Kenya: Development Status and Prospects

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Kenya is the largest economy in Sub Saharan Africa with a population of roughly 39.8 million. In 2009, Kenya's gross domestic product (GDP) was 29.5 billion with an annual growth rate of 2.6 percent. Although Kenya is currently in a stage of growth, there are still several factors inhibiting economic development and contributing to the poverty trap. According to the 2009 Human Development Report, 20 percent of the Kenyan population lives on less than 1.25 USD a day, and approximately half of the population lives below poverty. (African Economic Outlook, 2010)

Kenya's main natural resources are wildlife, soda ash, and land with an emphasis on agriculture, as agriculture provides key exports including, coffee, tea, corn, wheat, sugarcane, and rice. (Bureau of African Affairs, 2010) Regardless of Kenya's transformation from a largely agriculture based economy to a service based economy, agriculture still represented 25 percent of GDP in 2009. (Wanjala and Were, 2009; Pg. 227-251) Kenya achieved a comparative advantage in chemicals, stone plaster, cement and food between 2003 and 2007. Kenya is known to have very diverse capabilities, which was illustrated when they recently ranked above average with a total of 747 products with a relative comparative advantage. (World Bank, 2010)

Similar to economies all over the world, Kenya has experienced numerous economic booms and busts that have tested the stability of their political and financial environments. Between 1964 and 1973, Kenya's economy endured rapid growth rates of 6.6 percent, as oil prices began to rise, as well as other commodity prices. Regardless of high GDP growth rates, a decline in rural poverty, and an increase in agriculture productivity, economic inequality continued to remain high in Kenya. Beginning in 1994, a period of liberalization and economic stagnation occurred, which accounted for the foundation of their economic crisis. Between 1991 and 1993, Kenya's government was under enormous pressure from the World Bank and the IMF to comply with the Bretton Woods Project. The Kenyan government decided to implement a major program involving key sectors such as, health, education, and agriculture, and consisted of economic liberalization and market oriented reforms. The goal during this period of economic stagnation was to downsize the public sector, while providing more emphasize on privatization. By 2003, Kenya had reached recovery and their economic growth rates began to increase. (Little and Green, 2009) However after the heavily disputed presidential elections violence broke out in 2007, Kenya endured many economic hardships including, increase in unemployment and reduction in investor confidence. (Bureau of African Affairs, 2010) The outcome of the election generated widespread violence and destruction of property resulting in over 1,000 deaths and approximately 300,000 people were exiled. (African Economic Outlook, 2008; Pg. 358) According to the 2008 African Economic Outlook on Kenya, the political crisis could result in poverty for an additional two million Kenyans. (Pg. 34)

Despite Kenya's recent crisis, the economy appears to be on track to reverse their poor performance from 2007 to 2008. Kenyan government introduced a strategy called Vision 2030 in 2008 that funded investment growth through increasing credit supply to the private sector, and infrastructure investments to the public sector. This strategy assisted the economy's recovery and contributed to a GDP growth of 2.6 percent in 2008, and is expected to provide a push to accelerate economic growth in subsequent years. (African Economic Outlook, 2008; Pg. 34)

It is believed that in 2010 there is a strong probability that Kenya will achieve GDP growth rates of 4 percent if manufacturing and agricultural sectors rebound accordingly. Despite Kenya's poor performance since 2007, the average income of Kenyans is also expected to increase by 1.3 percent. If Kenya avoids detrimental political shocks, and provided the weather remains favourable, the World Bank predicts that recovery will accelerate in 2011, with GDP growth rates reaching 4.9 percent. (World Bank, 2010)

Recent Adverse Economic Shocks:

Recently Kenya's economy has encountered three major shocks; a highly neglected export sector, inconsistent rainfall amounts, and prolonged post-election violence. These shocks were further emphasized by a global economic downturn, resulting in raised inflation, weakened currency, and slowed economic growth. (IMF, 2010)

Contrary to export development strategies demonstrated by successful economies including, China and Korea, Kenya has significantly neglected its export sector. According to the World Bank, Korea had experienced similar levels of income as Kenya 50 years ago, but yet Korea has successfully increased their exports from nearly zero in 1960 to more than 55 percent in 2010. Consequently, although Kenya and Korea exhibited similar income levels in the past, Kenya's export sector significantly lags behind. In 2000, Kenya's total exports increased from 22 percent in to 28 percent in 2005, but have stagnated since. (World Bank, 2010)

