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Kenya



On the political front, 2004 started in as stormy a manner as 2003, albeit in a diametrically different mood. The early months of 2003 had witnessed the much-welcomed coming to power of President Kibaki and the National Rainbow Coalition (NARC) and the ending of the uninterrupted rule of the Kenya African National Union (KANU) since independence in 1963. In 2004, tensions increased within the NARC coalition, a grouping of 13 parties and two civil-society organisations, negatively impacting the initially hopeful start.

Domestic Politics

In an attempt to stop internal wrangling among coalition members, President Kibaki announced in late December 2003 that NARC-affiliated parties would cease to exist and would be dissolved into a single political party. The announcement met with opposition from some of the coalition partners, in particular the Liberal Democratic Party (LDP) and the Forum for the Restoration of Democracy-Kenya (FORD-Kenya). LDP claimed that NARC was a coalition of the National Alliance (Party) of Kenya (NAK) and LDP, thereby indicating that the dissolution of LDP could not be ordained by the political leader of NAK. On 5–6 February, NARC politicians met in Nanyuki to discuss the Memorandum of Understanding (MoU) signed between NAK and LDP when they formed NARC and the

lished after the next elections, thus guaranteeing that Kibaki would stay in power until 2007 at least. In the following weeks, several groups aired their support for or discomfort with the review process. President Kibaki addressed the nation on 25 March and appealed for calm. He also stressed the need for 'consensus-building', but at the same time the government officially withdrew from the conference. Other groups, in particular the faith-based Ufungamano group, rejected the Bomas draft constitution and instead offered their own constitutional variants. Several groups sought legal redress, resulting in a high court ruling that the Constitution of Kenya Review Commission (CKRC) was not to finalise its report and the draft bill. In another case, it was stated that the entire draft constitution should be subjected to a mandatory referendum by the people of Kenya. In response, legislative steps were taken by the Kibaki camp, i.e., the 'Constitution of Kenya Review (Amendment) Bill' and the 'Constitution of Kenya (Amendment) Bill', which would have made it possible for MPs to alter the Bomas draft. Separately, an inter-party initiative involving some 44 MPs, called the Constitution Consensus Group, attempted to bridge the differences. In April, Paul Muite (Safina) quit as chairman of the Parliamentary Select Committee on the Review (PSCR) and was replaced by KANU MP William Ruto, a strong supporter of parliamentary government. He got backing from LDP and KANU, among others. On 14 April, Ruto became the first MP to face criminal charges since NARC took power. The case, involving falsely obtaining about Ksh 77 m, was later dropped on a 'technicality'.

NAK-related parliamentarians also discussed the situation at length and criticised the selection of the members of the PSCR. Observers saw these moves merely as attempts to frustrate the efforts of the 'People's Constitution' initiative to deliver a draft proposal in time for the 30 June deadline.

On 28 June, President Kibaki endorsed a bill prepared by the Consensus Group and directed Murungi to drop the two pending government bills on the review process. UN Secretary-General Kofi Annan, after meeting Kibaki in July, expressed his hope that Kenya would soon have a new constitution, and in a peaceful matter. The statement was made one day after police fired on demonstrators in Kisumu, Raila Odinga's home area, demanding swifter change. In November, PSCR members met in Naivasha. After the retreat, a breakthrough was announced in which the position of prime minister was agreed upon, although the president would be the head of both the state and the government. Only a few days later, Minister Murungi refused to publish the 'Consensus Bill' because it stipulated a 65% majority in parliament. Finally, by 11 December the bill had been reviewed and it was agreed that a simple majority would suffice, although most LDP and KANU MPs boycotted the vote. On 14 December, Murungi announced that the constitution would be ready by September 2005 and, once the attorney-general had amended the draft constitution based on the recommendations of parliament, Kenyans would be asked to vote in a referendum on the new constitution (planned for October 2005).

