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Formalizing the informal economy:
Somali refugee and migrant trade networks in Nairobi

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In his report on the ‘Strengthening of the United Nations - an agenda for further change’, UN Secretary-General Kofi Annan identified migration as a priority issue for the international community.

Wishing to provide the framework for the formulation of a coherent, comprehensive and global response to migration issues, and acting on the encouragement of the UN Secretary-General, Sweden and Switzerland, together with the governments of Brazil, Morocco, and the Philippines, decided to establish a Global Commission on International Migration (GCIM). Many additional countries subsequently supported this initiative and an open-ended Core Group of Governments established itself to support and follow the work of the Commission.

The Global Commission on International Migration was launched by the United Nations Secretary-General and a number of governments on December 9, 2003 in Geneva. It is comprised of 19 Commissioners.

The mandate of the Commission is to place the issue of international migration on the global policy agenda, to analyze gaps in current approaches to migration, to examine the inter-linkages between migration and other global issues, and to present appropriate recommendations to the Secretary-General and other stakeholders.

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Introduction

Most research on refugees in Kenya focuses on refugee camp situations (de Montclos and Kagwanja 2000; Horst 2001, 2003, 2004; and Hyndman 2000; Mwangi 2005). Until recently, urban refugees in general have largely been ignored (Kibreab 1996; Landau 2003, 2004; Landau and Jacobsen 2004; van Hear 2003a, 2003b). In the case of Kenya, there are several reasons for this.

First, unlike in camp situations, there are no clearly demarcated boundaries signifying a singular refugee community in Nairobi. Refugees are widely dispersed throughout the city and intermix with a variety of local Kenyans, immigrants, asylum seekers, and foreigners—and often hold a variety of documents. Where the refugee community starts and stops is hard to define. Second, refugees live illegally in Nairobi and are largely not entitled to protection or assistance. The majority of resources are thus directed to camp refugees. Third, the government’s position against refugees residing in cities has caused many researchers and policy makers to simply ignore or downplay the presence of urban refugees in Nairobi, who are, after all, supposed to be living in the camps.

This paper thus lends support to research on urban refugees in the Global South. In doing so, the paper aims to contextualize urban refugees locally within the specific history and development of Nairobi and globally within the framework of economic globalization and transnational migration flows. Borrowing the definition and analyses of Philip McMichael (2000:354), economic globalization is used here to mean

\[a\]n emerging vision of the world and its resources as a globally organized and managed free trade/free enterprise economy pursued by a largely unaccountable political and economic elite.

This vision is dominated by transnational corporations (TNCs), whose size, influence, resources, and global reach have turned them into the world’s most powerful social actors (Cavanagh 1996; Derber 1998; Korten 2001). The immediate effects of globalization, characterized by neoliberal economic policies, privatization, and state deregulation, have been a widening gap between rich and poor (Kim et al. 2000; McMichael 2000; Portes 1997).

Transnationalism is used here to mean the processes by which refugees create and sustain multi-stranded social relations that link together their countries of origin, countries of asylum, and countries of resettlement (Basch, Schiller, and Blanc 1994). The frameworks of economic globalization and transnationalism are central to the discussion concerning urban refugee trade networks and livelihoods.

Indeed, the possibilities, limitations and realities of urban refugee livelihoods are integrally bound to the structure of the global political economy. For example, neoliberal economic reforms in Kenya, aimed at jump-starting economic growth and providing jobs for the poor, have instead resulted in the rapid growth and expansion of the informal economy, in which refugee businesses are deeply embedded. The growth of the informal
economy is directly linked to the increased power and profits of global corporations that have systematically disrupted local and regional economies. In fact, informalization of the economy is an unavoidable and defining feature of the effects of economic globalization, especially in the Global South (McMichael 2000; Portes 1997).

Transnational refugee communities and trade networks are in many ways a response to the power of TNCs and the large-scale structural reforms they have initiated. The economic activities that sustain these communities, like TNCs, capitalize on differentials of advantage created by state boundaries (Portes 1997). The main difference is that these communities operate at the grassroots level and usually outside the so-called formal marketplace. This is certainly the case for urban refugees in Nairobi. Since the phenomenon of transnational refugee communities is fuelled by the dynamics of globalization itself, it is likely that these communities and their trade networks will only continue to grow and expand in the coming decades.

Most research on refugees, however, is not contextualized within this larger framework. Crisp (2003) argues that the field of refugee studies has in fact been “notoriously ahistorical”, researchers being preoccupied with the latest emergency and the responses to it. Even in protracted refugee situations like Kenya, the studies often begin with the initial mass influxes and rarely analyze previous refugee flows or important historical, social, economic and political conditions in the countries of asylum. Often the studies begin with the crossing of the first refugee and tend to focus almost exclusively on the refugees themselves, the UNHCR, or the interactions between refugees and UNHCR.

When scholars do engage in historical work, its focus is usually on the institutions of the international refugee regime\(^1\). The broader context in which they operate is often ignored. Discussions about refugee rights are also often written in light of legal principles, procedures and standards and rarely take into account the context in which those laws were written and historically applied. The lack of historical and even theoretical coherence in the field can partially be explained by the nature of international aid itself. That is, resources directed toward conflicts are reactive and often short-term.

This ahistorical approach is nonetheless short-sighted, especially in formerly colonized countries like Kenya, which inherited a colonial legal system and an established colonial practice toward refugees and foreigners, much of which is evident in today’s policies toward refugees. In this paper, urban refugee livelihoods and possibilities for legal, local integration are thus understood within the specific historical context of the social, political and economic development of the city and the contemporary challenges and possibilities posed by economic globalization.

The colonial policies of social and spatial segregation used by the British against the indigenous African population are the same policies used today by ruling African elites against refugees and other black immigrants. At the outset, the social policies employed by the British ensured that Nairobi was an exclusive city, belonging to some groups and

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\(^1\) See especially the work of Gil Loescher, who has thoroughly researched the creation, development, and current trajectory of UNHCR.
not to others. This idea and social practice has remained a salient feature in the historical development of the city, contributing to the continual discrimination against refugees and immigrants living in Nairobi. For ruling elites and citizens alike, black foreigners have come to replace indigenous black Kenyans as ‘the source of all the city’s ills,’ including rising levels of violent crime and unemployment. The constraints of the pre-independence days still form an important basis for explaining the underlying dimensions of social space in Nairobi today.

Despite this systemic discrimination, urban refugees have managed nonetheless to forge global social and economic relations that link together their countries of origin, countries of asylum and countries of resettlement. These transnational networks have helped many urban refugees to become successful entrepreneurs and prominent businessmen, particularly in the ‘informal’ marketplace. Contrary to the official state position and popular local belief that refugees are a drain on limited national resources, urban refugees, stemming from throughout the Horn, Central, and East Africa, are largely self-sufficient. Firmly entrenched in Eastleigh, the heart of the African immigrant community in Nairobi, these transnational migrants have cultivated an ability to operate successfully within a socially hostile and economically depressive environment.

These refugees have, in fact, for all practical purposes, integrated into Nairobi. Despite the government’s insistence that all refugees must live in the camps and will one day return home, urban refugees have nonetheless self-settled in Nairobi and proven to be successful entrepreneurs. Many now own expensive shopping malls, huge hotels, and lucrative transportation industries. Irrespective of current peace processes or future political stability in their country of origin, urban refugee businesses are now so firmly entrenched in Nairobi that it is highly unlikely they will ever leave the city. For such successful entrepreneurs, legal local integration serves as a viable durable solution to their situation of protracted exile.

**Brief history of refugees in Nairobi**

With its geographical location bordering five countries between the Horn of Africa and the Great Lakes, Kenya has been a leading refugee hosting state throughout the twentieth century. By 1988 there were approximately 12,000 refugees in Kenya, the majority of whom were Ugandan and lived in Nairobi (UNHCR BO Nairobi 2004). These refugees enjoyed full status rights, including the right to reside in urban centres and move freely throughout the country, the right to obtain a work permit and access educational opportunities, and the right to apply for legal local integration (UNHCR BO Nairobi 2003). The political crises, greatly affected by the end of the Cold War, in the Sudan, Somalia, and Ethiopia in 1991-1992 and later Burundi, Rwanda, and the Democratic Republic of Congo (DRC), led to a large-scale influx of refugees into Kenya. The numbers jumped from roughly 12,000 to 120,000 in 1991 to over 400,000 in 1992 and eventually stabilized at around 220,000 by the end of the decade (UNHCR BO Nairobi 2004).
These numbers overwhelmed the government’s refugee protection capacity, resulting in its collapse and the eventual withdrawal of Kenyan authorities from all refugee affairs. The state mostly viewed the new asylum seekers as threats to national security and as economic burdens, marking a shift in refugee protection in Kenya (Juma 1995). If the pre-1991 refugee regime in Kenya can be characterized as generous and hospitable, with emphasis on local integration, the post-1991 regime has been inhospitable, characterized by growing levels of xenophobia, denial of basic refugee rights and few opportunities for local integration (Horst 2003; Kagwanja 2002; Verdirame 1999).