The sovereign debt crisis in Greece and the recent closing of Europe's Airspace early in 2010, negatively affected Kenya's tourism and export markets. Kenya is very connected and dependent upon the European market, which makes Kenya vulnerable to localized economic downturns. The Kenyan import sector was also negatively affected by the recent ban of fish products to the European Union, and the reduced quota of textiles into the United States. In addition, the ongoing deprecation of the Euro has made Kenya's exports to Europe 7 percent more expensive, which highlights the growing need for Kenya to diversify their export market. (World Bank, 2010)

Erratic, delayed and shorter rainfall amounts have adversely affected Kenya's agriculture and power sectors. The recent drought resulted in financial adversities in the power and manufacturing sectors as electricity short-falls occurred. As the price of electricity increased, manufacturing companies were unable to pay for their utility expenses, which resulted in a poor performance from the manufacturing sector. (World Bank, 2010) Recent severe droughts also affected the production of maize; Kenya's main food staple, and resulted in a domestic food crisis. The scarcity of maize resulted in prices to double, which fueled corruption and eventually lead to the "Maize Scandal" in 2009. The shortage of maize was emphasized when the government was reluctant to open up the maize market to imports. Instead, the government opted for a maize subsidy scheme, where farmers were responsible to forward the support to consumers. However, the implementation of this policy permitted maize prices to continue to rise, increasing the financial burden on the poorest populations. The lack of support from the Kenyan government to ensure that subsidies were transferred to consumers, resulted in an opportunity for corruption instead of benefiting the poor. Once Kenya removed maize tariffs in mid-2009, and strong rainfalls took place in early 2010, trade facilitated allowing for the price of maize to decrease as output increased. (World Bank, 2010)

The prolonged post-election violence suppressed investor confidence and had further adverse effects on the Kenyan economy. A decrease of foreign investment in the Kenyan stock market followed the outspread of violence, and the Nairobi Stock Exchange dropped to a low 2500 points in mid-2009. (World Bank, 2010) The political crisis has many spillover effects, which weaken exports, reduced tourism rates, and decreased employment as many individuals were displaced. (World Bank, 2010)

Rapid Population Growth

Although a majority of the recent violence in Kenya has been attributed to the 2007 election dispute, Kenya's outbreak of violence can also be traced to the rapid increase in population growth. In the past 80 years, Kenya's population has increased from 2.9 million to 37 million (2008). A majority of the domestic violence occurring in Kenya can be linked to the high proportion of males between the ages 15 to 29. (Heinsohn, 2007) In fact, according to the International Monetary Fund, over 60 percent of all convicted criminals in Kenya are young men between the ages of 16 and 25 years old. (2010; Pg. 119)With so many discouraged young men who are faced with unemployment, and decreasing useable land resources, it is without question why Kenya would experience an escalation of violence.

A key reason for an increase in poverty levels throughout Kenya has been recognized by a lack of family planning and contraceptives. According to a report produced by the United States Agency International Development (USAID) in 2009, the agency warns that Kenya will not be able to foster national development at the current rate of population growth. Dr. Boniface K'Oyugi, chief executive officer of the National Coordinating Agency for Population and Development (NCAPD), cautioned that Kenya's rapid population growth of three percent per year, needed to be reduced by at least a third. "In developed countries, people are having one or two children", explains K'Oyugi, "If we want to be as developed as other countries, we urgently need to reduce our population growth". (Anyangu-Amu, 2010)

For a majority of Kenyan families, they do not want to have financial burden accompanied with having a large family, rather the access to contraceptives is limited. An increase in family size has resulted in a scarcity of family funds for needs such as, healthcare and education. Limited family income contributes to an increase in child labour, as children are forced to leave school and provide for their family.

According to the IMF, the high level of fertility has contributed more to Kenya's rapid population growth than any other demographic event. (2010; Pg. 113) K'Oyugi believes in following the footsteps of countries such as Thailand and South Korea, where they have effectively managed population growth rates from introducing a limit on child births per woman. USAID projections indicate that if Kenya contains to grow at their current rate, than in 2040 the population will increase to 82 million. K'Oyugi also acknowledges that an increase in population also puts a strain on Kenya's natural resources and the surrounding environment as demands for food, land, and water escalate. "There is a real danger of civil strife arising as people squabble for the scarce resources,' K'Oyugi warned. (Anyangu-Amu, 2010) Access to safe water and sanitation services has not been able to keep up with the growing Kenyan population. In 2003, the percentage of the population with access to safe water was 68 percent and sanitation access was 65 percent in urban areas. The rapid population growth, in combination with the increase of rural-urban migration, has put a huge strain on Kenya's environment and puts lives at risk as the access to basic needs diminishes. (United Nations Educational, Scientific and Cultural Organization (UNESCO), 2006; Pg. 483-486)