Kibaki reshuffled his **cabinet**, bringing in leading opposition politicians. The new government of 'national unity' included KANU's Njenga Karume (the special programmes

dissolution of the 15 coalition parties. A membership committee was instructed to produce a proposal. In April, though, it became clear that unification was still a long way off. LDP, FORD-Kenya and the Labour Party of Kenya (LPK) indicated they preferred membership in NARC by each of the parties as corporate entities. The other parties either allowed for a mix of membership by individuals and corporate membership by parties in the long run (Democratic Party, FORD-Asili and United Democratic Movement) or only in the short run (Mazingira Green Party, Social Party for Advancement and Reforms-Kenya (SPARK), Saba Saba Asili and the National Convention Executive Council (NCEC), while the Social Democratic Party (SDP), National Party of Kenya (NPK) and the Progressive People's Forum wanted NARC to become a single party exclusively composed of individual members. The committee also advised NAK and LDP to stop fighting over the MoU and the allocation of political positions. Some of these, such as the post of prime minister, would need first and foremost the overhaul of the **Kenyan constitution**, an overhaul that had been under discussion since the 1990s. However, the national constitutional conference had only got under way on 28 April 2003 at Bomas of Kenya, a hall used to perform traditional Kenyan dances for tourists. The venue's name became associated with the process through which 629 representatives from different sections of Kenyan society, including parliamentarians and legal experts, gathered to discuss the draft constitutional proposal.

The key issue at stake was the position of prime minister. Raila Odinga's LDP strongly favoured the creation of a parliamentary system of government with an executive prime minister and ceremonial president, as opposed to the current presidential system, which has no position of prime minister. The unicameral National Assembly, encompassing a total of 224 seats (210 elected, 12 nominated and 2 ex-officio, namely the attorney-general and the speaker) is supposed to control the government. Those close to President Kibaki supported a hybrid system in which the country would have both an executive president and an executive prime minister. NAK politicians saw the preference for a strong prime minister and a ceremonial president as an internal coup by the LDP. Justice and Constitutional Affairs Minister Kiraitu Murungi and Internal Security Minister Chris Murungaru were singled out for deliberately frustrating the review process and watering down clauses reducing the powers of the president. In response, they claimed that the composition of the Bomas delegations was the scheming handiwork of former President Daniel arap Moi and KANU. A war of words erupted between those who favoured the process to be in the hands of a team of experts and those wanting to stick to the people-driven debate. On 6 June 2003, the conference was adjourned for two months. On 17 August 2003, Bomas II started but also failed to reach finality. On 12 January 2004, Bomas III made another try. In the Bomas III proposal, the president appoints the prime minister, who subsequently appoints and chairs the cabinet. The president would remain head of the armed forces. The draft constitution, passed on 16 March, led to the walk out of a faction close to Kibaki, including Vice-President Moody Awori (LDP) and threats to block approval of the draft in parliament. Cabinet minister Raila Odinga stayed behind and added a clause that the prime minister's position would be estab-

portfolio) – during the 1990s a strong supporter of Kibaki – John Koech (East African cooperation), Abdi Mohammed (regional development) and the leader of FORD-People, Simeon Nyachae (energy). No minister lost his seat, but LDP ministers – in particular Minister of Foreign Affairs Kalonzo Musyoka – were demoted to less important ministries (in his case, environment). This display of power politics did not sit well with LDP supporters and the Kenyan public at large. Protests were aired in Nairobi (3 July) and Mombasa (24 July) by civil society groups, such as Katiba Watch and the Front for Popular Change, some of which ended in violent clashes with the police. In Kisumu on 7 July, police used teargas and bullets, killing one person, to quell Saba Saba demonstrations. That same month, LDP helped defeat the government's forest bill in parliament by voting along with the opposition. In July, Professor Yash Pal Ghai resigned as chairman of the CKRC and was replaced by one of his women deputies, Abida Ali-Aroni.

