

Political and security implications of implementing the structural adjustment program in Kenya

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Abstract:

Kenya implemented the Structural Adjustment Program (SAP) imposed by the International Monetary Fund (IMF) and the World Bank in the early 1980s, along with a series of subsequent economic measures.

The implementation of this program had a number of negative and positive effects on the Kenyan economy. It led to widespread unemployment, poverty, increased crime rates, and higher prices for goods and services. Furthermore, the SAP focused on the agricultural sector as a direct driver of economic growth, which resulted in a lack of sustainable expansion and prevented the establishment of major industrial and productive activities that could have boosted Kenya's export capacity and transformed it from an agrarian to an industrial nation. However, some argue that the program had a positive impact, improving fiscal policy indicators and the overall economic situation by reducing the number of civil servants, which in turn lowered public spending and eased the burden on the state. Additionally, the political conditionality of the IMF program helped create a pluralistic political environment that promoted multi-party democracy and active participation in public affairs.

Keywords: Kenya, International Monetary Fund, World Bank, Structural Adjustment Programs.

Significance of the Study

This study seeks to identify and analyze the political and security implications of Structural Adjustment Programs (SAPs), thereby contributing to the development of strategies for mitigating such consequences in future policy implementation.

Furthermore, the study provides the International Monetary Fund (IMF) and the World Bank with a comprehensive assessment of the suitability of implementing Structural Adjustment Programs in African countries. It also examines how the various adverse consequences associated with these programs—particularly political, security, and human rights impacts—can be minimized through proactive policy planning and anticipatory governance. In addition, the study aims to equip policymakers with a deeper understanding of the potential outcomes and implications of Structural Adjustment Programs before committing to their implementation, thereby supporting more informed and evidence-based decision-making.

Research Problem

Despite the passage of several decades since the implementation of Structural Adjustment Programs in a number of African countries, considerable debate continues regarding their political, security, and human rights consequences. In addition to their economic effects, questions remain concerning the relationship between these programs and levels of political participation, crime rates, and the legitimacy of political regimes.

The central research problem lies in the fact that Structural Adjustment Programs have generated significant political consequences that are largely excluded from conventional evaluations of these programs. Existing assessments predominantly emphasize economic performance while paying insufficient attention to their political and security repercussions, which have, in many cases, been overwhelmingly negative. The implementation of these programs has had discernible effects on political legitimacy, the consolidation of authoritarianism or the stagnation of democratic development, the deterioration of human rights conditions, rising levels of crime and violence, and the weakening of social cohesion.

Research Questions

This study seeks to address the following research questions:

1. What has been the impact of the implementation of Structural Adjustment Programs on democracy, political participation, and regime legitimacy in Kenya?
2. What is the relationship between the implementation of Structural Adjustment Programs in Kenya and the increase in crime and violence rates?
3. How has the implementation of Structural Adjustment Programs affected the welfare and living standards of Kenyan citizens?

Research Methodology

This dissertation adopts the case study approach, focusing on Kenya's experience with the implementation of Structural Adjustment Programs since the 1980s. Drawing upon the theoretical framework of political economy, the study examines how these programs have reshaped the Kenyan state and investigates the extent to which their implementation has influenced political, security, and human rights outcomes. Through this analytical framework, the research seeks to explain the causal relationship between externally driven economic reforms and their broader governance and societal consequences.

I. The Framework of the Structural Adjustment Program

A. The Kenyan Economy Prior to the Implementation of the Structural Adjustment Program

Kenya is located on the eastern coast of Africa and covers an area of approximately 580,000 square kilometers, with a population of nearly 55 million. The country gained independence in December 1963. Since independence, Kenya's foreign policy has largely aligned with the Western model of development, which is based on a capitalist economic system and an open-market approach that assigns an increasingly significant role to the private sector.

The Kenyan economy has traditionally relied on the production and export of coffee and tea, while the tourism sector has served as another vital source of national income. The European Union constitutes Kenya's principal trading partner, followed by neighboring countries within its regional preferential trade arrangements. In addition, Uganda, Tanzania, Rwanda, and Zimbabwe rank among Kenya's most important regional trading partners.

A decade after independence, Kenya achieved an average GDP growth rate of 6.5%, while per capita income increased by 4.1%. During the same period, the current account of the balance of payments recorded only a modest deficit. These positive macroeconomic indicators coincided with strong growth in commercial export crops, encouraging the country to expand its external trade and strengthen its integration into international markets.

B. The Implementation of the Structural Adjustment Program

Beginning in 1970, the Kenyan economy experienced a series of successive economic shocks. Although these crises initially had only a limited impact on the overall economy, they revealed growing structural vulnerabilities. Between 1970 and 1971, the nominal value of imports increased by 27%, whereas exports grew by only 3%, resulting in a widening trade imbalance.

The situation deteriorated further in 1974, when the country's trade deficit quadrupled as a consequence of the global oil price shock and rising prices of other imported commodities. Since Kenya's exports increased only marginally during the same period, the country experienced a substantial balance-of-payments deficit. Consequently, the current account deficit rose from 5.6% of GDP in 1973 to 11% in 1974. These developments were among the principal factors that prompted the Kenyan government to seek urgent financial assistance from the International Monetary Fund (IMF) in an attempt to stabilize the economy and address what would later evolve into a prolonged series of economic crises.

The IMF capitalized on Kenya's emerging economic difficulties by attaching a number of policy conditions under the framework of what it termed "economic stabilization." Between 1974 and 1975, Kenya made three drawings totaling 131.13 million Special Drawing Rights (SDRs) from the IMF, in addition to securing a US\$30 million loan from the World Bank and receiving supplementary financial assistance from bilateral donors, including West Germany and the United States (Richardson, 1996).

In 1974, the Kenyan government issued Sessional Paper No. 4 on Economic Prospects and Policies, which outlined what it described as the country's official stabilization policy. In response to mounting macroeconomic challenges—including the balance-of-payments deficit, slowing economic growth, and accelerating inflation—the policy emphasized the need to restructure the economy by reducing dependence on imports while improving and expanding export performance.