While Kenya became party to the 1951 Refugee Convention and ratified the OAU Convention pertaining to refugees, the state has failed to develop its own national refugee legislation. It has instead relied on a variety of unwritten ad hoc policies and existing immigration law to address refugee issues. One key policy that emerged after the 1991 influx was the encampment policy, where Kenya agreed to accept refugees but insisted that they all must reside in designated camps far from the urban centres (Beer 2003; Horst 2003; Hyndman and Nylund 1998; Verdirame 1999). The vast majority of refugees are not allowed to leave the camps or reside outside of them, they are no longer granted work permits and they have been denied opportunities to legally integrate in Kenya (UNHCR BO Nairobi 2003).

While the majority of Kenya’s refugees now reside in these camps, several thousand live illegally and largely undocumented in Nairobi. There has never been an official count of urban refugees; estimates range between 15,000 and 100,000 (Human Rights Watch 2002; UNHCR BO Nairobi 2004). Both the government and the United Nations High Commissioner for Refugees (UNHCR) are keenly aware of their presence and some of the most vulnerable and high-profile refugees are even granted limited protection and assistance. Still, the vast majority live in the city without legal protection and are unable to access any material benefits. Urban refugees therefore run businesses, live off of remittances, or earn enough money through casual labour in order to survive. While they have become for all practical purposes independent from UNHCR and impressively self-sufficient, their lack of legal status in the city leaves them vulnerable to constant police arrests, unable to access the ‘formal’ economy or professional jobs within it, and subjected to growing xenophobic and sometimes violent tendencies from the local Kenyan population that takes advantage of their precarious status.

**Nairobi: the birth of a transnational city**

Nairobi has always been a transnational city, linking Europe, Africa, and Asia together socially, culturally, and economically. Extensive trade networks reaching throughout these continents and the rest of the world have deepened through the decades. Somalis in particular built upon these trade networks, established long before colonization, which were enhanced during the building of the Uganda Railway, and which intensified after the collapse of the Somali State and with the subsequent influx of rather wealthy Somali refugee businessmen into Nairobi.
At the same time, Nairobi was spatially designed to separate the three main communities into distinct neighbourhoods and areas of the city. A variety of colonial laws and policies reinforced the spatial segregation and ensured that the majority of public services were disproportionately allocated to the wealthy European neighbourhoods. In addition, its origins were predicated upon the economic exploitation of black Africans, who, for the better half of the twentieth century, were only legally allowed in Nairobi as temporary workers to serve the interests and functions of the white city (Barber 1967; Barnett and Njama 1966; Collier and Lal 1986; Davidson 1968; Mariotti and Magubane 1973; Tiwari 1972).

Prior to British colonial rule in the nineteenth century, Nairobi did not exist as an urban centre. It was only when the Uganda Railway reached Nairobi in 1899 that the area began to develop (Hake 1977; Hill 1957; Hirst 1994; Huxley 1969; Robertson 1997; Uganda Railway c.1908; van Zwanenbergh and King 1975). When Nairobi was formally designated as the capital of the colony in 1907, the British further accelerated their development efforts, turning the area into a rapidly emerging commercial centre. The city, however, was built on a swamp, which led to several sanitation and other health concerns and prompted authorities to appeal to London to remove the entire town to more solid ground (White et al. 1948). Winston Churchill (1908:19) himself responded and wrote: “It is now too late to change, and thus lack of foresight and of a comprehensive view leaves its permanent imprint upon the countenance of a new country.”

According to Robertson (1997), in light of the undesirable situation, the colonial authorities again appealed to London and requested to formally segregate the city, as in South Africa, between the colonial administrators and the railway workers. Their request was again rejected. Instead, the British moved away from the railway headquarters, where the heaviest concentration of labourers and traders resided in overcrowded barracks, and into the neighbouring hills. From the outset, then, Nairobi was nevertheless segregated between the “sticky morass of the subordinate railway quarters” and the “palatial residences of the Railway officers” (Grey 1903:21). As Lonsdale (2002:220) writes, “…Nairobi was a perfect Apartheid city without trying.”

By 1906 there were seven, albeit small, separate sections developing in the city: (1) the railway centre; (2) the Indian bazaar; (3) the European business and administration centre; (4) the railway quarters; (5) the Dhobi or (washermen) quarter; (6) the European residential suburbs and coffee estates; and (7) the military barracks outside of town (White et al. 1948:14). The basic outlines of Nairobi’s commercial and administrative core were laid down within a few weeks of the establishment of the town in a pattern that

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2 In order to secure their hold on Uganda and facilitate the movement of goods from the coast to the interior, in 1895 the British decided to connect Uganda with the coast by building the railway. Due to its geographic location between the coastal city of Mombasa and Kisumu on Lake Victoria (the two designated termini of the railway line), Nairobi was chosen, by chance, as a convenient mid-way point and was designated as the railway’s headquarters. The railway was built mostly by Indian labour predominately from Gujarat.

3 England wanted to keep Kenya under its crown and did not want it to become independent like South Africa; thus, the request to institute a formal apartheid state was rejected.
has endured to the present day. In addition to the bazaars, both established and casual traders from the coast, as well as other people attracted by the project - or displaced from it - contributed to the growing number of Indians, Arabs, Somalis, Swahilis, and other Africans already associated in some way with the railway. These people were viewed by the colonial authorities with great disdain and seen mostly as unnecessary surplus labour that was a threat to the health and well-being of the city (Hake 1977; Lee-Smith 1988; White et al. 1948).

At the time there were no locations in Nairobi where Africans were allowed to live independently of their employment (Barnett 1966; Collier and Lal 1986; Macharia 1992). Huge areas of Kikuyu and Maasai land continued to be appropriated by the settlers, and the local Africans were given tribal designations and specific locations or reserves in which to live (Barnett and Njama 1966; Kanogo 1987; Mariotti and Magubane 1973). Still, the African population in Nairobi always outnumbered the white settler population, hovering between 60-70% until independence in 1963, at which point it increased to approximately 80% (Robertson 1997). Pass laws for Africans began in 1901. In addition, the 1922 Vagrancy Ordinance, which allowed police to pick up anyone who appeared to be loitering and unemployed and return him to his rural home, further entrenched the illegality of black African presence in Nairobi.

In 1919, permission was granted to create “native areas” in town, and in 1928 the Municipal Native Affairs Officer for Nairobi was established to “accept responsibility for native affairs within its boundaries,” thereby formally acknowledging for the first time the presence of Africans in Nairobi (Robertson 1997:16). Ultimately, half of Kenya’s arable land was appropriated by the British; thus, as more families and communities faced displacement through new labour regimes, large-scale cash-crop farming and the general deepening of capitalist relations, there was rapid rural to urban migration (Aaronovitch 1947; Barnett and Njama 1966; Burton 2002; Collier and Lal 1986; Curtis 1995; Van Zwanenberg 1975).

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4 Pass laws required that all black Kenyans be in possession of passes that stated whether the holders were legally entitled to work in the city, whether or not they had completed their contractual obligations, and whether they could leave the city.

5 While the Asian population was also discriminated against by the colonial government, compared to black Africans they enjoyed more political power and economic opportunities, not least their enjoyment of residing legally in Nairobi. Their growing population (from some 2,000 in 1904 to 9,000 in 1921) had two effects: it spurred the Europeans to ensure that their political power was not threatened, and it caused the Asian leadership to call for proper representation, commensurate with their numbers and the proportion they paid of the town’s taxes (Hake 1977). Heated negotiations between the Europeans and Asians living in Nairobi took place between 1918 and 1933 over control of the Municipal Council. In all negotiations the Asians were offered subordinate status. Their response was to boycott the council and withhold rate payments on grounds that services were unequally allocated. When the European attempt at commercial segregation failed, it sought to secure racial segregation in residential areas instead. While Asians suffered under unfair legislation and municipal bylaws during the colonial era, at independence, their economic position as businessmen and traders, living near and eventually in white communities, greatly benefited them. Today most Asians are among the wealthiest individuals in Nairobi (Himbara 1994).
The designated native reserves were deliberately overcrowded, as British settler Lord Delamere made sure in his 1912 appeal to the Labour Commission, where he argued that the areas should be small enough to discourage a self-supporting level of production and encourage a shift to wage labour to service the growing white city (Barnett and Njama 1966). This, coupled with policies of taxation, consequently prompted an outflow from the reserves into Nairobi (Burton 2002; Mariotti and Magubane 1973). As Nairobi’s population grew, a serious housing shortage emerged.