In July, Lena Moi, wife of former President Arap Moi, died. On 26 August, Karisa Maitha, minister for tourism, also passed away. On 16 December, Ananiah Mwaboza (National Labour Party) defeated the LDP candidate in the Kisauni by-election, which was marred by violence and a low voter turnout, to fill the seat left by Maitha. Earlier that year, on 21 April, Rev. Ken Nyagudi (LDP) had won the Kisumu Town West parliamentary by-election, succeeding the late Joab Omino (former LDP chairman). In September, KANU acting chairman Uhuru Kenyatta asked Kenyans to forgive his party for its errors in the past. The request was clearly made to garner support in his battle with rival Nicholas Biwott over KANU's chairmanship. In December, Biwott was mentioned in the Ouko inquiry as one of the suspects who may have participated in the killing of the former minister of foreign affairs in February 1990. In December, Biwott was also barred from the US owing to allegations of corruption. Wrangles in FORD-People continued until 10 December, when nominated MP Kipkalia Kones, whose presence in parliament had been contested by the party's chairman, Kimani wa Nyoike, was elected unopposed as FORD-People's new chairperson. Following her 20 June promise to Kenyans that they would get free health treatment, Health Minister Charity Ngilu unveiled the national social health insurance fund in October. Criticism of the plan came from employers, private hospitals and health insurance providers. By mid-December, Ngilu received the go ahead from the president to submit the bill to parliament, but on 29 December, the Law Society of Kenya claimed the bill was unconstitutional and the Kenya Private Sector Foundation moved to court to block it. The following day, President Kibaki referred the bill back to parliament.

Amnesty International made a number of visits to Kenya in 2004 and claimed that torture still occurred in Kenya, despite its prohibition under the constitution of Kenya and despite the enactment of the 'Criminal Law Amendment Act' in July 2003. Likewise, Amnesty International acknowledged that access to prisoners has improved, but expressed its concern about the very poor conditions in Kenyan prisons. For example, on 24 May, it recorded 3,385 prisoners in Kamithi Maximum Security Prison, which has a holding capacity

ity of 1,500 only. And on 27 September, six inmates died and 20 were injured in a reportedly overcrowded cell in the Meru prison. Local human rights organisations have alleged that some inmates had been tortured by prison warders, not only in Meru district, but also in other parts of the country.

The claims of torture were also made in relation to terror suspects. A total of seven detainees, Kenyans of Arab origin, were standing trial for the bombing of the Israeli-owned Paradise hotel in Kikambala on 28 November 2002. **Al-Qaida** claimed responsibility for this suicide bombing as well as for the simultaneous (unsuccessful) attempt to down an Israeli aircraft as it took off from Mombasa airport. In early 2003, Kenya had joined a group of six countries identified by the US to work in a coalition to fight terrorism in the Horn of Africa. In January 2004, the national counter-terrorism centre was established in Nairobi with the aim of providing 'timely' and 'factual' intelligence. That same month, Muslim leaders called for the withdrawal of the 'Terrorism Bill'. In May, an MP wrote a letter in local newspapers citing several cases of arbitrary arrest and deportation of Muslims. The Kenyan government has been dragging its feet on the 'Terrorism Bill', which has been in abeyance since it was first drafted two years ago.

The **Mungiki** sect, a quasi-religious group, emerged once again when over 20 people were brutally murdered or disappeared, particularly in the surroundings of Nairobi and Nakuru. On 14 December, however, there was great jubilation in Nakuru after former MP David Manyara and 12 suspected Mungiki members were set free, owing to lack of evidence. They had been in detention for 23 months on charges of murdering 10 persons in January 2003.

In May, members of the Seventh Day Adventist Church claimed that they were among hundreds of workers fired by private companies operating in Nairobi's Export Processing Zone (EPZ) for refusing to work on Saturdays. The Kenya Human Rights Commission also expressed its concern about conditions in the EPZ.