These objectives were reflected in the 1975 national budget, which introduced a range of export promotion measures, import controls, wage regulation policies, and a 14.25% devaluation of the Kenyan shilling. These reforms contributed to a temporary economic recovery during 1976 and 1977, largely driven by favorable international prices for Kenya's principal export commodities, particularly coffee and tea. As a result, the country's balance of payments improved considerably, while foreign exchange reserves also strengthened.

Nevertheless, these short-term gains did not translate into sustainable economic development. Although some investors generated substantial profits, relatively little of this capital was reinvested in social development projects or productive sectors capable of promoting long-term economic transformation. Consequently, in 1977, the government imposed a relatively modest export tax. During the same period, household incomes increased at a rate exceeding inflation. However, rather than using these additional revenues to reduce external indebtedness, the government allowed domestic demand to expand further while credit to the private sector continued to grow. Real interest rates remained negative throughout this period, and no significant reforms were introduced regarding lending or deposit rates. As a consequence, the money supply expanded by an unprecedented 44% in 1977. Inflation, which had declined to 10.5% in 1976, subsequently accelerated to 16.9% by 1978.

Continuation of the Implementation of the Structural Adjustment Program

Kenya experienced another major economic crisis following the collapse of the East African Community (EAC) in 1977, which resulted in a 22% decline in

domestic exports. This development significantly reduced the profitability and productive capacity of domestic investors while simultaneously increasing government expenditures on several public institutions. The economic situation deteriorated further in 1978, when world prices for coffee and tea—Kenya's principal export commodities—declined sharply, leading to slower economic growth and a worsening trade balance.

In 1979, the Kenyan government required commercial banks to maintain excess reserves and imposed a substantial inflationary tax to offset the widening fiscal deficit. These measures contributed to reducing the inflation rate from 16.9% in 1978 to 8% in 1979, while simultaneously supporting an improvement in GDP performance and attracting additional investment into the country. Nevertheless, these positive developments proved temporary. Excessive government borrowing from domestic banks—driven by expansionary public spending, widespread corruption, and weak oversight of public expenditures—resulted in a substantial increase in the fiscal deficit as a proportion of GDP (World Bank, 1982).

Although Kenya's first decade after independence is often described as the country's "Golden Years" because of its rapid economic growth, the period from 1980 to 1990 is frequently referred to as the "Lost Decade",] marking the beginning of the implementation of the Structural Adjustment Program. This characterization reflects the cumulative impact of both domestic and external economic crises that had unfolded since the global oil shock of 1973. These developments triggered prolonged economic stagnation, weakened export performance, and ultimately contributed to a significant deterioration in the living standards of the Kenyan population (Rono, 2002).

The scale of Kenya's macroeconomic deterioration is reflected in its external accounts. Between 1978 and 1981, the current account deficit reached approximately US\$700 million, accompanied by a steady increase in external borrowing. During the same period, Kenya's outstanding and disbursed external debt rose from US\$917.2 million at the end of 1977 to approximately US\$2.18 billion by the end of 1981 (World Bank, 1982).

In 1980, Kenya obtained its first Structural Adjustment Loan from the International Monetary Fund (IMF). The loan was intended to finance structural reforms in the industrial sector, promote the efficient utilization of external resources, and strengthen the competitiveness of public investment within the broader framework of the Structural Adjustment Program. Despite this financial support, the Kenyan economy failed to achieve meaningful recovery, compelling the government to seek additional IMF financing. During this period, Kenya also adopted a flexible exchange rate regime and initiated trade liberalization measures. However, these reforms did not produce the anticipated outcomes

because comprehensive restructuring of key economic sectors was never fully implemented, while weak institutional coordination across government agencies undermined policy effectiveness (Kabubo-Mariara & Kiriti, 2002).

Between 1983 and 1984, Kenya was struck by severe droughts that substantially reduced agricultural production, particularly of coffee and tea, the country's two principal export commodities and major sources of foreign exchange earnings. The decline in agricultural output adversely affected investment growth and export revenues, further exacerbating Kenya's economic difficulties and prompting the government to seek additional external borrowing.

C. The IMF's Engagement with Kenya

Rather than developing domestically designed reform programs that could be adapted to Kenya's specific economic conditions while remaining broadly consistent with its agreement with the IMF, the Kenyan government continued to rely heavily on external borrowing. Instead of pursuing an integrated agricultural-industrial development strategy capable of establishing a sustainable productive base, successive governments increasingly depended on IMF financing to address recurring macroeconomic imbalances.

In April 1989, the IMF approved financial assistance for Kenya amounting to 261 million Special Drawing Rights (SDRs) at a concessional interest rate of 0.5%. This support was complemented by additional grants and loans from international development agencies during the late 1980s. Consequently, official development assistance to Kenya increased significantly from US\$463 million in 1985 to approximately US\$1.63 billion in 1990, largely to prevent a balance-of-payments crisis.

Despite this substantial inflow of external finance, Kenya's macroeconomic performance deteriorated between 1990 and 1991. GDP growth declined from 4.3% in 1990 to 1.7% in 1991, inflation accelerated, foreign exchange conditions weakened, debt-servicing obligations increased, and foreign exchange reserves declined. The principal underlying cause of this deterioration was Kenya's excessive dependence on external borrowing, coupled with its failure to prioritize sustainable productive investment and long-term economic expansion.

A natural consequence of Kenya's growing dependence on external finance, together with its commitment to implementing IMF conditionality that did not always correspond to domestic economic realities, became evident in August 1992. The IMF suspended the disbursement of 45 million SDRs that Kenya had expected to receive, citing inadequate fiscal discipline, the slow pace of public enterprise reform, and insufficient progress toward multiparty democracy. At the

same time, foreign donors suspended approximately US\$350 million in aid to Kenya in an effort to pressure the government into adopting political and economic reforms aimed at promoting democratization and reducing corruption.