The colonial Nairobi City Council continued to forbid any African to reside permanently in the city. Instead, the colonial government treated Africans, in particular young males, as short-term wage earners and temporary residents, since their ‘real’ homes were somewhere in the rural areas (Aaronovitch 1947; Macharia 1992; Mariotti and Magubane 1973). Consequently, the segregated ‘native locations,’ located to the East of the railway and downstream from the industrial discharge, were designed on the cheapest possible basis. The municipal authorities’ attitude toward African housing was well-expressed in 1930:

> It seems only right that it should be understood that the town is a non-native area in which there is no place for the redundant native, who neither works nor serves his or her people. The exclusion of these redundant natives is in the interests of natives and non-natives alike… (van Zwanenberg and King 1975:268).

Between the years 1932 and 1947, the City Council only spent between one to two percent of its revenue on services for Africans (van Zwanenberg and King 1975). The vast majority of the revenue went toward roads, water, public lighting and sanitary services in the vast, sparsely populated, white suburban areas.

By 1940 the pattern of residential racial segregation in colonial Nairobi was firmly entrenched. Low density European housing was located away from the swampy areas, on the highest ground to the West and North of the central business area, in forested areas and on large plots. These areas consisted of, among others, Karen, Muthaiga, and Westlands. The majority of Nairobi’s Asian population lived in residentially zoned areas across the Nairobi River from the bazaar and commercial zone, Ngara and Eastleigh. The wealthiest moved into Parklands, more spacious plots just to the north. African housing was concentrated in Nairobi’s Eastlands, Pumwani, Shauri Moyo, and Karikor, East of the railway yards, with the industrial zone to the south and the Mathare River to the north. At independence in 1963 it was estimated that 50% of Nairobi’s total population (70% of the African population) lived in Eastlands, which at that time accounted for only 10% of the total housing area (Etherton 1971:3).

The post-independence era has been characterized by a persistence of deepening structural inequality. Newly elected African elites traded laws, policies, and practices based on racial segregation for those based on class segregation. Tiwari (1972:60) wrote that the three separate Nairobis - European, Asian, and African - merged into one racially, but resegregated “in the process of exchanging social for economic characteristics.”
Likewise, Robertson (1997:17-18) wrote, “If colonists concentrated services on Europeans, postindependence politicians routinely privileged economically rather than racially segregated neighbourhoods”. These characteristics of a city increasingly divided economically remain salient today. Kenya is among the top five countries in Africa with the worst income distribution rate, and among the top ten most unequal in the world (East African Standard 2004a; Nation 2004). In addition, recent reports indicate that people are poorer today than they were in 1990, with growing inequality particularly between 1994 and 1999 (East African Standard 2004a; Nation 2004).

These years marked the period during which structural adjustment programs were firmly entrenched, debt repayments mushroomed and were strictly enforced, public firms were privatized and the country was forced to liberalize trade (Freund 1998; Prah and Teka 2003). The adoption of these policies resulted in rising levels of economic inequality, poverty, and general insecurity. Many Kenyans, however, sought to explain these massive structural reforms by blaming refugees and other black immigrants, whose influx into Nairobi coincided with the implementation of the structural changes.

Once the centre of the British colonial administration and the most important economic hub in East Africa, since the 1980s Nairobi’s economy has stagnated and declined with the growth of economic globalization and the decline of national development projects (Freund 1998; Frobel et al. 2000; Kim et al. 2000; Leys 1974; McMichael 2000). The levels of absolute poverty have continued to increase, from 48 percent in 1990 to 56 percent in 2002 (Mwangi 2005). From unequal economic relations between the colonial government and the indigenous population to unequal policies concerning global trade, Nairobi continues to be a transnational city deeply divided along racial and class lines.

Just as the colonial settlers saw the black Africans as undesirable threats to the overall health and economic well-being of the city, today, post-independent Kenyans view black immigrants, especially refugees, in the same light. It is thus not surprising that the encampment policy, vagrancy laws, lack of work permits and other policies directed towards urban refugees are not only modeled after, but also applied in the same spirit as, colonial laws and policies historically directed toward urban Africans.

For instance, in contemporary Nairobi, both the government and the local population often blame refugees for rising levels of insecurity in the city. One police officer recently remarked, “Refugees are not supposed to be in Nairobi, they should be in camps … Some

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6 This is not to say that race no longer plays a role. On the contrary, the vast majority of Europeans continue to benefit the most from the current economic relations, followed by Asians and then black Africans. While it is easy to find wealthy communities in which rich people from all communities and backgrounds live, it is impossible to find all such groups living in Nairobi’s many slums, which are overwhelmingly black African. The pattern of racial and economic hierarchy initially established remains today. The main difference is that strict segregation is no longer enforced, though it continues to occur de facto.

7 According to the UNDP Report quoted in the newspaper articles, the other four African countries are South Africa, Nigeria, Zimbabwe, and Ghana. Interestingly, perhaps, all are former British colonies that adopted a capitalist development path.
of them sell illegal firearms … Some can even be terrorists” (BBC News 2002). Likewise, Provincial Police Boss, Stephen Kimenchu, argues that “gun runners are … foreigners, mostly of Somali origin…” (East African Standard 2003a). In a separate interview he went on to say that the issuing of identity cards to ‘illegal foreigners’ was a “hindrance to the fight against crime” (East African Standard 2003b). In 2002, over 1,000 ‘illegal immigrants’ were arrested as part of a countrywide crackdown on crime (The Nation 2002a). Later in the same year, police arrested over 800 foreigners in “aliens-infested Eastleigh Estate” (East African Standard 2002a).

As Vice President and Minister for Home Affairs, Moody Awori (2004:8-10), recently remarked at the opening of the UNHCR-GOK Joint Strategic Workshop,

The government is concerned with this group of asylum seekers [urban refugees], as they are likely to be engaged in activities that are contrary to their stay in this country… I am asking all refugees to report to the camps and those that will be found to be in the city and other urban places without authorization will be treated like any other illegal aliens … The government will soon mount a crackdown on these illegal aliens with a view to flushing them out.

It is worth pointing out that the suspects of the 1998 U.S. Embassy bombings were not refugees, nor were they from the refugee-producing states bordering Kenya. Moreover, it is well-documented that the majority of people engaging in street crime, car-jackings, and violent robberies are Kenyans, and not refugees or other foreigners. Still, unlike most Kenyans, refugees are subjected to arbitrary police round-ups and swoops in their neighbourhoods, greatly increasing their level of insecurity in the city.

While black Africans today control the Nairobi City Council, they define inclusion and exclusion and what is ‘rightly theirs’ in relation to foreign black Africans, especially refugees, and not to other groups such as Europeans or Asians, who are seen as assets to the economic growth and well-being of the city. At the same time, however, Nairobi’s refugees are now such an integral part of the urban fabric that their forced removal would be devastating to the local economy. Just as the British settlers both needed African labourers in Nairobi and objected to their presence there, many refugees today live under similar circumstances. This idea that a group of people is simultaneously needed for economic purposes and rejected socially has a long history in Nairobi that developed long before the mass influx of refugees.

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8 See the Africa Research Bulletin 2004; East African Standard 2003e, 2004b; The Nation 2001e, 2004b, 2004c. These articles highlight the insecurity facing Nairobi, much of which is perpetrated by Kenyans, not refugees. This does not mean that Kenyans are “violent in nature” and refugees “innocently peaceful”. Crime in Nairobi must be understood within the structural framework of colonial history and the global economy, which has left the city deeply divided along racial, class, and other social lines. The point here is that contrary to the popular local perception, refugees in Nairobi are largely not engaged in street crime and violent robberies. In support, UNHCR BO Nairobi statistics and information do not reveal a high prevalence of convicted criminals among its known refugee population.
Refugees and African immigrants in Eastleigh

If the sparsely populated, well planned, regularly serviced suburb of Muthaiga, which nestles near the Karura Forest and whose residents manage the ‘formal’ economy, represents the epitome of European (and now also wealthy black) Nairobi, the residential community of Eastleigh represents the opposite\(^9\). One of the most densely populated, low-income areas of Nairobi, Eastleigh’s commercial development is decentralized and largely unregulated. Lacking in all public services, including proper drainage and sewage systems, dusty roads overcrowded by a mixture of street vendors and *matatus* (mini-buses - the city’s main form of public transportation) dominate the landscape.

