid off 28 of its 350 workforce. Fortunately, it didn't. The Kenya Army realised that the Italian imports were of a lower quality and renewed the contract.

But House of Manji is not out of the woods yet as Italian pasta imports, whether from the relief supplies or direct from Italy, continue to flood the market, and because the army is not its sole pasta consumer.

Although the Italian ambassador in Nairobi, Alberto Balboni denies it, documents made available to the local journalists early this week show clearly that Italy is heavily subsidising its pasta makers with aim of monopolising the world market. This situation, besides the fact that Italian pasta has flooded the North American market was recently protested against by the US and Canada and is likely to feature at the World Trade Organisation talks in Seattle, Washington.

The Canadian International Trade Tribunal recently conducted 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 restitution system an export refund is made to European producers to help them in exporting cereals and cereal products such as pasta.

"This competition is unprincipled. There's no way you're going to compete with someone selling below your production costs without hurting your profitability," says Zia.

House of Manji is the sole survivor as the local pasta market continues to dwindle over the past eight years. Others have been forced to make an undignified exit, victims of the competition.

The fall of the Kenyan firms has been a boon to their Italian counterparts through their Nairobi agents. The local firms also blame their woes on the relief foods to the famine-stricken areas in Kenya and its trouble torn neighbours. They argue that, for the imports to sell so cheaply, they must be evading import and related taxes. - Independent Foreign Service