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NATIONAL DEVELOPMENT PLAN

For the Period 1989 to 1993

This Plan - Kenya's Sixth - covers the projected growth of the economy over the five calendar years 1989-1993, and more specifically, the investment programme of the Government in the five financial years 1988/89 to 1992/93.

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ALPHABETICAL LIST OF ABBREVIATIONS

A-in-A	Appropriations-in-Aid
ACMAD	African Centre of Meteorological Applications for Development
AFC	Agricultural Finance Corporation
AFRALTI	African Advanced Level Telecommunications Institute
AGO	Automobile Gas Oil
AI	Artificial Insemination
AIDS	Acquired Immune Deficiency Syndrome
ASAL	Arid and Semi-arid Lands
CAIS	Central Artificial Insemination Services
CBK	Central Bank of Kenya/Coffee Board Of Kenya
CBS	Central Bureau of Statistics
CFF	Compensatory Finance Facility
CLSMB	Cotton Lint and Seed Marketing Board
CNP	Chief's Nurseries Programme
CSFC	Cereals and Sugar Finance Corporation
DDCs	District Development Committees
DDF	District Development Fund
DFCK	Development Finance Company of Kenya
DFIs	Development Finance Institutions
DPM	Directorate of Personnel Management
DvDC	Divisional Development Committee
ECA	Economic Commission For Africa
EEC	European Economic Community
EPZ	Export Processing Zones
ESAF	Enhanced Structural Adjustment Facility
FIPA	Foreign Investment Protection Act
FOB	Free On Board
FSD	Farming Systems Development
GDP	Gross Domestic Product

GFCF	Gross Fixed Capital Formation
GIS	Geographical Information Systems
GMR	Guaranteed Minimum Returns
GNP	Gross National Product
GOK	Government of Kenya
GPT	Graduated Personal Tax
GWH	Gigawatt Hour
HFCK	Housing Finance Company of Kenya
HMIS	Health Management Information System
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
ICDC	Industrial and Commercial Development Corporation
ICOR	Incremental Capital Output Ratio
IDB	Industrial Development Bank
ILO	International Labour Organisation
IMF	International Monetary Fund
IPC	Investment Promotion Centre
ISD	International Subscriber Dialling
JLBs	Joint Loans Boards
KANU	Kenya African National Union
KARI	Kenya Agricultural Research Institute
KCC	Kenya Co-operative Creameries
KEFRI	Kenya Forestry Research Institute
KENSIDOC	Kenya National Information Documentation and Communication Centre
KERO	Illuminating Kerosene
KETA	Kenya External Trade Authority
KGGCU	Kenya Grain Growers Co-operative Union
KIBT	Kenya Institute of Business Training
KIE	Kenya Industrial Estates
KIMC	Kenya Institute of Mass Communication
KIRDI	Kenya Industrial Research and Development Institute
Km.	Kilometre

KNAIS	Kenya National Artificial Insemination Service
KNCSS	Kenya National Council of Social Services
KNOC	Kenya National Oil Corporation
KNTC	Kenya National Trading Corporation
KP&TC	Kenya Posts and Telecommunications Corporation
KPA	Kenya Ports Authority
KPC	Kenya Pipeline Company
KREMU	Kenya Rangelands Ecological Monitoring Unit
KSC	Kenya Seed Company
KTDA	Kenya Tea Development Authority
LAP	The Local Afforestation Programme
M2	Money Supply
MIGA	Multilateral Investment Guarantee Agency
Mil.	Million
mm.	millimetre
MSP	Motor Spirit Premium
MSR	Motor Spirit Regular
MW	Megawatt
NCCIDD	National Council for the Control of Iodine Deficiency Disorders
NCPB	National Cereals and Produce Board
NCST	National Council For Science and Technology
NCWK	National Council of Women of Kenya
NEEMA	National Environment Enhancement and Management Act
NGOs	Non-governmental Organisations
NHC	National Housing Corporation
NHIF	National Hospital Insurance Fund
NOAA	National Oceanographic and Atmospheric Administration
NSCCS	New Seasonal Crop Credit Scheme
NSSF	National Social Security Fund
OAU	Organisation of African Unity
PAL	Power Alcohol
PANAFTEL	Pan African Telecommunications Network

PHC	Primary Health Centre
PTA	Preferential Trade Area
RAES	Rural Afforestation Extension Scheme
RARP	Rural Access Roads Programme
RCSMRS	Regional Centre for Surveying, Mapping and Remote Sensing
RDF	Rural Development Fund
RSRS	Department of Resource Surveys and Remote Sensing
RTPCs	Rural Trade and Production Centres
SAF	Structural Adjustment Facility
Sq.	Square
STD	Subscriber Trunk Dialling/Sexually Transmitted Disease
T&V	Training and Visits Programme
TEU	Twenty-foot Equivalent Unit
TOE	Tonnes of Oil Equivalent
UAPTA	Unit of Account for PTA
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
VOK	Voice of Kenya
WB	Women's Bureau
WHO	World Health Organisation
YWCA	Young Women's Christian Association

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FOREWORD

Kenya's Sixth National Development Plan covering the period 1989-1993 ushers the Nation into the second Decade of the Nyayo Era and the period beyond the Silver Jubilee of our Independence. Our achievements so far have been remarkable by any standards, and have been facilitated by the unbroken run of political stability and peace which we have enjoyed over the last twenty five years. During the same period, the welfare of our people has improved tremendously in all fields and it is our desire and hope that this positive trend will continue in the years ahead.

Much of the credit for the good progress achieved is partly due to the wisdom and maturity of the leaders of this country and also to the people of Kenya whose energies, determination to excel, hard work, peaceful co-existence and a sense of common purpose have laid the foundation for Kenya's growth and development. Furthermore, the guidance provided by the ruling Party KANU has imbued the Nation with the necessary spirit and motivation and has enhanced our unity and self-determination.

My Government has maintained a dynamic consistency of policy and developed a robust set of institutions that provide the springboard for action by the people. The maintenance of peace and security, the creation of an enabling environment for the operation of a mixed economy and a favourable investment climate for both local and foreign investors, have all added greatly to the recipe for progress. This development path will be continued during this Plan period and beyond. To ensure continued sustained growth of the economy, appropriate structural adjustment measures will be introduced from time to time as considered necessary.

As we start the implementation of measures stipulated in the Sixth Development Plan, all Kenyans will be called upon to apply themselves more productively in their endeavours. They will be expected to step up their contributions as individuals or as groups, in all sectors of our economy, placing specific emphasis on such areas as agriculture, industry and small-scale enterprises, which offer good opportunities for creation of employment. It is also important that every effort be made to ensure that there will be equitable distribution of the benefits of development to all parts of the country.

The necessary policy framework to be pursued during the Plan period in order to achieve these objectives has been laid in Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth, supplemented by other policy documents, including the KANU Manifesto and the District Focus for Rural Development Strategy. The theme of the Plan, "Participation for Progress", underscores the importance of tapping the energies of individuals and of various socio-economic entities and institutions in the economy. Such entities include Government, non-governmental organisations, the private sector and the Kenyan community in general and will be expected to operate under the policy guidelines of KANU. The combined efforts of all these will forge the dynamism required to generate the desired growth, thus enhancing the country's socio-economic progress.

This Plan, unlike its predecessors which dealt with issues on a sectoral basis, has followed an "integrated approach". This approach underscores the need for all participants in the economy, and particularly Government Ministries and other agencies, to carry out their functions in ways that recognise and promote complementarity and mutual supportiveness, thereby avoiding duplication of effort that would otherwise result in conflict and wastage of resources.

In launching this Plan, I pose challenge to Kenyans, as individuals and as groups, to stand up and be counted in the development of our Nation, under the clarion call of our National philosophy of Nyayo and the enduring Spirit of Harambee.

DANIEL TOROITICH ARAP MOI

PRESIDENT

OF THE

REPUBLIC OF KENYA

PREFACE

BY

HON. DR. Z.T. ONYONKA, E.G.H., M.P.

MINISTER FOR PLANNING AND NATIONAL DEVELOPMENT

This Plan, the Sixth since the attainment of political Independence, comes at a critical turning point in our approach to the management of the national economy. It is the first among three through which the long-term development objectives and strategies for structural adjustment process contained in Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth will be implemented.

The structural adjustment process is, however, not new in Kenya. At the very beginning of our national Independence, the Government adopted a pragmatic approach to development planning and programming which has been adequately flexible to allow for the evolution of policies and strategies. However, both international and domestic economic events have had a profound impact on the very structure of the economy; they called for a major rethinking on our approach to development programming. This is the context in which Sessional Paper No.1 of 1986 was published.

The development of the economy since 1963 has been satisfactory in all its dimensions. Real income per head has risen, employment has grown, diversification and broader participation have been easily observed while the economy's stability and resilience have provided a source of great satisfaction. Nevertheless, the international shocks of the 1970s such as the oil price rises and the collapse of the East African Community have imposed serious pressures upon our economic structure. In efforts to return to a stable growth path we have addressed, and will continue to address, the potential of agriculture, the investment environment, the efficiency of Government's use of resources and the major welfare distribution characteristics. This Plan, therefore, is structured in such a way that these issues are raised and confronted with the strategies for their redress. This is a major departure from the previous Plans whose orientations were sectoral and project based.

In the above context, the major aims of this Plan in order of priority include first, that the economy expands in such a way as to create productive employment for almost two million new entrants to the labour force. Second, this growth will have to come from agriculture, a revitalised industry and small-scale enterprises. Third, that greater foreign exchange generation will have to be achieved through the expanded capacity of the industrial sector to diversify into export orientation in support of traditional exports of agriculture and tourism. Fourth, that there will have to be moderation in Government's provision of basic needs services, which calls for cost-sharing. Fifth, Government will play a more significant role in caring for the environment apart from providing policy and operational support to private initiative. Sixth, the private sector will be given a greater role in the economy and the requisite technical and financial resources will be made available. Seventh, in achieving the foregoing, due regard will be given to the judicious management of the public debt, the stability of the currency and the balance of payments. Lastly, that while growth and employment generation are of critical importance in the structural adjustment process, certain safeguards will be taken to ensure the equitable distribution of the benefits of growth in order to improve the welfare of as many Kenyans as possible. The District Focus for Rural Development Strategy will be used to achieve regional balance in growth and in the provision of infrastructure and basic needs services. To this end the Plan theme, "Participation for Progress," calls for the commitment of all to development activities.

Because this Plan is unique in its integrated approach to development programming, it calls for a special approach in its implementation. To this effect, the Ministry of Planning and National Development will take appropriate steps to ensure that this approach is well understood by all Kenyans and especially those ministries and institutions charged with its implementation. This will be achieved in three ways. First, the Ministry will set up a monitoring and evaluation system that will ensure not only that we remain on-course in the achievement of the objectives and targets of this Plan and those set out in Sessional Paper No.1 of 1986, but also that the welfare of the majority of Kenyans is not compromised. Second, through district development plans, the Ministry will ensure that projects and programmes will be generated and effectively implemented. Lastly, greater collaboration will be sought between operating ministries and the Treasury, not only in achieving budget rationalisation, but also in ensuring that available resources are committed to priority programmes and projects.

Structurally, this Plan has ten chapters. The first chapter reviews historical performance since Independence and describes the economic base from which the latter chapters will be launched. The second chapter develops the Plan theme relating it to major policy statements of the past, reflecting their continuity and consistency. The third chapter lays down the major growth targets, while the fourth highlights the domestic and international financial constraints likely to be encountered in their attainment.

The private sector will respond to the spatial characteristics of development as elaborated in Chapter Five, in undertaking industrial, commercial and agricultural activity as anticipated in Chapters Six and Seven. The consequences of all such growth will be to put heavy demands on the natural resource systems of the nation hence, in Chapter Eight, the Plan covers the strategies for environment protection.

Since the theme, Participation for Progress, is not merely a statement of simple economic growth, the Plan's final two chapters deal with "participation" by way of the many facets of employment creation and manpower planning, while "progress" is examined in its welfare, rather than the mere income, context. This fittingly closes the Plan with the focus squarely on the people of this nation for whose benefit the Plan is prepared.

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CHAPTER 1

PERFORMANCE SINCE INDEPENDENCE

1.0 INTRODUCTION: Challenges Following Independence

The Sixth Five-year National Development Plan comes at the time of the country's celebrations of the twenty-fifth anniversary of Independence. From the first era inaugurated by the late President, *Mzee* Jomo Kenyatta, in December 1963 to the second one ushered in by H.E. President Daniel Toroitich arap Moi in August 1978, the nation's political stability and achievements in economic and social development have been remarkable. This has been facilitated by a sound and dynamic political leadership which has created the necessary conditions for the effective participation of the Kenyan people and institutions in the development and growth of the economy. Financial and technical support from external sources have also played a useful role in this process. These factors have enabled the country to make good progress in spite of various constraints emanating from both internal and external sources.

1.2 Kenya achieved her Independence in 1963 after a bitter and protracted struggle during which the indigenous people yearned to regain self-determination and the control of their destiny. The struggle had been directed primarily at the restoration of political and civil liberties that had been taken away by imperial bondage and the re-possession of land that had been appropriated by the colonial establishment. After the euphoria following the attainment of Independence, Kenyans had to direct their efforts into giving the newly attained freedom concrete expression by restructuring the Constitution and creating the policy instruments and operational strategies and structures that would give effect to these freedoms.

1.3 The passage of power into indigenous hands induced uncertainty among non-citizens about the country's political and economic future and created fears regarding their role in the newly independent nation, leading to virtual stagnation of investment. There was substantial capital flight from the country and a decline in employment in the modern sector of the economy. Poverty was rampant, illiteracy pervasive and the general state of health poor. The new Government also had to address the high expectations on the part of indigenous Kenyans for the immediate control of their economy.

1.4 Kenyans craved for land that they had fought for which was in the hands of non-citizens. Government had to institute a smooth process of land transfer from foreign to indigenous hands in order to ensure effective Africanisation of agriculture. This was accomplished through the one million acre settlement scheme financed by British credit and concurrently by the *Ushirika* (Co-operative) land transfer programmes on a willing-buyer willing-seller basis. This availed land and employment to thousands of Kenyans who were previously deprived, thus paving the way for their active participation in the development process through agriculture. The transformation of agriculture also entailed land reform measures involving land adjudication, consolidation and registration, the creation of farmer credit and insurance schemes, farm mechanisation, research, training and extension services.

1.5 Kenya inherited a largely rural economy based primarily on subsistence agriculture with a modicum of industrial and commercial activity much of which was focussed on the greater East African Market. The importance of these latter sectors was immediately recognised by the new Government as containing the seeds for rapid development and the creation of employment and income generating opportunities. However, as intimated earlier, the existing industrial and commercial structures began to falter, arising from capital flight and stagnation of investment as many foreign investors in the country and prospective ones from abroad were uncertain about the country's political and economic future.

1.6 As an assurance to foreign investors, Government moved quickly to enhance guarantees on property ownership contained in *Section 75* of the *Constitution of Kenya* through the promulgation of the *Foreign Investment Protection Act* in December 1964. Among other things, the Act provided for the repatriation of capital and remittance of profits. At the same time, Government instituted a broad range of measures designed to promote indigenous participation in industry and commerce.

1.7 The development of agriculture, industry and commerce was contingent on the existence of sound basic infrastructures and attendant services. This required heavy capital and financial investment in order to adapt existing facilities and services to the needs of the nation and to develop new ones where none existed. Thus the road and railway networks, posts and telecommunications, ports, energy development and power transmission lines etc. required extensive improvement and expansion to open up agricultural hinterlands and create efficient infrastructures and supportive services in the economy.

1.8 Indigenous Kenyans also looked forward to enhanced access to the education system to which they had hitherto been denied. The existing racial policy of a discriminatory segregation of schools and examinations was abolished and the education system, besides providing more places for African children, became an instrument for promoting national unity and preserving our cultural heritage. However, the nation faced a serious shortage of skilled manpower, particularly as a result of the gradual outflow of non-citizens. The Government had to embark on vigorous training programmes to bridge the gaps left by departing expatriates and to provide skilled manpower for a fast growing economy.

1.9 The health care delivery system at the time of Independence was grossly inadequate in terms of the number and distribution of medical facilities and personnel. Consequently, there was high incidence of morbidity and the death rate, particularly child mortality, was also high. As an immediate corrective measure, Government declared free medical services and instituted programmes to spread health services to the rural areas through increasing, equipping and manning rural health delivery points.

1.10 Government also moved quickly to promulgate policies and to institute programmes designed to ensure a smooth transfer of power and responsibility. Within the first year of Independence, the necessary policy framework had been articulated in *Sessional Paper No. 10 of 1965* on *African Socialism and its Application to Planning in Kenya.* Among other things, the Sessional Paper addressed the issue of restructuring the economy. The new Kenya nation was to develop a mixed economy with both Government and private sector participation to ensure a high rate of growth of incomes and the equitable distribution thereof. The Government was particularly keen to develop strategic institutions in this regard which would ensure the gradual transfer of control of the commanding heights of the economy to indigenous Kenyans. Thus a number of parastatal institutions were either created or re-organised in the fields of agriculture, industry, transport and communications, commerce, finance and services. This was in addition to restructuring the Central Government machinery and Local Authorities in ways that would facilitate the attainment of goals and objectives for social and economic progress initiatives required in the new setting.

