

Education, Social Mobility and the Enclave Economy: Revisiting the Kenya Scenarios Project

The year was 1998, just after the second multiparty elections that, like the first, was marred by ethnicized political violence and allegations of massive fraud. The horizon was ominous. Moi would be coming to his two-term limit in the subsequent election, and there was already talk of a constitutional amendment to remove the term limit as was happening in Zambia and elsewhere at the time. The economy was in free fall. The big imponderable then was whether Moi would go when the time came, and whether the country could survive a conflagration if he sought to cling to power by hook or crook.

The departure point of *Scenarios* was that Kenya's business model had reached the end of the road: "Kenya had reached the limits of its chosen political and economic models." This prognosis was captured by an analogy of an umbrella. We inherited at independence a dualism of the colonial era which created a "modern" enclave sector occupied by Europeans and their Asian and African auxiliaries, and a "native sector" occupied by the excluded African masses. The modern enclave, which I prefer to call the privilege sector, comprised the State, a small corporatized economy with superior social amenities especially education facilities and urban residencies. Colonial Europeans had the exclusive Duke of York, Prince of Wales and other exclusive schools, Asians had their own – the Duke of Gloucester, Allidina Visram, Racecourse Secondary – and the lucky few Africans had Alliance, Maseno, Mang'u and a few others. Even though African schools and urban residencies were below those enjoyed by Europeans they were way above the life of the ordinary native.

Once you got into one of these schools, you had made it.

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Now think of the enclave economy, the privilege sector if you like, as an umbrella. People under the umbrella are protected from the elements, but how well protected you are depends on your position inside the umbrella. People at the centre are completely protected and warm, while those at the periphery are less protected, but they are better than those outside. The trick is to get deeper into the umbrella until you are the guy actually holding it.

Before independence Europeans were at the centre, followed by Asians, and Africans at the periphery. After independence, many Europeans and some Asians left making more room for Africans to move deeper into the umbrella, and a few more to move into the shelter.

A fresh graduate was guaranteed a position previously occupied by a European, and a high school leaver, a position previously occupied by an Asian. Even though there was a whiff of tribalism, with Kikuyus getting the prime jobs, all Africans with university education got on the gravy train. Those with post-graduate degrees went straight to the top of the public service.

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By the mid-seventies the privilege sector was already feeling the strain of the numbers of people. Up until then anybody with an 0-Level Div. 3 was assured a good clerical job in the

private sector while A Levels who did not proceed to university or diploma courses joined as management trainees.

By the end of the `80s, the economy was struggling to absorb 2000 university graduates a year.

The problem was about to get a whole lot worse.

In 1990, the labour force was in the order of four million people, of which one million, a quarter that is, were in the "privilege sector" (i.e. public and private sector formal wage jobs). The other three quarters were in the informal non-agricultural and smallholder agriculture. Unemployment was relatively low, since smallholder agriculture and informal sector was absorbing those who did not get into the privilege sector.

Three decades on, the Kenya National Bureau of Statistics estimated the economically active population (15-64 year-olds) at 25 million, and the actual labour force (i.e. excluding students and others inactive) at 19 million – a five-fold increase. Formal wage employment is estimated at 2.7 million and non-farm informal employment at 14 million, leaving one million unemployed, and implying that there are just about two million smallholder farmers and pastoralists. Out of the increase of 16 million, the privilege sector has absorbed 1.7 million, only 10 percent, and its contribution to employment is down to 8.5 percent from 25 percent three decades ago.

In the meantime, university enrolment has increased to 500,000 which works out to 125,000 graduates a year, or 63 times the rate three decades ago, while the privilege sector is absorbing just over 100,000 a year. Even if they took up all the jobs, the privilege sector simply cannot absorb the annual throughput of university graduates.

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This encapsulates what the scenarios team meant by the end of the road: “Radical changes to revive the economy, a comprehensive reorganization of Kenya’s primary institutions, models of governance and relationships between citizenry and the government are all required.” Would it happen?