These international pressures ultimately compelled the Kenyan government to organize the country's first genuinely multiparty elections in December 1993, involving broad participation from opposition political parties. Consequently, political reform became an explicit prerequisite for restoring external financial assistance and preventing further economic deterioration. In effect, improvements in Kenya's economic position became increasingly contingent upon compliance with political conditions imposed by international donors.

Despite Kenya's implementation of the conditions imposed by the International Monetary Fund (IMF), the World Bank, and international donors, the country failed to receive the financial resources it had anticipated. This prompted the Kenyan president to characterize the policies of the IMF and the World Bank as "dictatorial" and "suicidal". Whereas the IMF had previously been regarded as one of Kenya's closest development partners, Kenyan authorities subsequently argued that the Fund's policy prescriptions would trigger an economic recession, lead to the immediate collapse of numerous firms, cause large-scale layoffs, and drive interest rates upward. They further warned that these measures would constrain agricultural production, create shortages of essential commodities, threaten citizens' livelihoods, and ultimately deepen the country's economic crisis. Nevertheless, only one month later, the Kenyan government reached a new agreement with the IMF and the World Bank and resumed receiving financial assistance, beginning with an initial disbursement of 40 million Special Drawing Rights (SDRs) (Richardson, 1996).

These developments reinforce the proposition that the Kenyan government was not fully transparent with the public regarding the evolution of its agreements with the IMF. While such agreements were ostensibly intended to improve citizens' welfare—which should constitute the government's primary responsibility—they were also used to mobilize domestic public opinion as leverage for securing additional conditional loans whose long-term effectiveness in promoting sustainable economic development remained highly questionable. A more appropriate policy approach would have been the implementation of comprehensive and sustainable macroeconomic reforms aimed at modernizing the agricultural sector, integrating it with industrial production, and developing an efficient import sector capable of facilitating access to foreign exchange while attracting both domestic and foreign investment. Such a strategy would have strengthened Kenya's productive capacity instead of making the performance of the national economy contingent upon the approval and conditionality of the IMF and international donors, whose policy priorities may not necessarily have

aligned with Kenya's national interests and were often influenced by broader political considerations.

The IMF also required the Kenyan government to implement significant reductions in public expenditure, including substantial downsizing of the civil service. By the end of 1995, approximately 25,000 civil servants had been retrenched, contributing to a significant rise in unemployment. Although the information sector experienced considerable employment growth during this period, it remained relatively non-productive in terms of its contribution to broad-based economic expansion and therefore had only a limited impact on overall national economic growth (Meilink, 1996).

By 1998, the Kenyan government had lost a significant degree of effective control over key sectors of the national economy. Many strategic economic decisions were either directly formulated or subject to prior approval by IMF officials, who effectively acted as economic policymakers seeking to implement market-oriented liberal reforms. These reforms emphasized reducing state intervention across major sectors of the economy, accelerating privatization, and expanding private-sector dominance, including within strategic sectors that directly affected citizens' daily lives and access to essential public services (Ikenze, 2022).

From this perspective, the IMF assumed a dominant role in shaping Kenya's strategic economic policymaking, functioning in many respects as both an economic and political guardian of the state. This degree of external influence was facilitated by Kenya's fragile political and economic institutions, together with widespread corruption and the vested interests of domestic actors who benefited from IMF lending and associated policy reforms. Consequently, the IMF was able to impose policy conditionalities whose implementation failed to generate sustainable long-term development outcomes. While these measures may have provided short-term macroeconomic stabilization, they did not establish the foundations for durable economic transformation. This outcome reflected both the limited suitability of IMF policy prescriptions to Kenya's domestic conditions and the persistence of governance challenges, including corruption and democratic deficits.

D. The Rationale for the Adoption of the Structural Adjustment Program

The principal justification advanced for implementing Structural Adjustment Programs in Kenya was the country's rapid population growth. At the beginning of the 1980s, the Kenyan government estimated annual population growth at approximately 3.8%, one of the highest rates in the world at the time. This demographic expansion was largely attributed to improvements in healthcare and

living standards, which reduced mortality rates and increased life expectancy. At the same time, prevailing social and cultural norms continued to favor large families, thereby sustaining high fertility rates.

This demographic context suggests that, prior to the implementation of Structural Adjustment Programs, Kenya possessed relatively well-developed health and social welfare systems and sufficient economic capacity to provide basic healthcare services to its population. In this regard, the country's subsequent reliance on financial assistance from the IMF and the World Bank appears somewhat paradoxical. Resorting to international financial institutions and accepting their stringent loan conditionalities implied the existence of pressing structural weaknesses within the Kenyan state and raised questions regarding its capacity to finance essential public services independently.

An alternative interpretation, however, emphasizes that rapid population growth substantially increased pressure on Kenya's limited stock of arable land. Although the country covers approximately 520,000 square kilometers, only a small proportion is suitable for productive agriculture. Based on annual rainfall patterns and soil fertility, only 9% of Kenya's land is classified as having high agricultural potential, another 9% consists of medium-potential arid and semi-arid areas, while approximately 81% comprises low-potential arid and semi-arid land. These structural constraints intensified pressure on agricultural resources, encouraged rural-to-urban migration, and threatened the agricultural sector, which constitutes the backbone of the Kenyan economy. Such developments also contributed to deteriorating living conditions, rising urban unemployment, and increasing economic pressures that ultimately reinforced Kenya's dependence on external borrowing from international donors (World Bank, 1982).

E. Structural Adjustment Policies

The Structural Adjustment Programs implemented in Kenya under the supervision of the IMF and the World Bank—where the Kenyan government primarily assumed responsibility for executing rather than designing the reform agenda—focused on a number of interconnected policy objectives. These included correcting fiscal and external imbalances, restoring macroeconomic stability, and stimulating economic growth through price and marketing liberalization, financial sector reforms, interest rate deregulation, exchange rate liberalization, trade policy reform, fiscal austerity, privatization and liquidation of state-owned enterprises, and extensive reductions in public-sector employment.

