When the Centre No Longer Holds: Kenya's Post-2017 Economic Prospects

By Paul Goldsmith

While the elections that took place in Kenya this month have played out like the latest episode in a familiar political drama series, the global and regional backdrop has continued to change. The pace of transformation is increasing, the big picture is blurred, and although the 2013 cocktail of ethnic alliances remained unchanged in 2017, the winners of the contest will be governing in a world that is significantly different from the one in 2013.

There was a time when Kenya's developmental partners presented a united front when dealing with the government of the day, especially during ruptures like the 2007-2008 post-electoral violence. Now the Western donor frontline is fragmented and China's growing influence is based on a different geopolitical optic. The Chinese are providing a financial alternative to the hegemony of the Bretton-Woods institutions, but with a different local cost-and-benefit equation.

The Donald Trump disengagement factor should be a significant concern for a country like Kenya, but it is not likely to materialise on the scale initially anticipated. Two-thirds of the American public still supports foreign assistance even though they think their largesse is much larger than it actually is. Renewed growth and the Merkel-Macron axis are now stabilising forces of populism that were never absent but less visible within European Union nations. While the UK sorts out the Brexit problem that induced Theresa May's awkward flirtation with Donald Trump and his proposed special trade relationship, the EU will provide a useful counterbalance.

Otherwise, all is quiet on the Western donor front, at least for the time being, as the host of international election observers in Kenya have just confirmed. In any case, Kenya's foreign policy wonks have been adjusting to the transition to a multipolar international order for over two decades. This process remains on course, while Kenya's geopolitical location reinforces the multilateral *status quo* that includes reducing levels of external donor support. That this foreign policy did not feature prominently in the campaigns is indicative of its relative priority in the larger scheme of things.

There are still important issues waiting to be addressed, as David Mondo pointed out in a recent article on the subject, including the rebalancing of relations with China. Saudi Arabia's militant activism demands vigilance in respect to relations across the Horn of Africa region and its direct ramifications for the situation in Somalia. But most of the challenges are closer to home.

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Multiple developments, from the security threats posed by non-state insurgents to the parochial influence of social media, the emergence of highly contagious disease vectors, the spread of ethnic and regional nationalism and the implications of new technologies, are driving the overall pattern of change across the world. The organisational structure of governance is in flux, but this has been the case in Africa since the 1970s. African states have for the most part successfully resisted and selectively curbed the international pressures from above while conceding influence to the ethnic forces from below. The only news here is the resurgence of tribal identity across other world regions.

So maybe things are not so different after all?

Think again.

Although the day-to-day realities appear to be the same, over time both forces have reduced the political space that the traditional nation-state carved out over the last five hundred years, while liberalisation has further eroded the state's control over the economy. Supra-national organisations and transnational networks are flattening the top-down hierarchical world order from above. The influence of new and old tribes are doing the same from below; free-scale networks are spreading, and all of these changes are reducing the economic primacy the state has long enjoyed.

The import of these shifts for the landscape of eastern Africa highlights the quest to achieve a flexible balance of national governance, economic integration, and enhanced cooperation among and across local and international system scales. Somalia and other areas of cross-border turbulence are regional problems that demand regional solutions. The dynamic is the same in respect to devolution; the counties are now the focal points of local development.

The required adjustments by the state in both instances serve the national interest; the problem is that the required concessions entail conceding a degree of national-level sovereignty. This is easier said than done in a world where the nation-state and the economic agents of centralisation appear to be driving globalisation. Bigger is better is still assumed to be the policy default. The corollary assumption presumes that material progress is a function of strong leadership at the top. Imperialism was one of the more draconian examples of how this principle actually works. The nation-state has long been the repository of global power, but in today's world the influence of political leaders at the apex of the planet's food chain is more a mirage than reality.

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That China is the reigning contemporary exemplar highlights the economic strength of the command economy, but so was Stalin's Soviet Union once upon a time. History shows that authority concentrated at the centre can be very effective in the beginning, but typically ends badly. A similar hegemonic model worked for a while in Somalia, but we saw how that turned out. On the neoliberal side of the ideological divide, Whitehall's entrenched control of the British homeland may result in the break-up of the United Kingdom during the coming years.