1.11 This Chapter summarises the country's economic performance since Independence. First, it examines the rate at which the economy has grown, mainly by looking at changes in the Gross Domestic Product (GDP). Second, selected socio-economic indicators are presented to give deeper insights into the performance of the economy. And finally, a summary of the performance of the economy over the last Plan period is given to establish the economic platform from which this 1989-93 Plan is launched.

1.1 GROWTH OF THE ECONOMY

1.12 Despite the challenges faced, the country registered an impressive growth performance over the period 1964-71. The economy recorded an annual average growth rate of 6.5 per cent. This growth was based largely on the transfer of land from large to small farm use, extension of the area under cultivation of high value crops and industrialisation based on a strategy of import substitution.

1.13 The agricultural sector grew by 4.2 per cent and its share of total output fell from 38 per cent in 1964 to 33 per cent in 1971. The manufacturing sector recorded a growth rate of 8.2 per cent and its share of total GDP increased from 9 to 10 per cent over the same period. The high agricultural GDP growth rate of 7.6 per cent recorded in 1972 was a result of the sector's strong recovery from the previous year's drought. Table 1.1 gives additional data on the growth of GDP for selected sectors for the period 1964-87.

a) The First Oil Crisis

1.14 Maintaining the level of growth achieved in the first nine years after Independence became a difficult task as the country, which is a price taker on the international market, was forced to deal with the 1973/74 oil crisis which was the first of a number of external shocks that affected the economy. As can be derived from Table 1.1, there was a substantial and progressive drop in GDP growth from a high rate of 6.7 per cent in 1964-72 to only 3.1 per cent in 1975. This remarkable decline resulted from the steep increase in the price of crude oil and, concomitantly, that of other imported goods. The Free On Board (FOB) price of crude oil paid by Kenya nearly doubled in 1973 and almost trebled between December 1973 and the end of the first quarter of 1974. The 0.2 per cent fall in GDP for agriculture was also partly due to the bad weather prevailing in 1974.

Table 1.1: Growth Rates of Real Gross Domestic Product (GDP), 1964-87*

Year	Agric-ulture	Manufa-acture	Government Services	Others	Total GDP
1964-71**	4.2	8.2	9.8	6.9	6.5
1972	7.6	7.3	12.8	3.6	6.8
1973	4.4	14.4	6.3	1.0	4.1
1974	-0.2	5.9	6.8	4.0	3.1
1975	4.6	4.0	8.5	-0.01	3.1
1976	3.7	14.0	5.1	2.0	4.2
1977	9.5	16.0	5.1	6.1	8.2
1978	8.9	12.5	6.4	8.4	7.9
1979	-0.3	7.6	7.1	7.7	5.0
1980	0.9	5.2	5.6	5.2	3.9
1981	6.1	3.6	5.3	6.9	6.0
1982	11.2	2.2	3.8	1.4	4.8
1983	1.6	4.5	4.2	1.5	2.3
1984	-3.9	4.3	2.9	2.7	0.8
1985	3.7	4.5	4.2	1.5	4.8
1986	4.9	5.8	6.3	5.4	5.5
1987	3.8	5.7	5.7	4.9	4.8

* 1964 prices for 1964 to 1971 and 1982 prices for 1972 onwards.

** There were extensive revisions in major series affecting GDP calculations in 1972. Any linkages between 1964 and 1982 based series should therefore be interpreted with these revisions in mind.

1.15 The steep rise in the price of oil was first felt in late 1973. The value of fuel imports rose from a modest K£ 16 million in 1973 to K£ 67 million and K£ 87 million in 1974 and 1975 respectively. This led to a significant deterioration in the country's balance of trade. Import prices rose more swiftly than those of exports; thus more exports were needed to pay for the same quantity of imports. At the same time, in the wake of the prevailing global recession, there was a credit squeeze caused by decline in the flow of external funds needed to finance residual deficits in the balance of payments. Consequently, the rate of economic growth attained in 1974 was only 3.1 per cent.

1.16 In response to these problems, the Government introduced in *Sessional Paper No. 4 of 1975* on *Economic Prospects and Policies,* a comprehensive programme whose objective was to restrain both public and private consumption. Concurrently, through fiscal and monetary measures, the tax base was broadened by imposing higher rates of import duty on non-essential and luxury consumer goods. Duties on imported capital goods were also raised to induce industry to adopt more labour-intensive techniques, economies were effected in the consumption of petroleum products and income tax was made more progressive. Total domestic credit was limited to a growth rate of 16 per cent although agriculture was allowed to raise its share of total credit to 17 per cent of net deposits in commercial banks. In 1976, the liquidity ratio of the commercial banks was raised from 15 to 18 per cent.

1.17 These policies were not altogether successful with regard to the control of inflation which rose from 2.6 per cent in 1972 to 9.5 per cent in 1973, and to a staggering 15.3 per cent in 1974. However, in retrospect, the very sharp decline in imports in 1975 did not affect the economy as severely as it might otherwise have done, largely due to the overstocking which had taken place in 1974 in anticipation of continuing price rises. In any event and as good fortune had it, a sudden rise in world demand for the country's chief export commodities reversed the country's economic prospects with the emergence of what came to be popularly known as the *coffee boom* years.

b) The Coffee Boom of 1976-78

1.18 In late 1975, a severe frost affected the coffee crop in the world's largest exporting country of that commodity. This led to an unexpected boom in the world prices of coffee and tea in late 1976 and during 1977. Average coffee export prices quadrupled from KShs. 10.40 per kg in 1975 to KShs. 43.33 per kg in 1977. Over the same period, prices of tea rose rapidly from KShs. 8.74 per kg to KShs. 20.44 per kg. The country responded to these favourable circumstances by increasing coffee and tea exports so that between 1975 and 1977 the value of coffee exports rose six-fold while that of tea rose three-fold.

1.19 The immediate impact of the boom in the prices and production of coffee and tea was reflected in the balance of trade which registered substantial surpluses in the first and second quarters of 1977. The favourable movement in the balance of payments resulted in an appreciable rise in foreign reserves from K£ 114 million at the end of

1976 to K£ 209 million at the end of 1977, having reached a peak of K£ 230 million in the third quarter of that year.

1.20 Indeed, nearly all sectors of the economy benefitted from the stimulus provided by the increase in export receipts and good harvest resulting from adequate rains. There was an upsurge of activity in practically all fields and confidence in recovery from the oil crisis pervaded the economy. Government revenues and expenditures increased considerably. Agriculture almost doubled its contribution to GDP at current prices between 1975 and 1977. The earnings of coffee producers doubled while those of tea producers tripled compared to their levels in 1974. Producers of sugar, maize and milk had a good year and the manufacturing sector recorded a 16 per cent increase in its contribution to GDP in 1977. The commercial sector benefitted from the higher throughput of imports, exports and domestically consumed goods. Wage employment increased by 4.7 and 5.3 per cent in 1976 and 1977 respectively compared with a fall of one per cent in 1975.

1.21 The unexpected boom, however, created certain problems. The increase in money supply led to an increase in private consumption which in turn led to excess aggregate demand. Inflation, which had dropped to a level of 10.5 per cent in 1976, rose to 12.7 per cent in 1977 and impacted severely on the economy, particularly on the real estate market, leading to considerable increases in rents and the values of property. The pervasive speculative pressure led to a surge in the Nairobi Stock Exchange Index (1966 = 100) which increased by two-and-a-half times from 173.13 in July 1975 to 436.43 in July 1978. With the growth in average wage earnings staying far below the rate of inflation, real earnings declined by approximately 4.3 per cent in 1977. By mid-1977, coffee prices had begun a downward slide resulting in a deterioration of the balance of payments position.

c) Collapse of the East African Community

1.22 The collapse of the East African Community, which had been established in 1967 to provide for economic co-operation between Kenya, Uganda and Tanzania, profoundly contracted the market for Kenyan goods and adversely affected investment. Tanzania, which had accounted for nearly 10 per cent of Kenya's exports in 1975 at over K£ 20 million recorded a mere K£ 1,800 in 1978. The manufacturing sector was also adversely affected with growth of value added (at constant 1982 prices) declining progressively from 12 per cent in 1978 to 3.6 per cent in 1981. This decline in manufacturing activity was also reflected in the fall in Gross Fixed Capital Formation (GFCF) by 12.5 per cent from K£ 125.82 million in 1977 to K£ 110.08 million in 1980.

1.23 With the collapse of the Community, Government moved quickly to re-organise the institutional frameworks deemed necessary for the continuation of functions formerly performed by the Community. It also sought to secure alternative markets abroad in order to stem the resultant deterioration in the balance of trade.

d) The Second Oil Crisis and the World Recession

1.24 The onset of the second oil crisis saw the world price of crude oil increase from around US$ 13 per barrel in 1978 to US$ 27 in 1979. This increase was much higher than the rise of US$ 6 in 1973/74 which had generated the first crisis. The industrialised countries at the same time adopted inward-looking protectionist measures as well as restrictive fiscal and monetary policies in a bid to control inflation. Consequently, high interest rates, payments imbalances and slow growth were dominant in the world economic order in 1981. The sluggish growth in developed countries resulted in a slackening of demand for imports from developing countries and a general stagnation of world trade. This meant that Kenya's terms of trade and purchasing power remained very weak. The growth rate of GDP at constant 1982 prices fell from 8.2 per cent in 1977 to about 5.0 per cent in 1979 and to 3.9 per cent in 1980.

1.25 To add to these economic difficulties, the short-lived political disturbances of 1982 adversely affected the investment climate. However, there was quick recovery from these disturbances as Government took firm measures to restore confidence in the economy.

1.26 The year 1983 was one of changed economic fortunes. In that year, there was a welcome drop in the world price of crude oil from US$ 34.52 per barrel in 1981 to US$ 28.40. At the same time, the world economy began to move out of recession. Although lower inflation rates ensued, interest rates remained high and Kenya's debt servicing burden, like that of many other developing countries, became acute. To counteract this, Government improved the management of the country's foreign exchange reserves through tight monetary policy. Around this time the international prices of coffee and tea increased respectively from KShs. 28.64 per kg and KShs. 19.30 per kg in 1982 to KShs. 35.40 per kg and KShs. 24.70 per kg in 1983. Gross Domestic Product in real terms grew by 2.3 per cent in 1983. The deficit on the current account of the balance of payments fell to its lowest level since

1977 and the inflation rate fell to 14.5 per cent from 22.3 per cent in the preceding year. The outlook for 1984 was quite optimistic.

e) The 1984 Drought

1.27 In the first six months of 1984, just when some semblance of recovery from recession was beginning to be felt in some sectors, the country was hit by a severe and widespread drought. Naturally, the sector that was most affected by persistent dry weather was agriculture. Its total contribution to GDP fell by 3.9 per cent in 1984 after a growth of 1.6 per cent in 1983. Maize production fell by 35 per cent, wheat by 43 per cent and both dairy and beef herds were drastically reduced. Only in coffee, sisal and sugarcane were modest increases in production recorded. Furthermore, the world prices of tea increased by over 68 per cent and led to high returns to tea farmers which rose from KShs. 21.84 per kg in 1983 to KShs. 51.84 in 1984.

1.28 Government's immediate concern was the provision of adequate food for the people. Substantial amounts of foodstuffs were imported, including more than one million tonnes of grain, and organised distribution systems were put in place which channelled it throughout the drought stricken areas. This prompt action averted a potential famine and insulated the rest of the economy from the worst effects of drought.

1.29 In 1984, the GDP grew by a mere 0.8 per cent although manufacturing grew by a commendable 4.3 per cent as a result of policies to keep the sector provided with inputs despite the pressure on the balance of payments due to commercial food imports. However, in 1985, the economy began to recover from the ravages of drought. Favourable weather conditions, Government budgetary discipline and improved economic management policies enabled the country to achieve a real GDP growth rate of 4.8 per cent. In addition, the fall of world oil prices and the rise in coffee prices augured well for further growth. The economy in 1986 recorded a GDP growth rate of 5.5 per cent. Government introduced strong measures which helped reduce the budget deficit from around 10 per cent of GDP in 1980/81 to 4.3 per cent in 1984/85 and lowered the rate of inflation from over 22 per cent in 1982 to 5.7 per cent in 1986.

1.2 SELECTED ECONOMIC PERFORMANCE INDICATORS

a) Structural Change

1.30 Kenya's economy has experienced various structural changes since Independence. Chief among these are changes in sectoral contributions to the GDP, the composition and character of domestic and external trade, the structure of financial markets, the relative role of public recurrent and development budgets, the direction of financial flows between the country and the rest of the world, the behaviour of the foreign exchange markets and the extent of public participation in the economy.

b) Investment and Saving

1.31 An important source of growth of the economy has been its ability to sustain significant rates of investment. Since Independence the country has been able to save and invest a substantial percentage of Gross National Product (GNP). Table 1.2 indicates that since 1970 for example, about 25 per cent of GNP has on average been invested. There has also been increases in Gross National Savings, i.e. investments financed by households, domestic corporations and the Government. However, from available statistics, the level of foreign savings has been on the decline especially since the mid-1970s.

Table 1.2: Investment and Saving, 1965-87

Per cent of GNP (current prices)	1965-69	1970-74	1975-79	1980-84	1985-87
Gross Investment*	19.7	25.4	24.5	25.3	23.5
Foreign Saving	3.2	7.5	7.0	7.0	5.2
Gross National Saving	16.5	17.9	17.5	18.3	18.3

* Calculated as percentage of total investment to total GNP.

c) Money Supply

1.32 Money supply (M2), which includes currency outside banks and all deposits held by commercial banks, has grown steadily since Independence. By the last half of the 1970s, money supply was growing at an average annual rate of 20 per cent. The rising growth rate was accounted for by expanded activity of both the private and public sectors resulting from the *coffee boom* earnings of 1976-77. This led to a dramatic surge in domestic demand which pushed the rate of inflation to over 22 per cent in 1982.

1.33 Over the period 1982-85, Government introduced a series of measures aimed at controlling the rise in money supply which included raising the level of required reserves and the introduction of cash ratios. As a result, money supply averaged a growth rate of 11 per cent during this period and declined to about 5.7 per cent in 1986. Following the *mini-coffee boom* of 1986, money supply rose by about 32.5 per cent in contrast to the restraint of the previous four years. In response, Government issued Treasury Bonds of 2 and 5 year maturities in a bid to mop up the excess liquidity in the system.

d) Financial Institutions

1.34 Since Independence, the banking industry has expanded dramatically with the establishment of commercial banks and non-bank financial institutions. The number of commercial banks had risen from 9 in 1964 to 23 in 1987 with 431 branches, while non-bank financial institutions increased from one in 1964 to 54 during the same period. This remarkable development in the financial sector was facilitated by the opening of the Central Bank of Kenya in 1966, followed by the enactment of the *Banking Act of 1968* which laid the foundation for stability and future expansion of the financial system. The sector has continued to play a key role in the development process through mobilisation of savings, provision of advisory and specialised financial services and the efficient conduct and settlement of economic transactions as evidenced by the growth in the liabilities of the banking system which expanded at an average annual rate of 18 per cent during the period 1968-87. The growth of the banking system is depicted in Table 1.3.

1.35 Available data on the performance of commercial banks depict rapid growth before 1980 and a slowdown of their activities during the period 1980-85. Lending grew from K£ 67 million in 1968 to K£ 658 million in 1980 while deposits expanded from K£ 11 million to K£ 700 million over the same period. However, during the period 1980-85 lending grew by only 14 per cent annually and deposits by 13 per cent. The slowdown in the growth of commercial banks in the latter period is attributable to increasing competition from non-bank financial institutions that grew rapidly during this period offering higher interest

Table 1.3: **Performance of Financial Institutions Over Selected Years**

(K£ Million)

	As at 31st December							
	1968	1970	1973	1980	1984	1985	1986	1987
Assets/Liabilities of the Banking System	105	173	270	893	1,409	1,501	2,027	2,423
Total Lending								
Commercial banks	67	87	161	658	1,054	1,155	1,463	1,675
N.B.F.I.*	8	14	35	207	516	615	643	897
Total Deposits								
Commercial banks	11	26	228	700	1,108	1,230	1,548	1,680
N.B.F.I.	7	14	34	243	608	702	806	884

* Non-Bank Financial Institution

rates on deposits than the banks. Since 1985, however, the growth in commercial bank lending and deposit taking has accelerated, partly due to problems that faced the non-bank financial institutions in that year.