Of the two main roads running through Eastleigh, one, Second Avenue, has been permanently closed for several years. Huge craters, potholes, and pools of standing water make the road un-navigable. Water supplies are inefficient and many must make illegal connections to the city’s pipes (*East African Standard* 2003c). Garbage collection, though recently improved, was once non-existent. In 2001, an inspection carried out revealed that Eastleigh had the biggest mounds of garbage, some 5,000 tones (*The Nation* 2001c). Once a thriving Asian community, Eastleigh today is dominated by African refugees, especially Somalis, hence the name “Little Mogadishu,” but also Ethiopians, Congolese, Burundians, Rwandans, Ugandans, and Eritreans, employed largely in the ‘informal’ economy. Black Kenyans now comprise a small minority of the population.

Eastleigh, located just a few kilometers from Nairobi’s Central Business District at the centre of the general Eastlands area in which African residences were first authorized by the former colonial government, was established between 1910 and 1914\(^{10}\). Little to no control was exercised over its development, a trend which continues today. A member of the Municipal Council, Mr. G.P. Stevens, with three other Nairobi residents and backers from South Africa, bought land and contractually undertook construction of seven miles of frontage streets and fourteen miles of lanes, also drains and water supply “at such time and in such manner as they saw fit” (Hake 1977:38).

They later disposed of their unfinished interests to Mr. Allidina Visram, an Indian businessman. Before long the area was dominated by a largely Asian residential community, which also established small shops and other businesses in the area (Tiwari 1972). After independence, the Asians were the first to feel the effects of the “Africanization of Nairobi,” and they quickly fled from Eastlands to wealthier, more isolated communities.

The Asian exodus from Eastleigh began in 1955, and by 1970 it was largely occupied by Africans, with predominantly Kikuyu landlords. As Tiwari (1969) wrote, the area was

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\(^9\) Muthaiga, just north of Eastleigh, is probably about a 20-30 minute walk away.

\(^{10}\) Today the area of Eastlands consists of the estates and blocs of Biafra, Buru Buru, California, Dandora, Donholm, Eastleigh, Embakasi, Gikomba, Githurai, Huruma, Jericho, Kahawa, Kariobangi, Kariokor, Kasarani, Kayole, Komarock, Majengo, Mathare, Mlango Kubwa, Mukuru, Pangani, Pumwani, Shauri Moyo, Starehe, Umoja, Zimmerman, and Ziwan.
not only repopulated by a large number of Africans, but there was also a significant community of Somalis in particular. This point is of extreme importance, as it reveals the historical roots of Somali presence in Eastleigh, long before the massive influx of Somali refugees in 1991-1992. Somalis had long-term historical trade ties in Kenya, numbered among the initial trade caravans from the coast and were present from the outset of the building of the railway in Nairobi.

The Somali presence in Nairobi, and Eastleigh in particular, was thus well established, serving as a ‘pull factor’ for many Somali refugees in the 1990s who came both to escape the violence in their country and to partake in and benefit from the growing businesses and developing trade networks. As the Asian landlords sold their property largely to Kikuyus in the 1950s, Kikuyus are today quickly selling their properties to Somalis, who now hold a majority of properties in Eastleigh and also comprise the majority of tenants.\(^\text{11}\)

It was, ironically, the government itself that substantially contributed to the number of urban refugees in Nairobi, especially Somalis. Despite the insistence by the Daniel arap Moi government (1978-2002) that all refugees return home or reside in camps (Carver 1994), the former president actually took the first steps, albeit covertly, to normalize the status of Somalis living in Nairobi. An increasingly powerful group economically, the Moi government sought Somali electoral support during the tense multi-party elections of 1997. In exchange, thousands of Somali nationals were granted blanket citizenship. Today, Eastleigh is full of Somali immigrants and refugees, who were born and raised in Somalia and do not speak a word of the state languages, English and Kiswahili, and who hold Kenyan citizenship identification cards.

As Nairobi’s city centre and spacious suburbs once drew Europeans, South Africans, Asians and others from around the world to participate in the benefits of the growing ‘formal’ economy, today Eastleigh draws large-scale and small-scale traders alike to participate in the largely ‘informal’ economy. As Iddi Musyemi (2004), a lifelong resident of Eastleigh remarked,

> Today Eastleigh is the global capital of Nairobi. On any given day, aside from the permanent refugees living here, you can find Tanzanian, Ugandan, and other traders here pedalling their wares and purchasing materials to sell in their countries.

In 2001, 55 people were arrested in Eastleigh and charged with being illegally present and working without a permit in Kenya. Among them were Palestinians, Bangladeshis, Nigerians, Tanzanians, and people from the Central African Republic, nationalities largely not represented in the refugee populations in Kenya (The Nation 2001b).

\(^{11}\) Attempts to gain official documentation from the Nairobi City Council to support this claim proved impossible. The claim is thus supported by a door-to-door survey of Eastleigh’s main business street, in which it was found that 45 of 50 businesses and 41 of 50 residential buildings, constituting a mere sample, were owned by ethnic Somalis, both Kenyan and Somali nationals, some of whom were officially registered refugees.
Eastleigh’s growing importance should not be ignored. As Hake (1977:92) noted thirty years ago, one third of Nairobi’s population was living in unauthorized housing and had probably created by that time something over 50,000 jobs which did not appear in any official statistics. Hake referred to this part of Nairobi as the self-help city, which, he argued was building more houses, creating more jobs, absorbing more people and growing faster than the ‘modern city’. This trend continues today. The vast majority of large-scale and smaller scale businesses and traders operate without the necessary permits and do not contribute to the tax base - though it is unlikely that these taxes would be used to provide Eastleigh residents with the public services they deserve anyway.

Eastleigh, however, was created outside the watchful gaze of the City Council by European businessmen intent to do as they please. It seems that this historical tradition has continued. As Eastleigh is now the epitome of the booming ‘informal’ economy, marked by multi-story shopping malls, it has nonetheless become in recent years formally part of Nairobi’s economy, without which thousands of individuals and hundreds of businesses would suffer. With the best prices in town, Kenyan consumers and merchants are increasingly dependent upon the cheap goods and services provided largely by refugees in Eastleigh.

As Little (2003:166) writes, Eastleigh

is neither formal nor informal, but rather a location where unsanctioned trade is increasingly out in the open … In some respects, it symbolizes a graphic form of resistance to an economic and political system that excludes it.

As much as it may have been excluded, it is now part and parcel of the urban fabric of Nairobi. No matter the outcomes of the current peace processes being negotiated, with multi-million shilling investments and prosperous businesses, refugees in Eastleigh are there to stay.

**Refugee businesses and livelihoods: the case of the Somalis**

Throughout the 1990s, Eastleigh was transformed from a residential community to the commercial centre of Eastlands and increasingly much of Nairobi. Based on a land transfer policy known as “willing buyer, willing seller,” and with little to no governmental oversight, as in the colonial era, largely Somali businessmen in Eastleigh bought up residential blocs and turned them into multi-million shilling retail malls and commercial enterprises of various sizes[^12].

The rapid shift from a predominantly residential area to a commercial one has reduced the number of rentable rooms for an increasing population, thereby pushing many long-term inhabitants, especially Kenyans, out of Eastleigh into neighbouring slums or estates and raising the rents for those who can afford to remain.

[^12]: This phrase was coined by lifelong Eastleigh resident Iddi Musyemi.
Eastleigh businesses have also brought tremendous competition to the marketplace, which has had a negative effect on many of the Asian businesses in particular. The Asian community has hitherto controlled most of the retail business in Kenya, yet the owners of these businesses can now be seen purchasing their wholesale merchandise from Somalis. According to Narayan Mehta, owner of a city centre hardware store,

> Most Asians don’t like to admit it, but the Somalis are really cutting into our businesses. They are willing to live and work in Eastlands, areas where most Asians won’t even visit (2004).