From the perspective of the IMF, the large public sector represented a significant fiscal burden that constrained economic expansion by absorbing an excessive

share of government expenditure. Consequently, the reform agenda promoted the privatization of public assets and the liberalization of service provision, including sectors traditionally regarded as strategic public responsibilities. This process gradually reduced the state's direct involvement in delivering social welfare and public security functions that, particularly in developing countries, often constitute important mechanisms for maintaining political stability and mitigating the socioeconomic inequalities associated with unequal wealth distribution and corruption. Moreover, in many African societies, governments have historically been perceived as the primary guarantors of citizens' welfare and providers of essential public services, a perception shaped by prevailing socioeconomic conditions and institutional structures across the continent (Rono, 2002).

The central objective of these reforms was the implementation of what became known as public sector reforms, designed to reduce aggregate demand while expanding aggregate supply through fiscal consolidation. This strategy relied primarily on reducing government expenditure, including significant cuts to the education and healthcare sectors. From the IMF's perspective, these sectors represented substantial fiscal obligations because they generated limited direct financial returns despite their considerable budgetary costs. However, from a broader development perspective, such reductions overlooked the fundamental contribution of education and healthcare to long-term economic growth. A productive workforce cannot be developed without quality education and effective vocational training, nor can sustainable economic development be achieved in the absence of a healthy population with access to adequate healthcare services.

Simultaneously, IMF-supported reforms sought to restrain monetary expansion in line with targeted GDP growth, contain inflationary pressures, and ensure that public expenditure did not exceed government revenues, thereby preventing persistent fiscal deficits. Nevertheless, Kenya's weak institutional capacity and fragile economic structure rendered the economy highly vulnerable to both domestic and external shocks. As a result, these reforms frequently produced unintended consequences, including increased reliance on external borrowing. Rising external debt, in turn, intensified debt-servicing obligations, expanded government expenditure, placed additional pressure on the national budget, and further constrained public investment in critical sectors such as education and healthcare. Consequently, the government became increasingly dependent on additional borrowing, creating a self-reinforcing cycle of debt and fiscal vulnerability (Kabubo-Mariara & Kiriti, 2002).

It would, however, be difficult to conclude that the Kenyan government deliberately pursued these adverse outcomes. Rather, its primary objective appears to have been the reduction of unemployment and poverty in the short

term through policy measures capable of generating rapid economic results and improving the delivery of public services. These efforts included reforms intended to strengthen fiscal management, maintain medium-term macroeconomic stability, improve the efficiency of public expenditure through expenditure reallocation, restructure public institutions to enhance administrative performance, reduce the fiscal burden of the public sector, accelerate privatization, and eliminate excess public employment. Nevertheless, the implementation of these objectives lacked the comprehensive long-term strategic planning necessary to establish a sustainable economic structure capable of complementing short-term macroeconomic stabilization measures with enduring structural transformation (World Bank, 1999).

II. The Consequences of the Implementation of the Structural Adjustment Program

A. The Impact of the Structural Adjustment Program on Public Administration Reform

Beyond their officially declared objective of promoting economic reform, the Structural Adjustment Programs implemented by the International Monetary Fund (IMF) and the World Bank in Africa have long been the subject of debate regarding their underlying political motivations. While these programs were formally presented as mechanisms for restoring macroeconomic stability and promoting economic development, the policy conditionalities imposed by international donors have often been viewed as instruments for reshaping the political structures and governance systems of African states.

Some scholars have argued that the conditions imposed by the IMF in Kenya functioned as externally prescribed policy formulas designed to create a favorable environment for political reform. This strategy relied, in part, on leveraging opposition political parties as instruments of pressure to promote political liberalization under the banners of democracy and multiparty pluralism, while simultaneously creating a political environment considered conducive to attracting foreign investment and supporting economic modernization. Consequently, several African leaders, including those in Kenya, were compelled to implement these conditionalities out of concern that rejecting them could jeopardize both their political authority and access to external financial assistance.

At the same time, however, compliance with these reforms significantly reduced the ability of political leaders to maintain centralized control over the state. Governments could no longer utilize officially controlled foreign exchange allocations to secure political loyalty, nor could they easily employ the resources of state-owned enterprises and public institutions to reward political supporters.

As a result, ruling elites lost a substantial portion of their capacity to mobilize state resources for political purposes, including influencing electoral outcomes through patronage, financing politically motivated development programs, and shaping public opinion in favor of the incumbent regime.

In Kenya, for example, the Policy Framework Paper for 1996–1998, prepared by the government in consultation with officials from the IMF and the World Bank, received extensive media coverage and became the subject of unprecedented public debate. This represented the first occasion on which such a policy document was openly discussed at the national level. The Kenyan government sought to demonstrate responsiveness to public concerns and to avoid appearing merely as an executor of externally imposed IMF policies—a perception that could have intensified domestic political tensions and provided opposition groups with additional opportunities to mobilize against the ruling administration (Warutere, 1997).

Several agricultural policy reforms promoted by the IMF—and initially resisted by the Kenyan government—also generated significant political consequences. Measures such as increasing producer prices for selected agricultural commodities strengthened social groups that subsequently formed part of the government's political opposition. At the same time, influential political and economic elites with close ties to the ruling establishment were able to derive disproportionate benefits from these reforms, thereby reinforcing existing patronage networks.

Against this backdrop, opposition leader Oginga Odinga established the Forum for the Restoration of Democracy (FORD) in late August 1991 as a political movement challenging the ruling party. The Kenyan government responded by banning the organization and arresting several of its members, provoking widespread international condemnation. In response, several Western donor countries, including the United States and the United Kingdom, announced that continued development assistance to Kenya would be contingent upon meaningful political reform. These external pressures ultimately compelled President Daniel arap Moi's administration to abolish the one-party political system in December 1991 and schedule multiparty elections for December 1992. Although the ruling Kenya African National Union (KANU) and President Moi retained power, the elections were overshadowed by widespread allegations of ethnically motivated violence, corruption, and voter intimidation.