Rural-Urban Migration & Poverty Levels

According to the United States Agency International Development (USAID), a rapid increase in Kenya's population growth will put a huge strain on urban locations, as rural-urban migration continues to persist in 2010. Rural-urban migration has notable benefits such as, decreased costs of institutions and roads per person, but can also be accompanied by larger problems. USAID mentions that the pressure on urban facilities could result in the creation of slums in Kenya and contribute to the vicious cycle of poverty. Kenya is already at serious risk of experiencing the harmful effects of urban migration, as Kenyans continue to experience insufficient shelter, lack of clean water, inadequate sanitation, insecurity, and exploitation. (Anyangu-Amu, 2010) Urbanization average growth rate was 3.9 percent between 2005 and 2010, and was estimated to have increased 25 percent in 2007. Fueled by population growth and rural poverty, by the year 2012 urbanization is projected to account for approximately 32 percent of the total population. (IMF, 2010; Pg. 112)

According to Kenya Integrated Household Budget Survey (KIHBS) national absolute poverty declined from 52.3 percent in 1997 to 46 percent in 2005. Although this poverty reduction may seem positive compared to other Sub Saharan Africa countries, it still could be considered high in comparison to other African countries such as Tanzania (36 percent) and Uganda (31 percent). (World Bank, 2010)

Existing Gender Disparities

According to the 2010 Human Development Report, produced by the United Nations Development Program, Kenya's Gender Inequality Index (GII) for 2008 was 0.738. The GII represents the inequality in achievements and opportunities between men and women and illustrates the loss of potential human development in a country. There are five factors contributing to the GII indicator: maternal mortality, adolescent fertility, parliamentary representation, educational attainment (secondary level and above), and labour force involvement. Kenya ranked 117th and was listed as a 'low human development' country. (United Nations Development Program, 2010; Pg. 156-160) It is evident that a strong gender disparity still exists in Kenya today, as women are discriminated against in health, education, the labour market, and land ownership.

Kenyan women are limited to informal and seasonal employment, as they are typically the primary caregiver of their children and require flexible schedules for reproduction. However, this type of employment is associated with numerous drawbacks including, lower income, higher insecurities, longer working hours, and a higher exposure to occupational health risks. The majority of women, under informal employment work in the agriculture sector, supply as much as 70 percent of the labour force in this industry. (Wanjala and Were, 2009) According to the Human Development GII indicators, in all industries females contributed to 77.6 percent to the labour force, while males participated at 88.9 percent. (United Nations Development Program, 2010; Pg. 156-160) Although women represent 50 percent of Kenya's population, there are still notable disparities in the labour market which are hindering human development. (Wanjala and Were, 2009)

Kenya still exhibits gender inequality in education, just like in many other African societies women are expected to play the role of primary caregivers, often occurring at a young age. Therefore the opportunity cost of educating females can be high, as families are reliant on their children for various forms of labour such as, selling in the market, cooking, and taking care of siblings (Shabaya and Konadu-

Agyemang, 2004; Pg. 410-411) Another factor preventing females from obtaining an education, is if her parents are in poverty and can only afford one child's education, they will choose to educate their son. In addition, girls are mostly enrolled in Art subjects, while boys are enrolled in Sciences, which puts girls further at a disadvantage in the labour market. In 2010, the Gender Inequality Index demonstrated that the population that obtained a secondary education (ages 25 and above) was composed of 38.6 percent of males and 20.1 percent females. (International Monetary Fund, 2010) Although Kenya has taken the initiative to provide universal enrollment, discrimination and negative attitudes towards women still exist.

