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PREFACE

While this paper is intended to provide an official response to the recommendations in a report submitted by an International Labour Office/United Nations Development Programme (ILO/UNDP) Employment Mission to Kenya, the paper, in fact, has its origins in the National Assembly's *Report of the Select Committee on Unemployment* which was published in December, 1970. Members of the Select Committee, and those who have read its report, will find much that is familiar on the pages which follow. In particular, it will be seen that many of the committee's recommendations are set out as Government policy. Further, there is a close correspondence between the committee's understanding of the problems of unemployment and that understanding which is implicit in this paper.

The ILO/UNDP Report entitled *Employment, Incomes and Equality—a Strategy for increasing Productive Employment in Kenya*, toward which this paper is specifically directed, has its origins in a desire on the part of the Government to exploit an unusual opportunity. That opportunity was afforded by the creation, in 1969, of the ILO World Employment Programme which involved, as part of the programme, the commissioning of three successive pilot country missions to study the causes of unemployment and to make recommendations as to what should be done about it. The first pilot mission was sent to Colombia and the second to Ceylon; when it was suggested that Kenya might wish to host the third pilot mission, the Government provided an immediate response with an official invitation to the World Employment Programme.

There were several reasons for the Government's invitation. First, the path-finding *Report of the Select Committee* had, in its analysis, raised a large number of issues relating to the employment problem which required further exploration. Secondly, the Government had been taking employment policy action in a number of different areas in efforts to come to grips with the problems of both open unemployment and related problems of income distribution; the Government welcomed the opportunity provided for an external evaluation of the totality of its efforts in these areas. Finally, the

Government was in the process of formulating a new *Development Plan* for the years 1974-78 and wished to exploit the additional resources of an independent external mission to work on problems which would be focal points of concern in the new Plan document.

The work of the ILO/UNDP Mission began in January of 1972 when an advance party arrived to assemble statistical material, reports and other documents relevant to an examination of the problems which could be of concern to the mission; this task involved an intense effort for three months, not only on the part of the advance party, but also on the part of the Central Bureau of Statistics of the Ministry of Finance and Planning.

For a period of six weeks in March and April, 1972, a total of nearly 30 full-time mission members, some of whom were Kenyans, and an even larger number of part-time members scrutinized available documents and data. In addition, there were lengthy and intensive discussions of current Government policy, activities, plans and analyses of problems with officials of almost every Ministry.

The report, which was a result of these efforts, is a wide-ranging document containing proposals which affect every Ministry of the Government and every sector of the economy. In most cases, proposals in the report reflect, or are consistent with, current Government policies. However, a few proposals are not consistent with the intentions of the Government; these proposals are identified and discussed in this paper. In addition, there are several new and far-reaching proposals contained in the report which the Government, with the publication of this paper, adopts as its own. These proposals are discussed at some length. In general, the Government finds the report to be original and innovative, particularly in terms of the broad social and economic framework of analysis within which the problems of unemployment and poverty are examined. This framework is one which focuses upon the working poor rather than upon those who are looking for work; and upon the underlying institutional basis of income inequality rather than upon the determinants of the aggregate level of income.

The Government is grateful to both the National Assembly's Select Committee and to the UNDP/ILO mission for their considerable efforts which have made this paper possible.

Parts I through III of this paper provide background information against which the Mission's proposals and the Government's response to them can be understood. Specifically, Part III provides an analysis of the employment and income problems which is consistent with that provided by the I.L.O. Report. Part III also contains a discussion of the Government's efforts since independence to come to grips with these important issues. Parts IV and V state the Government's policy statements in *italic*, and Part VI gives a summary of what the Government intends to do about the employment problems.

I.—INTRODUCTION

1. The tabling of this paper follows the release of the report of the ILO/UNDP Employment Mission entitled *Employment, Incomes and Equality—a Strategy for Increasing Productive Employment in Kenya* (hereinafter referred to as the report). The purposes of the paper are to provide a response on the part of the Government to the findings and recommendations of the report and, at the same time, to provide an official summary of the Government's employment policy. Further, it is intended that the paper include guidelines for the various Ministries and Departments of Government which are now in the process of formulating a Development Plan for the years 1974 through 1978. Finally, it is envisaged that the release of both the report and the Sessional Paper will engender a constructive public discussion of the issues, and, consequently, contribute to a better general appreciation of the complexities of the problems and of the nature and scale of the Government's activities in response to them.

2. This paper, and the report which is its subject, should be viewed in the historical perspective of a growing and changing set of problems to which the Government has responded with some effectiveness. They (this paper and the report) are only the most recent manifestations of an ongoing and growing concern and determined effort to assure a constantly improving level of welfare for all Kenya citizens.

3. This paper should also be viewed in the context of the Government's independent perception of Kenya conditions and aspirations. The most important of these conditions, which also act as a constraint on the extent to which the Government can implement different policies, are those which flow from the fact that Kenya is a relatively small developing country. The most important Kenyan aspirations derive from the desire to maintain an open and free economy and society.

4. Being a small country in terms of population and resources places a formidable constraint on the economy in terms of developing internal markets, and on the Government in terms of its ability to finance projects. This resource constraint figures prominently in the Government's reaction to the report.

5. Equally important is the desire of Kenya's people to maintain an open and free society and economy. The country takes some pride in the maintenance of free institutions such as labour unions and in the preservation of openness with respect to ideas, people and resources. In practical economic terms, this desire for openness is reflected in efforts to build a mixed economy where privately owned capital, including foreign capital, has a role to play and is welcomed.

6. Within the context of the constraints outlined above, this paper marks a fundamental change in the Government's approach to unemployment and to employment problems in general. The change is occasioned by acceptance on the part of the Government of the central themes of the report, i.e. that Kenya's employment and unemployment problems are deeply embedded in the country's social and economic fabric and that these problems can be significantly alleviated only by fundamental changes in the pattern of development and in the structure of key institutions. What are these problems and how did they come about?

Employment and Unemployment Problems

7. The report distinguishes between unemployment as such and what it calls "employment problems". Unemployment is traditionally defined to consist of those who have zero incomes or work zero hours and who are seeking jobs, but are unable to find them. On the other hand, "employment problems" are of two types. They are: —

- (a) Frustrated jobseekers who are unable to obtain the kinds of jobs and the levels of incomes for which they believe they "qualify" in terms of educational attainments.
- (b) The working poor; those who are economically and socially distressed for reasons of lack of resources, inefficiency in the educational and training systems, technology, the division of labour and socio-economic institutional inefficiencies.

8. Of these three groups, i.e. the unemployed, the frustrated, job-seeking school-leaver and the working poor, the report identifies the working poor as the group which should be assigned first priority. For reasons of their large numbers and the hardships

which they endure, they should be the focus of the Government's attention and a priority claimant of the resources at the Government's disposal.

9. The long-term unemployed are ranked second in priority in the report, not because their condition is less distressing than that of those who are working at low levels of living, but because there do not appear to be many people in this category.

10. The report shows considerable concern for the frustrated, job-seeking school-leaver and many of the proposals in the report are directed toward a solution to this problem. Nevertheless, the report finds that the problem is created by unrealistic expectations on the part of school-leavers, given the opportunities which are made available. Without discounting the anxiety and suffering of young people looking for work, the report notes that almost all school-leavers do find work after they have lowered their sights with respect to the jobs and incomes which they will accept. As a consequence, their problems are regarded as serious but not of the same order of urgency as those of the working poor or of the long-term unemployed.

11. The report draws upon official sources of data and information and upon as many studies and documents as could be located in order to provide indications of the numerical sizes of the problems defined above. In spite of the existence of the sizeable gaps in the statistics, the Mission was able to marshal sufficient information to formulate useful and valuable estimates of the magnitudes of the problems with which it was concerned.

The Unemployed

12. After examining available surveys, the report concludes that for urban areas, the unemployment rates are probably 5 to 10 per cent for male household heads and 10 to 15 per cent for male non-heads. For females, the rates of unemployment seem to be of the order of 10 to 17 per cent for household heads and 23 to 27 per cent for non-heads. The weighted average unemployment rate (of the surveys considered) is 1 p e r cent. These survey data underline the disproportionate incidence of unemployment among women and

show that it is the youngest members of the household who are hardest hit by unemployment and, among all age groups, the less educated.

School leavers

13. While the report does not contain a comprehensive summary of the unemployment and employment problems of school-leavers, it does contain discussions, in several places of recent research on the subject. The best of this research is the on-going tracer project of secondary school-leavers at the University of Nairobi. The tracer project shows that the number of Form IV leavers still looking for work one year after leaving school has risen from 2 per cent for those leaving school in 1965 to 16 per cent for those leaving school in 1969.

14. After testing the job market for rather lengthy periods of time, the study reveals that Form IV leavers ultimately do take jobs, though not in the occupations and at salaries which they expected. It would appear that the rapid increase in output of secondary school-leavers has caused an upgrading of minimum entry requirements for specific jobs as employers attempt to hire those with better academic qualifications.

15. The problem of the primary school-leaver in the over-supplied and highly selective labour market is more difficult than that of secondary school-leaver. Not only are their numbers large, but opportunities for further education are sharply limited. The problem is exacerbated not only by the falling age of Standard 7 leavers, but also by the rapid increase in their numbers. The combined effects of these developments have been disruptive of the primary school system, generating a repeating rate in the upper standards which is approximately 35 per cent and, consequently, postponing the date at which universal primary education will be achieved.

16. Younger students repeat the work in the upper standards because both they and their teachers know from experience that performance on the Certificate of Primary Education Examination (CPE) is related to age. Without regard to the advantage derived

from repeating the same work, one or two years of maturity appears to improve performance and considerably enhances the probability that a student will be selected to attend a Government supported secondary school.

17. The report notes that 28 per cent of all Standard 7 leavers go on to secondary school and about 70 per cent either repeat or enter the job market. However, the report makes clear that these issues cannot be viewed only in terms of the lack of opportunities for both jobs and further training and education. The provision of more jobs at existing salaries would be likely to stimulate an even greater demand for secondary school places and produce even more repeaters in the upper standards of primary school.

18. The report argues that outright unemployment is not now a long-term problem for school-leavers. The problem is rather that of frustration and disappointment that the kinds of jobs which were formerly available are now occupied by others with higher academic qualifications. Currently, the ranks of frustrated school-leavers are almost entirely filled by those who have advanced no further than primary school. However, as the recent explosive expansion of the secondary school system makes itself felt, secondary school-leavers are joining these ranks in larger and larger numbers.

The Working Poor

19. This is the real focus of the report, a focus which involves consideration of a large number of different groups of people and a wide variety of different problems. However, the most important group of people, both in terms of numbers and in terms of their level of deprivation, is that huge segment of the rural population which possesses insufficient land, knowledge and supporting services to obtain a reasonable level of income. The report divides this group into two sub-groups of smallholders: —

- (a) Those who have been able to introduce a degree of commercialization into their operations but who, for lack of resources, have not been able to increase their incomes, including cash and subsistence, above the £60 to £110 per year range. The report estimates that there are approximately 250,000 smallholders in this category.

(b) Those with very small plots in medium or high potential areas, whose income from farming is less than £60 per year including the value of food crops. The report estimates the number of smallholders in this sub-group to be somewhere in the neighbourhood of 620,000.

The income of smallholders is often augmented by casual or regular employment in rural non-agricultural enterprises, on other smallholdings or on large farms. The most important source of supplementary income appears to be on other smallholdings which, during peak season, may provide employment for as many as 500,000 workers. Permanent adult workers earn barely £40 per year in this type of work, but they augment the total income of the group by about £9 million (in 1969) which is a substantial and crucial increment.

20. The incomes of rural families are also derived from sources other than small-scale agriculture. In 1969, large-scale agriculture, manufacturing, services, transport, commerce and construction provided regular employment for 371,000 persons. In addition, there were about 34,000 persons casually employed in rural small-scale enterprises. Total regular rural wage employment is thus estimated to be about 557,000 persons and total casual rural wage employment, at least 226,000 persons. *IN 1969, the average annual income per worker in rural areas derived from wage employment on other than smallholdings was about £134. However, this average, like many others, conceals more than it reveals. About 57 per cent of these workers were on large farms earning an average of £69 per year.

*** A note is in order about these estimates as their presentation in Chapter 1 of the report is somewhat confusing and contains a printing error. The report's estimate that there may be as many as 500,000 people working on smallholdings during peak season is not an official Government estimate. It is, rather, a guess of the maximum number of regular and casual wage and salary workers plus family workers who may be employed at one time. The guess is based upon knowledge of the number of smallholdings, estimates of total regular and casual wage employment on smallholdings in 1969 (378,000) and knowledge that the survey yielding this estimate was conducted somewhat off the peak season in terms of labour requirements.**

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21. The report calls attention to two particularly distressed groups of people in rural areas. One of these consists of women who much assume a disproportionate share of the burden of maintaining households and cultivating farms. The unreasonable burden of work for women in rural areas is attributable to the continuation of their traditional role as cultivators after the introduction of cash crops.

22. The other distressed group consists of the landless or near landless, many of whom are no longer young and many of whom are migrants trying to earn a living in areas subject to crop failures and drought. Both rural women and the landless live under conditions with a very high risk of disaster.