The cornerstone of this development, the famous ‘Garissa Lodge,’ serves today as a symbol of refugee businesses in Eastleigh. Many Somalis resided in this former guest house before its transformation into a modern retail shopping mall, officially renamed Little Dubai but popularly referred to as ‘Garissa.’ From small scale ‘black market’ trading in hotel rooms, today Garissa houses 58 stalls in which everything from designer clothing to electronics is sold at incredibly cheap prices. Compare the price of, for instance, a ‘real’ Sony radio (be sure, there are many fakes). At Garissa Lodge the going rate is 350 Ksh. An identical radio sold in the city centre goes for 500 Ksh. In the commercial centre of Westlands, a wealthy suburb, the same radio is sold for 600 Ksh. While this is only one example, the table below shows the price differential of many staple goods and services consumed by the majority of people.

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13 Data collected in August and December 2004. In a few cases, there was a slight price discrepancy (usually 1-2 Ksh.) between the same items priced in one location. In such a case, the listed price is an average of all of the collected prices. Also, it was difficult to compare the three locations, because Eastleigh produce in particular is usually not sold by the kilogram but rather by a single piece or small cluster. In many cases, vendors were asked to weigh out a kilogram and determine the price. As for laundry soap, vegetable cooking fat, sugar, and other staples, these items are often sold in small packets in Eastleigh and not by the kilogram or in large packets as in the city centre or any large supermarket or shopping mall. Where Eastleigh residents often purchase a daily supply of necessary foodstuffs and items, residents in the city centre and suburbs purchase weekly and monthly supplies of necessary staples. A small packet of laundry detergent in Eastleigh is sold for 10 Ksh., where the smallest available packet in the city centre supermarket goes for 60 Ksh. Likewise, in Eastleigh, residents often purchase 15 Ksh. worth of tea leaves, whereas the supermarkets do not sell any quantity for less than 50 Ksh. The same applies for sugar, margarine, and cooking fat. In the city centre and Westlands, these items can only be purchased for more and in larger quantities, rendering the majority of Eastleigh’s residents unable to shop in these commercial districts. Also, the goods and services offered in Westlands and the City Centre often tend to be of a superior quality. This is largely the case for a lot of the produce, meat and fish, as well as for clothing and cookware.
<table>
<thead>
<tr>
<th>Item</th>
<th>Price in Gikomba, Garissa Lodge, and roadside kiosks, Eastleigh (Ksh.)</th>
<th>Price in Nakumatt Supermarket, City Market, and Indian shops, CBD (Ksh.)</th>
<th>Price in Sarit Centre Mall, Westlands (Ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 kg tomatoes</td>
<td>30</td>
<td>40</td>
<td>35</td>
</tr>
<tr>
<td>1 kg onions</td>
<td>30</td>
<td>40</td>
<td>62</td>
</tr>
<tr>
<td>1 kg kale (sukuma)</td>
<td>10</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>1 kg potatoes</td>
<td>20</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>1 kg garlic</td>
<td>80</td>
<td>130</td>
<td>150</td>
</tr>
<tr>
<td>1 kg apple mangoes</td>
<td>30</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>1 kg oranges</td>
<td>20</td>
<td>30</td>
<td>39</td>
</tr>
<tr>
<td>1 packet maize meal</td>
<td>55</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>1 packet wheat flour</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>2 kg beans</td>
<td>50</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td>2 kg cooking fat</td>
<td>112</td>
<td>111</td>
<td>109</td>
</tr>
<tr>
<td>1 full chicken</td>
<td>170</td>
<td>180</td>
<td>270</td>
</tr>
<tr>
<td>1 kilo of beef</td>
<td>140</td>
<td>170</td>
<td>210</td>
</tr>
<tr>
<td>1 kg tilapia fish</td>
<td>120</td>
<td>180</td>
<td>270</td>
</tr>
<tr>
<td>1 set of 4 plates</td>
<td>40</td>
<td>130</td>
<td>247</td>
</tr>
<tr>
<td>1 medium pan</td>
<td>100</td>
<td>247</td>
<td>300</td>
</tr>
<tr>
<td>1 collared male shirt</td>
<td>200</td>
<td>400</td>
<td>900</td>
</tr>
<tr>
<td>1 pair male pants</td>
<td>500</td>
<td>700</td>
<td>1,000</td>
</tr>
<tr>
<td>1 pair tie shoes</td>
<td>1,000</td>
<td>3,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Phone call to U.S.</td>
<td>10 Ksh./minute</td>
<td>15-20 Ksh./minute</td>
<td>30 Ksh./minute</td>
</tr>
<tr>
<td>Dry cleaning 1 shirt</td>
<td>100</td>
<td>400</td>
<td>800</td>
</tr>
</tbody>
</table>

According to Mr. Mahmoud Noor (2000), a Somali trader, “real business at Garissa Lodge took root after [trade] liberalization, especially when used clothes were allowed.” Trade liberalization in Kenya coincided with the influx of Somali refugees, offering them an edge in already established yet more covert business transactions. With their businesses deeply entrenched in the informal economy, they benefited from trade
liberalization because they were able to move goods across the borders more easily and to sell them openly.

Not surprisingly, much of the literature on globalization points to the strong relationship between trade liberalization and the growth of the ‘informal’ economy and/or black market, or as it is referred to in Kenya, *jua kali* (under the sun) workers (Kagwanja 1998; Kim et al. 2000; Macharia 1992; McMichael 2000). As McMichael explains, informalization involves two related processes: the casualization of labour via corporate restructuring and the generation of new forms of individual and collective livelihood strategies: “… with an enlarging mass of people existing on the fringes of the formal economy, informalization will rise” (McMichael 2000:211). In 1999 there were over 1.2 million micro and small enterprises in Kenya involving some 3.7 million people. This number rose to 4.2 million the following year (Mitullah and Washira 2003).

While seen by large multilateral agencies such as the International Monetary Fund (IMF) and World Bank as a form of subversion or as a reservoir of labour in need of development (Schneider and Enste 2002), this is really nothing more than a survival technique where no other job opportunity or source of income in the ‘formal’ economy exists. This is especially the case for refugees who often have no legal authority in the marketplace. Most entrepreneurs in the informal economy have experienced great success, turning their jua kali businesses into contemporary shopping malls. In light of this, it is important to measure the success, failures, and limitations of urban refugee businesses and livelihoods within the framework of economic globalization and the increasing ‘informalization’ of the economy in particular.

Due to its low prices, Garissa Lodge and many others like it, such as Amal Shopping Plaza, with 160 stalls and a supermarket, Liban Shopping Complex, Baraka Bazaar, Shariff Shopping Complex, and Sunrise Shopping Complex, now draw Kenyans from throughout Eastlands and from all over Nairobi. For one month in November 2003, ten different shop keepers in Garissa, all Somalis, were asked to keep a list of the origins of their customers. Many came from throughout the Eastlands area; however, there was also a large number from other parts of Nairobi, including Nairobi West, South B, South C, Kibera, Jamhuri, Kilimani, Dagoretti Corner, Parklands, Highridge, Westlands and Kangemi.

Moreover, many visitors also come from the rural areas and smaller urban towns, such as Nakuru, Eldoret and Kisumu, to Eastleigh to purchase goods. As individual consumers, largely Africans but also Asians (but seemingly few, if any, Europeans) are increasingly turning toward Eastleigh to purchase a wide variety of items at cheaper costs, so are commercial businesses.

From hardware stores to fruits and vegetable stands, merchandise is increasingly purchased from refugees in Eastleigh. At ten electronics stores on two main thoroughfares in Nairobi, Tom Mboya Street and Moi Avenue, each business owner stated that the vast majority of the merchandise being sold, including radios, televisions, VCRs, DVD players, cameras, and stereos, was purchased from dealers in Eastleigh.
Unlike most of the unregulated businesses in Eastleigh, those in the city centre are more strongly regulated and are required to pay rent and taxes and obtain the necessary permits from the city council. When asked if they thought that businesses in Eastleigh were cutting into their overall profit margin, some of the owners responded that luckily many Kenyans fear going to Eastleigh and only shop in the city centre. Others, including Mr. Mwangi Mbugua and Mr. Sarindar Singh, said that Eastleigh businesses are strong competitors and that one day they suspect Eastleigh will really be the main commercial centre of Nairobi.

The economic threat of “Little Mogadishu” has real implications, especially for mid-size shop keepers in general and Asian businesspeople in particular. Long before the birth of Garissa, when Somali refugees lived in coastal camps near Mombasa, it is widely believed that one of the main reasons the coastal camps were closed and the refugees moved inland to Kakuma and Dadaab was the pressure felt by the Kenyan government from the Indian business community, who argued that the presence of Somali traders was cutting into the profits of long established Asian businesses in Mombasa (Abdu Ali 2004; Muhamud 2004).