The Kenyan government also employed agricultural resources as instruments of electoral mobilization. During election periods, the agricultural sector was effectively utilized to reinforce political support through a series of targeted interventions, including reopening sugar factories, improving access to

agricultural land, and authorizing payments to coffee and sugar farmers through agricultural marketing boards immediately before elections. These measures were intended to consolidate electoral support among key rural constituencies. Simultaneously, regions that supported opposition parties were subjected to various punitive measures. State-owned agricultural financial institutions, particularly the Agricultural Finance Corporation, were likewise used to channel loans toward politically strategic regions, with the expectation that substantial portions of these loans would later be written off. These practices generated considerable concern within the IMF, which threatened to suspend Kenya's financial assistance program. Such developments illustrate that the implementation of the Structural Adjustment Program extended well beyond the realm of economic reform, becoming closely intertwined with domestic political developments and contributing to increasing political tensions and instability (Ikenze, 2022).

Institutional reforms introduced in Kenya also sought to transform the state into a more transparent, accountable, and efficient system of governance while promoting decentralization through the establishment of new institutions designed to support devolved government. These reforms were accompanied by comprehensive anti-corruption initiatives intended to strengthen public sector integrity. Nevertheless, significant obstacles remained, including limited administrative capacity at the county level, persistent challenges in combating corruption, and the failure of several government institutions to decentralize service delivery beyond Nairobi and other major urban centers.

During the third phase of the Public Sector Reform and Transformation Programme in 2004, the Kenyan government launched a comprehensive initiative aimed at transforming the culture of public administration through a strategy known as "Results for Kenya". The program sought to improve the effectiveness and efficiency of government ministries and public agencies by introducing a comprehensive performance management system closely linked to institutional accountability and measurable performance outcomes (Ong'era & Musili, 2019).

B. An Assessment of the Advantages and Disadvantages of the Structural Adjustment Program

The implementation of the Structural Adjustment Program (SAP) in Kenya produced a wide range of outcomes, some of which adversely affected the country's industrial, agricultural, and productive sectors, as well as the social and economic well-being of its citizens. In addition to these economic consequences, the program generated significant political repercussions stemming from the reform agenda promoted by the International Monetary Fund (IMF) and the

World Bank under the stated objectives of advancing democracy and creating a political environment conducive to foreign investment.

1. Negative Impacts

The implementation of the Structural Adjustment Program generated several adverse consequences that extended beyond macroeconomic performance to encompass governance, social welfare, and public security.

- **Deterioration of wildlife conservation and tourism.** Fiscal austerity measures substantially reduced government expenditure on the wildlife sector, resulting in severe deterioration of the infrastructure supporting national parks and protected areas, as well as insufficient funding for their maintenance. These developments negatively affected biodiversity conservation and tourism, one of Kenya's principal sources of foreign exchange earnings, while simultaneously undermining numerous occupations and economic activities dependent upon the tourism industry (Richardson, 1996).
- **Macroeconomic and social costs.** Structural Adjustment Policies contributed to persistent inflationary pressures, unequal access to education and healthcare—particularly among low-income groups—declining employment opportunities, and increased corruption associated with loan disbursement and vested interests. Collectively, these factors weakened the effectiveness of structural reforms by undermining fiscal discipline, institutional transparency, and public confidence.
- **Weak integration between agriculture and industry.** The Kenyan Structural Adjustment Program placed considerable emphasis on improving agricultural production without establishing effective linkages with the industrial sector. Rather than encouraging the development of manufacturing industries capable of processing domestic agricultural commodities into higher-value export products, the reform strategy largely confined Kenya to the production and export of primary commodities. Consequently, the country remained dependent on the extraction and export of raw agricultural products instead of advancing industrialization and expanding value-added manufacturing.
- **Escalating public debt despite fiscal consolidation.** Although reducing the fiscal deficit constituted one of the central objectives of the Structural Adjustment Program, the rapid growth of public debt generated an increasingly heavy burden on the national budget. Interest payments on both domestic and external debt accounted for 23% of total government expenditure in fiscal year 1995/1996, rising to 25% in 1997/1998. During

the same period, Kenya's public debt increased by approximately 362%, expanding from KSh 36.7 billion at the end of 1990 to KSh 169.4 billion by April 1998. Furthermore, in the 1997/1998 fiscal year, interest payments on domestic debt alone represented 15% of total government expenditure. As an increasing proportion of public resources was devoted to debt servicing, government investment in infrastructure, industrial development, healthcare, and education was significantly constrained, thereby limiting long-term economic growth.

- **Rising inequality and social vulnerability.** Civil service reforms and wage bill reductions exposed economically vulnerable groups to severe social and economic hardship. Large-scale retrenchment increased unemployment, suppressed wage growth, widened income inequality, and intensified socioeconomic disparities, particularly between rural and urban populations. Income expenditure data for 1994 illustrate the magnitude of this inequality: the poorest 20% of the rural population received only 3.5% of total income, whereas the wealthiest 20% accounted for more than 60%. Moreover, the richest 10% of Kenyans captured 47.7% of national income, reflecting the highly unequal distributional effects associated with the reform process.
- **Continued dependence on agriculture.** Despite the implementation of structural reforms, Kenya remained heavily dependent on agriculture as its principal source of national income, foreign exchange earnings, and employment. Approximately 80% of the population resided in rural areas and relied directly on agricultural activities for their livelihoods. Agriculture contributed approximately 36.6% of GDP during 1964–1974, 33.2% between 1980 and 1989, and 26.2% during 1990–1995. Nevertheless, government expenditure on agriculture declined significantly during the reform period. Agricultural spending represented approximately 8% of total government expenditure between 1980 and 1987, but fell to only 5.2% between 1993 and 1995. This reduction weakened agricultural productivity, adversely affected sectors linked to farming, diminished farmers' incomes, and contributed to increasing poverty and declining living standards throughout rural Kenya.