1.36 There was only one non-bank financial institution in 1964 and even by 1973 only 8 such institutions existed. These institutions played a relatively small role in the economy. This number doubled to 16 by 1980 and increased to 54 by 1987. During the period 1980-85, non-bank financial institutions experienced a rapid expansion of their role in the economy by way of lending and the mobilisation of deposits, which grew at average annual rates of 28 per cent and 29 per cent respectively. Also, their share of total liabilities of the banking system rose from about 36 per cent in 1980 to peak at 66 per cent in 1985. This growth may be attributed to the prevailing high returns on investment in the financial sector, facilitated by the less stringent controls governing these institutions before 1985. The institutions were also seen as a vehicle for indigenous Kenyans' entry into the banking sector.

1.37 The performance of these institutions has, however, declined since 1985. The share of total liabilities of non-bank financial intermediaries in the banking system declined to 46 per cent in 1987. Lending grew by 39.5 per cent during the same year. The decline is attributed to a large shift of deposits to the more established commercial banks in the wake of the liquidity problems mentioned earlier. Furthermore, the 1985 amendments to the *Banking Act* which were necessary to instil discipline in the financial sector and to ensure orderly growth have considerably dampened speculative enthusiasm.

e) Interest Rates

1.38 Since 1966 Kenya's policy on interest rates has aimed at keeping the rates under control so as to promote monetary stability. However, because of the inflation which followed the 1973/74 oil price increases, real interest rates became negative. In a bid to bring the rates to positive real levels, the Central Bank adjusted all principal interest rates upwards in 1981. All the main interest rates have remained positive in real terms since 1984.

1.39 In addition, the interest rate differential between commercial banks and non-bank financial institutions has been kept under review to ensure competition on equitable terms. In this regard, saving and lending rates for both hire purchase companies and building societies were lowered in 1987. However, the long-term intention of policy is to gradually move towards interest rates determined by market forces as capital and discount markets become more efficient.

f) The Government Budget

1.40 Between 1964 and 1979, the Government budget deficit remained below 4 per cent of GDP except during the *coffee boom* in 1976/77 when it rose to 5 per cent. Increased development expenditure in a climate of sluggish growth of revenues during the second oil crisis, the drought of 1980 and the world economic recession together caused the budget deficit to widen, reaching 9.5 per cent of GDP in 1980/81. However, budgetary austerity measures introduced since 1982 resulted in a significant fall in Government spending. This, coupled with the recovery of the economy from the 1984 drought helped to reduce the deficit to 4.3 per cent of GDP in 1984/85. During the same period, the share of total expenditure going to economic services declined from 29 per cent in 1964/65 to 22 per cent in 1985/86. Conversely, the share of expenditure going to social services rose from 17 to 29 per cent over the same period, with the share of education rising from 10 to 20 per cent.

1.41 In 1985, the austerity measures introduced in 1982 were reinforced by the launching of the Budget Rationalisation Programme under which:-

- projects with potentially high productivity (high cost-benefit ratio) would be identified and their completion accelerated by infusion of funds;

- projects with low potential benefits would be identified and postponed or cancelled to free funds for those with higher rates of return;

- the recurrent expenditure implications of completed or almost completed development projects would be assessed and sufficient resources set aside to fund these projects in subsequent years, thus ensuring fuller utilisation of completed facilities. This implies a shift of resources towards the operation and maintenance of existing public facilities; and

- new development projects would be funded only where they promised to be productive investments of high priority.

1.42 During the period 1986-88, the budget deficit widened as a result of increased Government expenditure on the 8-4-4 education programme, the funding of the multiple university intakes, the construction of grain silos and the purchase of grain from the 1986 bumper harvest. The expanding deficit was further exacerbated by expenditure on the hosting of the All Africa Games in August 1987 and the General Elections in March 1988. These activities were necessary for the enhancement of education, food security, Kenya's image on the continent and abroad, and the consolidation of our democratic tradition.

1.43 However, there has been a change in the pattern of budget financing towards more non-inflationary sources. In 1986, the Government floated new medium-term bonds. Initially, however, and contrary to policy intentions, commercial banks turned out to be the major buyers of these instruments so that in 1986/87 they accounted for 60 per cent of Government borrowing. Government stepped in to avert the resultant crowding-out effect by restricting the purchase of these instruments by commercial banks and making them increasingly available to the non-bank sector. These instruments broadened the Money Market and led to moderation in the growth of money supply.

g) Public Debt

1.44 As indicated in Table 1.4, Government had contracted only a modest level of internal debt during the period 1964-72. With improvements in the local market conditions after Independence, Government

Table 1.4: Outstanding Public Debt for Selected Years, 1964-87

	1964	1972	1974	1978	1982	1987
Government Budget						
Overall Deficit*						
(K£ Mn)	-9.2	49.8	57.3	141.3	298.50	387.6
Debt: (K£ Mn)						
Domestic	17.99	88.54	129.13	283.57	454.2	716.93
Foreign	68.12	105.76	136.34	242.26	859.31	2,280.65
Total	86.11	194.30	265.47	525.83	1,313.60	2,997.58
Debt Service						
Charges: (K£ Mn)						
Domestic	3.24	9.47	9.40	29.45	77.21	206.38
Foreign	1.97	7.23	8.64	31.17	102.58	257.38
Total	5.21	16.70	18.04	60.62	184.79	463.76
GNP (K£ Mn)	348.87	731.28	1,016.04	2,049.81	3,363.88	6,363.21
Exports of Goods						
and Services**						
(K£ Mn)	119.70	200.11	357.20	593.10	877.60	1,400.44
Ratio of External						
Debt to Exports						
of Goods and						
Services (%)**	56.9	52.8	38.2	40.9	97.9	162.9
External Debt						
Ratio to GNP (%)	19.5	14.5	13.4	12.4	25.5	35.8

* Calendar year totals, derived by averaging two financial years.

** Excludes factor incomes.

turned increasingly to domestic sources for the financing of the budget deficit. This resulted in an almost five-fold increase in the size of internal public debt from about K£ 18 million in 1964 to K£ 88 million in 1972. Foreign public debt in the meantime rose from K£ 68 million to nearly K£ 106 million. Since the Government rapidly increased it's expenditure while its revenues grew rather slowly, the overall budget deficit worsened from K£ 57.3 million in 1974 to K£ 141.3 million in 1978. To bridge this widening gap, Government borrowing increased so that total outstanding public debt nearly doubled from K£ 265.5 million in 1974 to K£ 525.5 million in 1978. The debt rose further to K£ 1,313.6 million in 1982, creating a crowding-out effect in the economy in addition to fuelling inflation and worsening the external debt situation.

1.45 The dramatic world oil price increases of 1973-74 also compelled the Government to increase its external borrowing considerably to finance imports. Total outstanding foreign debt rose from K£ 136.3 million in 1974 to K£ 242.3 million in 1978. It rose further to K£ 859.3 million in 1982 on account of the second oil price shock and the drought, both of which took place in 1979-80. By 1987, the external component of the public debt had sky-rocketed to nearly K£ 2.3 billion, constituting 76 per cent of the total public debt.

1.46 The burden exerted on the Kenyan economy by its external public debt service charges has grown enormously from K£ 1.97 million in 1964 to K£ 8.64 million a decade later, rising to K£ 257.38 million in 1986. Service charges in 1987 on external public and publicly guaranteed debt represented 37 per cent of total value of exports of goods and non-factor services. External debt servicing has emerged as one of the most critical issues that must be addressed if the growth of the economy is to be stimulated and sustained.

h) Inflation

1.47 During the first nine years of Independence, Kenya showed an impressive record of price stability. The quadrupling of petroleum prices in 1973 accelerated world-wide inflation to which Kenya's economy is highly vulnerable. The rate of inflation as measured by Nairobi Consumer Price Indices rose from a mere 2.6 per cent in 1972 spiralling to 9.8 per cent in 1973, 15.3 per cent in 1974 and 15.6 per cent in 1975.

1.48 Between 1976 and 1981, the inflation rate fluctuated between 10 per cent and 13 per cent with the exception of 1979 when it fell briefly to 8.4 per cent. The second oil crisis and the ensuing economic recession, compounded by a widening Government budget deficit, raised the inflation rate to an unprecedented level of 22.3 per cent in 1982. Since then, concerted Government efforts assisted by low oil prices, wide availability of goods and lower world inflation have led to a tremendous decline in inflationary pressure.

1.49 Table 1.5 indicates that the inflation rate reached its lowest point in recent years in 1986 at 5.7 per cent. That year was also marked by the lowest oil prices for a decade. In 1987, however, the inflation rate resumed an upward trend to 7.1 per cent and is likely to reach a level of around 10 per cent in 1988.

Table 1.5: Percentage Increases in Nairobi Consumer Prices, 1984/83-1987/86

Income Group	1984/83	1985/84	1986/85	1987/86
Lower Income Index	10.3	13.0	4.0	5.7
Middle Income Index	8.9	11.1	7.7	8.3
Upper Income Index	8.0	8.0	5.3	7.8
Average Increases	9.1	10.7	5.7	7.1

i) Balance of Payments

1.50 Kenya's balance of payments position started showing strains in the early 1970s. With the first oil shock in 1973, the terms of trade worsened, a situation that has persisted with the exception of the *coffee boom* period of 1976-77. This boom, which resulted from higher world coffee and tea prices, led to a temporary recovery in the balance of payments position. The sharp fall in the prices of both commodities in 1978 and Government's inability to reduce imports drastically owing to the existence of many projects that began in the boom period led to a sharp deterioration in the balance of payments situation.

1.51 As the country was trying to cope with the changed circumstances, the second oil shock set in during the period 1979-80. The situation was exacerbated by the decline in coffee and tea prices as well as a fall in export volume. The poor weather of the early 1980s and the global recession worsened the overall balance of payments position. An improvement in tea prices during 1983-84 owing to India's withdrawal from the London Auction Market provided a much needed respite to the economy. This *tea boom* plus some expansion in non-traditional exports would have led to some improvement in the balance of payments position. However, the drought of 1984 reduced agricultural output thus raising food imports. This was followed by a turn-around in tea prices in 1985 resulting in a return to a period of poor balance of payments performance.

1.52 A favourable balance of payments position was attained in 1986 due to a combination of high coffee prices and a dramatic fall in world oil prices. Agricultural output also benefitted from ample rainfall. These positive developments were short-lived as the oil price doubled in 1987, while coffee and tea prices dropped again. This situation, in addition to reduced petroleum product exports led to a poor balance of payments out-turn in 1987. Table 1.6 details the balance of payments position for selected years during the period 1972-87.

Table 1.6: Balance of Payments, Selected Years

(K£ Million)

	1972	1974	1978	1980	1982	1984	1985	1986	1987
Balance of Trade (Merchandise)	-65.5	-158.9	-355.5	-526.6	-290.9	-226.1	-270.7	-232.3	-587.4
Current A/C Balance	-24.3	-126.1	-255.3	-328.7	-159.7	-86.3	-79.4	-35.9	-408.6
Overall Balance	9.0	-31.5	-77.6	-72.2	-108.1	-32.3	-94.2	73.0	-75.9

1.53 An overall balance of payments deficit of K£ 76 million was incurred in 1987 compared to a surplus of K£ 73 million in 1986. The 1987 down-turn in the balance of payments position resulted from a sharp fall in the world prices of coffee and tea and a rise in the price of crude oil. The invisible component of the current account has traditionally shown a surplus. Tourism, which is a major component therein has continued to grow steadily from K£ 197 million in 1985 to K£ 292 million in 1987. The weak balance of payments position has meant a weak Kenya Shilling. The Shilling depreciated by 13 per cent in 1987 and has lost 46 per cent of its value since December, 1984.

1.3 SOCIAL WELFARE INDICATORS

1.54 The main social concern of Government at the time of Independence was the elimination of the three enemies: poverty, illiteracy and disease. Government has, therefore, adopted development strategies aimed at achieving a better standard of living for all. Significant progress has been made in the fields of health, nutrition, education, food security, water supply, environmental conservation, housing, transport and communications, the status of women, real earnings, co-operative development and the *Harambee* movement, thereby considerably improving the quality of life of the average Kenyan.

a) Health

1.55 The provision of health services is not only a basic need but also an essential condition for overall economic development. The health status of the population can be assessed by a number of indicators including the crude death rate, infant mortality rate, life expectancy at birth and the number of medical staff and facilities available per unit of population. Data for some of these indicators are presented in Tables 1.7 and 9.2.

Table 1.7: Registered Medical Personnel per 100,000 Population (Selected Years)

	1964	1969	1974	1979	1983	1986	1987
Doctors	7.8	11.9	9.6	10.1	12.6	14.2	13.9
Dentists	0.3	0.5	0.7	0.9	1.5	2.1	2.2
Pharmacists	1.6	1.5	1.6	1.8	1.6	1.6	2.0
Registered Nurses	22.8	28.3	37.8	42.8	45.5	45.8	44.8
Enrolled Nurses	29.9	35.4	..	54.4	54.1	57.9	59.9
Clinical Officers	..	10.1	9.5	10.0	10.2	10.6	10.3
Public Health Officers	..	..	0.8	1.5	1.8	2.1	2.2
Public Health Technicians	..	6.4	6.9	6.7	7.6	8.7	9.3

1.56 Considerable progress has been made in improving the health status of the population. The crude death rate is estimated to have dropped from 22 per thousand in 1962 to about 13 per thousand in 1987, while life expectancy at birth improved remarkably from 44 years to an estimated 58 years in 1987. Government has also improved the provision of health services substantially. There were 148 hospitals at Independence. By 1987, however, the number had risen to 254. With the increase and expansion of health institutions, beds and cots increased from 11,430 at Independence to 31,356 in 1987. In addition, Government continued to expand training opportunities and to promote career development for health personnel through continuing education and on-the-job, refresher and residential training.

b) Education

1.57 Education is one of the most important influences on the quality of life. Government has, therefore, been committed to the provision of equal educational opportunities for all through the provision of free primary education and the production of skilled and high level manpower to meet the growing and changing demands of the economy. The importance of education is reflected in the growing proportion of the Government budget that has been allocated to this sector which rose from 10 per cent in 1964/65 to 20 per cent in 1985/86. Overall, there has been a remarkable expansion in the country's education system.

1.58 Secondary school and teacher training programmes have also been greatly expanded and improved. Vocational, Technical, Agricultural and Higher Education institutions have been expanded to meet the demands of the economy for technically and professionally qualified personnel. The 8-4-4 system of formal education introduced in 1985 aims at enhancing these efforts in addition to providing an all-round education. Table 1.8 sets out details of growth in education since Independence. There has been a considerable improvement in the sex ratio in school enrolment. The ratio of boys to girls in primary schools, which stood at 192:100 at Independence fell to 107:100 in 1987. Over the same period, the ratio for secondary schools fell from 215:100 to 144:100. The pupil/teacher ratio also declined from 39:1 to 34:1 while adult literacy has risen from 20 per cent to about 50 per cent of the population over the last 25 years.

1.59 There has also been a remarkable growth in the number of schools and in the level of enrolment. The number of primary schools more than doubled between 1963 and 1987, while that of secondary schools increased seventeen-fold during the same period. Enrolment

Table 1.8: Education Trends for Various Institutions, 1963-87 (Selected Years)

(Numbers)

	1963	1973	1983	1986	1987
Primary Schools					
No. of Schools	6,058	6,932	11,966	13,437	13,849
Total Enrolment ('000)	892	1,816	4,324	4,843	5,031
Sex Ratio *	192	130	108	108	107
Secondary Schools					
No. of Schools	151	964	2,230	2,417	2,592
Total Enrolment	30,120	174,767	493,710	458,712	522,261
Sex Ratio *	215	204	148	141	144
Teachers' Colleges					
No. of Institutions**	37	21	21	22	22
Total Enrolment	4,119	8,905	13,657	15,644	17,817
National Polytechnics***					
No. of Institutions	1	2	2	2	3
Total Enrolment	864	3,721	5,398	5,313	5,186
Institutes of Technology +					
No. of Institutions		1	4	16	16
Total Enrolment		110	456	4,694	4,248
Government Universities + +					
No. of Institutions	1	1	1	4	4
Total Enrolment	571	5,149	9,223	10,143	17,538

NOTE * Boys per 100 Girls

** The drop in number of colleges was due to conversion of some of them to secondary schools.

*** Data for 1963 was not available and hence 1964 data are used instead. The irregularities in enrolment are caused by sandwich classes for private sponsors.

\+ For 1983 the entries refer to 1977.

\+ + Data refer to 1963/64, 1973/74, 1983/84, 1986/87 and 1987/88 academic years. Entries for 1963/64 academic year refer to enrolment at the Nairobi University College of the University of East Africa.

in primary schools increased more than five-fold while that in secondary schools increased over seventeen-fold. Although the number of national universities has only recently increased from one to four, enrolment in these institutions has sky-rocketed more than thirty-fold. These developments are depicted in Table 1.8. There are also an estimated 12,000 Kenyan students studying abroad.

c) Nutrition and Food Security

1.60 As indicated in Table 1.9 the availability of major food items has grown considerably and has kept pace with population growth. Available data also show that acute malnutrition, which was prevalent at Independence, is no longer a national problem.