The Urban Working Poor

23. The report defines the urban working poor as those who earn less than 200 shillings per month. 1970 survey data for Nairobi indicates that this group comprises 18 per cent of the adult employed African population. As may be expected, females are disproportionately represented among the urban poor with over 40 per cent of all employed female household heads earning less than 200 shillings per month as opposed to about 14 per cent for men.

24. The report emphasizes that low pay among this group is not attributable to casual employment or short working hours. Only 15 per cent of the total number in the group worked less than 40 hours a week, while 30 per cent apparently worked more than 60 hours per week. While the report underscores the prevalence of young people among the working poor, it recognizes that those young people who have acquired an education are ultimately able to find employment and, consequently, to achieve a level of living superior to that of most people.

The total regular rural wage employment of 557,000 consists of 186,000 employed on small farms and settlement schemes, 47,000 employed in small-scale rural non-agricultural activities and 323,000 employed on large farms, in the provision of services, in transport and in other large-scale rural non-agricultural enterprises. The total casual rural wage employment estimate of 226,000 consists of 192,000 workers in small-scale agriculture and 34,000 in small-scale rural non-agricultural enterprises. As indicated above, the estimate of 226,000 casual employees is a minimum. The report contains an error in addition. Total regular rural wage employment is 557,000 and not 657,000.

II.—ANALYSIS OF THE PROBLEMS

25. The report finds the basic causes of Kenya's employment and unemployment problems to reside in an historical set of imbalances which have distorted growth and development patterns in ways which actually create unemployment and exacerbate the underlying problems of poverty. According to the report, most, if not all, of the imbalances have their origins in the colonial period when the Government pursued a policy which resulted in the creation of a pluralistic economy and society (where income and status were based on race). This economy served the interests of a European elite and, to a lesser extent, of an Asian community which, together, claimed a disproportionate share of the country's wealth. This economy had a number of features which have relevance for this report.

An Imbalance in Land Ownership

26. There was an imbalance in the ownership of land with Africans, by and large, confined to the Reserves and Europeans to the Scheduled Areas. The Europeans, a very small percentage of the country's population, possessed a disproportionate share of the high potential land. The Reserves were established on a tribal basis without reference to their impact on overall growth and development and with no consideration given to issues of equity. This heritage is reflected in the great variability of population densities on the land which still exist between geographic areas. Most of the former Reserves are very densely populated and land holdings are relatively small. The former Scheduled Areas have relatively sparse populations and land holdings tend to be larger.

27. The differences in population densities and size of holdings among the former Reserve Areas are also significant. The delineation of Reserve areas depended more upon considerations of law and order and the interests of European settlers than it did upon the long-term economic welfare of particular groups of Africans.

Imbalance in the Socio-economic Structure

28. During the colonial period, the economic organization of Kenyan society involved extensive farming by Europeans which produced, in addition to income for themselves, exports, foreign exchange and tax revenues for the Government. Others, the Asians

and the Africans, benefited from the settler oriented development as tradesmen and shopkeepers (Asians) and as unskilled labourers (Africans). This socio-economic organization and its implied division of labour was effectively enshrined in legislation and institutions. Africans were prohibited from growing some cash crops and Asians from owning farm land. Separated and unequal school systems were created for each race which reinforced the occupational division of labour and the distribution of income. Finally, the Colonial Government pursued a policy of keeping rural wages low while trying to attract workers to urban employment by offering relatively higher urban wages.

29. In the decade following World War II, the increased economic preponderance of a European dominated society with relatively high incomes began to have secondary effects which created additional imbalances.

First, Nairobi and, to a lesser extent, Mombasa, began to grow in order to provide the goods and services demanded by the relatively affluent Europeans. This created even greater geographic inequalities and an urban economy oriented towards the consumption patterns of Europeans.

30. Even more subtle imbalances were gaining footholds in terms of the technology and the organization possessed by the new commercial and industrial developments. These developments tended to be capital-intensive and, while generating considerable output, did not produce very many jobs.

31. The turning point of this imbalanced development was the Emergency of the early 1950's which may be characterized as a violent manifestation of the frustrations and rage felt by Africans who had been assigned an inferior social and economic status with no hope for improvement. The Emergency may be regarded as a turning point in the senses that it represented the crucial step taken toward Independence and because the Colonial Government undertook to modify its policies by removing restrictions on the production of cash crops and by promoting the development of African farmers.

32. However, the Emergency did not prompt the Colonial Government to abandon its pluralistic social and economic development policy; this policy was only modified. Moreover, the short

term impact of the African uprising was to create even greater imbalances as Kikuyu people were banished from the large towns and confined to Reserve areas; the result was actual labour shortages in urban areas and increased crowding on the Reserves.

33. It was only toward the end of Emergency, in the late 1950's that, with the removal of restrictions, a flood of job-seekers entered the towns and open urban unemployment became a problem. By this time, the pattern of development noted above had become firmly established.

34. According to the report, the single most important feature of this pattern of development was the dualistic structure of the economy, in fact, the creation of two economies. The one which the report calls the "formal" sector is that which evolved in direct response to the pattern of demand of the middle-income, European elite which collected about one-third of the total wage bill just prior to independence. The "informal" sector is that which appeared in response to the pattern of demand of the great majority of Africans who possessed low incomes. Where the "formal" sector provided jobs, goods, services (and imports) for the benefit of Europeans, the "informal" sector provided jobs, goods and services, for those with low incomes, mostly Africans. The "informal" sector was relatively labour intensive and possessed the virtue of not being a drain of foreign exchange either as payment for imports or for the repatriation of profits.

Dualism and Aspirations

35. According to the report, the most serious feature of this dualism was that it established the model life styles to which all who acquired certain academic "qualifications" could aspire. Independence removed the racial exclusivity of the "formal" sector and made the jobs and consumption patterns of that sector realistic aspirations for an African minority.

36. This aspect of dualistic development was serious because it provided a new elite with a vested interest in the perpetuation of imbalance and because it provided a system of rewards and incentives which would buttress the existing structure of education and act as an extremely powerful catalyst for its explosive expansion.

Population Growth

37. The final and, in the long run, perhaps the most important element contributing both to poverty and to unemployment is the rate of population growth. In 1970, the country possessed a population of 11.3 million which was probably growing at a rate of about 3.5 per cent per year. What is more, given the scope for further reduction in mortality rates, it would not be unlikely for this rate to move up to 4 per cent per year. Thus the country has one of the highest population growth rates in the world with the total population doubling every 17 to 20 years.

38. The meaning of such population growth is even greater pressure on land which is already scarce, more landlessness, an increased burden of dependants, increasing problems of nutrition and increased resource requirements to maintain a given average level of education, health, water, housing and other social services and amenities. Finally, a population growth rate of this size means postponement of the date when the country can achieve some of the important objectives which it has set for itself, most importantly, universal primary education, decent housing and, what is the ultimate concern of this paper, a reasonable standard of living derived from productive employment for all.

Summary

39. Thus, the major elements responsible for unemployment and for aggravating the problems of the working poor are deeply embedded in a social and economic structure inherited from the colonial period. This structure produced the maldistribution of land which is the fundamental source of rural poverty; the employment problem in rural areas is basically a problem of landlessness.

40. This social and economic structure also produced the system of incentives and rewards which has locked the country into an elitist, academic and exploding educational system. It is demonstrable that education and ever more education is the route to the jobs and incomes of the formal sector. Similarly, it is demonstrable that those with academic as opposed to vocational education receive higher rewards. The frustrated school-leaver is a victim in the sense that he must learn painfully that the "formal" part of the economy

which has provided the incentives and in which he expects to participate is, indeed, exclusive and elitist. The high wages and salaries, the capital-intensive technology, the European middle-income level living standards and *few jobs* are integral parts of the same structure. The report repeatedly emphasizes that the problem of the frustrated school-leaver cannot be solved by trying to provide more jobs within this structure; that would only result in even greater demand for higher and higher levels of education and even larger numbers of frustrated school-leavers. The answer to the frustrated school-leaver problem must reside in the alteration of the fundamental economic structure of incentives in order to achieve a better balance between aspirations and opportunities.

41. The urban working poor related to the structure in quite another way. They too were attracted to the towns by the economic incentives of a formal sector in which few can participate. Many (as many as 100,000) have found productive employment in the so-called "informal" sector at wages and salaries below what can be expected in the formal sector. For many, this level of income is inadequate and is obtainable only by long hours of hard work.

42. The standards and regulations which govern the operation of the formal sector are, unfortunately, also applied to the informal sector and provide important constraints upon its operations. Licensing, zoning and sanitary regulations are often such that they harass people who are poor and render it difficult for them to achieve, on their own, improvements in their levels of living. In addition, the informal sector lacks access to credit, technology and to Government services.

III.—THE GOVERNMENT'S POLICIES SINCE INDEPENDENCE

43. When Africans gained control of the political apparatus of the country at Independence, the over-riding priority became that of the reorganizing an economy and a society which had structured rewards according to race. The restructuring involved the Africanization of both the public and private sectors and the elimination of poverty and unemployment through the achievement of a rapid rate of economic growth.

44. In order to achieve both rapid Africanization and rapid growth, the Government focused upon education and manpower development and, while relying heavily upon the private formal sector, promoted balanced growth across a wide industrial front.

45. The results, the report acknowledges, were impressive. Since Independence, the economy has achieved an average growth rate of about 6½ per cent per year while per capita income has increased at an average annual rate of 3½ per cent.

46. In its broadest sense, Kenyanization means the transfer of economic power into the hands of citizens and the removal of social discrimination based upon race. More specifically, it means the transfer of jobs and the control and ownership of businesses and resources into the hands of citizens. Socially, the term refers to the elimination of all vestiges of institutionalized racial discrimination.

47. The Kenyanization of the economy presented different problems in different sectors. In agriculture, the problem was essentially that of transferring land to African ownership and of subdividing in order to enable more intensive cultivation for more families. In the first four years after Independence, over 2.3 million acres were transferred to Africans and somewhat less than half of this land was subdivided for the settlement of about 46,000 families. However, very nearly one million acres were transferred to African individuals, companies, and co-operatives in farms which average over 800 acres in size.

48. The Kenyanization of the private sector has involved increased public participation in the ownership of large expatriate firms and the launching of training programmes for the develop-

ment of middle and high level management. The Kenyanization of smaller non-citizen Asian firms has proven to be problematic very largely because of the social and economic organization of Asian families and the Asian community. In order to facilitate Africanization of these businesses, the Government provided credit to Africans to finance the purchase of businesses and instituted a system of trade licences the purpose of which was to gradually exclude non-citizens from the ownership of commercial and industrial activities. Well over 1,000 businesses formerly owned by non-citizens have now been transferred to citizens.

49. The Kenyanization of Personnel Bureau has monitored the progress made in the private sector in replacing non-citizens with qualified citizens in employment and has advised the Department of Immigration with respect to the issuance of work permits. Also, the bureau has provided a placement service for high and middle level manpower.

50. The Africanization of the public sector involved special problems of technical assistance programming and high level manpower and staff development. A significant measure of Africanization of relatively junior posts in Government had occurred prior to independence.

51. The report emphasizes that while the Government has achieved its immediate objectives, the benefits of both growth and Africanization have not been well distributed. The most significant beneficiaries are those who have occupied posts formerly occupied by Europeans, those who have taken over non-citizen businesses, those who have benefited from the transfer of land, those who have been in a position to exploit developing commercial and industrial opportunities and, finally, the workers in the formal sector who are organized and who have been able to extract sizeable annual wage and salary increments (6 to 8 per cent) from their employers.

52. While a considerable amount of progress has been made in improving the welfare of smallholders and the urban working poor, it remains true that these are the groups who have benefited least from economic growth and the Kenyanization of jobs and land. Generally, these Kenyans do not have access to education, training, health facilities, land and credit in a degree sufficient to enable them to improve their incomes significantly.

53. While relying on the dynamic forward thrust of the economy to provide jobs and to enhance the general welfare, the Government has taken a variety of separate and different actions to achieve a greater degree of equity. The most visible and dramatic of these have been the Tripartite Agreements (between organized labour, management and the Government) whereby, both the private and public sectors took on substantial numbers of additional workers in return for which labour agreed to a wage freeze. The least visible, but by no means the least significant, are the pricing decisions on the part of the Government which have as their objective an improvement in the relative prices of things which farmers buy and sell.

54. A wide variety of other programmes have enabled low income people to improve their levels of living. Government investments in agricultural and extension services, in medical services, in water supplies and in education have all contributed to a more equitable distribution of income in the country.

55. Before discussing the proposals in the report, it would be useful to review the specific actions and programmes which the Government has undertaken which have a direct bearing on the problems of poverty and employment.

Rural Development

56. Where the Development Plan 1964-70 focused upon rapid growth, the second Plan for the period 1970-74, attempts to shift the locale of growth toward the rural areas. In fact, rural development, the improvement in the quality of rural life, is the first priority of the Government and is so stated in the second Development Plan.