Regardless, tensions between the Asian and Somali business communities are well known. In 2000, Garissa Lodge burned to the ground (Mung’ou 2000; Siringi 2000). It was established by investigators that it was indeed arson, yet the culprits were never identified. Nonetheless, popular belief in Eastleigh is that it was organized by the Asian business community, which was threatened by the competitive advantage of the booming ‘informal’ market economy.

After a Member of Parliament, John Sambu, argued that Asians, who control the lion’s share of Kenya’s economy, are threatened by African businesses and feel that their future in Kenya is very uncertain, William Rutto, another Member of Parliament, promised to examine the possibility of Asian involvement in the burning of Garissa (Osanjo 2001). Mukhisa Kituyi, currently Minister of Trade and Industry, stated that

> It is in the interest of the traders and the country at large, to ensure that these unscrupulous Asians are not allowed to destroy the livelihood of indigenous Kenyans” (Osanjo 2001)\(^4\).

While most are obviously not willing to go to such destructive measures, it is not hard to find disgruntled Asian shop keepers who characterize the Somali presence in Eastleigh as an area “swarming with invasive insects” (Vidyarthi 2004). The tensions between these communities highlight the economic impact and influence of Somali refugee businesses in Nairobi.

The impressive multi-store shopping complexes of Garissa and Amal Shopping Plaza were both built in areas in which multi-family housing units previously existed (The Nation 2002b). Despite the fact that the area was legally zoned as residential, Somalis

\(^{14}\) Kituyi was also referring to other fires that had gutted largely black Kenyan markets, including parts of Gikomba, the largest open-air, second-hand clothing market in Nairobi.
have been successful in turning these buildings into commercial enterprises. Many such structures have simply been demolished and replaced with multi-story shopping complexes. Though this is completely illegal according to the city’s zoning laws, with a range of bribes and in light of a historical lack of government oversight and/or regulation in the area, many Somali businessmen have been successful in their commercial pursuits and have encountered little opposition from the City Council.

In one year between September 2003 and August 2004, eight different residential structures, in which thousands of people lived, were converted into commercial businesses in Eastleigh proper. Recently, Somali businessmen bought the Kenya Bus Station Garage in Eastleigh, where a new shopping plaza is being planned. Aside from these larger commercial structures, it is also common for Somali businessmen to convert the lower portion of a residential block into a coffee house, such as the recently opened Karmel Restaurant on Second Avenue and 9th Street. Others include Tasneem and Ramada Hotel, the most popular restaurant in Eastleigh specializing in Somali cuisine.

It is thus arguable that Somalis have transformed Eastleigh’s rather dilapidated residential structures, in which contractors cut every corner possible, using low quality materials, into ‘modern,’ well-built and freshly painted buildings. In fact, there is much more new construction taking place in Eastleigh than in any part of the city centre, where buildings continue to deteriorate and go without the necessary services and maintenance. Still, this rapid commercial expansion has often come at the expense of affordable housing in Eastleigh, increasing tensions between the Somalis and local Kenyans (Ondego 1998).

The *East African Standard* wrote in 1994 that the huge influx of Somalis into Nairobi increased the rent of a single room in Eastleigh from 1,000 Ksh. to 7,500 Ksh.: As a result, most residents displaced by the Somali refugees are progressively joining shanty life in the neighbouring Mathare Valley or Kitui Village.

Sometimes, (largely Kikuyu) landlords would even evict Kenyan tenants and replace them with refugees, from whom they could garner higher rents (Ondego 1998). Many Kenyans today argue that this example proves that refugees are wealthy and have pushed local Kenyans out of Eastleigh’s residential buildings - ironic in light of the government’s position that refugees are a burden on the state’s limited resources. “I have lived here my whole life,” says Kenyan resident Mama Abdul (2004), “but when the refugees came everything got more expensive. Now they have just about pushed us all out.”

From the perspective of many refugees, however, it was Kikuyu landlords who took advantage of the illegal status of refugees and unjustly hiked the prices

Kenyan landlords will always hike the prices for foreigners, and we are in the weakest position to be able to pay more. We can’t even work here legally in this country (Kahindo 2004).
Most non-Somalis also agree that it is increasingly difficult to rent apartments in Somali-owned residential buildings, as they prefer to rent only to other Somalis (Bataki 2003; Garomsa 2004; Kahindo 2004; Musingilwa 2004).

Aside from large-scale shopping malls, Somalis also own a large number of guest houses or lodges. Two of the most recently acquired lodges are Ainel Qamar and Musdalifa. Single rooms are rented for between 250 Ksh. and 400 Ksh. per night ($3.30-5.30) or 7500-12,000 Ksh. ($100-160) per month and almost exclusively to other Somalis. Many camp refugees without family or friends in Eastleigh stay in these hotels when visiting Nairobi.

Somalis (and Ethiopians and Eritreans) also own several matatus (mini-buses), the main form of public transportation. Matatu lines number six and nine make opposite loops from Tom Mboya Street in the City Centre through Avenue One, the main commercial shopping area in Eastleigh. Matatus are brightly coloured and artistically painted with the owner/operator’s favourite sports star, musician, or other popular symbol. Also characteristic of this line is the blaring music with loud bass and, at night, black lights illuminating the interiors. Once aboard, it is easy to see that most of the passengers are Somalis and Ethiopians. In fact, many matatus are covered in various political slogans from Somalia, Ethiopia, and now independent Eritrea.

Matatus began as an illegal, informal mode of transportation in Nairobi, but due to their popularity were officially permitted a decade after independence (Lee-Smith 1988). According to Kagwanja’s study on refugees and the matatu business (1998), the growing influence and importance of the informal sector since the late 1980s forced many to rely on cultural networks to cushion against state retrenchment and the social effects of structural adjustment programs.

Refugees, with particularly strong familial and kinship ties between their country of origin, country of asylum and the Western diaspora, were in strong positions to capitalize on these networks and to mobilize the necessary funds to purchase and operate matatus. Somalis were in a perfect position, with ethnic trading ties in Kenya, Somalia, and many Western states. Moreover, of the Somali refugees who settled in Eastleigh in the 1990s, many were successful businessmen and brought with them entrepreneurial experience and capital.

After receiving blanket citizenship from the former Moi government or with the help of Kenyan Somalis, many Somali nationals were easily able to obtain the necessary permits for operating public vehicles from the City Council. As Ismail Saaid Osman (2004) explains,
Today there are many, many Somali Somalis with Kenyan papers, so it is very easy to operate businesses officially. Even if a Somali doesn’t have citizenship, then it is easy to get it from Northern Kenya or just ask a family member or friend to help here in Eastleigh. In fact, really, getting permits from the City Council is just not a problem for Somalis.\footnote{Mr. Osman is referring to one of the acceptable ways in which Kenyans are eligible to obtain their national ID cards: they simply have to appeal to the chief or clan leader of the village in which they were born to verify their origins. Most Somali nationals in need of Kenyan citizenship can easily get the clan leader in northern Kenya to vouch for them. For most non-Somali Kenyans, it is impossible to know the difference between a Somali-Somali and a Kenyan Somali, especially if the person speaks Kiswahili. The difference is of course well known among the Somalis themselves.}

Due to the constant circular flow of refugees between both the camps and Nairobi, Somali refugees have also made a lot of money recently by establishing permanent and direct bus lines between Nairobi and the camps, as well as throughout Kenya and East Africa. These bus lines include \textit{Times Express}, \textit{African Star}, \textit{Maslah Express}, \textit{Gaashaan}, \textit{Zafanana}, \textit{Gargar} and \textit{Gantaal}. Extra buses, popularly referred to as “Al-Qaeda” after the Americans argued that the organization was operating in Dadaab camp, are hired during camp registrations for urban refugees in need of maintaining their legal link with UNHCR.

\textbf{Formalizing and financing (informal) trade}

Most refugees address the issues of required taxation, duty payments, and general laws and regulations established by the Nairobi City Council and other agencies regulating business and trade through organized bribes. Back in 2003, the licenses of all textile shop owners in Garissa Lodge were temporarily suspended by a local government minister for paying lower fees for the permits than required (\textit{The Nation} 2003b). The minister went on to say that

\begin{quote}
There must be a conspiracy between city council workers and these traders owning wholesale shops to deny the council of revenue because the traders are being charged like people operating kiosks (\textit{The Nation} 2003b).
\end{quote}

In a more recent example, just down from the Eastleigh traffic circle toward Section III on the right hand side, one of the newest planned Somali shopping malls, \textit{Al-Haqq Plaza}, is now under construction. Previously a residential estate, friends of the investors indicated that “an arrangement” was made between authorities in the City Council and the businessmen (Ali Moalin 2004). Since many large-scale investors have such enormous up-front capital, in a country in which open corruption is part and parcel of daily life, it is rather easy for them to pursue their commercial plans.