These comparisons demonstrate the limits of sustained centralisation. The predicament facing governments across the globe is how to manage the directionality of political change in a milieu where small has gone from beautiful to powerful. This is not easy in countries like Kenya where the state has long enjoyed supremacy as the only game in town.

The Jubilee Party may have gained ground, but the inevitable partisan hangover and the problems of promoting progress in a deeply polarised nation are not going away.

The morning after

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> Contemporary Kenya presents a distinctively problematic socio-economic equation. Its relatively sophisticated private sector is offset by problems of extreme poverty, endemic corruption, declining agricultural productivity, increasing seasonal water shortages in high rainfall areas, vulnerability to the effects of climate change, undiminished security challenges, and a perverse combination of reduced funding for civil society and sustained support for an ineffective military counterterrorism strategy.

Urban areas across the world are by definition more prosperous than the rural hinterland. But in this case the wealth concentrated in the capital translates into shortfalls elsewhere. No other city in Kenya really qualifies as a sectoral hub in comparison, and even though Mombasa and Nakuru formerly enjoyed this status due to the port and agricultural processing industries, both cities' position has eroded relative to the capital.

Nairobi disproportionally benefits from the wealth generated in the countryside even though its contribution to the national economy in the form of industrial production is stagnant. Ownership of mobile phones and radios are the only exception to the pattern of material consumption for rural Kenya.

The concentration of wealth and power in the world's capital cities fuel growing local demands for redistributed decision-making authority, secessionist movements, and the rise of militancy on the peripheries of the state-centric system. In Kenya, extending the national infrastructure is only part of the formula for alleviating the disparities between urban centers and the hinterland. It is a routine function that governments everywhere undertake, although this has been a major selling point for the current government.

In Kenya, the country's spatial and regional socio-economic inequality is one major divide; the other is demographic. Kenya's population is now approaching 50 million, and has doubled since 1992. The median age is 19, and three-quarters of the population is under 30. The fertility rate has abated from the apex of 3.9 per cent per annum in 1989, but at 2.7 per cent the decline remains higher than the decrease predicted by demographic transition models.

In Africa, two decades of colonial intervention effectively redirected Africa's historical trajectory—accelerating socio-economic change in some areas while effectively ensuring that wide expanses would sink into a state of malaise and stagnation. It will take much longer to restore the natural equilibrium turned upside down by imperial intervention.

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Kenya's ongoing transition entails a gradual unwinding of the old order and the incremental redistribution of administrative decision-making and political power across local and regional system scales. The process of reconfiguration has just begun, and over time it should produce far greater benefits than the agrarian capitalism introduced by the colonial administration. Rectifying the structural inequalities it created is a prerequisite for this to happen, and this cannot occur in isolation. Overlapping economic unions like IGAD and the East African Community mark the commitment of the region's governments to regional integration. Convergence will eventually create a more balanced and robust regional political economy. This, perhaps more than the efforts of individual governments, may prove to be the key that unlocks prosperity for this region's surging populations. The problem is that although some of the national economies may achieve lift-off over the next decade, integration will probably take much longer. In the meantime, the new Kenyan government will inherit a politically, economically, spatially, and demographically divided land of contrasts.

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All of these issues feed the stark realities that the new Kenyan government will have to confront once the political noise and legal controversies stirred up by the polling season subside. In a country where the recent crisis in Laikipia is only the most recent indicator of the intensifying competition over land and natural resources, Kenya's pursuit of transformation is a race against time. The prospects for winning the race are not exactly sanguine at this juncture.

Devolution and the Vision thing

Many Kenyans retain an entrenched mentality about the developmental capacity of the central government. Despite the new constitution's provisions for addressing structural inequalities, the ethnic power map still holds sway and manifests in the foot-dragging, revisionism, and state elites' reluctance to embrace constitutionalism—even while devolution is opening up new pathways for problem solving, citizen participation in governance, and formerly inert communities' developmental horizons.