57. The focus on rural areas has involved the Government in a host of new activities as well as an intensification of ongoing programmes; these programmes and activities appear in very nearly every chapter of the Development Plan 1970-74. For example, the Ministry of Commerce and Industry's programme for the promotion of industrial activities in rural areas is both novel and ambitious. The Ministry of Education's remote areas primary school programme was designed to help break the cycle of poverty for nomadic, pastoral peoples by making it possible for their children

to attend school by providing boarding facilities while the family retains the mobility so essential for survival. The Ministry of Co-operatives and Social Services has an extensive network of youth training programmes in rural areas, including those provided by 68 Village Polytechnics where primary school-leavers are provided with the skills and knowledge which enable them to undertake self-employment. There are over 30 farmer training centres now in operation in major agricultural areas which are designed to impart useful knowledge to small-scale farmers.

58. At the beginning of the current Plan period, the Government started a Special Rural Development Programme which has contributed to the co-ordination of development activities within rural areas and within the Central Government itself. Also, within the Development Plan are contained extensive programmes for the systematic dispersion of social services and amenities outside of the major urban areas. These services and amenities include roads, electrification, communications, water, health, housing, education and training.

59. Further, ongoing programmes for assisting farmers have been intensified. These include such programmes as those for land adjudication, agricultural extension work, artificial insemination, livestock marketing, co-operative development, credit, training, the establishment of rural dairies and the promotion of smallholder tea development. It might also be noted that the smallholder is a beneficiary of the research which has been undertaken in the past on maize and wheat. In particular, the introduction of hybrid maize is now being felt in terms of very large increases in yields.

Education and Training

60. In order to render young people more employable and in order to change the nature of youthful aspirations, the Government has initiated a number of programmes. For example, agricultural appreciation and training have been introduced into both primary and secondary schools. Vocationally and practically oriented courses and workshops being started in secondary schools include the establishment of 75 agricultural workshops, commercial courses in 30 schools, home science workshops in 29 schools and industrial arts workshops in 24 schools.

61. The village polytechnic programme is being intensified in the context of a more ambitious youth training plan. This intensification involves surveying occupational opportunities, more and better training for village polytechnic instructors, better management and the development of more relevant curricula. In addition, the Government is now increasing the country's capacity for technical and vocational training at a rate far in excess of that envisaged in the Plan. Momentum is now building up in the Ministry of Labour's apprenticeship programmes under the National Industrial Training Act and a new Technical Teachers' Training College is being established. The Mombasa Technical Institute is being upgraded to Polytechnic status and a new National Industrial Training Centre for Mombasa is in the initial stages of planning.

Incomes Policy

62. Many of the elements of the incomes policy proposed in the report are included in the *Development Plan 1970-74*. While steps to implement the provisions of the Plan's incomes policy have been taken, the Government acknowledges that progress has been slow. At the time that this paper is being written, the Government has established the legislation which enables it to control wages in the national interest. However, the implementation of this legislation is dependent upon staffing the Industrial Court with an expert secretariat which can undertake the necessary technical work. Ad hoc arrangements are currently being made to provide temporary expertise, pending the recruitment of the required permanent staff.

63. The control of wages, salaries and other incomes is a constituent part of a balanced incomes policy which includes a variety of instruments. These instruments involve many of the programmes and policies mentioned above, which the Government has fully implemented. This being said, the report introduces a number of new proposals and a new strategy for an incomes policy which considerably broadens the perspective within which the Government will take action. It will be seen, below, that an incomes policy in its broadest sense will become the focal point of the Government's employment policy.

Population Policies

64. The Government has been aware of the host of problems, including problems of employment, which are attributable to high population growth rates and has, during the course of the past year, formulated an ambitious new five year plan for family planning which will begin in 1973. The objective of this new plan is to spread information and supporting services to the public so that individuals can avail themselves of the services according to the individual's wishes. In order to accomplish this, the Government will make family planning services an integral part of the total health services, embark upon a sizeable education and training programme for medical personnel, and will launch an ambitious public information programme.

Aid to the Small Businessman

65. The Ministry of Commerce and Industry's programme for rural industrialization is mentioned above in another context. In fact, this programme, which calls for the ultimate establishment of 14 Rural Industrial Development Centres throughout the country is only part of a very much larger programme which has as its objectives the creation of jobs, the promotion of African businessmen and the achievement of higher rates of industrial growth.

66. Other parts of this programme include the creation of Industrial Estates to provide sites and centralized services to those small African businessmen who can profit from them. Two such estates are in existence (in Nairobi and Nakuru) and the planning is well advanced to establish additional estates in Mombasa, Kisumu and Eldoret.

67. Other institutions which have been established to assist small businessmen include the Industrial and Commercial Development Corporation (I.C.D.C.) which provides credit and a range of managerial and technical consulting services. The I.C.D.C. has, together with its wholly owned subsidiaries, Kenya Industrial Estates, Ltd., which is mentioned above, and Kenya National Properties, Ltd., been active in effecting property transfers to African businessmen. Another subsidiary is the I.C.D.C. Investment Company which invests in Kenya companies for purposes of promoting their expansion and for ensuring Kenyan participation in ownership.

68. The Kenya Industrial Training Institute at Nakuru provides both skill upgrading and business training to artisans who wish to set themselves up as small businessmen. District Joint Loan Boards provide credit to small commercial operators. The Institute of Adult Studies, the District and Provincial Trade Officers and the Management Training and Advisory Centre undertake a broad range of management and business training projects.

69. The Government has been anxious to exploit the employment potential of small business development and, as a first step toward a more intensive and cohesive effort, the Government appointed a Working Party earlier this year. The report of this Working Party is being considered within the Government. It is anticipated that the Working Party's report will provide a basis for future action.

Labour Intensive Road Schemes

70. The Government has experimented with labour intensive road schemes for some time. Currently, there are five road projects being implemented in the country which have, as one of their objectives, the maximum economical use of labour.

Pricing Policies

71. The Government has used every available opportunity to improve living levels among farmers and low income groups through its control over the prices of a number of things which people buy and sell. The use of pricing policies to influence income levels is difficult because the prices which consumers pay are directly related to the prices which farmers receive for their products. To lower the prices which consumers pay in order to increase their incomes may entail lower prices, incomes and production for farmers.

72. Nevertheless, the Government has exercised control over the prices of a number of commodities not only for purposes of promoting price stability but also, in some cases, to encourage production and, in other cases, to favour low income consumers. In addition, the Government has attempted to lower the costs of farm production by reducing the prices of farm inputs and by providing subsidies, e.g. for fertilizers.

The Tripartite Agreements

73. Since Independence, the Government has taken two ad hoc initiatives to negotiate agreements with labour and management to increase employment. In the first agreement, jobs were found for 34,000 persons and during the second agreement, for 45,000 persons.

74. In the 1964 Tripartite Agreement, the Government contracted to expand employment by 15 per cent and employers by 10 per cent in return for which the labour unions agreed not only to a wage freeze but to refrain from work stoppages. The term of the second agreement differed from the first only in that the Government undertook to take on 10 per cent instead of 15 per cent in the second agreement.

The National Youth Service

75. The National Youth Service was established shortly after Independence with multiple objectives, one of which was training. The major objective is to promote national unity by bringing young people together from all parts of the country and placing them in an environment in which they learn and work together.

76. This programme has not had a significant direct impact on employment in terms of numbers of youth who have benefited from it; less than 18,000 young people have been involved and it is projected that total enrolment will reach only 5,500 by 1974.

77. However, the personnel of the National Youth Service have, over time, gained considerable experience in organizing and executing a wide variety of projects including the construction of roads, houses and fences, land clearing and tree planting. They have established and maintained highly successful vocational and agricultural training programmes. The Government has been exploring ways to use the expertise, experience and personnel of the National Youth Service to create more jobs, not through increasing the size of the service but by using their organizational, training and supervisory capacities on projects which would employ non-servicemen.

Conclusion

78. This brief discussion of the Government's activities fails to take into account many of the other programmes which the Government undertakes which have relevance for an employment policy. The purpose here is simply to provide an indication of the scope and scale of the Government's involvement with the problems under discussion.

79. In the pages which follow, Other ongoing activities will be discussed in the context of considering the specific proposals and recommendations which are set out in the report. In general, it will be seen that the value of the report resides in the new and comprehensive perspective which it provides for the Government's policies, programmes and projects.

IV.—AN EMPLOYMENT STRATEGY

80. The strategy proposed in the report is based upon objectives already spelled out in Sessional Paper No. 10 on African Socialism. These are—

- (a) continued rapid expansion of the economy;
- (b) a wider sharing of the benefits of expansion;
- (c) the national integration of the economy; and
- (d) an attack on imbalances and disparities in income.

The Continued Growth of the Economy

81. In order to provide the resources essential for the implementation of proposed policies, the report argues that the present rate of growth in gross domestic product of 7 per cent per year should be sustained for the rest of the decade of the 1970's. In terms of industrial composition, the report envisages a growth rate of 6 per cent for agriculture and a growth rate of 8 to 9 per cent per year for non-agricultural industries. These growth rates will enable a 3½ per cent per year rate of increase in per capita income to be achieved. The 6 per cent rate of increase in the contribution of agriculture to gross domestic product is regarded as particularly important given the rate of increase in the size of the rural population.

82. The rates proposed are consistent with recent experience, except that agriculture has grown at rates somewhat less than 6 per cent and non-agricultural industries at rates somewhat in excess of 8 per cent. Nevertheless, the Government regards these rates to be feasible and in keeping with what is planned. In fact, it is conceivable that the 8 to 9 per cent rate of growth for non-agricultural industries will be exceeded.

A Wider Sharing of the Benefits of Expansion

83. The report deduces from available data that roughly 40 per cent of the rural population and 25 per cent of the urban population receive inadequate incomes. Inadequate incomes are defined to be those incomes below Sh. 120 per month for rural households and Sh. 200 per month for urban households.

84. The report recommends that this particular problem, and it is *the* major problem as far as the report is concerned, be tackled in the following ways: —

- (a) Minimum household income targets should be specified. It is suggested that the poverty-line definitions Sh. 120 for rural families and Sh. 200 for urban families might make appropriate *minimum* household income targets for the last year of new Plan period, 1978; other and proportionately higher targets are set for a later year, 1985.
- (b) These targets should be made more, concrete in terms of other targets such as access to housings schools, water, health services and nutrition.
- (c) The targets are to be achieved by redistributing the benefits of growth from the one per cent of the population earning the highest income to the 30 per cent earning the lowest incomes per capita. The incomes of those in the top one per cent will be "stabilized", i.e. have a zero rate of growth, and the per capita real incomes of those in the lowest 30 per cent will have an annual rate of growth of 7 per cent.
- (d) The means for achieving these targets involve the extraction of the benefits of growth from the wealthiest, one per cent and the investment of the resources gained in projects which will provide permanent jobs and permanent increases in the levels of living for the lowest 30 per cent.

85. The report acknowledges that if the capital required to increase the income of the poor by a given amount has been underestimated, then the target date must be either postponed somewhat or the upper incomes base from which resources are to be extracted must be enlarged.

86. The achievement of redistribution through growth is the focal point of most of the specific proposals in the report. These proposals are those which, it is claimed, will minimize the amount of investment which is required to create a given amount of permanent income for the poorest 30 per cent of the population.

87. *The Government has examined and accepts with qualifications the proposed strategy for redistributing income. To be specific:—*

- (a) The Government accepts that those who have benefited most from independence and economic growth should bear a substantial share of the burden for financing, through taxes which they pay, services and programmes which benefit low income people. This will also be one of the objectives of the new wage policy guidelines.*
- (b) The Government will continue to invest its resources in projects and programmes which provide maximum benefits for the poorest income group in the population. It should be noted that this may involve investment in projects which will probably benefit other income groups as well.*
- (c) The Government feels that it possesses neither sufficient information nor sufficient means by which it can accept as policy objectives the specific minimum incomes suggested in the report. However, the Government does not completely reject what is essentially a good idea and will examine the feasibility of establishing minimum household income targets within the context of ongoing rural development programmes. The Government accepts the proposals that targets be established for communities and households with respect to minimum access to social services and other amenities. The Government feels that the achievement of these more specific physical targets will provide a minimum level of living for the poorest income group. For example, the establishment of district targets for access to housing, education, health and water will go a long way towards assuring that the worst manifestations of poverty are eliminated.*
- (d) Finally, the Government adopts as its long term policy that all households will have access to either wage employment or to land in order to assure that all possess the means of earning an acceptable level of living. Consistent with this policy, the new Plan will specify the numbers of smallholdings which will be created during the period 1974-78.*

National Integration of the Economy

88. The pursuit of this objective in the context of an employment policy is necessary in order to achieve a more efficient use of resources. The report appears to be concerned with several different problems under this heading. They are the tribal specificity of land, Kenyanization policy and international economic relationships.

89. While the report does not make suggestions regarding the tribal ownership of land, it does recognize that there is much land which could be better and more fully utilized in the context of an employment strategy. The report notes that the acceptance of an employment strategy for the country will require a national consensus.

90. With respect to Kenyanization, the report makes three suggestions : —

- (a) High and middle level manpower should not be replaced before qualified citizens are ready to take over.
- (b) A concerted effort should be made to shift the resources of Asian residents to small-scale manufacturing and that this shift should be tied to the training and participation of Kenyans in the new enterprises.
- (c) Non-citizen employment should be taxed as a supplement to the current system of awarding work permits on the basis of administrative discretion.