Table 1.9: Per Capita Availability of Selected Food Items * (Including Imports)

Item	1965-70	1971-75	1976-80	1981-85
Milk	74.8	56.0	62.5	70.4
Beef	-	12.5	13.5	9.0
Mutton	-	2.5	3.6	4.0
Pork	-	0.5	0.3	0.2
Eggs	1.4	1.4	1.6	2.0
Poultry	-	-	1.9	2.2
Fish	3.1	2.5	2.8	3.4
Maize	95.1	97.4	100.1	120.0
Wheat	17.0	15.7	13.6	19.2
Rice	1.3	1.9	2.0	3.0
Pulses	23.6	22.6	17.2	20.4
Sugar	12.2	15.9	19.1	18.0
Fats/Oils	4.2	6.4	7.3	8.2
Potatoes	19.2	27.0	24.8	28.0
Cassava	59.8	53.3	49.9	54.3
Sorghum/Millet	8.0	6.7	5.6	7.5

* Kilograms per year-period average

1.61 Partly as a result of the temporary food supply problems faced by the country during the 1979-80 drought, Government formulated the *National Food Policy* enunciated in *Sessional Paper No. 4 of 1981.* Government has since implemented that policy with the aim of attaining self-sufficiency in food production through the provision of various incentives to farmers and avoidance of consumer subsidies. This has led to a recovery in production and improvement of agricultural terms of trade.

1.62 In 1984, as has already been mentioned, the country experienced another severe drought as a result of which food imports rose and the balance of payments position worsened considerably. In order to keep the "finger on the pulse", Government established a *Food Supply Monitoring Project* in the Ministry of Planning and National Development within the framework of the *National Food Policy* to monitor supply and prices of major staples. In the ensuing period, the country has been blessed with adequate rains which have brought about some improvement in food production thus somewhat easing the strain on the balance of payments position caused by food imports.

d) Water Supply and Environmental Conservation

1.63 Water is one of the most important resources for man's survival. At Independence, adequate and wholesome supply of water was not readily available to the average Kenyan household. Water had to be fetched from distant water holes, springs, rivers and ponds. In order to improve the situation, Government instituted measures resulting in the initiation of water supply projects designed to bring water closer to the people. The availability of water within easy reach of the people has not only helped improve their welfare but also released their time and energy for other productive activities.

1.64 During 1974, Government promulgated the *National Master Water Plan* with the express aim of ensuring the availability of portable water to within 4 kilometres of every household by the year 2000. This was to be achieved through the establishment of water supply projects, sinking of boreholes, construction of catchment dams and provision of the necessary conveyance infrastructure in the form of pipes and furrows. By the first quarter of 1987, 377 such projects were operational, 350 under implementation and 200 at the planning stage.

1.65 Data on the state of the environment exist in compartmentalised form in various Government departments. However, the Department of Resource Surveys and Remote Sensing (RSRS - formerly KREMU) is in the process of building an inventory of natural resources through the *Geographical Information System (GIS)* with emphasis on land cover mapping. Recent surveys have revealed an overall 3.4 per cent forest cover in the country and SPOT satellite scenes indicate an annual average rate of 1 per cent depletion. To contain this serious trend towards desertification, Government in 1981 created a *Permanent Presidential Commission on Soil Conservation and Afforestation* and encouraged public, individual and group initiatives at environmental conservation, resulting in the creation of such schemes as the Rural Afforestation Extension Scheme, the Green Belt Movement and various agro-forestry programmes.

1.66 The National Environment Secretariat in 1982 completed a *National State of the Environment Report* following an evaluation project on environment and development sponsored by the Government, UNEP and UNDP. The Secretariat has also initiated a *District Environment Assessment Programme* which links well with the District Focus for Rural Development Strategy. National Conservation and Desertification Control strategies are being developed under the guidance of an Inter-Ministerial Committee on the Environment serviced by the Secretariat. *Environmental Impact Assessments* have also been carried out on specific on-going and proposed projects with a view to anticipating environmental problems and/or finding their solution before they become too severe. Such assessments are designed to address problems caused by human settlements, urbanisation and other developmental programmes and projects that may occasion soil erosion, air, water and noise pollution, waste accumulation, congestion, blight and other health-related problems. The Secretariat has also developed robust education and information programmes geared toward speeding up environmental education to all levels of society. Work on a system of comprehensive monitoring and control of environmental pollution is still underway. All these and other activities will be pursued during the Plan period.

e) Housing

1.67 The provision of decent housing for every family is a long-term objective of the Government. The adequacy of housing is determined not only by the shelter and contiguous facilities it provides but also by the entire system of supportive and facilitative infrastructure and services, including accessibility to the work place and social facilities and amenities. Government has adopted a number of strategies and programmes aimed at alleviating the acute shortage of housing in urban areas and improving its quality country-wide. These include settlement upgrading, rental accommodation, tenant purchase schemes and individual housing development. Information available on the production of urban dwellings by the public and private sectors and of new urban households is given in Table 1.10.

Table 1.10: Recorded Production of Dwellings by Public and Private Sectors Compared With the Formation of New Urban Households (1976-82)

	1976	1977	1978	1979	1980	1981	1982	% Total 1976-82
National Housing Corporation								
Houses	317	916	1,544	4,085	3,527	2,755	2,928	36.0
Site & Service	1,128	355	1,077	2,389	2,454	2,719	2,550	28.4
Min. of Works, Housing & PP	254	106	359	156	482	471	49	4.2
Other Public Sector	1,068	193	257	221	481	206	443	6.4
Private Sector	791	742	835	2,716	2,065	1,918	2,083	25.0
TOTAL	3,558	2,312	4,072	9,567	9,009	8,069	8,053	100.0
Estimated No. of New Households	23,700	25,600	27,600	29,800	32,100	34,700	37,400	
New Dwelling Units as % of New Households	15.0	9.0	14.7	32.1	28.0	23.3	21.5	20.5

1.68 It is evident from the table that there is a serious shortage of housing in urban centres. In order to alleviate this problem, Government has been working toward the elimination of constraints to housing development, including the availability of land, cost of building materials and construction finance and inadequate financing mechanisms, inappropriate building by-laws and standards, rapid growth of the urban population, etc. Table 1.11 derived from a 1983 Urban Housing Survey conducted in 33 urban centres summarises the main sources of urban finance for housing development.

Table 1.11: Source of Finance by Housing Types (1983)

(Percentage)

Market Sector	Source of Finance*									
	A	B	C	D	E	F	G	H	I	Total
Private Individuals	30.5	8.1	4.2	1.9	4.4	22.8	10.2	7.1	10.8	100.0
Private Developers	21.9	16.3	21.7	0.3	19.9	4.5	4.7	5.3	5.4	100.0
Tenant Purchase	1.1	5.8	25.9	-	1.1	6.9	1.1	5.2	52.9	100.0
Site & Service	22.9	2.4	8.4	-	1.2	37.4	6.0	6.0	15.7	100.0
Other	19.6	2.3	26.2	1.9	0.2	9.6	2.3	3.7	34.2	100.0
TOTAL	26.1	6.6	11.9	1.7	3.8	18.3	7.3	6.0	18.2	100.0

* Source of Finance:
A - Commercial Banks
B - Housing Finance Company of Kenya
C - National Housing Corporation
D - Insurance Companies
E - Other Financial Institutions
F - Co-operatives
G - Employers
H - Relatives
I - Other

f) Transport and Communications

1.69 Efficient transport and communications system are not only critical infrastructural prerequisites for a country's economic development but also make a direct contribution to social welfare. People would like to travel from one place to another for work or leisure and to transport their goods and wares to and from the markets. They would also like to communicate with friends and business associates inside and outside the country with ease, participate in local and international activities and travel in safety and comfort at prices they can afford. Such facilities are made available through transport and communication services that have grown rapidly since Independence. Some of these services contribute only indirectly to social welfare through their economic impacts. However, others like road and railway transport, posts and telecommunications and information and broadcasting have a more direct bearing on people's daily lives. Their rapid growth and expansion as indicated in Chapter 5 is testimony to their pivotal role in the economy.

g) Energy

1.70 Energy is not only an essential input in the productive process of the economy but also a direct requirement in people's daily lives. It is generated mainly from woodfuel, petroleum and electricity. In Kenya, the main source of energy particularly for household consumption in heating, cooking and lighting has been woodfuel. Since Independence, however, the Government has embarked on a rigorous rural electrification programme to supplement dwindling supplies of woodfuel and improve people's lives through opening up opportunities for commercial, industrial and social activity, and also for lighting. The consumption of woodfuel in the past has resulted in the depletion of the vegetative cover leading to soil erosion and desertification and threatening to impoverish the people. Since electricity is a relatively expensive source of energy for domestic use, efforts are being directed toward the development and exploitation of renewable sources of energy such as solar, wind, biogas and afforestation and the employment of energy efficient kilns and cookstoves.

h) Status of Women

1.71 Women have always occupied a central role in African economies being the main agricultural producers and suppliers of welfare services at the household and community levels. The woman's position in traditional society was clearly defined and largely determined her rightful social status. However, colonial subjugation and its attendant *Victorian* attitudes towards women both as workers and as partners in life eroded women's economic and social status. Kenya has been working toward the restoration of women to their active role, not only in the development of the economy but also in the ownership and control of wealth arising from economic production. Women's quality of life, as measured by such indicators as education, health, urbanisation, employment and incomes, has improved considerably since Independence.

1.72 Female representation in modern sector employment was very low at Independence, accounting for only 12.2 per cent in 1964. This percentage had risen to 16.2 by 1976 and was just over 21 per cent in 1987. With regard to the traditional sector, women make a vital contribution in the production of food and cash crops, raising of livestock and provision of essential domestic services.

1.73 Traditional education patterns provided for the socialisation of children, both male and female, towards the roles they would play in adult life. Colonial education, however, relegated women to a subordinate position. In 1963, a total of 892,000 pupils attended primary school, 34 per cent of whom were girls. By 1973, total enrolment had doubled and the proportion of girls had increased to 43 per cent, rising to 48 per cent in 1987. The proportion of girls in secondary schools, which was 32 per cent in 1963, had risen steadily to about 40 per cent by 1987.

1.74 Of all those enroled in primary teacher training colleges, women represented 37 per cent in 1975, rising to 40 per cent in 1986. For secondary schools, this was 27 per cent in 1980, rising to 33 per cent by 1986. Women constitute about 20 per cent of the student population at the University of Nairobi and 40 per cent at Kenyatta University. For all universities, the proportion of women stands at approximately 30 per cent. Except in the faculties of Dental Surgery, Education and Fine Arts, women are a minority in all other faculties. This is explained by the higher drop-out rate for girls resulting from social and biological factors. Only 34 per cent of girls who enrol actually complete primary school compared to 48 per cent for boys. However, Kenya has been seeking solutions to this disadvantaged position for girls.

1.75 African women were largely barred from urban employment during colonial times while their male counterparts were preferred for the largely menial tasks reserved for indigenous Kenyans. Since Independence, an increasing number of women have migrated to urban areas. Greater access to education and training has opened up opportunities for urban employment for women alongside their male counterparts. The proportion of women in urban areas had grown from 41 per cent in 1962 to 45 per cent by 1979 and to approximately 48 per cent in 1987.

1.76 Women had well-defined leadership roles in traditional society and participated actively in the struggle for Independence. However, due to their disadvantaged position in the education system and as a result of unfavourable social attitudes, women have been slow to rise to prominent leadership positions in modern Kenya. However, in both the public service and the private sector, a growing number of women are assuming managerial and supervisory positions in all sectors of the economy. Politically, women have the vote and exercise a considerable impact on political trends. Women's Groups participatory initiatives have contributed tremendously to economic and social progress.

i) Movement in Employment and Real Earnings

1.77 Table 1.12 shows the development of employment since 1984. Total employment was 25.5 per cent higher in 1987 than in 1984. The

Table 1.12: Persons Engaged, 1984-87

(Thousands)

	1984	1985	1986	1987*	% Change 1984/1987
Wage Employees					
Modern Sector					
- Private	577.9	599.8	620.7	638.1	10.4
- Public	541.5	574.6	599.8	624.6	15.3
Self-employed	32.4	33.1	35.4	38.1	17.6
Small-scale Enterprises	133.3	254.5	281.0	312.1	134.1
TOTAL	1,285.1	1,462.0	1,536.9	1,612.9	25.5

* Provisional

largest contribution to this growth came from the small-scale enterprise sector. *Sessional Paper No. 1 of 1986* on *Economic Management for Renewed Growth* stresses the importance of employment creation to absorb the fast growing labour force. In particular, the policy emphasises accelerated employment creation in the private sector particularly in the small-scale enterprise sector, with gradual decline in the public sector.

1.78 Table 1.13 details percentage changes in wage employment, average earnings and real earnings estimated by deflating average earnings by the consumer price index. While employment in the modern sector has risen only moderately since 1976, average earnings have risen

Table 1.13: Changes in Wage Employment, Prices and Real Earnings, 1972-87

(Percentages)

	1972	1974	1976	1978	1980	1982	1984	1985	1986	1987*
Wage Employment	4.1	8.5	4.7	1.0	3.4	2.1	2.4	4.9	3.9	3.5
Average Earnings (Current Prices)	5.6	9.3	16.1	10.9	13.9	6.8	9.5	9.3	8.8	7.1
Consumer Price Index**	2.6	15.3	10.5	12.4	12.8	22.3	9.1	10.7	5.7	7.1
Real Earnings	2.9	5.2	5.1	-1.3	1.0	-12.7	0.4	-1.3	2.9	-

* Provisional

** Percentage increases are derived from a composite index of lower, middle and upper income indices calculated as an average of the indices.

by over 9 per cent per annum since 1974. However, these gains in average earnings have been eroded by the high inflation rate obtaining since 1974. The worst year was 1982 when the inflation rate was 22.3 per cent. Since 1984, however, real earnings have held their ground excepting for a small erosion recorded in 1985.

j) Development of Co-operatives

1.79 The co-operative movement has expanded rapidly since Independence. It now constitutes a large portion of the private sector and is involved in a wide range of economic activities which include the processing and marketing of produce, distribution of agricultural inputs, promotion and mobilisation of domestic savings and provision of credit facilities, consumer shops, insurance, banking as well as other services required by co-operators.

1.80 The role of co-operatives in mobilising human, financial and material resources for development and improved welfare for members is reflected in their rapidly rising membership, increasing turnover and promotion of domestic savings. Membership in co-operative societies grew from 200,000 in 1963 to nearly 2 million in 1985, representing a ten-fold increase. The turnover rose two-fold between 1980 and 1985 from K£ 115 million in 1980 to K£ 230 million in 1985. Although the contribution of non-agricultural savings and credit societies to the total turnover at about 11 per cent in 1985 remains small, these societies have grown steadily both in membership and in their contribution to the injection of capital into all sectors of the economy.

k) Harambee Movement

1.81 *Harambee*, Kenya's unique self-help movement, has been operating concurrently with official development programmes since Independence. The movement has been responsible for the mobilisation of large quantities of capital development resources providing for a wide variety of basic needs. *Harambee* contributions have gradually placed less emphasis on economic development projects (e.g. water supply, transport and communications facilities, agricultural ventures, roads, bridges, etc.) and given greater weight to social development projects (e.g., education, health, social welfare, etc.). During 1965-69, social development projects accounted for 64 per cent of total *Harambee* contributions, rising to 86 per cent during the 1980-84 period.

1.82 The value of *Harambee* capital formation rose steadily over the years from K£ 1.2 million in 1965 to K£ 21.9 million in 1984. The total nominal value of *Harambee* projects between 1965 and 1984 was K£ 160 million, accounting for 11.8 per cent of Gross Fixed Capital Formation. Average per capita contributions also grew from KShs. 6.42 in the 1965-69 period to KShs. 8.46 during the 1980-84 period. These figures, however, do not include contributions in kind which are substantial. The number of completed projects grew from 6,711 in 1965-69 to 14,028 in 1980-84. The ratio of project completions to project starts also grew from 35.6 per cent during 1965-69 to 80.4 per cent during 1980-84.

1.83 *Harambee* contributions, which take the form of cash, labour, materials and, lately, professional services, come from various sources. There is broad participation among the *Wananchi*, with support coming from the Government, local authorities, administrative officials, elected leaders, business firms and individuals, foreign agencies and Governments and Non-Governmental Organisations (NGOs). Thus the participation base has broadened considerably, and *Harambee* is one of the concrete ways in which the theme of this Plan 'Participation for Progress' will be translated to positive action, as further elaborated in Chapter 10.

1.4 ECONOMIC BASE FOR THE SIXTH DEVELOPMENT PLAN

1.84 The spring-board for the Sixth Development Plan is a fairly healthy economic foundation which has already been described in this Chapter. It can be seen that growth, investment and employment have all been satisfactory in the recent past. While debt and inflation give cause for serious concern, the policy framework for sustained growth is firmly in place.