In his influential work on economic history, *Capitalism in the 21st Century*, Thomas Picketty documents how a country's rate of population growth translates over time into an equivalent percentage of economic growth. The corollary observation is that the government's contribution to Kenya's economy is actually considerably less than what the growth rates associated with the conventional indicators suggest.

> The 70 per cent of Kenya's citizens who think the country is not on the right track may discern a glimmer of hope in the technology-driven future. Innovations, like the blockchain, for example, can deliver results where previous attempts to reform the system have hit the wall of impunity and public apathy.

Vision 2030 is the latest top-down iteration of the five-year development plan. The technically well-informed document is still the grandchild of a century-old strategy that overestimates the capacity of the state relative to the pressures building up on the ground. In reality, government policy makers are banking on the prospects that an oil export boom and other extractive industries will provide an economic lifeline.

There's nothing wrong with thinking big when conditions and resources favour implementation of visionary schemes. China became an industrial power over the course of a generation and the Americans took less time to land a man on the moon.

But historically, this region's conditions have not been conducive to large-scale project interventions. The Lamu Port and South Sudan Ethiopia Transport (LAPSSET) project, the latest product of this set piece way of thinking, is doomed to fail in its present form. Its planning was predicated on incorrect economic and political assumptions, including the value of the untapped crude oil justifying its US$24 billion price tag. Irrational initiatives, like the aborted plan to transport oil from Turkana in lorries, are indicative of the desperation to cash in on the fading demand for carbon energy resources. Even though it is now in limbo, the project is generating deep frictions among the communities in the areas it traverses.

The majority of Kenyans elsewhere, however, are reluctant to discriminate between the illusions spun by such "vision" statements and practical policies parlaying demographic-driven growth into economic transformation. The success of a given political party in these circumstances should not be seen as uncritical support for conventional development planning from above. Very few people bothered to read, much less debate, the Jubilee and NASA party manifestos, and Kenya's developmental monoculture no longer holds sway in many areas.

Biological monocultures, like the fir forests in Scandinavia and the waves of amber grains spanning the American heartland, dominate in resource-rich environments. Biodiversity thrives in landscapes where climatic variation and the uneven distribution of ecological resources prevail. These initial conditions shaped the region's cultural ecologies. Kenya's cultural and linguistic diversity is the by-product of multiple niche adaptations. Clans served as the basic unit of economic production that merged into larger fuzzy-edged collectives that the colonials defined as tribes.

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The edges became sharp and less permeable under the influence of the modern state. Three decades of reforms may have diminished the Leviathan but have left the motivations of the political class intact. The influence of neoliberal economic policies in Africa has converted the developmental focus of the post-independence era into a more transactional political economy over time. Liberalisation has also reactivated the environmental and spatial dynamics held in check by decades of centralised governance.

Infrastructure is a basic prerequisite for economic progress, as discussed in an insightful essay by Kenya's Harvard-based Calestous Juma. Governments everywhere since antiquity have developed roads and ports. Fostering economic inclusivity is the real big project in the present Kenyan context. Enhancing the developmental capacity of county governments and empowering local aspirations to benefit from their natural resource endowments will go a long ways toward this goal.

It is not a simple matter of sharing some revenue with the counties. It follows that the current budget allocation formula favouring areas that benefitted from Kenya's Sessional Paper No. 10 should be reviewed and adjusted as a matter of procedure. Although the county governments have issues of their own, in general they have displayed better problem-solving skills and have been more responsive to feedback and complaints than the monolithic central government.

After twenty years of failed sectoral reforms, the governor of Nyeri broke the stranglehold of the coffee barons. Now the county's farmers are producing some of the best specialty coffees in the world. Mandera has raised water development to an unprecedented level. Kwale led the country in fiscal management, and there are many other feel-good county stories.