Although, in Sub-Saharan Africa countries women produce 80% of food crops, many women either have no rights to land or property, or lose their rights after the divorce or death of their spouse. Under Kenya's new constitution it mentions that "every person" is entitled to own property and equitable access to land. However, the constitution fails to mention the rights for women and does not acknowledge the gender discrimination of land rights in the past. According to a report entitled 'The National Land Policy: Critical Gender Issues and Policy Statement', only five percent of women in Kenya own land. (Mbatiah, 2010)

As society continues to position men as sole owners of property rights, it is clear that these customs and practices hold Kenyan women back and hinders total economic development. Mary Kimani, a Kenyan woman who lost her husband recently and was left with no rights to the property acquired while married. Mary explains that even if a woman successfully inherited property or land, they would be forced to sell it at a discounted price quickly, as women are not recognized as valid deed owners. (Mbatiah, 2010)

Historical factors have contributed to the gender inequality in Kenya such as, extreme poverty, political influences, gender role stereotypes, and the wide range of religious heritage. (Shabaya and Konadu-Agyemang, 2004; Pg. 410)Although Kenya displayed gender inequalities in the past, there have been several movements since independence which have improved the lives of women. The new parliament consists of 15 women legislators; representing the highest amount achieved since 1963. A Women's Enterprise Development Fund (WEDF) was established in 2007 to empower women at the constituency level in an effort to facilitate creativity and innovation. (African Economic Outlook, 2008; Pg. 359) In 2006, the Kenyan government also established The Sexual Offences Act in an effort to abolish gender violence. (African Economic Outlook, 2008; Pg. 358)

Investments in Human Capital: Education & Health

Another factor hindering economic development is the role the West plays in Kenya's education system. In past, the West has demanded for African governments to reduce the amount spent on education as condition for receiving continued financial support. However at the same time, the West became involved in providing Kenya with post-secondary education schools. It is argued that as a result, students end up without any useful industrial skills and become agents of neocolonialism. Kenya's dependence allows for the West to control the Kenyan education system by determining factors such as, which language will be used, which books will be read, and other various forms of educational content. Overall, the students are taught very little about African culture, and generally emerge with colonial economy skills such as, needle work and agriculture. The post-secondary education system produced by the West frustrates students, as many find the system too challenging, leading to discouragement and high dropout rates. (Mwaura, 2007)

HIV/AIDS continues to be a major concern for Kenya. Health statistics indicate that Malaria is a leading cause of outpatient morbidity, accounting for 30 per cent of the total disease burden in Kenya. The National AIDS Control Council estimated that in 2010 there is an estimated 1.2 million people currently infected with HIV/AIDS. Of those infected, approximately 85,000 people die of AIDS annually, leaving behind over 2.4 million orphans. (IMF, 2010)

Before independence, Kenya experienced extremely low participation in primary and secondary levels, with a 29 percent student enrolment rate. By 1995, enrolment ratios increased to 67 percent, indicating an increase of 38 percent in 30 years. In 1995 Kenya had the highest school enrolment ratios in Sub Saharan Africa. (Hayami, 2001; Pg. 46) It is critically important that Kenya invests heavily in human development in the upcoming decade, as the majority of Kenya's population is between the ages of 15 and 24. Specifically, investment in human capital that focuses on young people's health and education will be of critical importance. (IMF, 2010)

Human Capital Development

Human capital represents the capabilities, skills and personal attributes that individuals possess, which contribute to the overall productivity and economic development of a country. It is not only the quantity of the human population that contributes to an economy; rather it is the quality and overall wellbeing of the population. The investment of human capital presents many positive spinoffs, but most importantly fuels the productivity of an economy. The two most important contributing factors to human capital are health and education, and in the absence of these two contributing factors poverty is more likely to occur.

Free Primary Education (FPE) Program

Recently, the Kenyan government has taken broad steps to increase human capital development, specifically targeting education and health. Kenya's efforts to promote education lead to the development of the Free Primary Education Program (FPE), which offered free tuition to secondary school students. The FPE program has improved primary education by 25.9 percent across the country, and the net enrolment rates (NER) increased to 84.2 percent in 2006. As well, enrolments in secondary schools increased by 10.3 percent from 2005 to 2006, but NER still remains low at 23.2 percent in 2006. Overall, the development expenditure on primary education in Kenya increased nearly fivefold from 2005 to 2006. (African Economic Outlook, 2010; Pg. 359)

Strategy: Vision 2030

The aim of the Vision 2030 strategy is to transform Kenya into a modern, globally competitive, and middle class country, which offers a high quality of life to all citizens by the year 2030. The overall goal is to reverse the economic setbacks Kenya suffered after the December 2007 elections. The plan contains detailed policy measures that will be implemented across all sectors of the economy. Such goals include, reduce poverty rates, create more employment opportunities, reduce gender inequalities, realize a higher level of sustainable growth, and improve income distribution.