91. The international policies proposed are elaborated later in the report; they are simply summarized here. The report argues that international policies should be those which contribute to labour intensive production, conserve foreign exchange and reduce dependence on imports and foreign investments.

92. The Government recognizes the problems posed by the existence of heavy pressure on the land in some areas and low land utilization in other areas. The policy of the Government is to solve these problems utilizing a variety of means, one of which is land adjudication, and subsequent reliance upon private incentives and

African traditions to redistribute land in a socially desirable fashion. The Government will continue to take direct action in establishing settlement schemes, promoting co-operative farming and in breaking up large inefficient farms into smaller holdings.

93. The proposals made on Kenyanization are statements of Government policy. The Government will not Kenyanize high or middle level manpower posts unless a qualified Kenyan is available to occupy that post. All foreign owned enterprises are strongly encouraged to train Kenyans and are provided with incentives to welcome Kenyan participation.

94. The proposals to introduce a tax on the employment of expatriates is not acceptable to the Government. Instead, the Government is considering the introduction of a system of work permit fees, which are differentiated according to the length of training necessary to Kenyanize the occupations. This disincentive will be combined with a more effective system of granting work permits, based on a self-checking scheme of gradually reduced quotas for every firm employing non-Kenyans.

The Attack on Extreme Imbalances and Disparities

95. The final part of the report's employment strategy is concerned with the correction of three fundamental imbalances. These imbalances are: first, the imbalance between the rate of population growth and the opportunities provided by available technology for productive employment; secondly, the imbalance between the resources invested in the centre, or urban areas, as opposed to the periphery, or rural areas; finally, there is the unequal relationship which exists between what the report calls the "formal" sector and the "informal" sector.

- 96. The "formal sector" is the high wage and salary sector of the economy and is characterized by capital intensive, relatively large-scale production of goods and services for the high income groups. Firms in this sector often possess protected markets and are dependent upon expatriate manpower. On the other hand, the "informal" sector is characterized by reliance upon indigenous resources and small-scale labour intensive production of "goods and services which are largely consumed by low-income groups.

97. *The report suggests and the Government accepts that the problem of imbalance between population growth and technologically defined opportunities for employment must be attacked at both ends by programmes for family planning and programmes which provide incentives for the development and use of technologies which are labour-intensive and capital-saving.*

98. *The Government pursues, as a matter of policy, the development of projects and programmes which will divert resources from urban to rural areas. Earlier in this paper, the strategy of the Second Development Plan, 1970-74 was discussed in terms of just such a policy.*

99. *The Government acknowledges that there is much counter-productive harassment of the so-called informal sector. This harassment will cease and more realistic standards and controls will be applied. The Government has already taken initial steps to ensure that the informal sector is provided with sufficient credit and management and technical services.*

V.-SPECIFIC PROPOSALS

Population

100. The population census of 1969 revealed that the country had a population of 10.9 million. What was startling about this figure was not only the total, but the population growth rate of 3.3 per cent per year, which the figure implied. Given the scope for further reductions in mortality, it is not unreasonable to assume that the rate of population growth could, if left unchecked by a compensating decline in fertility, rise to 4 per cent per year. In short, the country is in the position of being in possession of not only one of the world's highest population growth rates but of a potential for that rate to rise even higher.

101. In terms of the problems with which this paper is concerned, the cost of sustained high population growth rates are unacceptable. First, high population growth rates increase the number of jobs which have to be created. Secondly, they increase the proportion of people in the population who are dependants; thirdly, they are expensive in terms of social services, postponing the date when important social goals can be achieved and, finally, they divert resources from activities which directly increase wealth to those services required simply to maintain a given level of living.

102. The report calls attention to the major constraints to the establishment of an effective family planning programme in Kenya. These include popular misgivings about such programmes which are attributable to the fact that large families confer status. There are also political constraints, to say nothing of serious resource constraints in terms of trained staff. In general, the report subscribes to the provisions of the Government's draft five year plan for family planning the major objective of which is a significant reduction in the birth rate by 1977. The major features of the Government's plan include the integration of family planning into the regular health services, a staff training and development programme and a public information and education programme.

103. However, it is intended that most medical and paramedical personnel will be trained in the clinical aspects of family planning and that all district hospitals and health centres will have, in the

future, staff and facilities for family planning to be operated within the framework of the overall public health programme. The new plan for family planning contemplates a massive expansion in facilities for delivering the service as well as for training programmes for all categories of health staff. There will be an intensive public information programme and an educational effort as well.

104. The report endorses the Government's plan, but would go much further than is now contemplated, setting quantitative targets for the information programme as well as for births averted. The report would explore the development of approaches to family planning which are not part of the public services. The report suggests that a motivational development programme for family planning might be possible on a self-help or Harambee basis. External assistance, it is suggested, should be directed toward the general support of family planning as opposed to the direct delivery of family planning services. The report specifically suggests that the benefits derived from the National Social Security Fund should be improved and extended in order to remove one incentive for large families. Finally, the report recommends against the use of both positive and negative sanctions in the family planning programme.

105. The Government accepts the proposal that alternative approaches to family planning which do not require the use of public services should be explored and, where feasible, developed. Also, the Government agrees that incentives and sanctions should not have a role in the use of family planning services except, possibly, with respect to the provision of positive incentives for motivators. With respect to the proposals in the report concerning the National Social Security Fund, the Government will continue to pursue the original objectives of the Fund with respect to coverage and with respect to benefits, without reference to the family planning programme. The Government accepts that it would be desirable not to use foreign staff in the delivery of family planning services and intends to discontinue the practice when a sufficient number of Kenyans have been trained. However, the Government accepts the proposal that foreign aid has a useful role in the family planning programme for training, research, equipment, supplies and general financial support.

Technology

106. Technology defines how, and how much labour is combined with other inputs in order to produce a product or to provide a service. Those factors which determine the kind of technology which is used also indirectly determine the amount of employment and the distribution of income. The distribution of income, with its implications for relative wages, profits and rents, also determines what is produced and what is more, the kind of technology which is employed. There is a closed circle.

107. Changing technology in order to create more employment involves breaking out of the closed circle by altering income distributions, by altering the relative price of labour and by developing and employing equipment, products and techniques which are consistent with the altered income distribution and relative price of labour.

108. The report's focus on technology complements the discussions relating to the desirability of promoting commercial and industrial activities in the "informal" sector, and is consistent with, in fact, part and parcel of, the report's recommendations with respect to income distribution and foreign trade.

109. The report recommends—

- (a) that new criteria be established to evaluate projects and select products. The new criteria should discriminate in favour of local goods consumed by lower income groups;
- (b) that the investment allowance be abolished because it increases the price of labour relative to capital;
- (c) that import tariffs be introduced for capital goods;
- (d) that social cost benefit analysis be used to evaluate projects;
- (e) that tractor and farm implement manufacture be promoted in collaboration with the East African Community. The Farm Mechanization Research Centre at Nakuru should be expanded to undertake the design of machinery prototypes;
- (f) that more resources should be expended on research and development in support of the rural and small-scale industries
 - programme. The East African Industrial Research Organization (EAIRO) should have a bigger role in this area; and

(g) that the East African Railway workshops should be used to train technicians, supervisors and managers.

110. *The Government is sympathetic with the objective of changing the mix of products produced in favour of those which are labour intensive and which are consumed by low income groups. Towards this end, the Government will carry out studies to determine goods and services which are important to the low income groups and appropriate incentives which should be used to enhance their production. In addition, the entire package of proposals in the report will alter the product mix in the desired way without relying upon the suggested discriminatory measures.*

111. *The Government accepts the proposals to use tariffs on capital goods to foster the development of an indigenous capital goods industry. The use of such tariffs will be part of a revised package of protection policies designed to reduce the cost to the consumer of the promotion of local industries. The Government will consult with the E.A.C. with a view to altering the tariff structure as indicated.*

112. *The Government accepts that social cost-benefit analysis should be used to evaluate projects and has adopted this approach wherever it has proven feasible and sensible. There are a number of areas in which the Government undertakes activities where such techniques do not show much promise, however, as a consequence, the Government does not wish to adopt a hard and fast rule that all public sector projects be subjected to any particular form of analytical technique.*

113. *The Government will examine the feasibility of the proposal that tractor and farm implement manufacture be promoted in collaboration with the East African Community. Similarly, the feasibility of expanding the Farm Mechanization Research Centre at Nakuru will be investigated.*

114. *The Government is now in process of rationalizing the organization of services for small businessmen. There is an existing national research and design capability and an expansion of this capability has been under consideration. It remains for the Government to consider the desirable national as opposed to community*

research capability in the context of an integrated and reorganized service to small businessmen. As a consequence, the Government is not in a position to make a decision with respect to the investment of additional resources in the East African Industrial Research Organization.

115. The Government understands that the East African Railways workshops is a superior facility which could, perhaps, be exploited for the training of technicians, supervisors and managers. The feasibility of exploiting this facility either for existing training programmes or in the context of new training programmes will be examined in consultation with the East African Community. In addition, the Government will examine other facilities for the same purposes.

Agriculture

116. The rural areas possess most of the country's people, a large proportion of whom are poor. In order to achieve a target rate of growth 6 per cent in agriculture's absolute contribution to gross domestic product and in order to achieve an income redistribution of the magnitude envisaged in favour of the poorest 30 per cent of households, first priority must be given to agriculture and rural development.

117. In order to achieve the proposed growth and income redistribution objectives, the report envisages a set of agricultural projects and programmes which will result in a more intensive use of available land, the redistribution of land in favour of smaller more labour intensive units and finally, the settlement of under-utilized land.

118. Programmes which will result in a more intensified use of land include research programmes (in particular, farm management research), programmes to redirect the extension services toward the smaller and backward farmer, programmes of credit for small farmers and programmes which will provide small farmers with easier access to agricultural inputs. The report suggests that a review of agricultural pricing and marketing policies is in order in the context of more intensified use of land. A major objective of

the agricultural strategy advocated in the report is to encourage and to provide the opportunity for small farmers to move from low-cost, low-return subsistence production to full commercial farming. In particular, the report suggests that, in many cases, the incomes of farmers would be enhanced by the provision of cost reducing public services and amenities rather than increased prices for farm products. The report suggested that regulations which restrict the free movement of products such as maize are archaic in the context of an employment strategy.

119. The report makes a powerful case for the redistribution of land in an effort to create more labour intensive units. The report cites Government studies which have established that per acre productivity is much higher on smaller plots. It would appear from the evidence cited that the breaking up of larger farms into smaller units and a restriction in the size of settlement plots would not only increase employment, but would also increase output. Many of the larger farms appear to be poorly utilized and managed while portions of the larger settlement plots (especially those over 20 acres) are allowed to remain idle.

120. The report contains a good discussion of the need to achieve an optimal utilization of scarce land resources not only by breaking up large holdings but by the settlement of unused or under-utilized land wherever it is found. Given probable rural population growth rates, the report estimates that between 350,000 and 400,000 new agricultural holdings will have to be created by 1985. The report recognizes the social and political constraints which may hinder the creation of that many holdings.

121. The specific recommendations in the report are directed toward the achievement of land redistribution and land settlement. The proposals are: —

- (a) Where joint owners of a farm prefer to run it as individual plots, they should be encouraged to do so.
- (b) The Government should be willing buyer of any large farm offered for sale in high potential areas. Farms purchased should be divided into settlement plots.

- (c) Farms with payments seriously in arrears to the Agricultural Finance Corporation or the Agricultural Development Corporation should be repossessed by the Government.
- (d) In the long run, a progressive land tax should be introduced related to the size and productive potential of holdings.
- (e) A ceiling on the amount of land which an individual may own should be considered.

122. With respect to the settlement of unused land the report makes several alternative suggestions. They are: —

- (a) Setting quotas for settling immigrants in areas with unused land.
- (b) That Government should purchase Trust lands or enter into long leases in order to settle landless people from over-populated areas.
- (c) To rely on land adjudication and the play of market forces assisted by a land tax to generate the necessary subdivision and settlement.

123. With respect to irrigation, the report proposes the initiation of two medium-scale schemes in order to develop a planning and implementation capacity for the 1980's and 1990's. It also suggests that existing four acre irrigation plots should be subdivided into and reduced in size to two acre plots wherever feasible.

124. *The discussion of agriculture in the report generally conforms to the Government's understanding of the important issues in this sector. In particular, the Government accepts that programmes to achieve a more intensified use of land should be the central thrust of the country's policy for agriculture; this will be done in a framework which promotes co-operative farming in the large-scale farming areas. It is in the context of an intensification policy that programmes for land redistribution, for an expansion and improvement in extension services, and for farmers' education will be formulated. In addition, the Government's pricing policies and agricultural research programmes will be formulated with this objective in mind.*

Manufacturing

125. While agriculture must grow by at least 6 per cent per year in order to enable the achievement of a 7 per cent per year increase in gross domestic product and the envisaged redistribution of income, non-agricultural industries must grow on the average of 8 to 9 per cent per year. For industry as such, the growth of output must be on the order of 9 to 10 per cent per year with manufactured exports increasing at a rate of 10 per cent.

126. The proposals in the report are designed to alter the geographic location of industrial production and employment in favour of small towns and rural areas. Proposals are also extended to render industrial production in urban areas more absorptive of labour than it has been in the past.