Acts of **communal violence** reappeared. In August, a clash over land occurred between the Maasai and ranch owners in the Laikipia region. The Maasai claimed the treaty signed in 1904 that took away their grazing areas for the benefit of white settlers had expired after 99 years, but government insisted the treaty was for 999 years. Protest, both in Laikipia and Nairobi, became increasingly violent, resulting in demonstrators being tear-gassed and two Maasai being shot in the Laikipia area. In an attempt to end the hostilities, some Laikipia landowners allowed Maasai livestock on to their ranches at the end of the drought period. In Narok, two people were killed after violence erupted between two neighbouring communities. Another controversial settlement, the Likia Forest, was also rocked by violence, after which government decided to allow some 1,600 acres to revert to forest and cancelled 471 title deeds.

The land question was dealt with in the Ndung'u report released in December 2004. The report mentioned the families of former presidents Jomo Kenyatta and Daniel arap Moi,

among other high-ranking Kenyans, as having grabbed public land now recommended for repossession. Parastatals and churches were also among the beneficiaries of corrupt land deals. President Kibaki received the report in July, but it took until the end of the year before the report was released to the public. A further list of people who allegedly got money from the proceeds of the **Goldenberg** scam – ranging from President Moi, to MPs, lawyers and ministers – was released by the Goldenberg commission of inquiry that same month. Kamlesh Pattni, Goldenberg International's founder, had testified during the hearings that he secured Moi's cooperation by paying the former president an initial cash bribe of just over \$ 65,000. However, Moi – who refused to testify at the hearings – denied being part of the fraud. Constable Naftali Lagat and David Munyakei, a former clerk at the central bank of Kenya, helped to expose the Goldenberg scandal, one of the largest and most complex financial scandals in Kenyan history, centred on fake exports of gold and diamonds and resulting in a loss of between \$ 600 m and \$ 1.3 bn. The two men were awarded the Transparency International 2004 Integrity Award.

In 2004, several incidents indicated that the **press** was less free under the Kibaki government than it was considered to be. In January, police arrested 20 vendors and confiscated so-called gutter newspapers, including 'The Independent', 'Kenya Confidential', 'Weekly Citizen', 'News Post' and 'Summit'. The Kenyan union of journalists condemned the raid as an attack on press freedom. Peter Makori, a freelance journalist, investigating corrupt officials in Kisii, was arrested, charged with murdering two local chiefs, and detained from July 2003 to May 2004 without trial. In September, offices of 'The Independent' and the 'Weekly Citizen' were visited by masked men and computers and printing equipment were taken away once again.

In April, Information Minister Raphael Tuju appointed a team to investigate the KIFM FM Radio station, associated with KANU, after complaints filed by Water Resources Minister Martha Karua about defamation. However, prominent media people rejected their appointments, and the high court ruled on 31 July that the panel had no basis in law. In May, Minister Kiraitu Murungi said that the 'Books and Newspapers Act', a controversial press law enacted just before the 2002 elections, would soon be repealed. However, the Kenyan government also announced a bill that would ban companies from owning more than one type of media outlet, but shelved it after protests from media owners and local journalists.

Foreign Affairs

Since November 2003, **relations with major donors** have improved considerably following the release of development funds. However, serious hiccups in these relations also cropped up during the year. Coffee was at the centre of the debate with foreign donors when in April, Co-operative Development Minister Njeru Ndwiga reported that the Kenyan government had rejected Stabex funding from the EU because of its unfavourable conditions.

Ndwiga accused the EU of opposing the purchase of finished coffee products, unlike the US. The EU was quick to deny the claim. More damaging was the clash between the British high commissioner and the Kenyan authorities. In mid-July, during a luncheon of the British business association, Sir Edward Clay accused the NARC government of negotiating a total of \$ 187 m in corrupt deals over 18 months. Support for this view came from the US and Norway. Soon after, the EU, referring to the Anglo leasing affair, a shady tender deal to produce new Kenyan passports, delayed the disbursement of budgetary support to the tune of \$ 59 m.