Indeed, according to Transparency International, Kenya (TIK), Kenya is among the ‘top five’ most corrupt countries in the world (Njeru 2004). As TIK argues, organizations that
deal primarily with business dominate the rankings of bribe size, notably the Ministry of Public Works, the Ports Authority, the Kenya Revenue Authority, the Kenya Commercial Bank, and the Kenya Bureau of Standards, who demand roughly 37,000 Ksh. ($500) per bribe. TIK also reveals that the most bribe-prone institutions in Kenya are law enforcement (police, judiciary and prisons) and local authorities in Nairobi and Mombasa. The Immigration Department ranks third, followed by the Ministry of Lands and the Nairobi City Council.

According to UN-Habitat’s Crime Victims Survey (Stavrou 2002), nearly 75% of all respondents reported that their business had been involved in bribery in the past year, with almost everyone claiming that an ethos of corruption and bribery prevailed throughout the commercial sector. Over three quarters of the businesspeople said that it was necessary to bribe public sector officials if they needed something to be done. Three-fifths of the respondents felt that such bribery was the norm, and they saw it as part of their business practice, almost as an additional tax that had to be paid to ensure the desired service. Almost all respondents felt that bribery had assumed alarming levels of acceptability among Nairobi residents.

TIK notes, however, that low income or unemployed people - and to which category refugees should be added due to their legal ambiguity in Nairobi - are significantly more vulnerable to corruption than more wealthy people. Unemployed and poor people encounter bribery in 71% of their interactions.

Corruption in Kenya and especially in Nairobi has a significant impact on refugee businesses. For wealthy entrepreneurs the system often works to their advantage, enabling them to purchase desired properties and turn them into commercial enterprises, despite zoning laws or other restrictions. For less wealthy and poor refugees (the majority), bribery - or extortion - is a source of abuse and harassment, under which hard earned wages often disappear into the hands of eager police, leaving the person with no money and hence nothing with which to buy necessary daily staples.

In light of this widespread corruption, in Eastleigh especially it is virtually impossible to distinguish between the ‘formal’ (official) and ‘informal’ (unofficial) economy. For instance, powerful businessmen ‘buy’ the needed authorization from officials (who are presumably regulating the formal economy) to sanction the building of large retail complexes in the ‘informal’ economy - which have all of the traits of belonging to the formal economy in terms of size, numbers of employees, and profit.

In this example, there is a strong relationship between official regulatory agencies and the large-scale, informal businesses sanctioned by them, which should be but are not subjected to the same tax laws as similar businesses in the city centre. As Hibou (1999:80) argues,
the division into formal and informal spheres is thus not a useful distinction in Africa, since illegal practices are also [regularly] performed in the formal sector, while so-called informal economic networks operate with well-established hierarchies and are fully integrated into social life.

The government of Kenya has long been involved in the ‘unofficial’ export of goods and services. The most recent and most devastating example was the infamous ‘Goldenberg Scandal,’ in which a complex web of politicians and businessmen managed to defraud the government of billions of shillings through creating fictitious exports to attract foreign currency (Africa Analysis 2003; The Nation 2003). As politicians and wealthy businessmen looted the government coffers, business as usual for many Somalis working in retail was highlighted by the Kenya Revenue Authority (KRA), who, in 2001, intercepted and impounded 17 trucks that were sneaking contraband goods worth millions of shillings into the city, destined, the authorities said, for Eastleigh’s markets, especially Garissa (East African Standard 2001).

The goods, valued at 1.6 million Ksh., were imported through Dubai via Eldoret International Airport, from where they were transported by road to Nairobi and delivered to various traders. While the traders were caught evading taxes and duties in this particular instance (ironically, probably by the same people who initially accepted the bribe to avoid them), the incident is no aberration but rather reveals how most business in Eastleigh is conducted. As one cargo inspector noted, all of the clothes on sale in Eastleigh come through one container freight service in Mombasa, where there is only one customs officer and one Kenyan Bureau of Standards authority. There is thus little to prevent one from giving bribes to the officer to undervalue the goods (The Nation 2003c).

As Little (2003:166) writes, Eastleigh is ‘openly informal,’ neither hidden from authorities nor entirely consistent with an official, public place of business. At the same time it is integral to the service economy of Nairobi...

By 2003, corruption at Eldoret Airport was so endemic that all cargo flights were cancelled. In his article, “Those Magnificent Somalis and Their Flying Informal Networks,” Githongo (2003) writes that the majority of the goods targeted for cancellation were imported by Somali traders or by freight companies owned by Somali networks operating largely out of Nairobi’s Eastleigh area and coming mostly from the port of Dubai. The mobile phone revolution, which engulfed much of Nairobi in the late 1990s, coupled with the rise of computerized informational networking, is largely responsible for the growing effectiveness of ‘informal’ trade. The recent introduction of mobile phone networks in the refugee camps in mid-2004 has greatly impacted trade networks between the camps and Nairobi as well.

Lending support to Castells’ theory of a network society (2000), Somalis move goods throughout the world based on a series of networks, reliable information, and communications technologies—from ‘below,’ not ‘above.’ Somali companies based loosely around family and clan networks receive goods from Kenyan jua kali importers in
Dubai and other countries, ship them to Kenya on behalf of the importers and clear the goods for collection in Nairobi. As Githongo (2003) argues, the receiving office is usually an individual on a mobile phone operating somewhere in Dubai. Goods destined for export to East Africa are collected from one’s point of purchase and are simply marked with the shipper’s name and address, consignment weight and destination. The total transit charges are limited to a dollar value per kilo of the consignment’s weight irrespective of the nature of the cargo.

The importer need not even be present in Dubai to make the actual purchases, as the whole process can be orchestrated by the Eastleigh office. As Portes (1997:3-4) writes,

The economic activities that sustain these communities are grounded precisely on the differentials of advantage created by state boundaries. In this respect, they are no different from the large global corporations, except that these enterprises emerge at the grassroots level and its activities are often informal.

Facilitating this trade is an informal banking system, known as hawala or hawilaad (meaning ‘transfer’ in Arabic), which enables the transfer of cash in any denomination and in almost all currencies throughout the world (Horst 2003, 2004). To send or receive cash from Eastleigh to Dubai, Cairo, London, Johannesburg, Sydney, Minneapolis, or San Diego, Somalis and others deposit the equivalent value in a local currency at a given location. In Eastleigh, there are several such locations, though one of the larger, more accessible ones is in the Amal Shopping Plaza. There are also some places in the city centre such as Dalsan International, near Jamia Mosque. The cost of a single transaction is much less than that charged by the formal competitor, Western Union, which charges between $15-30, depending on where the money is being sent. Hawilaad transactions are guaranteed and usually completed within one hour.

In many long-distance trading networks, credit, by transferring funds through the use of promissory notes, is mediated through these informal money houses (often a one-room shack) and middlemen who are essential to the overall operation. The scale of the informal banking system is enormous. Al Barakaat, once among the largest hawilaads handling some $140 million in annual transfers, had branches throughout the world, including Eastleigh. Its largest source of remittances was from Somalis living in the United States. This bank was however forced to cease operating after September 11th, when top U.S. officials argued that it was laundering money to terrorists and al-Qaeda in particular (Crawley 2001).

While it certainly affected the bank and its investors, individual Somalis were easily able to use alternative hawilaads.

One ironic aspect of the collapse of the state in Somalia is that telecommunications and money-wiring services are now significantly better today than in the past (UNDP 1998:15).
The increased use of satellite telephone systems, the internet, faxes, and mobile phones have undoubtedly facilitated already established Somali trade networks and have contributed to their overall growth in Eastleigh. As Little (2003:164) has written,

…the Somali system is inherently expansionist…As a livelihood system, it effectively adapts to uncertain circumstances, incorporates occupied populations, and mobilizes social relations over vast territories. No matter where one is in Somalia or outside among the diaspora, the extensive kinship system creates potential alliances, an attribute that nicely complements mobile pastoralism. The same logic of extension and alliance also accommodates geographically dispersed trading networks as they seek new markets and partners.

