KENYA

Kenya’s economic freedom score is 54.9, making its economy the 138th freest in the 2021 Index. Its overall score has decreased by 0.4 point, primarily because of a decline in judicial effectiveness. Kenya is ranked 28th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Kenya’s economy has been ranked mostly unfree since 1997. Major obstacles to greater economic freedom include a lack of judicial effectiveness, poor government integrity, and grave problems with fiscal health. The government hopes to achieve more rapid economic growth through trade liberalization. However, policy implementation remains vulnerable to such risks as drought, lack of security, corruption, and political squabbling.

IMPACT OF COVID-19: As of December 1, 2020, 1,474 deaths had been attributed to the pandemic in Kenya, and economic growth was forecast to decline to 1.0 percent for the year.

BACKGROUND: Kenya achieved independence from Britain in 1963, but true political liberalization did not begin until the early 1990s. In 2013, Uhuru Kenyatta, the son of Kenya’s inaugural president, won the first presidential election conducted under a new 2010 constitution. Kenyatta won reelection in an October 2017 revote after the Supreme Court annulled his victory in the initial vote. In 2018, Kenyatta appeared to reconcile with Raila Odinga, his opponent in the contested election. Tensions within the ruling Jubilee Party have increased because of a growing rift between Kenyatta and William Ruto, his deputy and presumed heir apparent. Kenya is East Africa’s economic, financial, and transport hub, and its real GDP growth has been robust in recent years.
The land titling process remains difficult. Titles are not secure, and 70 percent of land is untitled. Property rights are poorly enforced. The judiciary, although generally independent, impartial, and free from corruption, is undermined by weak institutional capacity. Corruption is pervasive and entrenched. Anticorruption reforms have had limited success. Transparency International’s 2019 Corruption Perceptions Index ranked Kenya 137th out of 180 countries analyzed.

The top individual income and corporate tax rates are 30 percent. Other taxes include a value-added tax. The overall tax burden equals 18.2 percent of total domestic income. Government spending has amounted to 25.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.7 percent of GDP. Public debt is equivalent to 60.8 percent of GDP.

Dealing with construction permits has been made more transparent with online building permit requirements and reduced fees. Kenya has also improved the reliability of the electricity supply and made it easier to resolve insolvency. The labor force participation rate has improved. The government continues to regulate prices through subsidies (for example, for electricity and maize) and through agricultural marketing boards and state-owned enterprises.

Kenya has two preferential trade agreements in force. The trade-weighted average tariff rate is 11.4 percent, and 53 nontariff measures are in effect. Foreign ownership in some sectors is restricted, and state-owned enterprises undermine more dynamic private-sector development. The growing financial sector has become more open to competition, and its overall stability is relatively well maintained.