Kenya's President Moi announces economic cutbacks in bid for IMF funding

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Kenya's President Daniel arap Moi has announced a major cabinet reshuffle, a halving of the number of ministries and a 20 percent cut in public spending. At least 60,000 civil service jobs will be slashed by 2001 as part of a “reform” process intended to make Kenya attractive to international investors. This takes place amid ever increasing hunger, poverty and ethnic tensions.

Over the last two months Moi has brought a number of his political opponents and businessmen into government. A prominent banker, Martin Odour Otieno, has been appointed head of the finance ministry. These moves are widely seen as a bid to secure the $220 million IMF/World Bank funding that has been withheld for more than two years. A government spokesman said that normalising relations with international donors was vital in order to boost local and foreign investor confidence.

Richard Leakey, the well-known palaeontologist and wildlife conservationist, has been given a cabinet post as head of the civil service. His remit is to fight "the twin evils that have afflicted our country in recent years: corruption and inefficiency". For years Leakey had been a thorn in the side of Moi's government. Moi once described him as "arrogant and racist" and "a neo-colonialist and traitor to his country". He now describes him as "a man of determination and integrity".

Leakey, a third generation white Kenyan and son of world-famous paleo-anthropologists Louis and Mary Leakey, first came to prominence with his discoveries of ancient human remains near Lake Turkana, in northern Kenya.

In the late 1980s he took over and transformed the Kenyan Wildlife Service (KWS), a corrupt and inefficient organisation on the point of collapse. This brought him into conflict with the Masai, who bitterly resented their lands being turned into a national park and their exclusion from areas designated for wildlife.

In 1993 Leakey lost both his legs below the knee in a plane crash, widely thought to be an assassination attempt by his political enemies in government. That he has now been brought into government by Moi to clear out the corruption and mismanagement is testimony to the economic and financial problems facing Kenya.

In spite of its claims to "African socialism", Kenya was always a reliable ally of the West during the Cold War. President Moi came to power as a relatively unknown in 1978, after the death of Jomo Kenyatta, the country's first president. He began by initiating a series of populist measures, in particular, an expansion of education. But the twin impact of falling prices for agricultural exports, coffee and tea, and rising prices for oil imports in the 1970s resulted in growing indebtedness. Moi was forced to accept the economic conditions of the IMF/World Bank's structural adjustment loans in the early 1980s. By 1991, the number of conditionalities had reached 150!

These exacerbated Kenya's economic problems and provoked an attempted coup, the outlawing of political parties other than Moi's KANU party in 1982, the suppression of basic democratic rights and increased control over the civil service. His regime faced growing national and international criticism over its appalling human rights record, fraud and corruption.

The international bankers were happy to turn a blind eye to this while it suited the exigencies of their Cold War policies in Africa. Between 1986 and 1995 Kenya received more than $8 billion in foreign aid, much of it channelled into non-governmental organisations (NGOs). By 1992, annual debt repayments amounted to a massive 30 percent of export earnings.

In 1990 the death of a government minister in suspicious circumstances led to mounting opposition to Moi's regime. Protests were violently suppressed by the security forces and 20 people were killed in the ensuing riots.

With the collapse of the Soviet Union, dictators like Moi and Zaire's Mobutu could no longer play the Cold War card. The international bankers became increasingly impatient at their ability to circumvent at least some of their conditions and to siphon off the loans into their own bank accounts.

The IMF/World Bank decided that their policies could only be carried out by regimes representing different sectional interests within the national bourgeoisie that were capable of enlisting a measure of popular support. Western banks began to demand democratisation, or "political conditionalities", alongside the economic conditionalities imposed under structural adjustment. They froze aid to Kenya and in December 1991 Moi was forced to repeal the country's one-party law. Numerous political parties sprang up, which in the main accepted the demands of the bankers and transnational corporations.

Contrary to expectations, Moi won another term of office in the 1992 elections. He had tight control of the media and briefly expanded public expenditure to gain popular support. He was able to divide his political opponents by provoking ethnic conflicts over land rights in the Rift Valley. This resulted in the deaths of hundreds of people and the displacement of tens of thousands by organised groups of armed raiders.

A fiscal crisis in 1993 forced Musalia Mudavadi, the finance minister, and Micah Cheserem, the central bank governor, to launch what was to become the most rapid deregulation of an African economy ever seen, in order to ensure that IMF loans would be forthcoming. Import licences were scrapped, the Kenyan shilling was floated, restrictions on the repatriation of profits by the transnational corporations were lifted, price controls were abolished, and a sweeping programme of privatisation and public expenditure cuts began.

By 1996 substantial opposition existed within Kenya's ruling elite, who saw their own privileges threatened. The IMF and World Bank complained about delays in privatising the state-owned telecommunications and power companies—two important sources of patronage for the ruling KANU party.

It was against this backdrop that the IMF, in 1997, suspended a $220 million aid programme, which has still not been resumed. The international bankers issued a list of demands, including energy sector "reform", autonomy for the Kenya Revenue Authority and the establishment of an independent anti-corruption authority. They demanded the prosecution of those responsible for the Goldenberg International scandal in the early 1990s, when the government paid out $500 million in compensation for fictitious exports.

In the 1997 elections, Moi once again faced a fractured opposition with no coherent alternative economic strategy. Once again, the government provoked inter-ethnic violence both on the coast and in the Rift Valley, which displaced tens of thousands. Together with their control of the media, this enabled KANU to cling to power with a much-reduced majority.

In the last year, the number of protests and strikes have risen, as teachers and other public sector workers go unpaid, and the wages of those in work decline in value.

According to the latest *World Bank Development Report*, Kenya last year recorded another fall in per capita income and a net private capital outflow. Throughout the 1990s, GDP growth has averaged 2.2 percent, less than half that of the 1980s and less than the growth in population.