Despite problems of revenue generation and the duplication of services, in general devolution has been a success. And this is just the beginning. The government overseeing the second phase of the roll-out process will require a more creative mindset than what was on display during the just concluded elections if it wants to harness the energies generated and create new synergies.

Unfortunately, the winners of Kenya's contested national elections will probably treat their victory as a mandate to conduct business as usual. This is a dilemma for counties on the margins who will continue to fight for their share of the spoils while state compradors cut deals with foreign investors. The constraints facing the counties in general reflect a yet bigger problem. Until proven otherwise, the transformational language of the victorious party's manifesto will be seen as a smokescreen for the unrelenting appetite to eat at the centre. The violent suppression of protest and bellicose responses to criticism in general are also not consistent with a government confident of its performance and political legitimacy.

Are the nation's political leaders capable of seeing the shape of things to come? This may not be the right question in light of the state's tendency to shun opportunities to offset the inequities of the past.

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Blockchains are a peer-based accounting mechanism that gained fame for enabling the rise of crypto-currencies, such as Bitcoin and Etherium. Tech analysts believe their role in the management of commercial ledgers and financial flows also has revolutionary implications for the problems of corruption and mismanagement of public assets. Technological forces are also reconfiguring the prospects for more productive livelihoods. Data-based applications and machine-learning algorithms originally designed for large-scale technologies are now catalysing transformative efficiencies in areas such as precision agriculture, resource management, and a range of small-scale enterprises.

As Malcolm X declared, "The future belongs to those who prepare for it." Governments that do not see the need to keep pace with these developments risk becoming irrelevant. It will be hard for policy makers to choose one set of technological innovations that improve economic productivity while rejecting others that enhance transparency and improve the management of public resources.

More devolution or the building of a Konza techcity will not alter the challenges on this front. Rather, as Professor Juma states, "new approaches will need to be pursued to ensure that the past failures of industrial policies are not repeated." This imperative to facilitate what he describes as "adaptive open competitive and collaborative innovation ecosystems" is complicated by the looming scenario the good professor does not refer to: the fast approaching economic singularity and attendant loss of employment.

A recent article in *Quartz* magazine opined that Africa could suffer a forty per cent loss of it formal sector jobs to the machine economy over the next two decades. We still do not know how these fast-moving developments will impact society, but based on present evidence, I personally think the current pace of automation makes this prediction look optimistic.

The state's role as an agent of development may be antiquated, but its function as a vehicle for governance is likely to become even more critical as it is the one public institution with a democratically approved mandate to negotiate the relationship between society and technology-driven capitalism. The implications of this remind us that despite its shortcomings, the nation-state is still the world's most successful form of multicultural organisation.

Deep neural networks cannot replicate our uniquely human traditions of collective leadership and consultation or replace the role of a vibrant civil society. In his seminal treatise on the emergence of a distinctively African capitalism, John Illife addresses this quandary by concluding that "political skills on both sides of the state-society divide will determine whether or not African capitalism can establish itself as a creative force".

The regime of capitalism in Kenya presently favours rent-seeking elites. Most of the key decision makers are neither creative nor visionary. After decades of accumulation where are the Kenyan Dangotes, where is the *noblesse oblige*?

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It is naive to expect that the latest government of the day will exchange its legacy of patrimonial governance for the kind of forward-looking leadership Kenya's youth demographic deserves. But we can anticipate that the nation's youth will assert themselves within the mix of new and existing selective forces that will begin to sort things during the run-up to the 2022 elections.

An oft-cited tech sector rule observes that just as we tend to overestimate what can be accomplished over the short term, we can also underestimate the scope of change that can occur over the longer term. In the case of Kenya, reversing the political status quo will begin with small steps. Ditching the Vision 2030 blueprint would be a good place to start. This will allow the executive to impart substance to its rhetoric of transformation by involving individual leaders from different sectors in tandem with the county governments to formulate a new vision for 2040.

Kenyans, as the 2017 World Athletic Championship once again demonstrated, may not be very competitive in the sprints, but they excel in the long distance race.

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