Throughout my research, I explained the difficulties that the Kenyan economy has faced since independence. If implemented successfully, the strategic goals of Vision 2030 could eradicate many of Kenya's current economic development issues, and help foster sustainable development for future generations. Rapid population growth rates, rural-urban migration, persisting gender inequalities, increasing unemployment, and an escalation of violence are among the key challenges that the Kenyan government continues to acknowledge and address.

In Jeffrey Sachs book, Common Wealth: Economics for a Crowded Planet, he describes urbanization as both beneficial and challenging; especially where rapid growth rates of population persists. Among these challenges, Sachs highlights the risks of the increasing occurrence of urban slums and the rising rates of unemployment for young males.(2008; Pg.29) As I have indicated in greater detail, Kenya is currently facing rapid rates of urbanization and has experienced these exact challenges that Sachs described. Unemployed young males have proven to be roots of insecurity and violence, and in 2007 Kenya experienced an outbreak of violence which reversed their economy's recent growth and development.

In 2010, over 60 percent of convicted criminals in Kenya are young men, which according to Sachs, can be attributed to Kenya's 80 percent youth unemployment rate.

Controlling population growth is one of Kenya's greatest challenges. Kenyan women typically reproduce 5 to 6 children, and often lack sufficient government funding or spousal support to sustain these large family sizes. In order to effectively reduce the population growth of Kenya there is a growing need for family planning programs, as well as the availability and distribution of contraceptives. Sachs describes the decentralized decision making of an individual household as detrimental, as it can lead to an excessive population and put a strain on economic growth. (2008; Pg. 41) As the chief executive officer of the National Coordinating Agency for Population and Development, Dr. Boniface K'Oyugi, points out Kenya should follow in the footsteps of countries such as South Korea and implement a voluntary reduction of fertility rates. Implementing a fertility policy could provide numerous benefits for both present and future generations of Kenya.

The increased population has put a strain on Kenya's natural resources as useable farm land continues to decrease. Also, the rising population has left many individuals without basic human rights such as, clean drinking water and adequate sanitation. If individuals are not provided with these fundamental needs, it is likely that poverty will self-perpetuate.

Although Kenya has taken several initiatives to reduce gender inequalities through various women empowerment groups and programs, there is still a perception that Kenyan women are entitled to less than a man. There is a significant importance for women to be provided with education, as they are typically the primary caregivers of their children. If mothers are educated, it will be of higher importance for their children to be educated as well. The increase in education from the introduction of the Free Primary Education program has not contributed to the reduction of inequalities in Kenya, because most of the enrolment expansion occurred through low quality community, or Harambee, schools. (Little, Green, 2009; Pg. 166-174) Economic development will continue to be difficult for Kenya to achieve if they do not allow for women to claim rights to land. Woman account for the majority of Kenya's agriculture productivity, and without capital earned from selling land they will not be able to establish business ventures or provide proper health or education for their family.

International Monetary Fund & World Bank Involvement

Recent negative impacts such as, high inflation and weakened currency have reversed the progress previously made to poverty reduction, and in 2009 Kenya urgently needed external financial support. In spring 2009, the IMF approved a $209 million (USD) disbursement under the Exogenous Shock Facility (ESF) loans designed to help low-income countries cope with emergencies, to assist Kenya in their recovery. The IMF estimated that Kenya's 2007-2008 economic downturn amounted to a $1.4 to $2.2 billion loss over the course of 2008-2009 and 2009-2010 fiscal years. (IMF, 2009)

Kenya also worked together with the World Bank to develop a well-targeted food subsidy program to address the recent food crisis caused by the erratic rainfall amounts in 2007. Kenya's economic policies for 2009-2010 will focus on reducing inflation, rebuilding foreign exchange reserves and strengthening sustainable development. In November 2010, the IMF and Kenya reached another agreement for $500 million to be invested in Kenya's infrastructure, energy sector, and to strengthen governance. (IMF, 2010)

Voluntary Counseling and Testing (VCT) & HIV/AID Antiretroviral

The combination of government policy and public awareness resulted in a drastic decrease in HIV/AID infection rates from 13 percent in 2001 to 5.1 percent in 2006. In an effort to reduce infection rates further, the Kenyan government introduced over 700 Voluntary Counseling and Testing (VCT) centers across the country between years 2000 to 2005. In 2006, the government adopted a policy to implement the distribution of antretrovirals (ARVs) to infected individuals for free. The introduction of ARVs reduced infection rates from 5.9 percent in 2005 to 5.1 percent in 2006, and the participation level in ARV therapy increased drastically. However, despite Kenya's efforts, 430,000 adults and 23,000 children still require ARVs and challenges of improving the quality of life of those infected is remains a struggle. (African Economic Outlook, 2010; Pg. 360) These requirements will put a huge strain on government expenditures in an effort to continue to fund free HIV/AID treatment.