1.85 The immediate difficulties arising from the weakening of the budgetary position in 1986/87, when the deficit rose to 7.6 per cent of GDP were satisfactorily addressed in the 1987/88 fiscal year with the deficit being brought down to 4.1 per cent. Strong discipline on expenditures including the adoption of a variety of ceilings intended to maximise the absorption of donor funds has been instituted. Policies for the control of borrowing have similarly been put in place and are discussed in detail in Chapter 4.

1.86 The balance of payments position continues to be a matter of concern. The present weak position with respect to reserves, and the forecast requirements for financing the requisite import programme for growth will need continuous monitoring. In the long run, the solution to the balance of payments position lies in expansion and diversification of exports along the lines proposed in *Sessional Paper No. 1 of 1986*. In the meantime, the balance of payments support programme will, as far as possible, be financed by concessionary donor loans and grants as has been the case in the recent past. Therefore, this Plan period will be the bridge between the short and medium-term as far as the management of the balance of payments is concerned. Conditional on the prices of our major imports and exports remaining relatively stable, the economic base for the period 1989-93 could be taken as calling for the concerted development and pursuit of the policies presented in the rest of this Plan.

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CHAPTER 2

THEME AND POLICY FRAMEWORK

2.0 INTRODUCTION

The considerable progress in our social and economic development that has been achieved since attaining Independence in 1963 is attributable to the stability of our political environment and the pragmatic approach that has characterised the development planning process in Kenya. This pragmaticism is reflected in the continuity of our development philosophy as first articulated in *Sessional Paper No. 10 of 1965* on *African Socialism and it's Application to Planning in Kenya* and as later contained in policy outlines of successive *KANU Manifestos*, in the *District Focus for Rural Development Strategy* and more recently in *Sessional Paper No. 1 of 1986* on *Economic Management for Renewed Growth*. These policies have remained consistent in their espousal of Kenya as a mixed economy wherein Government and the private sector play specific but complementary roles.

2.2 The theme of the current Plan "PARTICIPATION FOR PROGRESS" is not fundamentally new but rather a synthesis of previous plan themes. It prescribes that specific and complementary roles and responsibilities will be borne in concert by the Government and the *Wananchi* in their corporate and individual capacities in the quest for the improvement of the quality of life for all. The philosophy behind this theme issues from the concept of mutual social responsibility as expounded in *Sessional Paper No. 10 of 1965*.

2.3 Though our development philosophy will remain unchanged, this Plan represents a major re-orientation of policy and priorities in certain key areas in contrast to previous plans. First, the Plan pioneers the incorporation of the *structural adjustment process*. The major thrust during this Plan period rests on the quest to redress and reshape those previous policies and strategies which emphasised import substitution industrialisation, concentrated more economic activities in major towns at the expense of rural areas, emphasised Government's role and involvement in commercial activities even where the private sector would be more efficient and failed to effectively grapple with the unemployment problem. Hand in hand with this re-orientation will be major institutional changes designed to cope with the inadequacy of financial and capital resources available for development.

2.4 Secondly, the conventional centralisation of management and decision-making at the headquarters in Nairobi has proved inefficient. To correct this situation, decentralisation of the planning process as reflected in the District Focus for Rural Development Strategy and the *Budget Rationalisation Programme* has been grafted to the overriding objective of achieving efficiency in the management of public affairs, especially with regard to the utilisation of manpower and capital resources.

2.5 A third aspect in which the present Plan will improve on its predecessors is its adoption of an *Integrated Approach* to planning. This essentially entails viewing development issues inter-sectorally such that a set of issues is addressed at the same time by all sectors in search of solutions and priority given to those major issues facing the country, including improved management of available resources, maximisation of agricultural production, more efficient and faster industrialisation, preservation and development of natural resources and enhancement of public welfare. This approach will facilitate on-going and timely examination of possible constraints to development and initiate steps toward overcoming such constraints.

2.1 FRAMEWORK

2.6 The development strategy outlined in *Sessional Paper No. 1 of 1986* is the foundation on which this Development Plan has been built. The challenges ahead of Kenya in the period leading to the year 2000 and the broad proposals contained therein on how these challenges could be tackled form the base on which the Plan's objectives and strategies are formulated.

2.7 As a result of past population growth, a consequential increase in the labour force is inevitable. There are 2.0 million people who will enter the labour market during the Plan period, swelling the current estimated number of 8.6 million to 10.6 million. The challenge is how to provide adequate and productive employment for this labour force. In order to realise this goal, the target growth rate of 5.4 per cent must be achieved for the economy, to ensure adequate resources for consumption and investment. At the same time, the current gross investment rate at almost 20 per cent must also be maintained. Achieving these objectives will entail substantial generation, mobilisation and proper management of local resources and the inflow of foreign capital.

2.8 At the growth rate of 3.7 per cent per annum, the country's population will reach 27.2 million by 1993. Assuming a continued response to current policy, this will result in an increase of 1.6 million to the urban population, resulting in a total of 5.6 million in urban centres by 1993. While a rapidly growing population has been regarded as a constraint to development and to the provision of health, education and other social services, it should be realised that the greatest resource this country has is it's people. Furthermore, it has been established that higher levels of education and incomes lead to a decline in population growth. Therefore, whereas family planning programmes will continue to be expanded and intensified, greater emphasis will be laid on the generation of increased wealth. The enhancement of this wealth will depend not only on the improvement of production in agriculture but also on an effective industrialisation policy.

2.9 For the time being, growth will continue to be dependent on agriculture, the central goal of which is to make the country self-sufficient in food production. Coffee, tea and horticultural products will remain the major foreign exchange earners. Development and expansion of export crops, however, will not be undertaken uncritically at the expense of food crops, bearing in mind that even though Kenya has a comparative advantage in the production of coffee and tea, depressed world prices for these commodities reduce the benefits we receive from their export. At the same time, even where expansion is desirable, medium and high potential agricultural land is limited, constituting as it does only 19 per cent of our land surface. Most of this land is already under cultivation and increased production can only be achieved through heavy investment in improved methods of husbandry, development of high yield seed varieties, proper and timely application of inputs, disease and pest control, irrigation and farm mechanisation. The Plan will also seek to exploit the potential of the arid and semi-arid lands.

2.10 In the circumstances, and in the context of a rising population, Kenya's vision and eventual goal is to become an industrial nation. Hitherto, we have pursued a policy of import substitution for consumer goods which is approaching it's limit. Further industrialisation will be directed towards the production of intermediate goods in the medium-term, with an orientation towards the export market, while at the same time establishing a base for the eventual production of capital goods. In order to ensure the success of this strategy, Government will further enhance the investment climate for both local and foreign entrepreneurs through the effective implementation of measures designed for this purpose, namely Manufacturing-Under-Bond, One-stop Office for investment processing, Export Processing Zones, the Green Channel, tariff and non-tariff measures, etc. At the same time, Government will enhance the competitiveness of the business environment with a view to making the industrial and commercial sectors increasingly efficient in production and marketing.

2.11 There has been a general tendency for industrial growth to be concentrated in the main urban centres. In line with the District Focus for Rural Development Strategy and the desire to bring about Rural-Urban balance, it is imperative that industrial growth be directed towards small urban centres. This will have the advantage of stemming migration to the major urban centres. Thus it is necessary that small urban centres grow throughout the country in order to create a framework upon which rural-based production activity can stimulate growth and provide markets and employment opportunities for the increasing number of job seekers.

2.12 A key aim of our development strategy is the efficient utilisation of the scarce resources. However, the rapid expansion of the economy has created an increasing strain on the Government's ability to render services out of its relatively limited resources. Given existing budgetary constraints, Government will have to give greater priority to directly productive activities. Government will also ensure adequate budgetary provision to support those areas that will stimulate growth and enable the private sector to operate more effectively. Public Service employment will be closely matched to operating expenses to avoid under-utilisation of capacity and to ensure that the work-force is effectively supervised and highly productive. In addition, Government will require the private sector to participate in the provision of some of the services such as education and health as a cost-sharing measure. This inherently constitutes the Budget Rationalisation Strategy.

2.2 THE INTEGRATED APPROACH

2.13 This Plan, unlike its predecessors, seeks to address particular issues rather than to discuss the specific activities of individual ministries or sectors. The strategy is referred to as an *Integrated Approach* meaning that not only is a limited set of issues addressed at a time, but that all arms of the Government ensure improved communication, acceptance of common goals and cohesion of efforts in seeking to resolve these issues. At the same time, the *Integrated Approach* means that the Plan does not attempt to cover all the difficulties that the country is likely to encounter over the Plan period. Rather, it addresses those areas considered to be of primary importance to development, for instance employment creation, improved management of human and financial resources, regional balance, expansion in agricultural and industrial production, preservation and development of natural resources and the improvement of public welfare, which should be cast into relief and illuminated for action.

2.14 An *Integrated Approach* to planning also means that an appropriate set of relative price signals is given in order to guide all participants in making optimal choices, and that careful attention is given to the time-phasing of economic activities so that they follow a logical, sequential pattern. The approach requires that an assessment be made of demands on goods and services such as food, shelter, fuel and water and that these demands be properly related to activities with long gestation periods like the construction of irrigation and water supply dams, power generation plants and development of fuelwood plantations, and that they are targeted to satisfy those demands as they arise. It also considers the use of appropriate technologies and relevant skills which contribute towards increasing productivity.

2.15 The *Integrated Approach* is not new in Kenya as it has already been applied in District Development Planning. This organisational strategy in planning is based on the principle of complementarity between the ministries whose approaches are mainly sectoral, and the districts where various sectors are brought together in support of rural development activities.

2.3 PARTICIPATION FOR PROGRESS

2.16 The theme of this Plan "PARTICIPATION FOR PROGRESS" issues from the goals and objectives spelt out in *Sessional Paper No. 10 of 1965* on *African Socialism and its Application to Planning in Kenya.* These goals and objectives which are common to most societies include political equality, social justice, human dignity, freedom from want, disease and exploitation, equal opportunities for all and high and growing per capita incomes, equitably distributed.

2.17 The intention here is to apply the philosophy of African Socialism which draws on the best of our traditions as adapted to the challenges of new and rapidly changing circumstances. That philosophy calls for *"political democracy; mutual social responsibility; various forms of ownership; a range of controls to ensure that property is used in the mutual interest of society and its members; diffusion of ownership to avoid* *over-concentration of economic power; and progressive taxes to ensure an equitable distribution of wealth and income".*

2.18 The theme re-emphasises the need for full participation by the entire population in the economic activities of the nation. Participation means the commitment and involvement of the Government, Non-Governmental Organisations (NGOs), co-operatives, private businesses and individuals in achieving progress for society. Progress, on its part, means not only material well-being but also a general improvement in the quality of life for all Kenyans. The sheer diversity of an economy often presents certain difficulties, but the advantages of a fruitful diversity outweigh the difficulties of complexity. Thus aspects relating to resource allocation and distribution are crucial and equitable distribution must be a goal across the nation. This means, for example, that there must be distributional justice between the urban and rural communities, between the agricultural, industrial and service sectors and between the work-force and owners of the factors of production.

2.19 The Kenyan society has always recognised the value of involving all individuals and institutions in collaborative activities for the improvement of their own welfare. This is given expression in the *Harambee* spirit translated into a voluntary participatory self-help movement which is well ingrained in our society. This movement engenders a feeling of common purpose and the spirit of togetherness among members of the community.

2.20 Government will on its own part do what it can do best, which is the provision of such public and strategic goods and services as national defence, law enforcement and environmental conservation while sharing with the private sector other activities such as research, hospital and school operations, etc., and leaving other actors in the economy to play those roles for which they are better suited. Government will provide overall national guidance in the determination of common goals and will remain the depository and disseminator of information relevant to the development process.

2.21 For development to come about, all able-bodied persons must be involved in productive work. Work gives the individual a meaning in life, sustenance and dignity, and allows him to take an active part not only in the improvement of himself but also of his nation. Higher wages and more leisure time, though they are indications of an improvement in the standard of living, may not be as intrinsically satisfying as the sheer performance of work itself. When man is engaged in work he is being useful and creative. Hard work, honesty and thrift are morally desirable and lead to prosperity. Since productive work is fundamental to the goals of progress to which this Plan is targeted, then work must be made available to as many people as possible.

2.22 The Plan challenges Kenyans to cultivate an entrepreneurial spirit which revolves around dynamism, inventiveness, innovation, initiative and a propensity to take risks. Entrepreneurs and businessmen react to the signals present in the business environment. Government will, therefore, create an environment which is conducive and rewarding to entrepreneurs and which will generate a climate favourable to both local and foreign investors in order to foster the necessary meaningful transfer of technology and creation of jobs. An entrepreneur in seeking prosperity requires access to capital and, in particular, to working capital. It is necessary also that entrepreneurs be provided with adequate information on the performance of the economy, sources of capital and on existing and potential markets.

2.23 Certain institutional changes are also expected to be realised in the course of the Plan period. A vibrant capital market which has long been a matter of concern will be established. Companies and individuals will then be enabled to obtain financial resources with relative ease. Furthermore, it will also serve to ensure that the rates of return on the range of securities available reflect more closely the scarcities in the economy. An added aspect of the development of a capital market will be the gradual decrease of the Government's interest in parastatals which it has long held on behalf of the citizens. The citizens themselves will hence become the owners of these companies. By so doing, it is envisaged that the country's resources will be more efficiently utilised.

2.24 In actuating the theme of the Plan, *Participation for Progress* the ruling Party KANU will play a crucial role. The Party has been extensively restructured and energised at both national and grassroot levels. Particularly since the ushering in of the *Nyayo* Era in August 1978, a rigorous recruitment drive has been embarked upon and, as a result, membership has grown tremendously. Party seminars already initiated will be continued during the Plan period to explain to the people the role of KANU so that they can increasingly channel their developmental activities through the Party. Working closely with the national leadership, the provincial administration and local authorities, the Party will spearhead the mobilisation of the Kenyan people and institutions for greater prosperity in the spirit of *Harambee* and the guiding Philosophy of *Nyayo* - Peace, Love and Unity.

2.4 IMPLEMENTATION, MONITORING AND EVALUATION

2.25 During the last twenty-five years of our Independence, the Government has greatly increased its capacity for policy formulation, development planning and programme and project design, as well as its ability to implement projects and programmes at national, district and local levels. During this period, the public development budget has grown by more than ten times which indicates that the number, size and complexity of programmes and projects have expanded greatly. This development imposes serious demands on information and reporting systems for the purpose of establishing the path traced by policy, to determine the extent to which established objectives are being met and whether the aspirations of the people in terms of their welfare are being adequately addressed.

2.26 Currently, there is no effective monitoring and evaluation system that can provide information necessary to indicate the extent to which the process of development programming meets set objectives. In a situation where structural adjustment programmes are to be implemented based on policy reforms, with the demands emanating from the District Focus for Rural Development Strategy and the envisaged increase in the responsibility of communities through cost-sharing, the need for monitoring and evaluation of programmes and projects has become more urgent.

2.27 The building blocks for setting up such a system exist in the activities and outputs of various ministries and agencies which, however, require to be more effectively co-ordinated. These include annual district departmental reports, data from the nationwide CBS National Integrated Surveys, district infrastructure inventories and the natural resources surveys of RSRS (both of the Ministry of Planning and National Development) and ministry reports on programme performance submitted annually to the Office of the President. Considerable amounts of information and data have also been generated during the preparation of various Programme Reviews and Forward Budgets and in the preparation of this and previous Development Plans.

2.28 During the Plan period, the Ministry of Planning and National Development will continue with the work already started in developing the monitoring and evaluation system. This will principally be centred on the development of information flows between the district, provincial and national levels. The system will aim, in the first place, at developing the capacity of the districts to collect and analyse data for effective decision-making at that level and, in the second place, at providing the channel for information flow, analysis and reporting at the national level. This will be accompanied by effective training in data handling and policy analysis at appropriate levels. The Ministry of Planning and National Development will, during the first year of this Plan, formulate the modalities for the implementation of the monitoring and evaluation system.

2.29 Policy measures contained in this Plan will be actively implemented. The implementation process calls for vigilance and responsiveness to changing circumstances and perceptions. To this end, the necessary institutional framework will be put in place to monitor and evaluate the performance of the Plan on a continuous basis so as to ensure that the economy moves in the desired direction. The necessary groundwork for the execution of this critical function has already been laid within the Ministry of Planning and National Development. Supportive Sector Policy Committees will be established to facilitate integrated evaluation of emergent issues. This will be reflected in the formulation of the *Programme Reviews* and *Forward Budgets* and annual estimates of Government revenue and expenditure during the Plan period. In order to effectively co-ordinate the design, development, monitoring and evaluation of policy, plans, programmes and projects arising in the course of this Plan period, a Secretariat will be established building on the monitoring and evaluation units already operative in the Ministry of Planning and National Development.