The implementation of Structural Adjustment Policies was also accompanied by a marked increase in crime and violence, suggesting a close relationship between deteriorating socioeconomic conditions and public security. The widespread implementation of the reform program between 1991 and 1993 coincided with a sharp rise in criminal activity. Official statistics indicate that Kenya's total prison population increased from 106,200 inmates in 1989 to 111,712 in 1991, 115,689 in 1992, 124,949 in 1993, and 130,173 in 1994. The prison population

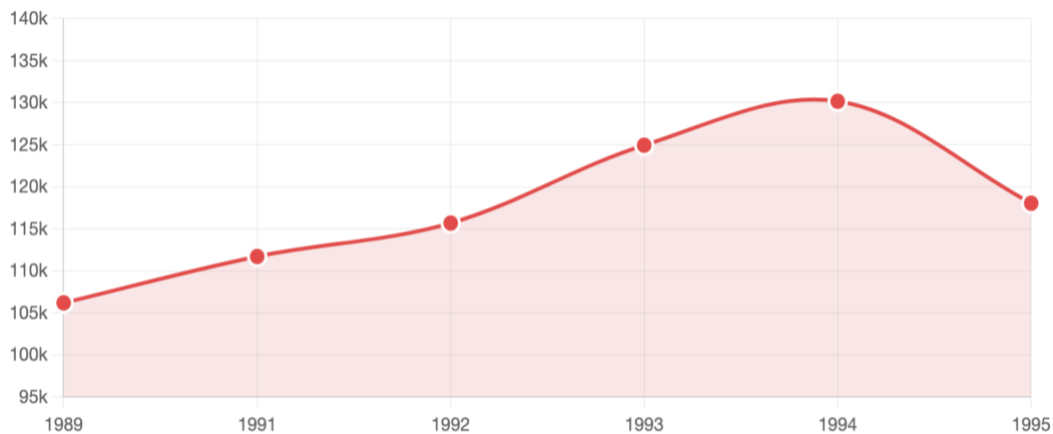
subsequently declined to 118,050 in 1995, coinciding with a modest improvement in macroeconomic conditions (Rono, 2002).

The increase in crime was concentrated primarily in property-related offenses, including theft, burglary, the theft of property valued at more than 400 Kenyan shillings, motor vehicle theft, bicycle theft, theft of commercial goods, and theft committed by domestic employees. These trends strongly suggest that worsening economic conditions associated with the implementation of IMF-supported reforms contributed to declining living standards and heightened economic insecurity, thereby increasing incentives for property crime. Conversely, the decline in criminal activity observed in 1995, alongside improvements in economic indicators, further supports the proposition that socioeconomic conditions and crime rates were closely interconnected during the Structural Adjustment period.

This interpretation is consistent with broader criminological research. For example, the study "Perceptions of Personnel in the Sharjah Police General Headquarters Regarding Low Self-Control as an Explanatory Factor in the Commission of Violent Crime" argues that individuals who commit violent offenses often seek to obtain desired material benefits when favorable opportunities arise, despite recognizing that their actions may inflict harm upon others (Al-Nuaimi & Al-Amoush, 2025). Although this study adopts a behavioral perspective, its findings complement the present analysis by illustrating how deteriorating socioeconomic conditions may interact with individual motivations to increase criminal behavior, particularly in periods of economic hardship.

Figure 1. Relationship Between Economic Conditions and Public Security in Kenya.

Prepared by the researcher using artificial intelligence (AI) applications.



The line graph demonstrates a steady increase in the prison population, rising from 106,200 inmates in 1989 to a peak of approximately 130,173 in 1994, before declining to 118,050 in 1995 as macroeconomic conditions showed modest improvement. This trend provides empirical support for the proposition that deteriorating living standards and worsening economic conditions were closely associated with rising crime rates in Kenya during the implementation of the Structural Adjustment Program. Conversely, the reduction in the prison population in 1995 coincided with an improvement in key economic indicators, further suggesting a positive relationship between socioeconomic conditions and public security.

- **Market liberalization and market failure.** The liberalization of markets and the reliance on market forces as the primary mechanism for resource allocation may contribute to market failure, particularly in developing countries where market institutions remain weak and the mechanisms of supply and demand are often underdeveloped. This challenge is especially pronounced among smallholder farmers, who frequently lack the technical expertise, financial resources, and planning capacity necessary to respond effectively to market signals. Under such conditions, government intervention through agricultural support policies becomes essential to ensure market stability and protect vulnerable producers. However, this approach is fundamentally inconsistent with the principles underpinning the Structural Adjustment Program, which advocates minimizing state intervention in economic activity (Mbithe, 2017).
- **Deterioration of healthcare services.** The rapid increase in public debt significantly altered government expenditure priorities. Resources that could otherwise have been allocated to the healthcare sector were increasingly diverted toward servicing external and domestic debt. Consequently, both the quantity and quality of healthcare services deteriorated, disproportionately affecting low-income households and other socially vulnerable groups. In 1988, the Kenyan government

introduced a health cost-sharing policy, under which beneficiaries were required to pay a portion of healthcare expenses—particularly for pharmaceuticals—while the government financed the remaining costs. Although intended to reduce fiscal pressures, this policy increased financial barriers to healthcare access, especially for economically disadvantaged populations.

- **Political conditionality and ethnic conflict.** Political conditionality constituted an integral component of the Structural Adjustment Program imposed by the IMF and other international donors. The rapid and externally driven transition toward multiparty democracy, political accountability, and institutional liberalization occurred without adequate political preparation or sufficient institutional capacity. Rather than immediately strengthening democratic governance, these reforms intensified ethnic polarization, deepened political fragmentation, and contributed to violent interethnic conflicts that resulted in the deaths of hundreds of people and the displacement of thousands. Moreover, these developments reinforced the politicization of ethnic identity, allowing tribal affiliations to become deeply embedded within virtually every aspect of Kenya's development process. Consequently, ethnic politics has emerged as one of the country's most significant structural obstacles to sustainable political, economic, and social development.
- **Expansion of absolute poverty.** The implementation of Structural Adjustment Policies was accompanied by a marked increase in poverty levels. The proportion of the rural population living below the absolute poverty line increased from 40.2% in 1982 to 46.4% in 1992. In urban areas, the incidence of absolute poverty was estimated at 29.3% in 1992. Overall, by 1992, approximately 11 million Kenyans, representing nearly 43% of the country's total population, were living below the absolute poverty line (Rono, 2002). These figures suggest that, despite the macroeconomic objectives of the Structural Adjustment Program, its social costs were substantial, with the burden falling disproportionately on the poorest and most vulnerable segments of Kenyan society.

