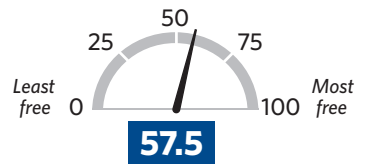


KENYA

Economic Freedom Score



World Rank: **103**

Regional Rank: **13**

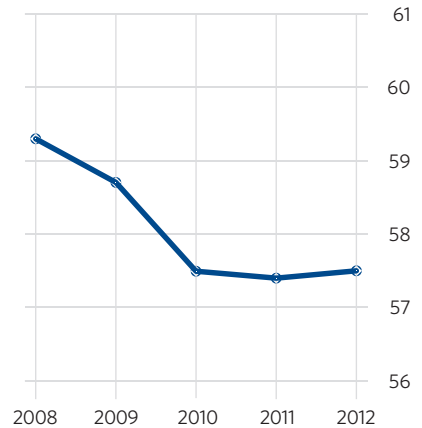
Kenya's economic freedom score is 57.5, making its economy the 103rd freest in the 2012 *Index*. Its score is virtually unchanged from last year, with gains in monetary freedom and the control of government spending offset by a significant loss of trade freedom. Kenya is ranked 13th out of 46 countries in the Sub-Saharan Africa region, and its overall score is below the world average.

The foundations of economic freedom are fragile and uneven across the country. Poor protection of property rights and widespread corruption discourage entrepreneurial activity. The rule of law is weak, and local courts are subject to substantial political interference.

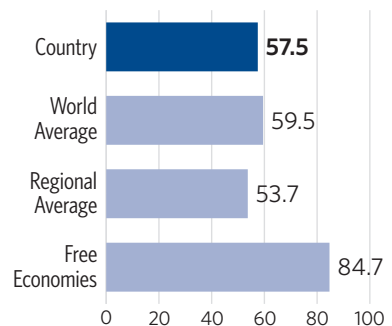
After several years of strong economic growth, Kenya's economic performance has deteriorated, partly because of the global economic slowdown and also because of the generally slow pace of efforts to improve regulatory efficiency and open markets to international trade and investment. Reforms in public finance management have continued, but progress has been sluggish.

BACKGROUND: Widespread violence followed the 2007 election when both Mwai Kibaki, who had won the presidency in 2002, and rival Raila Odinga claimed victory. Months of negotiations resulted in a power-sharing arrangement. The political situation remains unstable as the government attempts to implement a new constitution. Corruption remains commonplace. Kenya is the transportation, communication, and financial hub of East Africa. Economic growth—hindered for decades by government mismanagement, counterproductive economic policies, and corruption—was improving before the post-election instability in 2007 and has picked up again since 2009. Civil service reform has been slow, and the government employs about one-third of the formal labor force. Nearly 80 percent of employment is informal. Agriculture accounts for about a quarter of GDP and employs a majority of the population.

Freedom Trend



Country Comparisons



Quick Facts

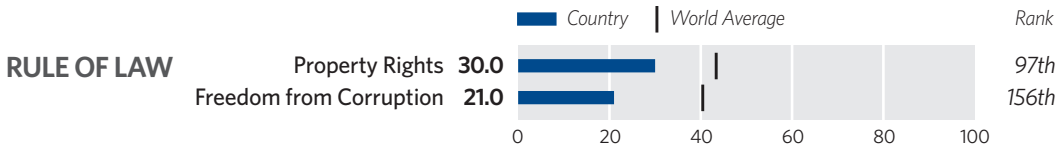
Population: 39.7 million
GDP (PPP): \$66.0 billion
 5.0% growth in 2010
 5-year compound annual growth 4.5%
 \$1,662 per capita
Unemployment: 40.0%
Inflation (CPI): 3.9%
FDI Inflow: \$133.0 million
Public Debt: 52.3% of GDP

How Do We Measure Economic Freedom?

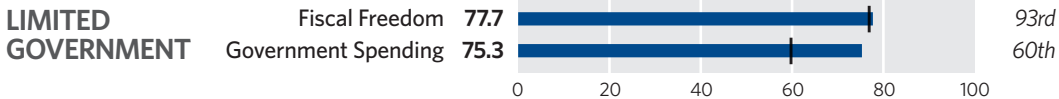
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

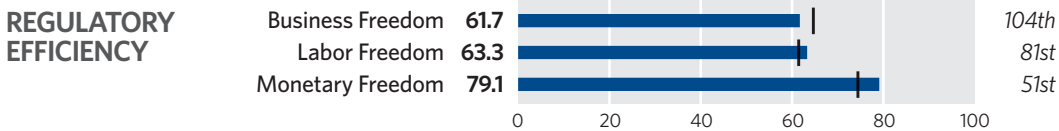
THE TEN ECONOMIC FREEDOMS



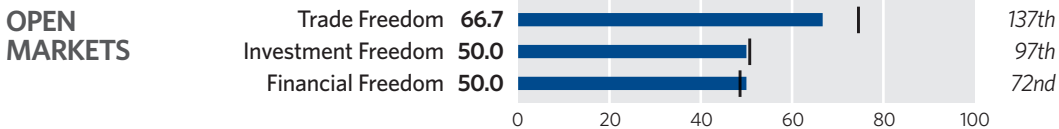
Kenya’s judicial system, which is modeled on the British system, remains weak and fails to provide strong protection for private property rights. The independence of the courts is severely compromised, and the judicial system is mired in incompetence, executive interference, and corruption. The process for acquiring land titles is often non-transparent and cumbersome. The new constitution promulgated in 2010 aims to root out corruption.



The top income and corporate tax rates are 30 percent. Other taxes include a value-added tax (VAT) and a tax on interest, with the overall tax burden amounting to 20.7 percent of total domestic income. Government spending is equivalent to 28.7 percent of total domestic output. The deficit has increased to over 5 percent of GDP, and public debt has reached 52.3 percent of GDP.



The implementation and enforcement of reforms to enhance regulatory efficiency have been uneven. Launching a business still takes more than the world averages of seven procedures and 30 days. A large portion of the labor force is employed in the informal economy. Monetary stability has weakened with rising inflation. The government continues to regulate prices through agricultural marketing boards and state-owned enterprises.



The trade weighted average tariff rate is quite high at 9.2 percent, and myriad non-tariff barriers further constrain freedom to trade. The poor investment regime lacks efficiency and transparency, discouraging investment activity. The financial sector remains vulnerable to government influence and inadequate supervision. The state owns or holds shares in several domestic financial institutions and continues to influence the allocation of credit.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.1	Business Freedom	-0.5	Trade Freedom	-6.1
Freedom from Corruption	-1.0	Government Spending	+2.5	Labor Freedom	+0.4	Investment Freedom	0
				Monetary Freedom	+5.9	Financial Freedom	0