2.30 The wide variety of other data required for planning purposes reaching beyond the medium-term goals of this Plan will be handled by the National Planning Commission in the Ministry of Planning and National Development. The Commission will also generate an early warning system for policy and welfare indicators to facilitate timely decision-making on matters of socio-economic concern to the nation.

2.31 All in all, the essence of the theme of this Plan is to create an environment which facilitates participation by the citizens as a whole and by all economic entities, each playing different but complementary roles in pursuit of the objectives of political equality, social justice, human dignity, freedom from want, disease and exploitation, equal opportunities for all and high and growing per capita incomes, equitably distributed. The theme also enjoins all the people of Kenya, in whatever capacity they apply their energies and resources, to strive even harder in supporting the nation's efforts towards greater prosperity in an atmosphere of freedom, peace, love, unity and a sense of common purpose and responsibility as enshrined in the *Kenya Constitution* and the *Manifesto* of the ruling Party KANU.

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CHAPTER 3

NATIONAL DEVELOPMENT TARGETS

3.0 INTRODUCTION

This Chapter sets out the development targets for the Sixth National Development Plan in respect of two categories of major macro-economic magnitudes, namely direct and intermediate indicators. Direct or ultimate indicators are policy derived and include growth rates of income, employment and the price level, while intermediate or proximate indicators such as gross fixed capital formation, merchandise trade and current account balances, out-turns of Government revenue and expenditure and availability and use of domestic resources trace out the course through which the ultimate targets are expected to be realised. These two categories are inter-connected as integral parts of the economic scenario in which the nation's development objectives are expected to be attained. These targets are developed on the basis of analysis of the past performance of the economy and assumptions on the expected behaviour of domestic and international economic environments, the effects of natural forces and the impact of policy measures outlined in other chapters of this Plan.

3.1 GROWTH TARGETS

3.2 The Sixth Plan targets are ambitious judged against the actual performance of the economy in recent years. This is because it is the first of three plans which, taken together, aim to achieve the targets set for the year 2000 in *Sessional Paper No. 1 of 1986*. The targets for the Sixth Plan, however, tend to be lower than the average that will be needed to achieve the *Sessional Paper* targets. Nevertheless, additional policy measures to be implemented during this Plan period will lay the foundation for stepping up of the targets during subsequent plan periods when these measures will have taken their full effect.

a) Sectoral Targets

3.3 The most important target is the growth rate in per capita income which is set at 1.6 per cent per annum. With population expected to grow at 3.7 per cent, the implied annual growth rate of total Gross Domestic Product (GDP) is 5.4 per cent. The output targets are decomposed sectorally and incorporate the most recent statistical evidence. Table 3.1 presents targets for GDP growth during the Plan period. The last two columns of the table show that, for most national accounts sectors, the target average growth rates for the Plan period are higher than those realised during the previous Plan. This stepping up of the rate of growth is essential if our living standards are to improve.

3.4 Agriculture will continue to play a leading role in feeding the population, generating employment and incomes, contributing to foreign exchange earnings and inducing growth in other sectors of the economy. The growth of this sector over the period 1983-88 was low, averaging only 2.5 per cent per annum compared to a targeted growth rate of 4.6 per cent. This was due mainly to the severe drought of 1984 which led to a drop of 3.9 per cent in agricultural GDP in real terms. The sector recovered strongly to record growth rates of 3.7, 4.9 and 3.8 per cent in 1985, 1986 and 1987 respectively giving an average of 4.2 per cent over the three years. During the Plan period, the sector is targeted to grow at the rate of 4.5 per cent per annum. Based on past performance, this target growth rate is realistic. It would, however, be desirable to achieve a higher rate of growth of this sector in the future. This calls for the vigorous induction of technical change in the sector.

3.5 The growth of the Manufacturing sector activity has been weak in recent years, touching the low point of 2.2 per cent in 1982. The recovery which started in 1983 failed to gather momentum because of the 1984 drought. Performance of this sector has been better since 1985. An Industrial Sector Adjustment Programme mounted in 1988, together with a range of other measures aimed at raising the growth of investment and exports are being implemented. The 6.4 per cent average target growth rate during 1988-93 is expected to be met in the light of these considerations.

3.6 Actual GDP growth rates in the Trade sector have been higher in the years 1984 to 1987, signifying recovery from its depressed state in the years 1981 to 1983. A relatively high rate of growth during 1988 is anticipated, thus making the average annual rate of growth over the Fifth Plan period higher than 7.0 per cent. During subsequent years, the growth rate is expected to stabilise at around 7.0 per cent.

3.7 The target growth rates for the sectors of Transport and Communications, Building and Construction and Ownership of Dwellings for the Plan period have been set at 5.7, 4.5 and 3.4 per cent, compared to the low growth rates of 3.4, 1.1 and 1.0 per cent respectively for the

Table 3.1: Gross Domestic Product (Constant 1982 Prices)

(K£ Million & Percentages)

	Actual 1983	Projected 1988	Target 1993	Annual Growth Rate 1983-88	Annual Growth Rate 1988-93
Traditional Economy	170.48	207.13	246.72	4.0	3.6
Monetary Economy					
Agriculture	938.85	1,059.85	1,323.29	2.5	4.5
Forestry	21.56	30.16	44.31	6.9	8.0
Fishing	10.59	15.10	21.18	7.4	7.0
Mining & Quarrying	6.42	9.43	1.3 85	8.0	8.0
Manufacturing	373.09	479.94	653.24	5.2	6.4
Building & Construction	105.44	111.60	138.81	1.1	4.5
Electricity & Water	47.42	63.33	88.82	6.0	7.0
Trade, Restaurants & Hotels	295.14	417.21	585.16	7.2	7.0
Transport, Storage & Communic-ations	193.23	228.43	301.38	3.4	5.7
Finance & Insurance	214.39	270.61	352.34	4.8	5.4
Ownership of Dwel-lings	129.63	136.49	161.33	1.0	3.4
Other Services	65.65	94.90	140.73	7.6	8.2
Domestic Services	34.88	51.64	77.28	8.2	8.4
Government Services	459.89	586.69	748.78	5.0	5.0
Total Monetary Economy	2,896.16	3,555.37	4,650.50	4.2	5.5
Total Tradi-tional & Monetary	3,066.64	3,762.50	4,897.23	4.2	5.4
Population (Mn)	18.75	22.66	27.21	3.8	3.7
GDP per capita (K£)	163.55	166.04	179.98	0.4	1.6

last Plan period. Development of economic activities in the rural areas anticipated during this Plan period will require appropriate expansion of transport and communications facilities. It is also expected that an increasing number of new housing units will be constructed over the same period.

3.8 The Government sector is expected to maintain the moderate annual growth of 5.0 per cent achieved during the last Plan period in view of the adopted policy of gradually bringing down the share of resources claimed by this sector.

b) Projected Sector Shares

3.9 Data given in Table 3.1 are re-organised in Table 3.2 to show the projected average rates of growth of primary, secondary and tertiary production in the economy. In Table 3.2, these have been described as Agriculture, Industry and Services respectively. The Agriculture and Allied Activities sector includes Forestry and Fishing. Industry is made up of the four national accounts sectors - Mining and Quarrying, Manufacturing, Building and Construction and Electricity and Water. All other sectors are included in Services. The last three columns of the table show how the shares of the three sectors are expected to change.

Table 3.2: Projected Sectoral Growth Rates and Sector Shares

(Percentages)

Sector	Average Annual Growth Rate		Sector Shares		
	Fifth Plan	Sixth Plan	1983	1988	1993
Agriculture & Allied Activities	2.6	4.7	31.6	29.4	28.3
Industry	4.5	6.1	17.4	17.6	18.3
Services (including Government)	5.0	5.6	51.0	53.0	53.4
TOTAL GDP	4.2	5.4	100.0	100.0	100.0

3.10 The share of agriculture is targeted to go down from 31.6 per cent in 1983 to 28.3 per cent in 1993. The shares of the other two sectors will go up correspondingly. The rise in the share of industry is a movement in the right direction in view of Government's commitment to making it a leading sector even though the worldwide depression of the early eighties, the relatively slow growth of foreign investment and the drought of 1984 held back growth during the last Plan period.

c) Terms of Trade and Per Capita GDP

3.11 A fall in the prices of imports relative to prices of exports implies that the country is getting a larger bundle of goods and services in real terms for the part of GDP that is exported. Thus when the GDP at constant prices is adjusted for changes in terms of trade, there is a positive adjustment if the terms of trade are above 100 and a negative adjustment if the terms are below 100.

3.12 Kenya's agricultural and industrial sectors are heavily dependent on imported inputs such as fuel, fertilizers, machinery, and spare parts which are purchased with foreign exchange mainly generated from exports of coffee and tea and earnings from tourism. Kenya's terms of trade have generally been unsteady and often unfavourable. In 1986, Kenya's terms of trade index stood at 103.4 with 1982 as base. Due mainly to a substantial fall in the prices of coffee and tea and a rise in the price of fuel, the terms of trade deteriorated to 84.6 in 1987. Coffee and tea prices recovered to some extent during 1988 while the price of oil weakened again. As a consequence, the terms of trade are expected to improve somewhat in 1988 to a projected level of 94.6.

3.13 Such fluctuations will continue since primary commodity exports are subject to the uncertainties of world demand and competing country supplies. Diversification and enhancement of value-added through graduated processing of suitable commodities will lessen this vulnerability in the long-run. Import prices are also outside Kenya's control, hence the best forecast over the Plan period while structural adjustment is progressing, is that adverse movements in the terms of trade are likely to erode somewhat the 1.6 per cent per capita growth rate that has been targeted.

3.2 EMPLOYMENT GENERATION

3.14 Table 3.3 gives a breakdown of total employment in the economy by various sectors. Rural employment, defined as the sum of non-wage agriculture, farm and rural non-farm employment, remains by far the largest employer in the economy accounting for over 70 per cent of total employment. With only moderate growth of employment in the modern wage sector, an increasing number of people will have

Table 3.3: Employment by Sector, 1987-93

SECTOR	Actual 1987 ('000)	Projected 1988 ('000)	Targeted 1993 ('000)	Growth 1988-93 (% p.a.)
(i)	(ii)	(iii)	(iv)	(v)
Rural Employment	6,252.4	6,490.0	7,803.0	3.8
Urban Informal Employment	393.0	441.0	730.2	10.6
Modern Sector				
Wage Employment	1,263.3	1,326.0	1,620.9	4.1
Self-employment & Unpaid Family Workers	38.1	41.0	61.0	8.3
Whole Economy	7,946.8	8,298.0	10,215.0	4.2

to settle down to small-scale enterprises, whose share as a proportion of total employment in the economy is expected to rise from 4.9 per cent in 1987 to 7.1 per cent in 1993.

3.15 Implementation of the *Rural Trade and Production Centres (RTPC)* Programme is expected to stimulate economic activity in the centres and their hinterlands in line with the *Rural-Urban Balance Strategy*. The *District Development Fund* will support the RTPC programme by creating and improving infrastructure which will boost development and improve the general welfare of the people.

3.16 The projected distribution of total modern sector wage employment by national accounts sectors as presented in Table 3.4 is based on the sectoral real GDP target growth rates presented earlier, together with forecasts of growth in average labour productivity during the Plan period. A positive rate of change of average labour productivity over time which is a measure of output (GDP) per worker is attributed to improvement in the efficiency of workers, growth in the level of capital employed per worker, availability of land and materials and general technological progress. During the Plan period, positive growth in labour productivity is projected for all sectors of the economy.

Table 3.4: Employment in Modern Sector, 1983-93

Industry	Actual 1983 ('000)	Projected 1988 ('000)	Targeted 1993 ('000)	Growth (% p.a.) 1988-93	Implicit Growth in Average Labour Productivity (p.a.) 1988-93
(i)	(ii)	(iii)	(iv)	(v)	(vi)
Agriculture	213.27	234.00	263.33	2.39	2.06
Forestry	17.87	22.40	28.25	4.75	3.10
Fishing	0.03	0.04	0.05	4.56	2.33
Mining & Quarrying	3.55	6.40	8.82	6.62	1.29
Manufacturing	148.76	174.80	208.25	3.56	2.74
Electricity & Water	17.26	20.50	27.22	5.83	1.11
Building & Construction	60.17	59.70	69.96	3.22	1.24
Trade, Restaurants & Hotels	80.29	107.00	139.31	5.42	1.50
Transport & Communications	55.01	60.40	71.13	3.32	2.30
Finance & Insurance	45.61	60.20	72.75	3.86	1.48
Domestic Services *	56.74	69.00	90.38	5.55	2.70
Government Services *	226.40	285.30	329.80	2.94	2.00
Other Services *	168.43	226.30	311.52	6.60	1.50
Total Modern Sector	1,093.29	1,326.04	1,620.77	4.10	1.34

* These three sectors are combined to form the Community, Social and Personal Services sector.

3.3 GROSS FIXED CAPITAL FORMATION AND INVESTMENT

a) Trends in Gross Fixed Capital Formation

3.17 Gross Fixed Capital Formation (GFCF) represents investment in new physical assets including replacement of worn out plant and equipment. It includes dwellings, non-residential buildings and other construction works such as roads, power transmission lines, oil and water pipelines, dams and bridges, transport equipment, machinery and other equipment, land improvement, plantation development, breeding stock and dairy cattle. During the last Plan period, GFCF in constant 1982 prices grew from a level of K£ 593.6 million in 1984 to a projected K£ 741.4 million in 1988. This growth of fixed investment was achieved as a result of the improved economic climate prevailing during the period and Government policies which promoted international confidence in our economy. With the implementation of additional structural adjustment measures, the level of investment is projected to rise steadily from K£ 788.0 million in 1988 to approximately K£ 976.7 million in 1993.

3.18 In projecting the GFCF required over the Plan period as indicated in Table 3.5, it has been generally assumed that the sectoral *Incremental Capital Output Ratio (ICOR)* values will either stabilise at

Table 3.5: Gross Fixed Capital Formation (GFCF), 1978-93 (Constant 1982 Prices)

(K£ Million)

Year	Actual GFCF	% of GDP	Year	Projected GFCF	% of GDP
1978	852.2	34.5	1988	741.4	19.7
1979	787.5	30.3	1989	781.6	19.7
1980	807.3	29.9	1990	823.2	19.7
1981	844.0	29.5	1991	863.7	19.6
1982	668.3	23.0	1992	916.0	19.7
1983	576.0	18.8	1993	976.7	19.9
1984	593.6	19.2			
1985	597.2	18.4			
1986	676.7	19.8			
1987	738.7	20.6			

about the average level observed during the last few years or rise slightly over time. This is as a result of two countervailing forces that will operate in the economy over the period. First, limits to capacity utilisation, labour intensity and capital productivity have not been reached and will be exploited further with a resultant downward pressure on the ICORs. Second, measures proposed to enhance commodity value-added and to harness industrial potential generally will result in additional investment which will tend to push the ICORs upwards in the short-run.

3.19 According to the targets shown in Table 3.6, a modest increase in real investment to GDP ratio from 19.5 to 19.7 per cent will generate a substantially higher average growth rate of output from 4.2 per cent achieved during the Fifth Plan to 5.4 per cent per annum targeted for the Sixth Plan. This will be possible due to the projected significant rise in the productivity of investment. The various policies and programmes adopted during the Plan period such as the restructuring of market incentives, the reform of administrative structures and procedures in favour of investment, together with the redirection of Government expenditure towards more immediately productive outlays as required under the Budget Rationalisation Strategy, will help raise both the rate and productivity of investment. Domestic savings will continue to be encouraged both by real interest rates and by improved financial intermediation. Real interest rates will be kept under review to ensure that, on the one hand, savings are not discouraged by too low or negative real rates, while on the other, investment funds are drawn into competitive new productive ventures. Some of this new development will come as a result of resource transfers from overseas as a consequence of borrowing reflected in the Capital Account of the Balance of Payments. These will be concessionary borrowings and will help to maintain an uninterrupted flow of the necessary industrial and agricultural inputs required by the private sector.

b) Gross Fixed Capital Formation by National Accounts Sectors

3.20 The targets relating to GFCF for individual sectors of the economy in constant 1982 prices are shown in Table 3.6. Column (iv) shows the percentage shares of total GFCF for the Plan period attributed to different national accounts sectors. The Government Services Sector claims the largest share at 17.5 per cent, followed closely by Transport and Communications at 16.4 per cent and Manufacturing at 13.3 per cent which are followed by Agriculture, Ownership of Dwellings and Other Services, each accounting for about 8 per cent of the total. Apart from Government Services which will be the main target

Table 3.6: **Sectoral Investment, 1989-93 (Constant 1982 Prices)**

SECTOR	Additional capital required per unit of output 1989-93 (K£)	Average annual gross fixed invest. 1989-93 (K£ Million)	% Share in total fixed invest. 1989-93	Sector's % contribution to total GDP
(i)	(ii)	(iii)	(iv)	(v)
Non-Monetary	-	80.67	9.25	5.22
Agriculture	0.92	74.49	8.54	27.45
Forestry	0.42	1.49	0.17	0.86
Fishing	0.67	1.05	0.12	0.42
Mining & Quarrying	5.35	7.69	0.88	0.27
Manufacturing	1.80	115.85	13.28	13.11
Building & Construction	4.25	52.80	6.05	2.89
Electricity & Water	6.90	45.23	5.19	1.77
Transport & Communications	6.00	142.97	16.39	6.11
Trade, Restuarants & Hotels	0.70	40.32	4.62	11.63
Finance, Insurance	0.77	17.22	1.97	7.19
Ownership of Dwellings	8.32	68.71	7.88	3.42
Other Services	6.00	71.48	8.19	2.73
Domestic Services	-	-	-	1.50
Government Services	3.36	152.28	17.46	15.43
TOTAL		872.25	100.00	100.00

of budget rationalisation, these other sectors are the most likely to be favoured by structural adjustment measures to be implemented during the Plan period.

c) Gross Investment

3.21 Gross investment is obtained by adding changes in stocks or inventory investment to gross fixed capital formation. The targets for foreseeable changes in stocks and gross investment are shown in Table 3.10. Changes in stocks are targeted to grow at 3.5 per cent of real GDP. Their volume is expected to grow over time and will be influenced by other factors such as fluctuations in demand, import licensing policy and practice, credit constraints, inflationary expectations and the growth of GDP. Government policies in these areas will reduce uncertainty and cause the effects of these factors to balance each other so that their net impact is negligible, resulting in the stabilisation of inventory investment relative to output over the Plan period.