Two transformational imperatives were self evident, political and economic, making for four possible scenarios. The first is the No Reform scenario, that is, the continuation of the trajectory that the country was on at the time. We called this the **El Nino** scenario. The second is the economic reform-only scenario. We called this scenario **Maendeleo**. The third is political reform-only scenario. We called this the **Katiba** scenario. Initially, these were the only scenarios developed. But when presented to the project trustees, they argued that the presented scenarios were all too pessimistic and insisted that the team develop a fourth scenario with both political and economic reform. The team obliged, even as it felt this was not a viable prospect. We called this the **Flying Geese** scenario (See ‘Kenya Scenarios Project’ box).

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In 2003, the National Rainbow Coalition (NARC) rode to power on a **Katiba** platform. For a short while, the cross-ethnic unity of purpose displayed by erstwhile bitter political rivals, reminiscent of the Flying Geese scenario, made Kenyans the most optimistic people in the world. It did not last. On

assuming office the old order coalesced around Kibaki, sabotaged the constitution-making process, and proclaimed a **Maendeleo** agenda. Instead of a constitution, we got Vision 2030. **Katiba-Maendeleo** was not just a battle between politics and economics but it played out in the economic arena, between NARC's bottom-up-inclusive growth and the trickle-down economics of the privilege economy. A good number of the experts I mobilized to work on NARC's Economic Recovery Strategy (ERS), Betty Maina, Sam Mwale, Gem Kodhek, Wachira Maina, Richard Ayah, John Kashangaki, Joslyn Ogai among others, were members of the scenarios team, as was Prof. Anyang' Nyong'o, the minister in charge of the ERS. After the 2005 referendum, the transformative political and economic agenda was abandoned. Instead of a new constitution and the economic empowerment agenda that NARC had promised, we got the trickle-down infrastructure-led Vision 2030.

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It took the 2007/8 post-election violence to jolt **maendeleoism** back to reality, and create the impetus for the 2010 Constitution. It is our great misfortune that we put the constitution in abeyance for two years instead of going to election immediately after promulgation as is the norm. This gave time for the old order to regroup behind the anti-ICC narrative. The rest, as they say, is history.

For the 2017 general election, we once again united the opposition around the **Katiba** platform. NASA was crafted straight out of the 2003 NARC playbook. Those who paid attention to the manifestos may have noted that the NASA manifesto led with the political reform agenda, followed by social and economic priorities in that order, while the Jubilee one led with an economic agenda; social and political reforms were treated almost as an afterthought.

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The Jubilee government's plunder and incompetence has no doubt contributed to the economic implosion that is now unfolding. Perhaps distracted by the melodrama of the plunder and blunders, the clawback of the privilege sector has gone, if not unnoticed, then unremarked. Recently, a Principal Secretary gloated on social media that they have secured US\$26 billion in pledges from investors for the housing pillar of the so called Big Four Agenda, whose claim to bigness no one seems to know. Twenty-six billion dollars is a lot of money. It is equivalent to the GDP of Uganda. The idea that a government of a country that cannot feed itself can contemplate investing that kind of money in urban middle class housing, let alone shout about it, is astounding. The question I posed to him: what will the houses produce?

According to the National Housing Survey conducted by the KNBS five years ago, 60 percent of Kenyans live in their own houses (88 percent of rural. No surprises there – Kenya is still a predominantly agrarian society – 60 percent of Kenyans are rural and 88 percent live on land they own. Urban home ownership stood at 30 percent but this understates actual home ownership, as many urban residents also own rural homes, and actually see their sojourns into cities and towns as temporary.

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More significant perhaps is that over 70 percent paid monthly rents under Sh. 6,000, and 90 percent under Sh.10,000. Realistically, only about 10 percent of urban residents, less than three percent of Kenyans, are in the potential home ownership bracket. It's hard to see what kind of logic would lead the government to the conclusion that urban middle class home ownership is one of the country's top four development priorities. But this is the logic of the privilege society.