At a regional level, Kenya's relationships fared much better. On 2 March in Arusha, Presidents Mkapa (**Tanzania**), Museveni (**Uganda**) and Kibaki signed the treaty for the EAC customs union. EAC will become a free trade area by 2010.

Relationships with other neighbours, notably **Ethiopia** and **Somalia**, were less cordial. On 15 April, Ethiopian militiamen raided three villages near Moyale. The same month, Kenya banned entry to anyone travelling on a Somali passport. This impacted the Somali peace talks when, in mid-May, the head of the Somalia's transitional government refused to continue the process unless he was admitted into Kenya on a Somali passport. These problems did not prevent the conclusion of the Somali peace talks. On 14 October, newly elected Somali President 'Abdullaahi Yuusuf was sworn in at Nairobi's Kasarani sports complex, an event witnessed by Kibaki, Museveni and Obasanjo (Nigeria). The new Somali government would, for security reasons, remain based in Nairobi for the time being. Nairobi was also the scene of an historic UN Security Council meeting in November, which resulted in an agreement ending the 21-year war in southern **Sudan**.

Kenyans were also making headlines abroad. In July, three Kenyan truck drivers were captured in Iraq, but were released in September after 42 days in captivity. In November, a Kenyan firm was mentioned as being at the centre of a multibillion-shilling illegal weapons trade in the Ukraine. A more positive event was the Nobel Peace Prize award to Professor Wangari Maathai on 9 October for her contributions to democracy and sustainable development. Maathai had founded the Green Belt Movement, an organisation that promotes the planting of trees, and entered the NARC government as assistant minister of the environment.

Socioeconomic Developments

On Madaraka Day 2003, President Kibaki called upon all Kenyans to turn Kenya into a 'working nation'. To guide this plan, the government published the ambitious **Economic Recovery Strategy for Wealth and Employment Creation 2003–07**. However, the economy grew by only 1.8% in 2003. For 2004, the economic performance stood at 2.6%, still below the 3% target. Economic activity increased during the first four months of 2004 before slackening between May through September as a result of drought and rising oil prices. The economy, however, picked up momentum in the last quarter. Growth in tourism,

horticulture, tea, manufacturing, transport and telecommunications services underpinned overall GDP growth in the last quarter.

By December, overall inflation stood at 16.5%, adding to the average annual inflation of 12.1%, far above the target rate of 5%. Especially against the euro the shilling lost ground, from 95.6 at the beginning of 2004 to 105.3 at the end. For the corresponding period, the US dollar stood at 76.1 and 77.3 respectively.

The **budget deficit** decreased significantly to 0.4% of GDP in fiscal year 2003–04. The good performance was attributed to improved administration resulting in higher tax revenue collection. The increased inflow of external financial means was an outcome of the resumption of IMF and World Bank programme support, although the Kenyan government had aimed for a higher target. The shortfall was due to a tightening of donor funds pending ongoing reviews. In August, Justice Aaron Ringera became director of the reconstituted Kenya anti-corruption authority. During 2004, a number of corruption cases came to light in the housing, transport, electricity, forests and AIDS-prevention sectors. In August, director Margarit Gachara of the national AIDS control council was jailed for one year for theft of Ksh 27 m, but was released four months later, along with 7,000 other 'petty offenders', through presidential clemency.

The **public debt** stood at \$ 9.3 bn at the beginning of 2004. This was equivalent to 70% of GDP. The government registered a major breakthrough on 16 January when the Paris Club of creditors agreed to reschedule Kenya's \$ 350 m debt with it. At year's end total public debt, however, had increased to \$ 9.4 bn. The increase was mainly due to a growth of external debt to \$ 5.6 bn, which more than offset the decrease in gross domestic debt to \$ 3.8 bn in the same period. Interest rates on borrowings declined from highs of 19% to an average of 12%.