3.4 BALANCE OF TRADE

3.22 The Balance of Trade targets for the Plan period are presented in Table 3.7. The average annual growth rates of quantities of various categories of exports and imports are shown in the last column of the table. Exports and imports are targeted to grow at 5.8 per cent and 5 per cent respectively. However, the value of exports currently amounts to about 56 per cent of the value of normal imports. Thus the balance of trade is very unfavourable and hence the need for heavy external borrowing in the short-run. Government policies will aim to reduce this requirement during the Plan period by increasing export revenues and using primarily market means to control the import bill.

3.23 Fluctuations in the prices of our major exports, which are primary commodities, lead to uncertain revenues. Government will take measures to encourage private sector efforts to increase the level of pre-export processing of major commodities and diversification of the export base. Policies for expanding exports through Manufacture-Under-Bond and Export Processing Zones will serve to diversify our industrial base. They will also enhance our industrial skills and promote the transfer of some technology into the economy while adding to our foreign exchange earnings and, through backward linkages, lowering our import bill.

3.24 Import prices on the other hand have risen steeply over the past years, except for the price of oil which has tended to fluctuate. Most of our imports are essential inputs to our development process. Current liberalisation drives will continue to favour such essentials while a variety of mechanisms will be applied to regulate the importation of non-essentials. The 5.0 per cent growth rate projected for composite

Table 3.7: Projected Values of Exports, Imports and Balance of Trade

(K£ Million)

	1987 Actual	1988 Targets	1993 Targets	1988-93 Average Volume Growth (% p.a.)
Exports				
Coffee	194.6	235.5	344.4	5.6
Tea	163.4	185.3	328.7	5.6
Petroleum Products*	63.2	84.2	130.7	4.0
Other Exports	300.1	364.7	651.6	6.7
Special Exports	26.3	-	-	-
TOTAL	747.6	869.7	1,455.4	5.8
Imports				
Food and Beverages	85.7	79.4	131.6	4.2
Industrial Supplies	456.1	566.9	979.2	5.0
Fuels and Lubricants	282.4	280.4	436.6	4.0
Machinery & Cap. eq.	256.8	319.0	564.3	5.5
Transport Equipment	164.5	204.3	361.5	5.5
Other Consumer Goods	71.0	98.9	170.9	5.0
TOTAL -				
Normal Imports	1,316.5	1,548.9	2,644.1	5.0
Special Imports	232.2	186.1	49.1	-
Total Imports	1,548.7	1,735.0	2,693.2	-
Balance of Trade	-801.1	-865.3	-1,237.8	
As % of GDP at Factor Cost	-14.0	-13.4	-11.2	

* Excludes sales to Aircraft and Ships' Stores

imports and its breakdown for particular import goods represent targets, in the event of demand rising above which, policies to dampen such pressure will be brought to bear.

3.25 Targeted current account balances over the Plan period are presented in Table 3.8 which shows a significant improvement in the invisible trade and current account balances over the Plan period. The major contribution to this improvement arises from earnings from tourism which are expected to grow at about 5.1 per cent per annum in real terms. Another important reason for the improvement is the fact that net investment income payments will grow at a much lower rate in both nominal and real terms. This is because (a) nominal interest rates have been assumed to remain unchanged throughout the Plan period, and (b) a substantial portion of new Government borrowing under the various programmes will be made at very low interest rates. It may be noted that the targets for investment income include payments of interest and dividends to private foreign investors.

Table 3.8: Target Current Account Balance

(K£ Million)

	Provisional 1987	Target 1988	Target 1993
Balance of Trade	-801.1	-865.3	-1237.8
Net Services			
Shipment	31.4	36.2	63.1
Other Transportation	114.1	130.5	202.0
Foreign Travel	272.1	316.6	549.9
Other Services	30.6	50.7	113.3
Investment Income	-232.3	-272.0	-291.8
Transfers	176.6	300.4	379.7
Invisible Balance	392.5	562.4	1,016.2
Current Account Balance	-408.6	-302.9	-221.6
% of GDP at Factor Cost	7.2	4.7	2.0

3.5 REVENUE, EXPENDITURE AND BUDGET DEFICIT

3.26 Table 3.9 shows the targets for Government revenue, expenditure and deficit from 1988/89 to 1992/93. The revenue anticipated to be generated from the various categories of taxes is based on statistical relationships that take into account the target GDP growth rates and the balance of payments out-turns. The Ordinary Revenue figures shown in the table include some additional revenue expected to be realised through improvements in tax collection and new tax measures to be introduced in successive budgets during the Plan period. In addition, further implementation of the "cost sharing" policy will have the effect of raising Appropriations-in-Aid (A-in-A) receipts. Thus, total revenue as a proportion of GDP at market prices is projected to rise to 24.0 per cent by 1992/93. This rising trend is necessary but not sufficient to bring down the budget deficit to desired levels. Thus Ministry expenditures excluding Consolidated Fund Services, which constitute 25.9 per cent of GDP at market prices in 1988/89, are expected to be reduced steadily in relative terms to 23.7 per cent by the end of the Plan period.

3.27 Table 3.9 also shows an expected deficit of 4.5 per cent of GDP at market prices in 1988/89. *Deficit is defined here as the excess of Government expenditure, excluding public debt redemption, over Government revenue including Appropriations-in-Aid and external grants.* The targets for Government policy in regard to revenue and expenditure imply that the deficit ratio will fall gradually over the Plan period to 3.1 per cent by 1992/93.

3.6 USE OF RESOURCES

3.28 The various targets and projections presented in the preceding table are brought together in Table 3.10 to indicate the likely trend of total resources available for use over the years of this Plan. "Total resources available for domestic investment and consumption" is obtained by adding the surplus of imports over exports of goods and non-factor services to GDP at market prices. For overall balance in resource use, total consumption plus total gross investment should equal total resources available. Total consumption is, therefore, obtained as a residual by deducting total gross investment from total available resources. This total consumption is divided between private and public consumption.

3.29 Public consumption has been estimated from a statistical relationship connecting public consumption and Government current expenditure excluding interest payments. Private consumption is,

Table 3.9: Government Revenue, Expenditure and Budget Deficit

(K£ Million)

	1988/89	1989/90	1990/91	1991/92	1992/93
REVENUE					
Ordinary Revenue	1,744.6	2,013.0	2,260.7	2,516.6	2,807.4
A-in-A	80.3	86.5	97.0	110.0	120.5
Total Revenue	1,824.9	2,099.5	2,357.7	2,626.7	2,927.9
% of GDP at Market Prices	22.9	23.5	23.7	23.8	24.0
Foreign Grants	367.4	327.0	280.0	280.0	290.0
Total (Revenue + Grants)	2,192.3	2,426.5	2,637.7	2,906.6	3,217.9
EXPENDITURE					
Recurrent Expenditure	1,287.8	1,416.6	1,528.5	1,665.3	1,833.9
Development Expenditure	775.4	833.1	877.4	955.9	1,052.7
Ministry Expenditure	2,063.2	2,249.7	2,405.9	2,621.2	2,886.6
Ministry Expenditure as % of GDP at Market Prices	25.9	25.2	24.2	23.8	23.7
Consolidated Fund Services	492.0	534.6	586.2	644.9	709.5
Total (C.F.S. + Min. Exp.)	2,555.2	2,784.3	2,992.1	3,266.1	3,596.1
Deficit	362.9	357.8	354.4	359.5	378.2
Deficit as % GDP at Market Prices	4.5	4.0	3.6	3.3	3.1

therefore, the final residual element in the table. This is a measure of the resources available for private consumption as opposed to what may be called desired private consumption. An imbalance in private consumption occurs when there is a significant difference between desired private consumption and resources available for private consumption. This imbalance is expected to be insignificantly small assuming that the current prevailing level of real interest rates will be maintained throughout the Plan period.

Table 3.10: Use of Resources in Current Prices

(K£ Million)

	1987	1989	1990	1991	1992	1993
GDP at Factor Cost	5,702.5	7,286.5	8,136.2	9,009.3	9,979.7	1,1059.1
Indirect Taxes Less Subsidies	912.2	1,165.5	1,301.4	1,441.1	1,596.4	1,769.0
GDP at Market Prices	6,614.7	8,452.0	9,437.6	10,450.4	11,576.1	12,828.1
Imports of Goods & Non-factor Services	1,734.1	2,163.2	2,322.7	2,533.8	2,789.3	3,070.7
Exports of Goods & Non-factor Services	1,400.4	1,872.8	2,055.4	2,267.0	2,501.4	2,761.3
Import Surplus	333.7	290.4	267.3	266.8	287.9	309.4
Total Available Resources	6,948.4	8,742.4	9,704.9	10,717.2	11,864.0	13,137.5
Fixed Investment	1,334.7	1,663.1	1,856.9	2,045.7	2,278.0	2,550.4
Change in Stocks	316.9	298.2	332.9	368.7	408.4	452.6
Total Gross Investment	1,651.6	1,961.3	2,189.8	2,414.4	2,686.4	3,003.0
Public Consumption	1,282.8	1,502.9	1,657.2	1,813.0	1,977.1	2,158.8
Private Consumption	4,014.0	5,278.2	5,857.9	6,489.8	7,200.5	7,975.7
Total Consumption	5,296.8	6,781.1	7,515.1	8,302.8	9,177.6	10,134.5

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CHAPTER 4

FISCAL AND MONETARY FRAMEWORK

4.0 INTRODUCTION

Fiscal and Monetary policies to be implemented during the Plan period will focus on three principal reform objectives, namely: a) restructuring of institutions where necessary and integration of policies aimed at improving the efficiency of Government operations; b) channelling resources to areas with the highest returns; and c) enhancing the role of the private sector in the economy. These reforms will serve to promote economic development through efficient allocation of available resources while at the same time maintaining stability in the economy. Policies presented in this Plan emphasise the role of market mechanisms and incentive structures in the efficient organisation and direction of economic activity while retaining those residual Government controls that are necessary for the effective operation of the former.

4.2 This Chapter outlines the fiscal and monetary policies to be effected during the Plan period and indicates how the Plan will be financed. First, it addresses issues relating to Government revenues and expenditures and the financing of the resultant budget deficit. Second, it examines the balance of payments position and how the resultant balance of payments deficit will be financed. Third, it surveys issues related to money supply, credit allocation, interest rates and the operation of money and capital markets. Finally, it analyses the issue of the public debt and the availability and use of external resources.

4.1 GOVERNMENT REVENUE

4.3 As indicated in Chapter 3, Government will introduce policy measures to reduce the budget deficit to a target of 3.1 per cent of GDP in 1992/93 from the expected level of 4.5 per cent in 1988/89. To achieve this target, measures will be taken to increase revenue, including Appropriations-in-Aid (A-in-A), from K£ 1,825 million in 1988/89 to K£ 2,928 million by 1992/93, through improved tax administration, reform of the tax structure and cost-sharing. These targets and those for the intermediate years are shown in Table 3.10.

4.4 The following specific measures will be undertaken in order to achieve the planned revenue targets:-

- Cost-sharing will be extended in the fields of health, education water supply, agriculture and transport. The rate of contribution by the individual and institutions to the operation of these services will take into account the relevant costs incurred by Government and the individual's ability to pay for the service.

- Efforts will be made to enhance the efficiency of tax collection.

- Government will provide tax incentives to individuals and businesses for the maintenance of up-to-date and accurate accounts in order to minimise tax evasion.

- Government will gradually spread the tax net in order to ease the tax burden and ensure its more equitable distribution. This measure will not only yield an increase in Government revenue but will also serve to improve the overall tax structure. To achieve the planned target of revenue as a percentage of GDP, the tax structure will be so designed as to be more responsive to changes in GDP. In this regard, Government will place more emphasis on indirect as opposed to direct taxes.

4.5 Besides using it to meet the revenue objective, Government will also reform the tax structure to enhance rural-urban balance, promote savings and investment vis-a-vis consumption, improve industrial efficiency and help local producers to become more competitive in both the domestic and export markets. To achieve this goal, Government will lower existing high tariffs, reduce excessive protection for domestic industry and maintain relatively uniform tariff structures. A reduction of import duties in respect of the Preferential Trade Area (PTA) is among the measures envisaged in this respect. To ensure that tax policies are properly designed and implemented, a Tax Study, preliminary work on which has already been started, will be fully commissioned during the Plan period.

4.2 GOVERNMENT EXPENDITURE

4.6 The lowering of overall growth of Government Expenditure especially in the fields of education and health will be used as a means of attaining the desired level of the budget deficit. The targets for total expenditure are shown in Table 3.10.

4.7 The introduction of the 8-4-4 system of education and the multiple intakes into the already increased number of national universities have caused the share of education in the recurrent budget to rise to 38 per cent. This rise has taken place in spite of the considerable level of cost-sharing already taking place between the Government and the *Wananchi* in the financing of the education service. Future strategies for achieving sustainable levels of financing of the education sector will be based on the findings of the Report of the *Presidential Working Party on Education and Manpower Training for the Next Decade and Beyond* and the ensuing *Sessional Paper No. 8 of 1988* both of which advocate increased cost-sharing in secondary schools, training institutions and at university level. During the Plan period, further studies will be undertaken to establish the cost-effectiveness of primary, secondary, and tertiary education and the internal consistency, efficiency and effectiveness of the entire education system.

4.8 The share of health in the recurrent budget now stands at 9 per cent. Whereas there is need to contain this level of expenditure, health services in many areas of the country still require much improvement. To achieve the conflicting objectives of thrift and expansion, Government will establish ways and means of reducing the cost of providing health services by improving the management of health facilities while at the same time enhancing the overall effectiveness of the health-care delivery system. In addition, opportunities for the establishment of additional amenity wards, especially at Provincial and District Hospitals, and the privatisation of health services will continue to be expanded.

4.9 Other major changes in budget allocations will involve concerted efforts to make all Government outlays more efficient and thus productive through the process of budget rationalisation. This approach is intended to concentrate resources on fewer high priority projects thus ensuring that they are adequately funded. At the same time, recurrent allocations will be directed towards improvement in the utilisation of existing capacity in order to raise the productivity of public investments. Reforms in budgetary procedures and project data management will also continue to be effected in support of the Budget Rationalisation Strategy.

4.3 FINANCING OF THE DEFICIT

4.10 The programme for the financing of the target budget deficits for the period of the Sixth Plan is outlined in Table 4.1. It is seen in the table that 55 per cent of the target budget deficit for 1988/89 is planned to be financed by net external borrowing. The share of external financing will rise during the Plan period to about 68 per cent in 1992/93. Correspondingly, the share of internal financing will fall. To the extent practicable, internal financing of the budget deficit will be brought down considerably, the objective being to free up more resources for use by the private sector.

Table 4.1: Financing of Budget Deficit

(K£ Million)

	1988/89	1989/90	1990/91	1991/92	1992/93
Total Deficit	362.9	357.8	354.4	359.5	378.2
Financed By					
Net External Loans	200.0	223.6	255.0	249.4	256.2
Net Internal Loans	162.9	134.2	99.4	110.1	122.0
Memorandum Items					
External Loan Redemption	192.3	210.0	225.0	235.0	235.0
Internal Loan Redemption	56.4	189.9	86.2	239.1	52.4
Gross External Loans	392.3	433.6	480.0	484.4	491.2
Gross Internal Loans	219.3	324.1	185.6	349.2	174.4
Deficit as % of GDP at Market Prices	4.5	4.0	3.6	3.3	3.1

4.11 The significantly larger contribution of net external borrowing to the financing of the budget deficit has been built into the programme as the country will continue to obtain substantial programme loans, e.g. the agricultural and industrial sector adjustment credits from the World

Bank together with co-financing from other bilateral and multilateral donors. Drawings of project loans are also expected to go up significantly over the Plan period. This will come about partly as a result of normal growth in donor commitments but more substantially through a stepping up of the rate of absorption of external project funds during the period. Internal borrowing shown in the table includes both long and short-term as well as bank and non-bank borrowing.