127. Before setting out its proposals, the report reviews recent Government policy as set out in the Development Plan, 1970-74. The major features of this policy are—

- (a) to promote the active and growing participation of Kenyans in the management and ownership of industry;
- (b) to increase the degree of processing of raw materials being exported;
- (c) to protect promising local industry and to promote the production of capital goods;
- (d) increased Government participation in the promotion and financing of industry;
- (e) a wider dispersion of the benefits of industrial production; and
- (f) to encourage the development of a single market for manufactured goods within the framework of the East African

Community.

128. The report takes issue with the Government's policy of import substitution which, it is argued, results in high cost industries, strengthens existing income inequalities by promoting the production of what the report calls "inappropriate products" and, moreover, generates a flow of imports of intermediate goods and spare parts. Finally, it is observed that the new protected "infant" industries tend to be capital intensive.

129. On the subject of capacity utilization, the report notes that a fuller use of existing capacity would be a cheap, capital-saving way of increasing employment. The report observes that there are a number of reasons for capacity under-utilization and that these include the faulty design of plants to include equipment appropriate for larger markets and larger scale production and high levels of protection which enable firms to establish themselves in markets prematurely with less than optimum levels of output; the high costs which are generated are passed on to the consumer.

130. The new industrial strategy proposed in the report involves some turning away from import substitution as a strategy, especially where the protected firm is foreign, and focusing future industrialization upon—

- (a) industries using domestic raw materials;
- (b) industries with a potential for competing successfully in export markets;
- (c) industries which are relatively labour intensive;
- (d) industries which would generate demand for raw materials and the intermediate products of other domestic industries; and
- (e) industries which can be located in small towns and rural areas without substantial increases in costs.

131. The type of industries which meet the conditions of this strategy are typically those involved in the processing of agricultural products or which are otherwise supplied by extractive industries.

132. Consistent with the strategy the report recommends that—

- (a) the system of protection be revised to implement a policy of selective import substitution which discriminates against "inappropriate" products in favour of those industries which meet the criteria outlined above;
- (b) export incentives and selective export subsidies should be given to correct for a bias against manufactured exports;

- (c) Kenyans should be given some preference over foreigners in terms of incentives and protection in local markets. Public resources should be reserved for the use of such firms;
- (d) the techniques of project evaluation and the resources for negotiating with potential investors should be augmented and improved; and
- (e) the premature establishment of industries operating with under-utilized capacity should be discouraged.

133. *These proposals are generally consistent with the policy objectives which the Government intends to pursue. Therefore, the Government accepts the proposals of the Report with the following qualifications. First, while the Government is favourable to labour intensive projects, it will not turn away from socially profitable investments just because they are capital intensive. Investments will be made on the basis of their social profitability and their contribution to national income.*

134. *The criteria of social profitability and contribution to national income will imply a more selective policy of industrialization by import substitution. The Government feels that this will result in the promotion of a domestic capital goods industry, industries producing intermediate goods and industries producing goods for export markets.*

135. *The Government does not accept the proposal for selective export subsidies and would prefer the use of a general subsidy for exports outside the East African Community with selected exceptions. The specific exceptions would depend upon demand conditions abroad and supply conditions at home.*

136. *The Government finds merit in discriminating in favour of Kenyan as opposed to foreign owned firms with respect to protection and other incentives. At the same time the Government is aware that Kenyan owned and operated firms are just as capable of operating inefficiently and just as likely to possess undesirable*

characteristics as foreign owned firms. While the Government will not use instruments of protection and promotion to assist inefficient firms, it will intensify programmes which are aimed at increasing the competitiveness of these firms.

137. *Contrary to proposals in the report, the Government will continue to use public resources to gain participation in foreign firms for a variety of reasons one of the more important of which is to assure that the policies and activities of such firms are in the public interest.*

138. *The Government agrees that the techniques of project evaluation and the quality of the Government negotiation with prospective investors should be improved; action has already been taken to initiate such improvements. The Government agrees that firms should not be allowed to establish plant which possesses significant and costly excess capacity under an umbrella of protection.*

139. With respect to local subsidiaries of foreign owned firms, the report observes that the Government has been lax in permitting payments to be made to the parent company for research, development and technical and managerial services over and above royalties, dividends and profits paid abroad.

140. *The Government will subject to withholding tax the profits of branches of foreign companies which are not now treated in the same way as dividend remittances of locally incorporated businesses. The existing provisions of the income tax law will be strengthened to assure that all payments to foreign suppliers of services are subject to the withholding tax as income earned from Kenyan sources.*

141. On the subject of promoting rural and small industries, the report reviews the functions of several of the institutions which now exist for this purpose and puts forward a number of proposals to increase and to render them more effective. The report acknowledges that a Government Working Party on small business development has just completed the mission assigned to it and that its recommendations are consistent with those in the report.

142. These proposals call for the integration of services to small businessmen under a single organization, called a Small Business Development Agency, the institution of a loan guarantee system and the creation of an extension service for small businessmen capable of analysing their needs and co-ordinating the application of inputs to satisfy these needs.

Housing and Construction

143. On the subject of housing and construction, the report emphasizes that there is a huge gulf between what is officially regarded as fit and proper in terms of housing and what it is possible to provide on a mass basis. The former standard normally costs about K£1,000 per unit; the latter would be in the neighbourhood of approximately K£350 per unit.

144. The report notes that at K£350 per unit, the current rate of expenditure of K£7 million will provide housing only for the increase in the urban population and nothing for those who are already in the urban areas and living under appalling conditions.

145. As a consequence, the report recommends that the only way to meet existing needs and to cope with future needs is to implement site and service schemes whereby basic services such as water, sewerage and roads are provided to ensure a minimum standard of sanitation and minimum amenities. Individual households, with some assistance, would be required to provide their own housing. It is anticipated that such schemes would have important direct employment effects in the informal sector, contributing to the development of small-scale construction operations and the employment of semi-skilled artisans.

146. Other recommendations include—

- (a) that a single Government department should be set up to sponsor the construction industry as a whole and to set standards;
- (b) the use of local materials should be encouraged;
- (c) standards of construction should be revised to take into account local conditions; and

(d) construction targets should be defined in terms of functional units and conform with the various material and manpower constraints which exist.

147. In principle, and with the exception of the proposal to create a new department, the Government accepts these proposals. The desirability of creating a separate department as a sponsor for the construction industry has not been established. It is the Government's intention to evaluate current private, public, and parastatal operations in construction and housing in terms of national needs. Government action on the issue of a separate department will depend upon the results of this evaluation.

Services

148. The report groups a wide range of diverse activities under this heading and it is, as a consequence, difficult to generalize about either a strategy or about general programmes which might be launched to aid all the undertakings which fall under its umbrella. The activities classified under services include commerce, transport and private and Government services; in addition, the report includes maintenance and repair activities, which are usually not included in discussions of services as such.

149. That group of policies which have most general relevance to "services" is that which is related to the promotion of small-scale enterprises and to self-employment. The report examines wholesaling and retailing activities and is sharply critical of the Trade Licensing Act which, it charges, protects monopoly profits and prevents entrepreneurial development in the small towns and in rural areas. The report is also critical of the Kenya National Trading Corporation (KNTC) for the protection of monopoly profits through its discretionary authority over licence holders, for its lack of credit facilities and for the relative inefficiency of its marketing and distribution facilities.

150. The report recommends that KNTC should reinstitute credit facilities to carefully selected wholesale distributors. It suggests that the District Joint Loan Boards should link its loan scheme to other assistance to small traders for the construction of premises and the simple assistance of assuring regular supplies from wholesalers.

The report feels that the awarding of trade licences should be followed up by business promotion and advisory services provided, presumably, by an expansion of the I.L.O. supported Management Training and Advisory Centre.

151. *The Government accepts that the system of trade licensing and the process by which agencies are granted should be investigated with a view to minimizing monopoly and elements of inefficiency which may exist and to ensuring that rural areas and small towns are not discriminated against. With these objectives in mind, the Government has already agreed to reduce the number of items handled through KNTC. It remains for the Government to examine the general efficiency of wholesale and retail distribution facilities to rural areas and, where necessary, to institute the necessary changes.*

152. With respect to transport, the report focuses upon the licensing regulations which it feels are restrictive of the growth of employment and, what is more cannot be enforced. The report calls attention to widespread illegal activities in the form of "pirate" matatu taxis and the blackmarketing of transport licences which are the results of monopolistic and restrictive licensing practices.

153. The report recommends that the licensing policy be rationalized and be made less restrictive. The report also recommends easier availability of credit for small transport operators.

154. *The Government accepts that current licensing regulations and procedures create artificial scarcities and, consequently, illegal activities. The Government intends to liberalize transport licensing in the interests of the small operator. Moreover the Government will take steps to assure that small transport operators of all kinds are provided with the adequate credit, technical, management and training facilities through the extension of small business promotion services.*

155. Given the importance of tourism to the Kenya economy, the report provides surprisingly little discussion of the sector. The report recommends that tourists be diverted to attractions in rural areas, that the investment allowance be eliminated and that more

training be undertaken. The report calls attention to the costs of tourism in terms of consumption patterns (of inappropriate goods) which are imported and in terms of the upward pressure which tourism may exert on wages with consequent adverse effects on employment.

156. The report's recommendations with respect to tourism are already embodied in ongoing programmes. However, the Government acknowledges that better information is required on the economic, social and cultural effects of tourists and will, as a consequence, actively encourage research in these areas.

157. In spite of acknowledging that 40 per cent of all "formal" wage employment is in the public sector, the report contains very little discussion of Government employment aside from the recommendation on hiring more school-leavers at three-quarters pay. The major concern of the report is with the geographic dispersion of Government services. To be specific, the Mission endorses the Ndegwa Commission Report recommendations that a new post should be created for District Development Officer who will be responsible for district plan formulation and implementation.

158. The geographic dispersal of Government services is already the focal point of Government's development programmes. Moreover, the Government has already acted upon the proposal that posts be created for District Development Officers who will be responsible for the preparation and implementation of district plans.

159. Consistent with its focus upon the geographic decentralization of Government services, the report expresses concern about the concentration of health services in Nairobi and the large towns and the severe understaffing which exists throughout. It is recommended that—

- (a) job descriptions should be written for medical auxiliaries in the preventive services based upon operational studies;
- (b) a co-ordinating body be established to integrate the control of communicable diseases and improvement in environmental health with the activities of the basic health services;

- (c) the Government review the desirability of producing specialized personnel in the medical auxiliary field and examine the possibility that the multiple purpose type of auxiliary may be more efficient;
- (d) a health planning unit be established;
- (e) newly qualified doctors, after a period in a major hospital, should work for two years at the district level before undertaking other assignments or before continuing with post-graduate training; and
- (f) in each district there should be two or three doctors, one of whom serves as Medical Officer of Health with responsibilities for organization, administration and supervision.

160. *In principle, the Government accepts all of these proposals. The major issues are those of implementation in the face of severe manpower constraints. The Government assigns a high priority to a more adequate staffing of a planning unit which will be instrumental in initiating action toward implementing the proposals in the report.*

161. The last group of "services" which the report discusses are those concerned with repair and maintenance. The report's interest in these activities stems, partially, from their sheer preponderance in the manufacturing and service industries. Equally important are the benefits to be derived from the capital saving and capital sharing features of maintenance and repair operations.

162. The report contains proposals for the encouragement of more training through the provision of incentives to non-citizens, for the provision of better and more training facilities and for the exercise of greater care in Kenyanization policy to ensure that skills are not lost. The report also recommends that a policy of protection for import substitution in spare parts may be appropriate. Finally, it is suggested that capital sharing might be promoted by the provision of expensive equipment for hire.

163. *The Government is impressed with the amount of direct service activity and informal training which occur in maintenance and repair activities and intends to investigate how the "informal"*

operations can be assisted. The intention of Kenyanization policy is to assure that the country does not suffer in any way from a loss of skills. The Government will take particular care to ensure that non-citizens in maintenance and repair activities are provided with licences to operate, particularly where they undertake significant training activities.

164. With reference to the provision of expensive equipment for hire, the Government will investigate the feasibility of such projects, first for private enterprises and if indicated, as a Government supported or operated service.

Informal Sector Development

165. One of the most interesting and illuminating, features of the report is its discussion of the "informal" sector. This sector consists of the myriad non-agricultural activities which are undertaken in both rural and urban areas. The sector is characterized by the small-scale, labour-intensive provision of goods and services for a market largely made up, on the demand side, by people with low incomes.

166. An important characteristic of the informal sector is that very little is known about it; it is almost, by definition, excluded from official statistical enumerations. The report contains some very crude estimates of its size measured in terms of employment; it is estimated that informal employment in Nairobi, approximates 30,000 workers and nationally 100,000 urban workers. If these estimates are accurate, informal employment accounted for as much as 30 per cent of total urban employment in 1969.

167. The report repeatedly underscores that the informal sector does not consist of casual and relatively unproductive employment; while many who are employed in this sector are very small commercial operators, a very sizeable percentage are engaged in manufacturing and repair activities. The report points out that the informal sector does not consist of recent urban migrants; in Nairobi, 74 per cent had lived in town for an average of over 16 years. Many live in squatter settlements and nearly half were wage-employed with average monthly incomes in excess of Sh. 200.