Eastleigh’s growing influence cannot be underestimated. Aside from offering all of the goods and services imagined at the cheapest price in all of Nairobi, thereby attracting both individual consumers and purchasers from a variety of businesses, the Somalis have also created work for some Kenyans. While it is uncommon for Somalis to employ non-Somalis as shop keepers, business managers, or accountants, Kenyans are hired to perform low-wage, unskilled labour. This may include cleaning, employment as a casual worker unloading boxes of goods, washing, shoeshine, or basic repairs. Most interviewed agreed that while the jobs were not very glamorous, the Somalis tended to pay more than Kenyans (especially Kikuyus), roughly 150-250 Ksh. ($2-3.30) a day compared to the 80-100 Ksh. ($1.06-1.30) typically earned from Kenyans when engaging in the same work.

Other types of work done mostly by Kenyans and generated by Somali businesses included the collection of discarded cardboard boxes. Once retrieved from the different shopkeepers, the cardboard was re-sold to the recycling centre for roughly 5 Ksh (6 cents) per kilogram. Kenyans working in this business were able to make between 100-250 Ksh. ($1.30-3.30) daily. More lucrative jobs included working on Somali-owned matatus as a tout or a money counter or collector (but rarely as drivers). Some Kenyans are even offered jobs as construction workers. Others have profited from carrying out mechanical repairs of Somali-owned vehicles.

With the general infusion of capital in the area, Kenyan residents of Eastlands increasingly turn toward Eastleigh to eke out a meagre living. For many, chances to earn a day’s wage are higher in Eastleigh - the ‘informal’ economy – than in the city centre, where formal businesses already have a regularly employed staff. As Godfrey Icharia (2004) said,

It’s easier to find a Somali willing to pay you a couple hundred shillings to do some work for him than it is to beg from the Asian businessmen in town. Anyway, you save on transport costs by not travelling into town.

For the majority of refugees and Kenyans, the so-called ‘informal’ economy today in Eastleigh provides more hopeful possibilities of survival than the ‘formal’ one.
Small-scale Somali businesses and traders in Eastleigh

In addition to large-scale businesses in the wholesale, retail, housing and transportation industries owned by a few wealthy male refugees, there is also a wide variety of smaller scale trade networks and businesses, in which the majority of refugees work, including large numbers of women. Where the wealthy, largely Somali, refugees are able to profit from a corrupt City Council, less wealthy and poor refugees suffer from constant harassment and abuse. It is important to highlight the class differentiation among and between refugee communities, as the level of wealth often determines the level of protection and security a refugee is able to buy in Nairobi.

The Eastleigh Business Community (EBC) was largely set up to curb excessive police abuses and to regularize the relationship between the two entities (East African Standard 2002b). Since UNHCR is not equipped nor mandated to provide physical security to urban refugees, and in a country in which the police and the Nairobi City Council are among the most corrupt, poor urban refugees are among the most vulnerable.

Most Somali refugees living in Eastleigh are indeed economically poor. Some survive by working for other, more wealthy, Somalis (though business is usually a family affair). Others, including many women, are able to open their own road-side stands selling fabrics, textiles, undergarments, scarves, shoes, perfume, dishware, music tapes and CDs, fruits and vegetables, electronics, coffee, and tea. Many engage in the rather lucrative business of selling miraa, a mild narcotic that grows in abundance in the Mt. Kenya region of the country. Enjoyed by many, Somalis are particularly fond of miraa, and chew it regularly. A day’s supply for a single person goes for between 300-500 Ksh.; sellers can make about 20 Ksh. in profit from one sale.

Women especially do washing and other household chores for wealthier Somalis often in exchange for rent and/or food. There are many Somali-owned telephone calling centres and internet cafes. Some are taxi drivers, shuttling customers up and down the busy commercial thoroughfare and throughout the city.

There is also a widespread trade in cattle. As Little (2003) has carefully documented, the war in Somalia has increased the trans-border cattle trade and many merchants have profited from it. Little writes that 70 percent of the cattle sold at Garissa, a small town on the Kenyan-Somali border, are destined for Nairobi; 16 percent of all cattle consumed in Nairobi come from Somalia. This trade, like the retail business, is based on a series of social relations often defined by clan but also by patron-client relationships. Little writes that many engaged in the cattle trade in Nairobi also have other businesses there as well, such as retail, butcheries, grain trade, and skins and hides trade.

Nassir Ali is one such example. He works in the cattle trade transporting the animals from Garissa to Nairobi. During the dry season when the movement of animals is slow, he runs a small retail shop selling the latest imported ladies’ fashions, including dresses, scarves, long skirts, and blouses. His shop, located in the “Little Dubai” Shopping Plaza in Eastleigh’s main shopping district, does good business: “I make enough money for my
wife and four children, and I also help support the families of my two brothers” (Ali 2004). Ali went on to explain that when he is moving cattle, he is also moving his merchandise to and from Nairobi.

Upon talking with Ahmed Muhamud Ali, he explained that there is a booming trade in electronics and clothing between Somali and Kenya. Somali traders import a wide variety of goods duty free from Dubai and other Asian countries into Somalia, where it is even easier, as there is literally no government regulatory body. As Calum McLean from UN OCHA-Somalia (based in Nairobi) (2003) said,

> There is no better example of a free market economy in the world than Somalia. In Mogadishu you can buy everything from swiss cheese to an AK-47. There are six mobile phone networks that basically cover the entire country. Compare this so-called ‘anarchy’ with Kenya, where there are only two mobile companies, and coverage is only available in about a third of the whole country.

Goods imported without taxation or duty into Somalia are easily brought to Kenya and sold at the cheapest possible prices in Eastleigh, undercutting many Kenyan competitors who do not have access to these networks. This small-scale border trade is a key component of refugee livelihoods in Eastleigh. In 2001 the Kenyan authorities, citing concerns with gun smuggling and contraband goods, closed the Somali-Kenyan border (The Nation 2001). The effects were devastating. An estimated 500,000 miraa farmers suffered massive losses, as they were unable to sell their product in Somalia (The Nation 2001d).

As noted by several Somali researchers (Horst 2003, 2004; Hyndman 2000; Little 2003) mobility is a central strategy for Somalis in securing livelihoods. As largely nomadic pastoralists, many Somalis have successfully adapted migration strategies necessary for the survival of livestock to retail and other trade. Divided between Somalia, Kenya and Ethiopia, ethnic Somalis build upon these social relations in neighbouring countries to establish successful regional trade networks, selling everything from shoes to perfume. An increasingly large Somali diaspora, stretching from Australia to Canada and in almost every country in between, including Iceland and Greenland, has in the last fifteen years certainly widened the scope and size of these networks, bringing ever more capital to Eastleigh in particular.

**Impact of refugee livelihoods and businesses in Nairobi**

Due to the dismal economic situations in most sub-Saharan African countries, coupled with ongoing wars in the Horn and the Great Lakes, refugees and migrants alike in Eastleigh are there to stay. Despite recently brokered peace deals in Congo and Sudan, protracted political crises have had a destructive economic impact that is unlikely to be rapidly reversed. Those refugees who have been able to establish businesses and survive
in Eastleigh are unlikely to pick up and leave in the near future, unless their own situation in Nairobi begins to deteriorate.

As Mohammed Osman (2004) said,

You Americans travel all over the world doing business, and no one asks you to leave, even you have peace in your country. We Somalis are doing business here, and probably we will continue to do business here. Business is business.

As Eastleigh resident Iddi Musyemi, a Kenyan, says,

Eastleigh is now the metropolis of Eastlands—and the commercial centre for Somalis. We look forward to the day when they will raise their flag in the midst of it as a show of territory—that will be the day!

Contrary to official state pronouncements and local popular opinion, urban refugees are not an economic burden on the state but rather have proved themselves to be successful entrepreneurs. Today the government uses the encampment policy as a threat, both to placate a xenophobic public and as a way to exercise control over the refugees. Yet to fully remove all of the refugees and their businesses from Nairobi would result in an economic catastrophe, so firmly entrenched are they into the fabric of the city.

Just as the colonial government was forced to officially recognize black urban presence in 1928 through the establishment of a Municipal Native Affairs Officer for Nairobi, perhaps it is also time for the current government of Kenya to officially recognize the presence of urban refugees. Even though refugee issues are, like “native affairs issues” once were, a low priority in a country focused on issues for Kenyans, sooner or later the government will be forced to admit what it already true. Refugees exist in Nairobi, are firmly entrenched in transnational trade networks, and are there to stay. Legal local integration is therefore a viable durable solution for some of Kenya’s urban refugees, who have been living in protracted exile for well over a decade.
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