In the old days, entitlement was rationalized with the graduates being the *creme de la creme* of society, a merited reward for scaling the heights to reach the pinnacle of academic achievement. Many students did the minimum necessary to graduate. Those who seemed to be "overworking" were often frowned upon. The former were right in a sense. Education replaced Race as a ticket to the top of the social ladder. Not what you do, but who you are, a graduate. Graduates were the new whites. Times and circumstances have changed, but culture dies hard. It is in the rubric of this culture that prioritizing residential housing over enterprises in a country with a monumental unemployment crisis can look perfectly normal.

With **Maendeleo** imploding, and **Katiba** proving too potent a threat to privilege, what we see now is a political class in self-preservation mode, laying the groundwork for what I've called an eat-and-let-eat grand ethnic coalition—KANU 3.0. In the meantime, the demographic clock ticks, at the rate of 150,000 university graduates a year. Frustrations rise.

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Where does the political class think it is going with this? No political reforms, no economic reforms. That would be **El Nino**:

"The state is captured by a small elite that employs it as an agent of its own private enterprise. On the other hand, the

economy is characterized by low productivity which makes it impossible for the population to realize upward economic mobility. Thus, the construction of both the economic and political spaces generates tension and conflict. The result is an implosion.”

The Kenya at the Crossroads Scenarios proved prescient 20 years ago. It may well be yet again.

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The Kenya at the Crossroads Scenarios

No Political Reforms, No Economic Reforms: El Nino

In the El Niño scenario, neither the reform of the state nor the restructuring of the economy takes place. It is a story in which the state remains predominantly patron-client based and therefore partisan, subjective and ineffective in the manner in which it performs its functions. The state is captured by a small elite that employs it as an agent of its own private enterprise. On the other hand, the economy is characterized by low productivity which makes it impossible for the population to realize upward economic mobility. Thus, the construction of both the economic and political spaces generates tension and conflict. The result is an implosion.

Economic Reforms with Minimal Political Reforms: Maendeleo

This scenario explores a technocratic attempt to reform the economy with a view to using economic gains as a means of preempting or forestalling demands for political reform. The major assumption in this scenarios is that if the economy is growing steadily, there will be little or reduced demand for political reform. Whilst this model is initially successful, as the limits of the system are reached and economic growth slows down, the demands for political reform pick up once again and the system is faced with two basic choices: to be repressive (and perpetuate the economic decline) or negotiate political reforms (and kick-start the economy again). Though this strategy leads to short-term gains, it breeds a lot of inequality. Without addressing the deeper political and structural questions with regard to Kenya's problems, this success cannot be maintained for a long period. Sooner or later, one has to address these structural questions.

Political Reforms with Minimum Economic Reforms: Katiba

The Katiba scenario presupposes a successful political negotiation that sees the country adopt a new constitution which recognizes the diversity of the peoples of Kenya and puts in place a mechanism of checks and balances which ensure that the centre is not in a position to dominate over any of the regions of the country. If unsuccessful, the outcome for the country can only be bleak. The Katiba story is a story of an inclusive long-drawn out but successful political negotiation process which leads to the reform of and creation of key national institutions. This process takes place in an environment in which there is little or no economic growth. It is the story of a stormy, painful, but decidedly successful attempt by Kenyans to resolve the inconsistencies in their political processes and key institutions of public life that have led to domination, marginalization and fostered corruption. The new institutions reflect the diversity of the country, increase the accountability of leadership at all levels and allow a greater role for the citizen in shaping and

managing those activities that affect their day-to-day lives.

Simultaneous Economic and Political Reforms: Flying Geese

This is a scenario of inclusive growth and fundamental institutional reorganization. The team is persuaded that with decisive action and a keen interest in redressing the past and capturing the future, sufficient resolve could be brought to bear and this scenario launched. The Flying Geese story explores the renaissance of Kenya through a determined effort to reform the social, cultural, economic and political models in force. This effort is spearheaded by a new leadership which is armed with a vision and the conviction that Kenya deserves better and can be more than it presently is. For simultaneous reforms on both the economic and political fronts to succeed, a huge reservoir of goodwill is required. There is also a need to for there to be a body (or bodies) that can act as guarantors to the process.