168. The report finds two major instruments of policy to be extremely punitive toward the informal sector. These are the policies which cause demolition of squatter settlements and the policies embodied in the trade licensing system. The report argues that both sets of policies do not accomplish what they are designed to do and only result in more hardship, poverty and unemployment. The policies were designed to protect the urban population from a variety of hazards; they do not. The policy of housing demolition simply results in the erection of vast numbers of hazardous temporary shelters many of which disappear during the day. Trade licensing practices result in the proliferation of illegal activities including the black-marketeering in trade licences themselves.

169. The report recommends that: —

- (a) Slum demolition, for its own sake, should be abandoned.
- (b) The entire system of trade and commercial licensing should be revised, eliminating licensing for operations not involving health standards. Where health standards are involved, these standards should be enforced by inspections. The only criteria for issuing a licence should be the payment of a fee; licences should be withdrawn only by inspections which reveal a failure to comply with regulations.
- (c) The Government should both increase purchases from the informal sector and make purchases from the informal sector a condition in Government contracts.
- (d) The informal sector's production of agricultural implements should be supported by research and product development activities.
- (e) Formal sector firms should be encouraged to subcontract labour intensive processes to informal sector firms. Similarly, formal sector firms should receive tax relief for training provided to Kenyan subcontractors.
- (f) Large firms should be asked to designate processes which they would be willing to have undertaken in the industrial estates programme.

- (g) The Tender Board should conduct an inquiry into products and services which could be purchased from the informal sector. In addition, the system of payment by Government purchase order should be abandoned in favour of cash payments. The system discriminates against small firms which cannot afford the normal unreasonably long delays before receiving payment. Finally, Kenyan suppliers should be given more than the current 5 per cent preference in competing with foreign firms.
- (h) There should be some relaxation in requirements for standardization and quality.

170. *The Government finds the report to be refreshingly innovative on the subject of the informal sector and generally accepts its recommendations. Specifically, it is accepted that slum housing ought not to be demolished unless there is some positive and overriding developmental reason for doing so. It is agreed that the system of trade licensing be revised along the lines suggested and that the Government should find ways to purchase more from the informal sector. The Government will examine the feasibility of research and development activities in support of agricultural implement manufacturers. Similarly, the feasibility of making cash payment for Government purchases will be determined. Finally, for purposes of Kenyanization the Government will simplify its current system and require licences of non-citizens only.*

171. *The proposal that large firms should be encouraged to sub-contract labour intensive processes will be examined to determine whether there exist instruments by which such encouragement can be effected.*

Education and Training

172. Kenya educational system can only be understood in the context of the society of which it is a part. It is a system which was created in support of a plural economy and society and which must be changed in order to provide a better means for the expression and attainment of modern African aspirations. As the system is now organized and structured, it is not only expensive but it interacts with social institutions in ways which generate considerable disappointment and suffering.

173. In a purely quantitative sense, in terms of enrolments, the education system has performed admirably. Since independence, primary school enrolments have increased by 60 per cent and secondary school enrolments by 400 per cent. These increases have as their basis the conviction, on the part of almost all Kenyans, that education is very nearly the only ladder to high status, to good jobs and associated high incomes. The means for achieving these increased enrolments have been provided by the Government which has been willing to exceed the Plan targets, and by families and communities which have made sacrifices and, in some cases, endured outright deprivation in order to secure education for their children.

174. The report does not find the current state of the educational system and its pattern of development to be good from an employment point of view. First, the explosion of enrolments within the system has pushed the level of expenditures up at a rate which cannot be sustained without severely hampering other programmes which are crucial for economic development. Secondly, the unrestrained growth has generated hosts of problems throughout the system. Teacher supply sometimes bears no relationship to teacher requirements. Educational facilities are not equitably distributed geographically. What is most important, the system and its expansion have generated a school-leaver problem with profound implications not only in job markets but on the educational system itself.

175. The school-leaver problem is essentially that of disappointment over unrealized expectations. The numbers of school-leavers at all levels have been sufficient to cause employers, year after year, to increase the minimum entry requirement for specific jobs. The result is that very nearly *all* school-leavers are disappointed in the jobs which they finally get. Many do not take employment for a considerable period of time during which they continuously lower their sights in terms of the income and status of the job which they will accept.

176. There are a number of additional problems which are caused by large numbers of school-leavers seeking jobs, the minimum entry requirements for which are constantly increasing; some of these problems are mentioned in the report and some are not. As far as the educational system is concerned, the escalation of

minimum entry requirements generates an escalation of demand for the educational qualifications which will satisfy these requirements. Employers are faced with quite different problems; many of these are caused by the fact that the last person hired for a particular job is probably in possession of educational qualifications which are superior to all others who already hold equal or comparable jobs.

177. It has often been argued that the problem is not that of an overproduction of school-leavers, but rather the generation of too few opportunities for modern sector jobs. The report emphasizes that this argument is wrong; that providing more jobs at existing wages and salaries for school-leavers may generate even more school-leavers looking for jobs in succeeding periods.

178. The report correctly underscores that the solution to the school-leaver problem is that of correcting the imbalance between aspirations and opportunities, and is a function of distribution of the income. The current income distribution causes too many students to undertake the wrong kind of education in pursuit of jobs; it also determines what is produced and the numbers and kinds of jobs which are available. The school system is therefore inextricably linked to the economy in a circle of cause and effect which is far from beneficial.

179. The report makes proposals which seek to break into this circle at a number of different points. In a very real sense, the incomes policy proposals, the proposals for rural development and for reform of the activities which are discriminating against the informal sector are part and parcel of an educational policy. In fact, the educational policy proposals in the report can only be understood in this broader context.

180. The report sets out a number of proposals which are designed to create an educational system consistent with the activities which Kenyans will undertake in their lifetimes and which are consistent with finding solutions to the problems of employment and unemployment. These proposals are—

- (a) primary education to be extended from seven to eight or nine years; it will become universal and free;

- (b) the present CPE to be replaced by an entirely new examination to be given at the end of the extended cycle above;
- (c) to minimize the repeating rate in primary schools;
- (d) to increase the proportion of pre-vocational subjects in the primary school curriculum. There should be a particularly heavy concentration on such subjects during the last two years in the interests of those students who will be terminating their education;
- (e) entry into secondary education to be dependent upon the new testing procedures and quotas. The size of the quota will be determined by financial constraints and the demand for manpower;
- (f) that secondary education be divided into two cycles each of two years' duration. The first cycle will be devoted to comprehensive education in a variety of general academic, practical and pre-vocational subjects. The second cycle will be strictly devoted to pre-university education, entry into which will be by both examination and by quota;
- (g) that those who complete the first cycle of secondary education should be required to provide one year of community service in rural areas on a subsistence pay scale. This will serve as a prerequisite for any further education or training. Students who attend the university should be required to provide a second year of such service during that university training as a condition for receiving their formal university qualification; and
- (h) that a series of "second chance" institutions be created, largely on a Harambee basis and aimed at those who have been forced to drop out of the main stream of education. Students attending these institutions should be provided with opportunities to re-enter the main stream at any of the entry points for the first and second secondary school cycles and for the University. Quotas should exist which guarantee such access.

181. The immediate and long-term objectives of these reforms are several. The purpose of providing a longer period in primary school is to raise the average age when young people are selected

for secondary school and consequently render the selection process more equitable. It is demonstrable that performance on reasoning tests improves radically between the ages of 13 and 17 and thereafter levels off; it is unfair to have young people of age 13 competing with those who are much older in these examinations. One of the reasons for the severe repeating problem in primary schools is that both students and teachers realize that performance on the CPE will be better if the student is allowed to mature for one or two additional years. Given the very high stakes which are associated with performance on the CPE Examination, repeating is a rational means for minimizing risks.

182. The primary school proposals also embody the objective of providing more people with more years of an education which will better enable them to be absorbed productively in a growing economy whose benefits are more equitably distributed.

183. The replacement of the CPE by another examination will be made necessary not only by the fact that primary education will be nine years in length rather than seven, but also because it is important that the terminal examination for the basic cycle serve as more than a selection device. The examination must be used to reinforce basic changes in curriculum and the style of teaching whereby the home and community became a context for the development of skills and the acquisition of knowledge.

184. The purpose of introducing a quota system into the selection process at the end of the basic education cycle is to ensure a more equitable geographic distribution of educational opportunities. The report recommends that both district and school quotas be established. The reason for the latter is that many schools are of such inferior quality that otherwise promising students fail examinations. Currently, some schools are so poor that none of their candidates are successful on the CPE.

185. The creation of the first two-year secondary cycle would involve the elimination of both the Kenya Junior Secondary Examinations, the East African Certificate of Education Examinations and substitution of the latter by a new examination which would not discriminate between the various comprehensive school streams.

Also, the courses would have to be organized in a fashion which would enable students from the so-called "second chance" institutions to resume formal studies with a minimum of difficulty.

186. The obligatory year of community service in rural areas at subsistence wages could be in teaching or in a variety of other types of jobs. It is envisaged that individuals could benefit from this year in terms of outlook and attitudes. This policy would be consistent with the objective of increasing the flow of resources into rural areas.

187. The report envisages reform at the University level where the objective would be the achievement of excellence. The University would be a multiple purpose institution providing both full- and part-time academic and technical courses.

188. The so-called "second chance" institutions are central to the educational development strategy outlined in the report. These institutions would be developed largely on a Harambee basis and would represent elaborations on the Village Polytechnic and the proposed Harambee Institute of Technology. The purposes of these institutions would be the educational rehabilitation of early school-leavers of all ages in order to return them to the mainstream of education and to phase them into employment.

189. The report does not envisage that these reforms can be implemented overnight, although it does suggest there are some important first steps which can be taken. The steps suggested include the use of the K.J.S.E. as a subsidiary selection device and the establishment of quotas for K.J.S.E. Harambee School graduates at the Form III level. Harambee schools would thus become "second chance" institutions rather than the imitations of the maintained schools which they are now.

190. Finally, the report contains a recommendation that current literacy classes be discontinued and that functional literacy classes to be introduced which will relate literacy and numeracy training to the various activities in the local economy.

191. The report contains alternative proposals for facilitating the implementation of reforms which are envisaged. First, the report suggests that the Ministry of Finance and Planning might take the

initiative to set up a Commission which would undertake the basic and initial planning. Alternatively, it is suggested that secretariat be set up in the Ministry of Education to plan, expedite and monitor the proposed changes.

192. *The proposals for the education are the most far reaching in the entire report. Taken together, they establish an agenda for educational development which, in terms of phasing, extends well into the 1980's. These proposals would leave the country with an educational system in the next decade which is radically different from the system which it now possesses.*

193. *While the Government accepts the analysis in the report relating the educational system to the problems of unemployment and income distribution, it does not accept all of the specific proposals in the report relating to education.*

194. *In principle, the Government accepts the reform proposed for primary education which includes a lengthening of the course from seven to nine years, a consequent significant augmentation of facilities, a new examination, a new curriculum and a considerable amount of teacher retraining. It is intended that these reforms will be phased in as resources become available.*

195. *The Government will investigate the feasibility of introducing a programme of community service in rural areas for young people.*

196. *The proposal which is most intriguing is that which calls for the creation of "second chance" institutions. The Government will determine the conditions under which it can assist Harambee institutions which have the functions which the report envisages.*

197. *The Government already operates a system of district quotas for entry into secondary schools in the interests of providing equal access for all children. Nevertheless, the Government accepts that a problem remains, but would prefer to solve this problem by re-organizing existing facilities and creating new facilities which will provide greater opportunities for all.*

198. *The Government does not accept that a secretariat or commission should be established in the Ministry of Education in order*

to implement the reforms which are envisaged. Rather the Government intends to accomplish the objectives of the proposed commission or secretariat by the creation of an interministerial committee for the co-ordination and monitoring of all programmes concerned with education, training and manpower. The composition of the committee will consist of officials from the Ministry of Education, the Ministry of Works, the Ministry of Labour, the Ministry of Co-operatives and Social Services, the Ministry of Finance, and the Directorate of Personnel Management. The Ministry of Finance and Planning will provide the committee with a secretariat.

Labour Market Policies

199. The report observes that the present structure of wages has three generally undesirable characteristics. First, the average level of wages, given the priority in filling these jobs for those with academic education, is such that the wage structure stimulates the rapid expansion of general secondary education even in the face of an oversupply of labour with these qualifications. Secondly, persons with identical qualifications and performing roughly the same work can earn wages and salaries which are quite different in different industries. Finally, the minimum wages of unskilled workers whose terms of service are determined by wage councils or are negotiated in collective bargaining agreements are usually several times greater than workers with comparable skills in rural areas.

200. The report does not contain a coherent set of recommendations designed to remove these undesirable characteristics. The report recommends that the operations of the Wages Council be subjected to incomes policy constraints, that the fixing of minimum wages be based upon a "more objective" investigation of family needs and costs of living, that there should be research and supporting services within the Ministry of Labour and that Wages Council decisions be co-ordinated with the operations of the Costs and Prices Committee.

201. *These recommendations coincide with the Government's policy. Posts have already been created for supporting staff within the Ministry of Labour and the required mechanism exists for the*

co-ordination of price and wages policies. The Government finds this discussion in the report to be weak. For example, the report does not contain a discussion of the effect of minimum wage controls on employment, migration and the sharpening of differences between the formal and informal sectors.