2. Positive Impacts

Despite the extensive criticism directed at the Structural Adjustment Programs (SAPs), a number of scholars have argued that these reforms constituted an important step toward restoring macroeconomic stability, promoting economic growth, and reducing poverty. From this perspective, the reforms did not directly worsen the living conditions of the poor. Nevertheless, there is little empirical evidence to suggest that they were sufficient to generate sustained economic growth. Consequently, they failed to make a substantial contribution to poverty

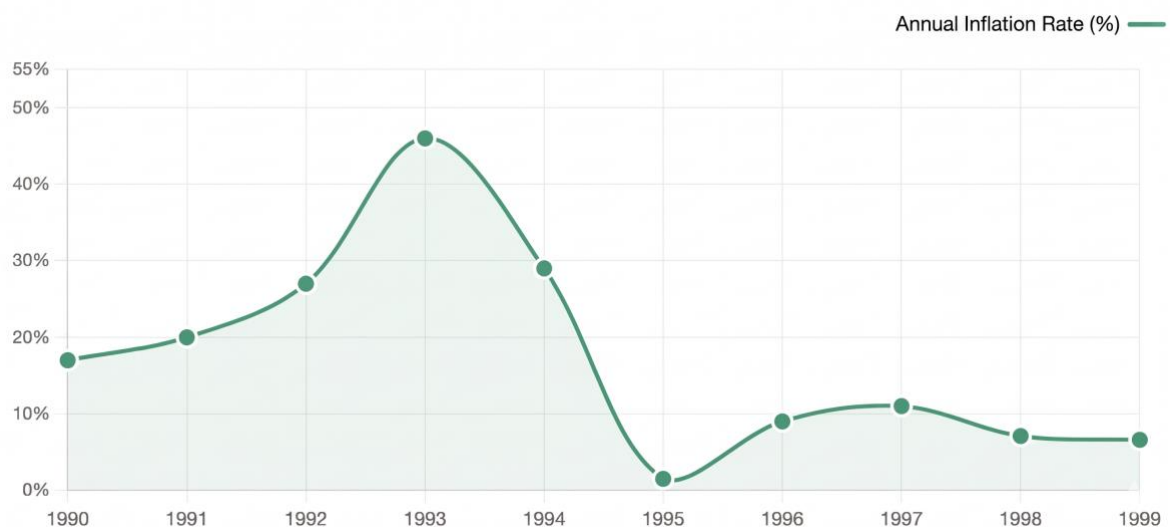
reduction in Kenya. Proponents of this view contend that the principal obstacle was not the reform agenda itself, but rather the Kenyan government's inability to establish the institutional and economic conditions necessary to restore GDP growth to the levels achieved during the 1960s and 1970s. According to this interpretation, many of the adverse outcomes associated with the Structural Adjustment Program reflected shortcomings in domestic implementation rather than inherent deficiencies in the reform package itself.

- **Improvements in macroeconomic policy indicators.** Empirical evidence indicates that between 1992 and 1994, Kenya's fiscal policy index improved by two percentage points, while the exchange rate policy index increased by one percentage point. In contrast, the monetary policy index declined by one percentage point. Between 1994 and 1997, the exchange rate policy stance improved further by 1.29 points. Overall, the aggregate macroeconomic policy index increased by 1.13% between 1992 and 1994, suggesting a measurable improvement in the country's macroeconomic policy framework. These policy improvements coincided with a decline in the incidence of poverty during the same period, indicating that enhanced macroeconomic management may have contributed, albeit modestly, to improvements in living standards (Kabubo-Mariara & Kiriti, 2002).
- **Macroeconomic stabilization.** IMF-supported reforms contributed to a degree of macroeconomic stabilization during the late 1990s. Overall inflation slowed to an annual rate of 7.1% in November 1998, while inflation and interest rates continued to decline to approximately 6.6% and 10%, respectively, by early 1999. These developments suggest that the stabilization measures implemented under the Structural Adjustment Program succeeded, to some extent, in restoring macroeconomic discipline and improving price stability (World Bank, 1999).
- **Civil service reform.** The Civil Service Reform Program reduced the size of the civil service workforce by approximately 21% between 1993 and 1998. However, its principal objective of establishing a smaller, better-paid, and more efficient civil service was only partially achieved. Although the number of civil servants declined, total public-sector employment increased as additional teachers were recruited and teachers' salaries were raised. Furthermore, limited progress was made toward restructuring the twelve government ministries and redefining their core functions, with the Ministry of Agriculture representing the principal exception where meaningful institutional reform was implemented.

Overall, while the Structural Adjustment Program produced certain improvements in macroeconomic stability and public sector management, these gains were relatively limited and fell short of generating the sustained structural

transformation required for long-term economic development. The persistence of institutional weaknesses, incomplete implementation of reforms, and continued dependence on external financing significantly constrained the effectiveness of the program and limited its contribution to inclusive and sustainable economic growth.

Graph (2) shows the inflation rate in Kenya from 1990 to 1999, prepared by the researcher using some artificial intelligence applications.



The line graph illustrates a sharp increase in Kenya's inflation rate from approximately 17% in 1990 to a peak of 46% in 1993, followed by a gradual decline that stabilized at 6.6% by 1999. This trend suggests that, although inflation initially intensified during the early phase of the reform period, the subsequent implementation of IMF-supported stabilization measures contributed, at least in part, to restoring price stability and reducing inflationary pressures over the latter half of the decade.

- Greater public participation and governance reform.** Engagement with international financial institutions and the government's responsiveness to their policy recommendations concerning institutional and political reform contributed to expanding public participation in policymaking, legislative processes, and broader governance reforms. These developments strengthened mechanisms for citizen engagement and were accompanied by a series of constitutional and legal reforms that enhanced opportunities for public involvement in decision-making and increased citizens' participation in matters of public policy and national governance. Consequently, the reform process contributed, at least to some extent, to promoting transparency, accountability, and participatory governance in Kenya (Ong'era & Musili, 2019).