High rates of population growth, in combination with the failure to implement supporting infrastructure has put a strain on the quality of life for many Kenyans. As well, an increase in violence, unemployment, and absolute poverty continue to be of concern in Kenya as population growth exceeds the current infrastructures capacity. Government involvement in providing the means to support population growth will be of critical importance in upcoming decade.

The Kenyan government has taken broad steps to effectively eradicate poverty, and continues to invest heavily in human capital with a focus on providing nation-wide primary education. Population should effectively slow down with development, as women become more educated. Improved economic conditions for women may reduce the desirability for large families and family planning can make the means of this prevention available.

Despite the difficulties associated with rapid population, population growth can stimulate demand and economic growth; provided the proper infrastructure and opportunities are available. The increasing number of youths dropping out school, as well as those unable to find beneficial employment, illustrates Kenya’s growing need for job creation. Kenya’s recent effort to engage in counter-cyclical fiscal policies, with the support of the IMF, has indicated that Kenya is seeking to promote institutional change through the development of sustainable infrastructure. I believe that a counter-cyclical fiscal policy will work in Kenya’s advantage, as it is usually most effective during an economic “bust”.

The depletion of useable farmland and the rapid population growth in Kenya has fueled rural-urban migration. Although Kenya is considered to be more developed than neighboring Sub-Saharan African countries, over 25 percent of employment is still found in the agriculture sector. In the past, Kenya has experienced unpredictable crop productivity, as inconsistent rainfall amounts have always been a difficulty for the Kenya. Since the Maize scandal took place in 2007, Kenya’s policy for self-sufficiency was argued to be the source of these high food costs. Meanwhile, Kenya’s neighbour Uganda has relatively abundant land with reliable rainfall amounts, and Uganda could easily supply food to Kenya at much lower prices. This would decrease wages in Kenya, but competitiveness would be enhanced. (OECD, 2010) Although there are many benefits for Kenya to gain from rural-urban migration, urbanization tends to be problematic, as Kenyan cities are beginning to outgrow the ability to support additional population.

The fundamental component of economic development is capital derived from various input factors such as, machinery, factories and humans skills. Throughout this course, we have examined many aspects of building human capital, and we have learned that with support from a nation's population, equal opportunity can effectively create capital.

Existing gender disparities continue to prevent growth of an industrialized economy, and further restrict the Kenyan economy from reaching their full potential. Although gender inequalities in education enrolment at the primary level have narrowed after the introduction of free primary education in Kenya, disparities in secondary and university education persists. These disparities have significantly restricted women's ability to obtain essential business skills, and have reduced the likelihood that they will be able to actively participate in the labour force. (Ellis et al., 2007; Pg.17) Today, economic growth in Kenya continues to be limited by their existing gender inequalities.

Women's limited land ownership prevents them from gaining access to formal financing mechanisms, which has decreased their overall contribution to Kenya's economic growth. Without financial support, women will not be able to raise capital and pursue business ventures. This has also kept women from moving to urban locations, due to the limited skill-sets, which has prevented Kenya from realizing the gains from network effects. These network effects could stimulate ideas for innovation, and new technologies could be born. This is a key element restricting Kenya from achieving a dynamic economy.

Despite Kenya's achievements made in reviving economic growth and meeting many of their development goals, Kenya is still confronted with major developmental challenges. Persistent corruption and weak governance, poor infrastructure, gender inequalities, sluggish human capital development, and a lagging export sector have resulted in a recent decline in economic growth. Although I believe that Kenya is experiencing the beginning stages of economic recovery, the potential for adverse shocks to the economy still remains high. As rainfall amounts continue to vary with global warming and government corruption remains uncertain, it is difficult to predict Kenya's future with these highly volatile characteristics. According to the IMF, Kenya still faces many problems resulting from the successive crises that will take time to resolve. These include (i) damage to physical assets, (ii) the displacement of about 300,000 people (about 1 percent of the population); (iii) the loss of confidence among investors and tourists; and (iv) damage to social capital. (IMF, 2010)

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