During the period January to October, the value of Kenya's **domestic exports** grew by 12.8%, while re-exports grew by 16.6%. This growth is mainly attributed to the export of horticultural products (flowers, fruits and vegetables) and manufactured goods (iron, steel and textiles). Commercial imports grew by 23.2% to Ksh 285.8 bn for the period January to October 2004. Overall, the trade balance deficit widened from Ksh 81.5 bn to Ksh 116.5 bn.

Coffee and tea exports increased by 5.3% and 5.1% from January to October 2004 and stood at Ksh 6 bn and Ksh 29.3 bn respectively. The leading importers of Kenyan tea were Egypt (26%), Pakistan (23.1%), UK (15.3%), Afghanistan (12.2%) and Sudan (4.8%).

Horticultural exports increased by 22.1% to Ksh 31.2 bn. Europe continued to absorb the bulk of the produce, though the Middle East (particularly the United Arab Emirates and Saudi Arabia) and South Africa were emerging export markets. The growth of export earnings was mainly the result of improved prices, as a drop in quantity was recorded, especially for coffee and horticulture. Chemical products (6%), pyrethrum (3.1%) and soda ash (3%) were other major export products.

Exports to African countries, notably Uganda, stood at 46.6% of the total exports, while the EU, especially the UK (10.4%) and the Netherlands (8.2%) came second. Several

Kenyan goods gained access to the European market through preferential trade agreements under the ACP-EU Cotonou Agreement. On 14 January, the EU lifted a four-year ban relating to compliance with health conditions on Kenya's fish exports. Kenya produces approx. 200,000 metric tonnes of fish annually, worth Ksh 6.5 bn. Almost 30% was exported to fish processing countries.

Agriculture remained the most important economic sector and was responsible for some 24% of Kenya's GDP. Output of tea, sugar cane, coffee, horticulture and pyrethrum grew by 16.8%, 6.6%, 4.5%, 9% and 13.2%, respectively. The improvement mainly reflected the favourable weather conditions and enhanced investor confidence. In the coffee sector, deliveries rose by 4.5% to 58,800 tonnes in the financial year 2003–04. But in early 2004, the biggest producer, Socfinaf, announced that the company would scale down its coffee operations by more than half in the next two years to concentrate on horticulture. Second producer, Kakuzi Ltd, even announced its complete withdrawal from coffee in favour of horticulture, forestry and livestock farming. By late-December, the coffee board of Kenya and the government clashed over the contentious appointment of Tetu Coffee Incorporated as marketing agent. The government, however, denied the claim, stating that three companies had been issued interim marketing licences.

Production of horticultural exports increased by 9% in the financial year 2003–04 to 147,799 tonnes. This remarkable growth was largely in flowers and vegetables, whose export volumes grew by 28.3% and 31.8% respectively. Fruit, however, declined by 14.2%. Early in 2004, worries cropped up that new EU quality control measures to prevent new pests and diseases would threaten Kenya's horticultural industry and its 500,000 employees.

The need to improve resilience in the face of pests and droughts once again became clear towards the end of 2004, when Kenya pleaded for donor aid to feed an estimated 3.3 m people facing starvation in 26 districts across the country. Earlier in the year, some 80 people had died from food poisoning from contaminated grains.

In **manufacturing**, production of cigarettes, beer, processed sugar and soda ash increased by 32.3%, 19.7%, 13.1% and 7% respectively in the second half of the financial year 2003–04. Growth was supported by the AGOA treaty. The companies operating in the Export Processing Zones increased to 70 by June from 54 in the previous year, while private investment shot up from Ksh 2.7 bn to Ksh 15.7 bn. Kenya approved the signing of a 21-year mining lease for Tiomin Resources Inc's proposed titanium mine at Kwale. Protests over environmental and landownership issues had delayed the signing since 2000. The \$120 m project is projected to produce 330,000 tonnes per year of ilmenite, 77,000 tonnes per year of rutile and 37,000 tonnes per year of zircon over the first six years of operation. Tiomin has identified three further deposits of heavy minerals in the vicinity of Kwale. Domestic supply of electricity rose by 7.9% during the financial year 2003–04. In January, the World Bank gave Ksh 3.5 bn to strengthen power transmission and distribution, and on 17 February, Japan announced it would release Ksh 8.5 bn needed to complete the