202. Similarly, the report contains little discussion of industrial relations; there is no analysis of the impact of collective bargaining on income distribution, employment, rural-urban migration, prices or the balance of payments. While the report does not provide substantive proposals for the Government to comment upon with respect to industrial relations, the Government does wish to take this opportunity to note that—

- (a) the institutions for modern industrial relations are a feature of the formal sector;*
- (b) that the operations of these institutions, as they increase the cost of labour, not only through wages and salary increases, but through the administrative costs imposed on employers, can be counter productive in terms of employment; and*
- (c) that employers and labour have, too often, agreed to significant increases in benefits for workers and have passed the entire cost on to consumers and, indirectly, to the unemployed.*

203. Consistent with the policies adopted elsewhere in this report, the Government will not, in the future, permit industrial relations to be conducted in a fashion which will either increase inequalities referred to here or those which exist between wage and salary earners in the formal sector and those who try to derive a living from small holdings in rural areas or from "informal sector" employment.

204. The report contains a considerable amount of discussion of the labour exchanges, much of it rather critical, in the sense that they are not used. The Government's policy is to require certain categories of employers (public sector) to fill all vacancies through the labour exchanges; this policy has not been implemented. The Government intends to investigate the operations of its labour exchanges prior to investing additional resources in them. It is

known that certain of the functions of the exchanges are not being performed or are being performed poorly. The Government also intends to examine more closely the operations of private, fee-charging employment exchanges with a view to bringing their activities in line with the official labour market policy.

Incomes and Fiscal Policy

205. Elements of incomes policy are discussed throughout the report. The establishment of minimum household income targets; the mechanism for achieving these targets by a "redistribution through growth" strategy; the focus upon, and discrimination in favour of, low income groups, the informal sector and small holders. These are all complementary features of an incomes policy.

206. It remains to discuss the roles of the more traditional instruments of incomes policy, i.e. official restraints of increases in wages and salaries, the control of prices and fiscal policy.

207. The report reviews the official mechanism for wage restraint through the Industrial Court, the Wages Council and the utilization of "guidelines" and notes that while the essential machinery is in place, it has not been used because of the failure of the Government to provide the specific guidelines necessary to render the machinery operative. The report recommends that the Government now make a comprehensive statement of what its incomes policy is. The comprehensive statement should cover all forms of income, should fall more heavily upon the rich than the poor and should attempt to restructure wages and salaries in a fashion which provides appropriate sets of incentives and helps to shape more realistic opportunities.

208. While the report does not spell out a full set of wage and salary guidelines by income class and by occupation, it does suggest general guidelines under the assumptions of a 7 per cent rate of growth in G.D.P. and a 3½ per cent per year increase in average per capita incomes. The guidelines are that those who earn less than £200 a year should receive a maximum annual rate of increase of 3 per cent; those in £200 to £700 group, a maximum of less than 3 per cent and, those with incomes over £700 shall have a wage freeze except for increases attributable to promotions or annual increments.

209. It is suggested that these increases should be calculated before income taxes and should be based on the cost of living index of the lowest income class. The wage freeze on salary scales above £700 should be extended to five years because of the recent round of salary increases.

210. Within the context of these overall guidelines, wage policies should attempt to remove anomalies in the structure of wages and salaries. These anomalies include the existence of different wages and salaries for people doing the same kind of work in different industries. They also include distortions in the wage structure which give excessive rewards to academic as opposed to vocational and technical training. Finally, it is recommended that wages policy for specific skills.

211. The report recommends that additional numbers of school-leavers with School Certificates or higher qualifications be hired into public service at salaries below existing rates.

212. *Government agrees that the time has come to formulate more specific guidelines for the development of wages and other incomes. Some of the basic elements in such a policy have been suggested by the report, namely:—*

- (a) Workers should have their share of the increased production, a share which should not be consumed by price increases. However, demands for increases in wages, salaries and other incomes must be kept within the limits set by the national growth objectives regarding employment, investment and exports.*
- (b) Within the limits set by these requirements, the incomes policy should aim at bringing about general reduction of income differences between low-paid and high-paid employees, between jobs requiring academic and manual skills, and between small-scale farmers on one hand and urban employees and entrepreneurs of the formal sector on the other. Income differentials should not be wider than what is justified in order to provide the necessary incentives for productivity increases and recruitment.*

- (c) *The incomes policy should aim at establishing equal pay standards for jobs of equal effort and skill requirements, irrespective of industry, geographic region, race or sex.*

The specific wage and salary guidelines which are recommended in the report seem on the whole reasonable in the economic and political setting of present-day Kenya. They will have to be adjusted, however, to take into account the need for changes in the structure of wages and salaries. Guidelines for the Industrial Court will be worked out along the lines suggested above and will as far as possible apply to all personal incomes.

213. *The Government does not accept the suggestion that school-leavers should be hired at less than standard rates. Ultimately the Government would have to face the recurrent cost implications of placing these employees on standard rates and, when that time arrives, the costs could be excessive. The Government's policy is to create an institutional environment and an economy which is more labour-absorbing, avoiding the discontinuities and anomalies of ad hoc programme such as that recommended. The Government does not regard this particular proposal to be consistent with the rest of the report which seeks to avoid such programmes.*

214. The report proposes that the Government utilizes existing machinery of price control as an instrument of incomes policy. The report observes that the operation of this machinery in the past has not given due consideration to incomes policy issues. It also suggests that imports and tariff policies are appropriate instruments of price policy.

215. The report appears to take a narrow view of the incomes policy potential of price control and does not appear to have accurately assessed what the Government has been doing in this area. The major thrust of Government's very active involvement in pricing policies has been to alter the income distribution in favour of farmers and low income groups by altering the prices of the things which poor people buy and sell and by providing price incentives and disincentives to farmers both as suppliers and as consumers. The stabilization of the prices of farm products and consumer items alone has had significant welfare implications. The

proposal to use import policy and tariff policy as price policy, particularly as a means for controlling profits, is accepted in principle.

216. The report contains a broad range of fiscal policy recommendations designed to reinforce the main elements of policy which have been proposed elsewhere in the report, in particular, those elements of policy which are directed toward redistributing income in favour of poorer members of society. Fiscal instruments of taxation and expenditure are capable of doing two things. On the taxation side, the Government can alter the amount of income which families have at their disposal and on the expenditure side it can augment income through direct payments, by altering the prices of things which people purchase, by providing subsidies and by expenditures on services which benefit members of the family.

217. In examining the ways in which taxes are raised in Kenya, the report finds that the overall tax system has very little redistributive effect and, moreover, that it is not a very efficient generator of revenues which can be used for development and redistributive purposes. The proposals contained in the report suggest measures by which the tax structure can be made more progressive (have a greater redistributive effect in favour of the poor) and, at the same time, yield more revenue.

218. At the outset, the report recognizes that the existing administrative machinery for tax collection cannot cope with more people within the income tax net. Therefore, it is suggested that the focus of activities should be upon better tax assessment and collection. Also, it is suggested that tax rates be increased for those within the income range of £600 to £1,200 per year who are now subjected to relatively low tax rates.

219. The report finds that the graduated personal tax is very inefficient and suggests that it be abolished in rural areas. In addition, it is suggested that the rate on corporate incomes might bear a modest increase and that the investment allowance could be eliminated.

220. Socially and economically, the most important tax rate proposals in the report are those which suggest the introduction of a land tax for rural areas and an increased property tax for urban areas.

221. The report feels that the benefits to be derived from a land tax are enormous; such a tax would result in better land utilization, more subdivision of poorly managed farms, much more employment, more rural incomes and a better income distribution. The revenue obtained would replace that now raised by the G.P.T. and a number of agricultural cesses. The urban property tax would also be conducive to better land utilization and would also have the desirable effect of allowing the Government to share in the gains attributable to windfall increases in the value of urban property.

222. This being said, the report finds major scope for tax reform in the restructuring of indirect taxes to yield more revenue, to introduce greater progressivity and to eliminate some of the bias against exports. The reforms which are suggested for the structure of indirect taxes are—

- (a) the introduction of a unified tariff structure, extending tariffs to capital and intermediate goods;
- (b) the introduction of a sales tax on all luxury and semi-luxury goods without regard to whether they are produced domestically or imported; and
- (c) the possible introduction of a tax on some categories of capital goods, namely those which tend to displace labour.

223. *The report does not provide a fair assessment of the Government's efforts in the field of taxation. Since Independence, the Government has introduced a number of new taxes and has substantially increased the rates of existing taxes. In comparison with governments operating under comparable conditions, the Kenya Government has performed well in the generation of tax revenues.*

224. *The changes in tax policy which are necessary in order to achieve the Government's goals with respect to expenditure on capital formation, income redistribution and foreign trade, involve increased taxation of the consumption of the rich, the taxation of*

industries which in the past received excessive protection and increased taxation of imports which now enter the country duty free or at low levels of import duty. To be specific—

- (a) as part of a general policy of taxation and in order to render a revision of the tariff structure effective, there will be changes in sales and excise taxes which will not only provide more revenues but will provide an inducement for highly protected industries to lower their costs. It is envisaged that these taxes will have a desirable income distribution effect as they will fall more heavily upon the rich than the poor;*
- (b) in consultation with Partner States of East African Community, all tariff rates below 20 per cent will be raised to 20 per cent in stages. This will remove the current bias in the tariff structure which favours the importation of intermediate goods. It will also provide increased incentives for the domestic capital goods industry and render capital more expensive relative to labour;*
- (c) the Government will subsidize all exports with exceptions which are dependent upon local supply and international demand conditions;*
- (d) the Government assigns a high priority to the imposition of a tax on land and on urban property;*
- (e) the Government accepts that a progressive taxation of income from all sources should continue to be its policy; and*
- (f) in order to implement these proposals the Government will take actions which include the strengthening of the income tax department and the establishment of tax offices in all districts.*

International Policies

225. The section of the report on international policies is essentially a summary of policies which are discussed more fully in other sections of the report. In this section, attention is directed to the possibility that the country may have to carry out its development policies under a greater foreign exchange constraint than in the past.

226. The report calls attention to the fact that while foreign investment confers many benefits, it also imposes costs above and beyond the generated flow of profits abroad. For example, there are costs imposed in terms of inappropriate technologies which discriminate against the use of labour.

227. On the subject of foreign aid, the report observes that 40 per cent of Kenya's development budget is financed from external sources. However, the report takes donors to task for stringent conditions which they imposed in terms of local and recurrent costs which most donors refuse to cover. According to the report, these conditions impose a ceiling on the amount of aid which the country can receive. Similarly the report disapproves of aid which is tied to purchases from the donor's capital goods industry for it increases the costs of aided projects and limits the choice of equipment. The report recommends the strengthening of the machinery for preparing projects and for administering and for negotiating aid programmes. It is also suggested that greater selectivity is required in the acquisition of technical assistance in the sense that technical assistance personnel possess orientations which may be just as inappropriate as imported technologies.

228. The chapter reviews the position taken earlier in the report on import substitution and argues further that the existing structure of import restrictions and tariffs does not reflect a coherent strategy, but was put together in an *ad hoc* fashion in response to temptations and pressures of various kinds. The report argues that it would be in the country's interest to revive the East African Common Market.

229. Kenya's participation in the International Coffee Agreement is commended and it is suggested that the country be favourably disposed toward the forthcoming negotiations for an International Tea Agreement.

230. On tourism, the report appears to be more concerned with the problem which it poses rather than the benefits which it confers. If there are risks to dependence on tourism, the report does not spell them out other than in terms of unfortunate demonstration effects which tourists may induce in Kenyans.

of improving the balance of payments since these instruments alter the distribution of income at the same time that they curtail imports and increase exports.

Access and Equity

236. While the general reduction of income inequalities is a major theme of the report, special attention is given to two particular problems. The first of these is the problem of achieving the equity for women; the other is the problem of regional imbalances in welfare.

237. The problem of achieving equity for women is regarded to be sufficiently important to the authors of the report as to justify the creation of a special well-staffed women's bureau within the Government to monitor and to promote their better integration into the economy. The report also recommends that the Government should undertake a full scale general review of the status of women with a view toward outlining steps which should be taken to assure an optimum contribution on their part to the nation's political, social and economic development.

238. The report supports its recommendations by citing evidence that women have unequal access to education, training and to jobs. Reference is also made to the burdens of women in rural areas who must not only perform essential household tasks, supervise young children, carry water and wood, but must also bear almost the entire responsibility for the cultivation of the land.

239. The achievement of equity among regions and districts is also important if the income targets suggested in the report are to be achieved. The report cites statistics which show that the provincial distribution of services such as education and health, and of amenities such as housing, is distorted and unequal.

240. It is suggested that quotas be established both for districts and within district for the establishment of educational institutions. It is also suggested that district quotas be established for recruitment into the district Civil Service. In addition, feasibility of establishing quotas for Government expenditures should be studied for possible implementation.