C. Current Situation

As of January 2025, Kenya's total public debt stood at approximately KSh 11.02 trillion, comprising KSh 5.93 trillion in domestic debt and KSh 5.09 trillion in external debt. The country continues to rely heavily on external borrowing to finance its fiscal deficit, reflecting the combined effects of rising debt-servicing obligations, increasing public expenditure, and relatively weak revenue growth. According to Kenya's 2025 Budget Policy Statement, the country continues to face a persistent fiscal deficit, which is projected to reach approximately 5.4% of GDP by the end of the year.

Despite these fiscal challenges, Kenya's economy is projected to grow by 5.6% in 2025, driven primarily by expansion in the services sector and sustained household consumption. Inflation is likewise expected to moderate, declining to 6.2% in 2024 and further to 5.5% in 2025, largely as a result of lower food prices and easing global inflationary pressures (Otieno, 2025).

In June 2024, the Kenyan capital, Nairobi, witnessed widespread public demonstrations against proposed tax increases. Protesters stormed the Kenyan Parliament, prompting President William Ruto to withdraw a controversial finance bill that had been strongly supported by an IMF mission shortly beforehand. These events led many Kenyans to attribute the austerity measures associated with the IMF-supported reform program to the country's deteriorating socioeconomic conditions, accusing the Fund of imposing a "colonial" policy agenda on Kenya (Mühleisen, 2024).

In March 2025, the International Monetary Fund (IMF) announced that Kenya intended to negotiate a new lending arrangement following the expiration of its existing program. The Fund also confirmed that it had reached an agreement with the Kenyan government to proceed with the planned ninth review of the country's current US\$3.6 billion lending program, reflecting the continuation of financial cooperation between the two parties despite ongoing domestic criticism of IMF-supported reforms (Miriri, 2025).

Conclusion

The foregoing analysis suggests that the policy conditionalities imposed by the International Monetary Fund (IMF) and the World Bank resemble a physician who prescribes the same treatment to every patient regardless of differences in medical history, diagnosis, or underlying health conditions. Similarly, the IMF and the World Bank have tended to apply a standardized set of economic policy instruments—which frequently extends beyond the economic sphere to encompass political and social reforms—to countries with fundamentally different economic structures, political systems, and sociocultural contexts. Such a uniform approach has, in many instances, generated unintended and counterproductive outcomes. The Kenyan experience provides a compelling illustration of this phenomenon. More than four decades after the introduction of Structural Adjustment Programs, poverty and unemployment remain persistent challenges, while the country has yet to establish a sustainable industrial base capable of transforming agricultural outputs into value-added manufactured goods for international export.

Although the Structural Adjustment Program may have contributed to preventing Kenya's economy from collapsing during the crises of the 1970s, the country's continued dependence on external borrowing through 2025, together with its failure to develop an integrated agricultural and industrial production structure, suggests that responsibility for these outcomes cannot be attributed solely to IMF policies. The Kenyan government also bears significant responsibility for failing to utilize external financing as an opportunity to build productive industrial capacity, establish modern manufacturing facilities, invest in technological upgrading, develop human capital, and strengthen the agricultural sector through innovation and skills development. Instead, evidence suggests that segments of the political and economic elite closely associated with the ruling establishment exploited external loans and development assistance primarily to advance private interests rather than promote long-term national development.

The extensive privatization policies implemented in Kenya also generated significant economic, political, social, and security-related challenges. Privatization might have produced more favorable outcomes had it been introduced gradually within a comprehensive restructuring strategy that included effective labor market adjustment policies capable of absorbing workers displaced by public-sector restructuring. Instead, large-scale retrenchment contributed to rising unemployment, which in turn intensified poverty and socioeconomic inequality. These developments were accompanied by increasing rates of property-related crime, thereby undermining public security and discouraging both domestic and foreign investment. Investors are generally

reluctant to commit capital to environments characterized by political instability, economic uncertainty, and deteriorating public security.

In Kenya, as in several other African countries, the IMF and the World Bank have increasingly become associated with the concept of "neo-colonialism". Consequently, many segments of society have come to perceive Structural Adjustment Programs as manifestations of a "colonial agenda" designed to impoverish citizens, eliminate employment opportunities, and entrench African states in a cycle of external borrowing and aid dependence. This perception is partly attributable to the emphasis placed by Structural Adjustment Programs on encouraging African economies to specialize in the extraction and export of primary commodities and natural resources rather than promoting industrialization, manufacturing, and value-added exports. It has also been reinforced by reform measures advocating extensive privatization, reductions in public-sector employment, cuts in government expenditure on education and healthcare, and the gradual withdrawal of subsidies benefiting low-income populations.

Finally, the Kenyan government did not fully disclose to the public the nature and scope of the policy conditions attached to IMF financial assistance. Instead, these arrangements were largely presented as international loans and development aid intended to help the country overcome its economic difficulties. When disagreements later emerged between the government and the IMF, political leaders sought to mobilize public opinion against the Fund by characterizing its policies as "suicidal". This pattern reflects deeper structural weaknesses within Kenya's political system, including limited democratic accountability, weak public oversight, and insufficient citizen participation in decisions of major national importance. These institutional shortcomings created conditions that enabled the IMF to exercise considerable influence over domestic policymaking while taking advantage of persistent governance weaknesses, widespread corruption, limited public scrutiny of government actions, and the close alignment between political elites and entrenched private interests.

Conflict of Interest Statement

The author declares that there are no conflicts of interest regarding the publication of this manuscript. The research was conducted independently, and no financial, commercial, institutional, or personal relationships influenced the design, analysis, interpretation, or reporting of the study.

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Data Availability Statement

The data supporting the findings of this study are derived from publicly available sources, including government publications, reports from international organizations, and other publicly accessible documents cited throughout the manuscript. No new datasets were generated during the current study.

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