Sondu Mirui hydro-power project, which had stalled two years earlier. Funds released by Germany for the Olkaria geothermal project were also expected to boost Kenya's energy provision. Despite the increase in domestic power generation, the energy sector continued to be plagued by the high cost of power and unreliability of supply.

Since liberalisation, **telecommunications** has become the fastest growing sector in the economy. By the end of June, active subscriptions with mobile service providers totalled more than 2.5 million, representing a remarkable annual growth of over 57.9%. Kencell and Safaricom extended their telecommunications services to parts of the country that had long been neglected. In June, the debt-ridden French operator Vivendi sold its 60% stake in Kencell to Celtel for \$ 250 m. This led to the addition of 1.2 million subscribers and made Celtel the leading telephone company in Africa (excluding South Africa) and East Africa's only regional operator covering Kenya, Tanzania and Uganda. In the fixed lines sub-sector, total subscriptions declined by 8.9% to less than 300,000 lines.

Cargo handled by Kenya Ports Authority (KPA) increased by 7.7% to 12.1 m tonnes from 11.2 m tonnes in the previous financial year. Most of the inland transport was by road, rail being second. Cargo handled by Kenya Railways declined by 7.9% in the 2003-04 financial year. In April, Kenya and Uganda launched a plan to jointly lease **Kenya Railways and Uganda Railways Corporation**. The World Bank granted \$ 270 m to rehabilitate the Mombasa-Malaba railway. There were also plans to extend the railway line to southern Sudan. In December 2004, a German company, Thormaehlen, announced it would construct a new railway linking Kenya and Sudan via Lokichoggio. Rwanda and Ethiopia indicated an interest in joining the improved network. The company entered a 25-year build, operate and transfer deal with the Sudan Peoples' Liberation Movement (SPLM), with the firm being given a mineral concession in return.

In addition to railway improvements, a **major road project**, the northern corridor project, was taking shape. The World Bank released \$ 218 m to make a dual carriageway from Mombasa-Nairobi-Busia through Kisumu and through Eldoret to Malaba. Another important development in Kenya's transport system was the introduction of new safety measures on 31 January. This resulted in over 44,000 public service vehicles temporarily suspended business as efforts were made to comply with the new regulations, which reduced the number of passengers from 18 to 14 and required the installation of seat belts, among other things. About 3,000 Kenyans are killed and 11,000 injured on the roads every year.

Kenya's major **airports**, Nairobi, Mombasa and Eldoret, also received World Bank and US funding to upgrade and improve security. On 3 March, President Kibaki announced an end to the ban on cargo flights from Eldoret airport imposed in 2003. Kenya Airways, one of the few profitable African airline companies, continued to report increasing net profits. Ksh 1.3 bn in 2004, up from Ksh 400 m the previous year. On the other hand, East African Safari Air, the second largest international Kenyan operator, was grounded in early September over \$ 1.5 m in fuel debts. As a result of an emergency landing on 29 July in Rome, it was thrown out of IATA. The company had about a quarter of the UK market to

East Africa and over 60% of the southern European markets of Italy, Spain and France.

In spite of this set back as well as adverse global events, in particular negative travel advisories and terrorist threats, Kenyan **tourism** picked up in 2004. During the financial year 2003–04, arrivals increased by 5.5% to 573,254 tourists. During this period, earnings were estimated to have reached \$ 376 m from \$ 288 m in the financial year 2002–03.

Marcel Rutten