241. *The Government is not aware of overt discrimination against women in the country. Women are employed in important positions in the Armed Forces, in the police, in the prisons and in the Government as well as in the private sector.*

242. *The Government is aware of the fact of regional inequalities in the distribution of welfare, services and amenities. As the report accurately records, these inequalities are very largely attributable to historical patterns of development which have resulted in some areas being left behind.*

243. *The Government accepts that geographic quotas are probably necessary for a variety of services, activities and programmes if a reduction in regional inequalities in income is to be achieved. Current planning practices and procedures will be examined with a view to introducing geographic quotas for a variety of services and amenities and for expenditures during the next Plan period.*

Rural Development and Planning

244. The strategy of redistribution through growth, which is a central feature of the report, implies focusing attention upon the formulation and administration of programmes designed to raise the level of living of the poorest people in the country almost all of whom live in rural areas. There remain several special problems which have not yet been discussed. There are the recurring problems of famine relief, the problem of formulating rural works programmes, the problem of providing rural amenities on a large scale and the problem of planning an integrated rural development programme at the local level.

245. The report does not have very much to say that is very specific about famine relief. The nature of the problem and the traditional responses to it are recognized. Aside from the suggestion that Government activities should assist and exploit these traditional responses, the report suggests several programmes. First, it is suggested that there be an intensification of water development programmes; secondly, projects should be formulated which can be shelved and activated when it becomes apparent that they are needed; finally, it is suggested that a meteorological early warning system be created.

246. *The Government finds the discussion of famine relief to be weak. In all likelihood a large percentage of the poorest rural people live in areas where drought is an ever present danger. The major issue, from the point of view of human welfare, is that of determining the conditions which must prevail not merely to avert periodic disasters but to enable the inhabitants of drought prone areas to achieve stable minimal levels of living. The report does not address itself to this prior problem and, as a consequence, its proposals are offered without the context of an acceptable rationale.*

247. The purpose of the discussion of rural works is apparently to describe their benefits, on the one hand, and to outline the major features of a successful programme, on the other. The benefits include those derived from the amenities which are created as well as those derived from the non-agricultural jobs and incomes which are a result. The characteristics of a successful programme are that—

- (a) it must be integrated with and reflect the priorities of a local development programme;
- (b) it should be phased with the seasonal supply of excess agricultural labour; and
- (c) it should involve local people from the start.

248. *The report does not provide the Government with proposals to comment upon with respect to rural works. Since it is felt that a programme in rural works may yield the benefits suggested in the report, the Ministry of Finance and Planning, in co-operation with the Office of the President, the Ministry of Labour, the Ministry of Works, and the Ministry of Local Government will be given the responsibility for formulating such a programme for implementation on a national scale. At the same time, an organization will be established within the Ministry of Works Road Department to construct and maintain rural access roads on an agency basis. This new organization will be responsive to local areas decision-making machinery and will have as an objective the provision of as much seasonal employment to the lowest income groups as possible within the funds made available for the programme.*

249. A local concomitant of a national incomes policy is renewed emphasis upon local area (district) planning. Within local

areas, the poorest people must be identified and projects formulated which will provide them, when they are implemented, with permanent increases in income.

250. In order to accomplish these tasks, more specific knowledge is required of the consumption components of levels of living in rural areas. The report recommends that detailed social household surveys be made in specified areas in order to determine the nutritional, educational, housing and other components of living levels in these areas. The surveys would provide a basis for the formulation of projects and programmes at the local level which are aimed at removing deficiencies or filling gaps which may exist in the quantity and quality of goods and services consumed by low income groups.

251. The report suggests that greater representation of local interests would be desirable in the planning process. Where this local interest is not present, positive action should be taken to engender interest and to include progressive farmers, teachers and local businessmen in the local decision-making machinery.

252. In Africa, Kenya has been a pioneer in the field of integrated rural development programming. A concerted effort has been made over a period of years to decentralize planning and to involve local people more in decision-making. The rate at which the Government has been able to achieve decentralization has been heavily dependent upon the availability of planning expertise at the centre. With more and more trained planners becoming available, the rate of progress has improved.

253. The Government accepts that household social surveys for specific areas are necessary in order to provide a data base for local area planning. The Government already undertakes surveys where much of the information required is obtained. It is envisaged that the current survey questionnaire and procedure could provide the basis for the more elaborate investigations envisaged.

VI.—SUMMARY

The Marshalling of Resources

254. Kenya remains a poor country wherein the creation of more jobs and the provision of higher levels of living for more people can only be achieved by a sustained high rate of growth in the economy. Economic growth then, retains the importance which it has been assigned in every Development Plan which has been formulated since Independence. To be specific, given the rate of population growth and the continued preponderance of agriculture in the economy, the resources necessary to increase the rate of growth in employment will be obtained only if the country achieves a 7 per cent per year increase in gross domestic product and a 6 per cent per year increase in the agricultural sector's contribution to gross domestic product.

255. The actual marshalling of domestic resources and the generation of resources from abroad depends not only on the achievement of growth targets but upon the implementation of appropriate fiscal and trade policies. In both of these areas, there will be important reforms. The tax reform which will be introduced is designed to increase the efficiency of the tax system, provide a more equal distribution of after-tax income, and provide a better system of incentives and disincentives in both production and consumption.

256. The reform in trade policy is designed to generate resources by making Kenyan firms more competitive in both domestic and international markets. As with tax policies, trade policy will be such as to favour low income groups by its indirect effects on employment and prices. The specific changes to be made in tax and trade policies have been outlined above in this paper.

257. The marshalling of human resources for development and growth involves a host of complex tasks which range from programmes to improve health and nutrition, programmes of skill training and staff development and the formulation of an incomes policy which will assure a more rational allocation of the scarce human resources available for the production of goods and services. The

Government's policy toward technical assistance and Kenyanization will be designed to assure that the country has the manpower available with which to achieve its growth targets and implement essential programmes.

258. Manpower problems continue to be one of the most serious constraints on development. While progress has been made and these problems are not as serious as they were at Independence, the maintenance of a high growth rate in large sectors of the economy has meant that the country continues to experience severe manpower shortages particularly of skilled workers and university trained professionals. The Government assigns a high priority to programmes of skill training, to staff development and to high level professional training as opposed to general secondary and university education.

259. The marshalling of foreign capital resources is essential in order to allow a higher rate of investment than can be sustained from domestic resources alone. The Government will take action to assure a continuing flow of foreign capital, rising in absolute amount but not as a proportion of total investment.

Growth for What?

260. The reasons for seeking growth and marshalling resources for development are, first, to improve the lives of those who earn the lowest incomes by the progressive elimination of the worst manifestations of poverty. Secondly, the country seeks growth and development in order to enrich and to make more enjoyable the lives of all of its citizens.

261. In order to eliminate the worst manifestations of poverty, landlessness and outright unemployment, the Government will formulate its plans and allocate its resources in a fashion which will provide either a wage job or land to everyone by 1980.

262. In order to provide jobs and to improve the levels of living of the working poor, the Government will undertake a number of programmes in both urban and rural areas designed to increase the productivity of those who work and to achieve a better geographic distribution of amenities such as education, health, housing and water supplies.

263. The priority which the Government assigns to various programmes is dependent upon the group which will benefit most from them. The programmes which have the highest priority are those which benefit the 60 per cent of the households earning less than £60 per year. These households consist mostly of those who derive their livelihood from smallholdings. To a lesser extent, it consists of those who are unproductively employed and self-employed in what the report calls the "informal" sector.

264. Though relatively small in number, the most desperate people of all are those who are absolutely landless and without work and pastoralists in semi-arid and arid areas. Growth and development will be pursued primarily for the benefit of these people.

Agricultural Intensification

265. The programmes which will most assist those poverty stricken households in rural areas are those which are aimed at agricultural intensification, i.e. those programmes which will lead to a more efficient use of land and the conversion of production from subsistence farming to commercial farming.

266. The specific programmes which have high priorities, as a consequence, are—

- (a) those which will improve the agricultural extension services and orient those services to those smallholders who need it most;
- (b) those which will result in better land distribution creating holdings which are an optimum size in terms of efficiency, e.g. through land settlement programmes;
- (c) farmer education;
- (d) those which provide an improved availability of agricultural inputs such as credit, fertilizers and seeds;
- (e) those which improve the efficiency of agricultural marketing, primarily by reducing costs; and
- (f) those which introduce new or better crops.

The Geographic Distribution of Services and Amenities

267. Improvements in levels of living can often be achieved more readily by providing access to certain services and amenities. The provision of a water supply, a school, a health clinic or a cattle dip can substantially improve the quality of life of all households in a community. For the Plan period 1974-78, the Government will establish targets with respect to the minimum acceptable access to certain services such as education, water, health and housing.

Small Business Development

268. Although it is not as important as smallholder agriculture, the small business sector in the Kenya economy employs as many as 480,000 people. Given its size and its importance in terms of providing jobs, those programmes which will promote the expansion of and improve the productivity in this sector should contribute substantially to increasing employment and the incomes of the working poor.

269. The programmes which will best promote this sector are primarily legislative and administrative. First, the Government will systematically review all rules and regulations which affect small business operations and will change or alter those which are found to be unnecessary.

270. Secondly, the Government will reorganize the institutions which are now promoting small business development under a new Small Business Development Agency. This agency will be responsible for developing its own extension service and for providing an effective, comprehensive and co-ordinated service to small businessmen.

271. Finally, the Government will lend encouragement to commercial banks to extend credit to small businessmen by assuming some of the risks associated with making such loans.

Family Planning

272. Family planning has a direct impact on the welfare of households by reducing the number of dependants and thus increasing the amount of household income available to each household member. Nationally, family planning accomplishes much the

same thing. A smaller population with fewer dependants means higher average productivity and higher per capita income. It also means that scarce resources are not so severely strained to provide essential services and every new entrant to the labour force with the capital which will enable him to be employed. The family planning programme outlined in this paper has, as a consequence, a very high priority.

Incomes Policy

273. In a very general sense there is an incomes policy implicit in the Government's focus upon programmes which benefit the poorest people and in its tax and trade policies. However, given the existence of a free trade union movement in the country, responsible collective bargaining, and a relatively autonomous Industrial Court, the Government will not impose restrictions which will hamper the operations and development of these institutions.

274. On the other hand, the Government will not hesitate to use the powers which it has available to ensure wage and salary restraint on the part of all parties. The Government will ensure that the income differences which exist between urban and rural workers do not increase. This can be accomplished only by wage restraint on the part of urban workers.

275. The first incomes policy objective of Kenya Government is the provision of a wage job or of access to land for all households by 1980. The second incomes policy objective is the achievement of a guaranteed minimum access to basic social services including water and housing. The means by which these objectives are to be achieved will be spelled out in the *Development Plan 1974-78*.

Rural Development

276. The basic elements of rural development are included under each of the headings listed above. It remains here to focus upon what is the most important element in the country's rural development programme and that is the establishment of efficient administration and planning at provincial and district levels and the devolution of decision-making and responsibility from the centre to

lower levels of Government. The Government has already made significant progress in this direction during the current plan period and will continue to pursue the objective of decentralized decision-making and planning during the next Plan period.

Education and Training

277. The report made far-reaching recommendations for educational reform in Kenya and the Government has accepted in principle, the most important of these, i.e. the ultimate extension of primary education to nine years and the introduction of a more practical curriculum in primary schools. The Government feels that those reforms will have more long-term impact on employment than Other reforms which have been proposed.

278. The basic policy of the Government during the next Plan period calls for a consolidation of gains made and improvements in quality within the education system. The major focus of the system will be on the further development of job specific training as opposed to general education. In practical terms, this means expansion in pre-vocational schools, increased support for an expansion of technical and vocational education under existing programmes and renewed emphasis upon professional training mostly of high-level manpower.

Tariff Policy

279. The Government, in consultation with the Partner States of East African Community, will make far-reaching changes in tariff policy designed to render Kenyan industry more competitive, more employment creating, and more development oriented. These changes include the gradual introduction of a uniform tariff system and the promotion of exports through a general subsidy. It is envisaged that these measures will have a substantial impact upon the composition of industries which will be established over the next Plan period.

Labour Intensive Works Projects

280. The creation of a capability to undertake labour intensive rural works programmes is assigned a high priority. Because such projects require a considerable amount of planning, organization

and supervision, the Government will confine its activities at the outset to labour intensive road schemes where sufficient expertise already exists. As an interim arrangement, the Government will create a separate unit in the Roads Department in the Ministry of Works to be responsible for executing such projects in co-operation with, and on behalf of, local authorities.

281. In addition, the Government will exploit the experience of other countries with rural works programmes through technical assistance. Technical assistance will be used to help with the formulation of a comprehensive rural works programme which is not confined to road building but will also be involved in irrigation, land-clearing, construction and similar projects.

School-Leavers

282. As the report indicates, the problem of school-leavers is essentially that of frustrated aspirations—the inability of youth to find jobs for which they believe they qualify by reason of educational achievement. The issue is an extremely complex one involving not only educational reform but also the introduction of an incomes policy which will alter incentives in desirable directions. The problem cannot be solved within a short period of time.

283. The Government's long-term policy to solve the school-leavers problem will involve the establishment of wage and salary guidelines for the Industrial Court which will attempt to alter the structure of wages and salaries in favour of skilled manual workers as opposed to those with an academic education. In addition, the Government through the Industrial Court, will assure that workers are paid according to the jobs which they perform rather than the amount of education which they have acquired.