4.12 Most of the net internal borrowing by Government for financing the budget deficit will come from the non-bank sector. This is a consequence of the targets established for growth in the supply of money and credit as shown in Table 4.3. The Sixth Development Plan will rely a great deal on growth initiatives from the private sector. The plan for credit allocation, therefore, allows for an adequate growth of credit to this sector. The scope for bank financing of the budget deficit will consequently be very limited.

4.4 BALANCE OF PAYMENTS AND FINANCING TARGETS

4.13 The basic objective of the Government's balance of payments management policies over the Plan period is to maintain a viable external trade and payments position. Prices of imports are expected to rise steadily except in the case of oil where possible future movements are uncertain at the moment. On the other hand, prices of major export commodities like coffee and tea have generally weakened in the recent past. At the same time, our external obligations have become increasingly heavy. During the Plan period, Government will take appropriate policy measures to correct this situation. As intimated earlier, substantial balance of payments support from the World Bank and the IMF, together with co-financing from other donor agencies, have been factored into the balance of payments financing programme.

4.14 The targets for merchandise and current account balances during the Plan period are presented in Tables 3.7 and 3.8 in Chapter 3. Among the policy measures that will be required for attaining these targets are the following:-

- further liberalisation of import licensing to allow for the smooth flow of essential imports in support of growth in domestic output and employment. Control of relatively non-essential imports will be maintained through appropriate licensing and/or tariff measures.

- further encouragement of processing and exportation of both traditional and non-traditional commodities and manufactured goods through measures such as strengthening the export compensation scheme, Manufacturing-Under-Bond, judicious management of the exchange rate and the stepping up of market promotion efforts in both neighbouring countries and abroad.

- protection and further development of tourist attractions in the country, together with the improvement of key infrastructural facilities to ensure the continued high growth of tourism.

- redesigning policies on domestic prices, import tariffs and exchange rates with a view to inducing a gradual decline in the import intensity of domestic production while at the same time exploring possibilities for further efficient import substitution.

- strengthening budget rationalisation measures aimed at raising the rate of absorption of external resources significantly over the Plan period.

4.15 The financing plan for the balance of payments deficit projected in Table 3.9 is presented in Table 4.2. A notable feature of this plan is the large magnitudes of net external capital inflow to Government during the entire period. The level of absorption of external loans has been low in the past. During this Plan period, every effort will be made to ensure that such loans and grants are fully and effectively utilised. As pointed out earlier, significant amounts of balance of payments support funds have been and will continue to be drawn from the World Bank and other co-financing donors under the Agricultural and Industrial Sector Loans, as well as a possible Financial Sector Loan, a Budget Rationalisation Loan, a Small Business Sector Loan and second phases of Agricultural and Industrial Sector Loans coming in later.

4.16 During the Plan period, Government will take measures to enhance the level of private foreign investment, especially foreign equity capital which may take the form of joint ventures with the local private sector. Some of these measures have already been put in place. The One-Stop administrative arrangement for approval of investment has been introduced. The *Foreign Investment Protection Act* (FIPA) has been reviewed and the Manufacturing-Under-Bond scheme is underway. Kenya is a member of the World Bank affiliated Multilateral Investment Guarantee Agency (MIGA) which issues guarantees for foreign investments in signatory countries against non-commercial risk on application. Kenya is also a member of the International Centre for the Settlement of Investment Disputes. Membership in these organisations should serve as a further assurance to foreign investors.

4.17 It may be noted that the net capital inflows to Government shown in Table 4.2 and the net external loans to finance the budget deficit shown in Table 4.1 are not comparable. Apart from the fact that figures in Table 4.2 relate to calendar years while those in Table 4.1 relate to financial years, the amounts of external financing shown in Table 4.1 for the years 1990/91 onwards are somewhat larger than those factored into the balance of payments. If these additional external loans materialise, they will be spent on a range of new development projects already provided for in the projected total development expenditure in

Table 4.2: Balance of Payments and Financing Targets*

(K£ Million)

	1987	1988	1989	1990	1991	1992	1993
Current Account Balance							
(Ref. Table 3.8)	-408.6	-302.9	-245.3	-237.4	-213.4	-212.7	-221.6
Net Capital Inflow							
Central Government	162.2	236.1	243.4	252.5	132.2	193.1	184.4
Private (including							
Parastatals)	71.6	59.1	54.4	58.0	73.9	84.7	95.8
Short-term (including							
Errors and Omissions)	98.9	-25.1	25.0	25.0	25.0	25.0	25.0
Total Capital Account	332.7	270.1	322.7	335.4	231.0	302.7	305.2
Overall Balance	-75.9	-32.8	77.4	98.0	17.6	90.0	83.6
Financed By							
Net Borrowing							
from IMF	-48.7	70.2	-34.0	-6.6	50.2	-38.0	-26.3
Change in Reserves	124.6	-37.4	-43.4	-91.4	-67.8	-52.0	-57.3
Gross Reserves	267.8	305.2	358.6	440.0	507.8	559.8	617.1
Memorandum Items							
IMF							
Disbursements: Stand-by		72.5					
SAF		29.8					
CFF		48.0					
ESAF		-	89.2	89.2	89.2	44.6	44.6
Repayments		-80.1	-123.2	-95.8	-39.0	-82.6	-70.9

* Totals may not agree because of rounding.

the forward budget for the later years. In the balance of payments table, the net capital inflow to the Government will rise. At the same time, there will be an increase in special project imports, so that total merchandise imports and hence the current account deficit will go up. It has been assumed that these opposite movements in the capital account and in the current account will balance out, leaving the overall balance in Table 4.2 unchanged.

4.18 On the other hand, if the additional external financing shown in Table 4.1 fails to materialise, Table 4.2 will remain unaffected. In Table 4.1, development expenditure on new projects will be lower, thus reducing the budget deficit. It is planned that these movements in the budget deficit and external financing will balance out, leaving internal financing at its planned level. The actual out-turn during the Plan period may, of course, be somewhere in between or even outside the two possible positions discussed above, with corresponding adjustments to the tables. In view of the many uncertainties associated with the availability and absorption of external resources, a more rigorous reconciliation of the numbers in Tables 4.1 and 4.2 would merely suggest a spurious accuracy.

4.5 MONETARY POLICY AND TARGETS

4.19 The main objectives of monetary policy during the Plan period will be to contain inflation while ensuring adequate growth of money supply consistent with the projected growth in GDP. The growth in bank credit will not only be in line with the growth in GDP but will also reflect developments in the balance of payments. Increasing proportions of total credit to the private sector will be directed to the productive sectors of the economy, particularly Agriculture and Manufacturing. Various adjustments in the structure of interest rates will continue to be made with a view to rendering them more market-driven.

4.20 The growth in broad money supply (M2), defined to include currency outside banks and all commercial bank deposits (both demand and time deposits) will remain the principal index of monetary policy and will be closely monitored throughout the Plan period. It is expected that with the policy of flexible interest rates, there will be a shift from demand deposits to interest earning time deposits and other financial investments to enable banks to increase their long-term lending. In 1984 and 1985, money supply grew by 12.9 and 10.2 per cent respectively. However, in 1986 there was an upsurge in the rate of growth of money supply which rose by 24.2 per cent following the *mini-coffee* *boom* of that year. The rate then dropped to 12.1 per cent in [illegible]. During the Plan period, money supply is targeted to grow to levels commensurate with expected growth in real GDP in order to contain inflation. Table 4.3 shows the mid-year money supply and other related aggregates that are expected to obtain during the Plan period.

Table 4.3: Money Supply and Other Aggregates (End-June)

(VT Million)

	1987	1988	1989	1990	1991	1992	1993
Net Foreign Assets	-38.0	-84.4	-82.3	5.5	63.3	117.0	[illegible]
Total Domestic Credit	2,195.8	2,392.3	2,702.3	2,924.2	3,174.9	3,457.1	[illegible]
Government	855.5	856.1	966.1	1,014.3	1,054.9	1,062.7	[illegible]
Private (including Other Public Sector)	1,340.3	1,536.2	1,736.2	1,909.9	2,120.0	2,374.4	[illegible]
Other Liab. (Net)	245.5	318.5	380.7	453.1	495.9	516.4	[illegible]
Money and Quasi-Money	1,912.3	1,989.4	2,239.3	2,476.6	2,742.3	3,037.7	3,366.3
Memorandum Items							
% Growth in Domestic Credit		9.0	13.0	8.2	8.6	8.3	[illegible]
% Growth in Government Credit		0.1	12.9	5.0	4.0	0.7	[illegible]
% Growth in Private Sector Credit		14.6	13.0	10.0	11.0	12.0	[illegible]
Private Sector Credit as % of Private Sector Monetary GDP	30.3	30.6	30.7	30.2	30.2	30.5	[illegible]
Other Liabilities (Net) as % of Total Liabilities	12.8	16.0	17.0	18.3	18.1	17.0	[illegible]
Income Velocity of Money	3.5	3.8	3.8	3.8	3.8	3.5	[illegible]
Net Borrowing by Government from Banking System		0.6	110.0	48.2	40.6	7.5	[illegible]

4.6 CREDIT ALLOCATION

4.21 To a large extent, growth in total domestic credit will be influenced by the target growth in money supply and developments in the balance of payments. As already shown in Table 4.2, the balance of payments out-turn is projected to record surpluses in [illegible] and thereafter.

The statistical growth in total domestic credit will be fairly high during the financial year 1988/89, in part because of the low growth in 1987/88. Thereafter, the rate of growth will slow down to within a range of 8 to 9 per cent per annum. To maintain the desired growth rates in money and credit, the Central Bank will increasingly apply various monetary policy tools at its disposal, including the liquidity ratio, selective credit controls, minimum cash ratios and discount rates. Open market operations will also be fully activated during the Plan period.

4.22 Government policy over the last four fiscal years 1984 to 1987 has been directed toward streamlining credit allocation with the aim of reducing the share of credit to the Government in favour of parastatals, joint ventures and the private sector. However, Government credit from the banking system has remained high due to actual public expenditures exceeding budget estimates. This has resulted from the emergence of certain special needs and circumstances, decreasing flow of external resources to finance the deficit and difficulties initially encountered by Government in selling stocks and bonds to the non-bank sector. By the end of Fiscal Year 1984, Government's share of credit amounted to 28.7 per cent of the total, rising to 39.0 per cent by the end of June 1987.

4.23 The need for adequate growth of private sector credit to support the sector's expected contribution to GDP has already been underscored. The implied targets for the share of total domestic credit taken up by the Government and the private sector are shown in Table 4.4. The major implication of the table is that the share of bank credit to Government will decline during the Plan period from 35.8 per cent

Table 4.4: Planned Shares of Bank Credit

End-June	1987	1988	1989	1990	1991	1992	1993
Government (%)	39.0	35.8	35.8	34.7	33.2	30.9	28.4
Prvt. Sector (%)	61.0	64.2	64.2	65.3	66.8	69.1	71.6

as at end-June 1988 to 28.1 per cent at end-June 1993, while that of the private sector will rise from 64.2 to 71.6 per cent over the same period. A major thrust of policy will be to encourage banks and other financial institutions to lay greater emphasis on economic viability of projects and standing of the borrower as partial surrogates for collateral. The component of the Government budget deficit which is financed from the banking system will gradually shrink, the Government increasingly relying on the domestic non-bank sector for internal financing of the deficit.

4.24 Since more credit will be extended to the productive sectors of the economy, particularly Agriculture and Manufacturing, greater selective credit controls in favour of these sectors will be applied. Such controls have been applied in the case of credit to the agricultural sector since 1975. Commercial banks are required to lend at least 17 per cent of their deposit liabilities to this sector. This requirement will be reviewed during the Plan period with the object of enhancing lending for food production, particularly to small-scale farmers. Government will take measures to ensure that in the case of manufacturing, large-scale concerns are accorded their due share of credit while special attention will be paid to the respective needs of the medium and small-scale enterprises including *Jua Kali* technicians and artisans.

4.7 INTEREST RATE POLICY

4.25 During the last few years, interest rates have been structured to yield a positive real return on savings and investment. This policy will continue to be pursued during the Plan period to make interest rates the main instrument of credit allocation. In addition, there will be a gradual freeing of interest rates on Government bonds to make them more responsive to market forces. As interest rates on these securities become relatively more freely determined, deposit and lending rates of banks and non-bank financial institutions will need to be adjusted regularly by the Central Bank. During the Plan period, *bearer and negotiable certificates of deposit* will be introduced so that banks can attract funds for on-lending to other sectors of the economy. In addition, other debt instruments such as *bankers' acceptances and commercial paper* will be introduced.

4.8 MONEY AND CAPITAL MARKETS

4.26 During the Plan period, a number of measures will be taken to improve the structural and operational characteristics of the money and capital markets. These markets are inter-linked through rates of return on assets, their risks and liquidity and the institutional frameworks under which they operate. The present bias towards short-term credit will be removed by the creation of discount markets and strengthening the stock exchange. A particular aspect of the discount market will be the creation of a secondary mortgage market for housing finance. A *Capital Markets Development Advisory Council* has already been established to work out the modalities for the creation of the *Capital Markets Development Authority* which will stimulate and oversee developments in this area.

4.27 The creation of discounting facilities for Government paper will be linked with a closer monitoring of the use of liquidity and cash ratios in the total financial system, including non-bank financial intermediaries. The capital funds of the National Social Security Fund (NSSF) will be treated as part of the total pool of savings open to competitive financial intermediation. The implementation of these measures will ensure that money supply will be governed by an increasing number of market devices. Government will initiate studies on the institutional and legislative instruments governing investment with a view to strengthening the role of money and capital markets in the economy.

4.28 One aspect of the capital markets that will require careful examination is the use of *new stock issues* as a way of indigenising the economy. Some development corporations will divest themselves of their present portfolios in the course of this Plan period and revert to their original roles as providers of venture capital. The private sector will be expected to play an active role in the development and functioning of money and capital markets under the overall guidance of the Government. The strengthening and diversification of financial facilities will encourage a variety of capital suppliers to modify the maturity profiles of their portfolios thus reducing the costs to buyers of long-term paper. Private sector institutions will also be encouraged to increase their level of floatation of bankers acceptances and certificates of deposits in bearer form under appropriate legislation. The local authorities will be reviewed to establish the possibilities of their raising loans on their own account domestically. To this end, the Local Government Loans Authority will be examined as a potential base for a *Municipal Development Bank.*

4.9 PUBLIC DEBT

4.29 Public debt arises from borrowing to finance the budget and balance of payments deficits. The external public debt in Kenya comprises outstanding borrowing by the Central Government, the Central Bank of Kenya and the parastatals, both guaranteed and nonguaranteed, while domestic public debt consists of Central Government borrowing only.

4.30 Kenya like other developing countries has experienced acute debt exposures, both external and domestic, in the past several years. The external public debt outstanding has grown from K£ 0.7 to K£ 3.8 billion between 1980 and 1987, representing a rise from 32 to 62 per cent of GDP at factor cost. The domestic public debt has grown from 19.8 to 39.4 per cent of GDP over the same period. The external debt service ratio *(calculated as the ratio of principal and interest payments on external debt to the country's foreign exchange earnings from exports of merchandise and non-factor services)* has risen from 11.8 to 34 per cent over the period. Central Government external debt service payments as a percentage of the total annual budget have risen from 6.4 to 12.5 per cent between 1980/81 and 1986/87 as compared to growth from 4.8 to 9.3 per cent for internal debt.

4.31 During the Plan period, it is expected that the budget and current account deficits will decline as a proportion of GDP. Correspondingly, a decline in public debt and debt servicing ratios is envisaged. The target of Government policy is to bring down the debt service ratio to around 25 per cent of GDP by the end of the Plan period.

4.32 The objectives of debt management policy are first, to maintain a comprehensive inventory of all public sector external loans and Central Government domestic borrowing. Second, to forecast debt service payments including the identification of loans in which debt service is in arrears. Third, to review the overall loan portfolio with regard to its currency composition, interest rate structure and other charges, repayment and pre-payment terms and default conditions. Fourth, to determine future borrowing policy, as well as the need and scope for arranging debt restructuring. Fifth, and most important, to evaluate the implications of different volumes of existing and new borrowings based on a critical assessment of the impact of such debt on the economy. These activities will be vigorously carried out under the auspices of the External Debt Management Committee.

4.33 The strategy adopted in the short-run is to improve the management of existing stock of debt with a view to reducing the debt burden by way of minimising its maintenance costs. With innovations in the money and capital markets such as currency, interest rate, debt and debt-equity swaps and the discounting of debt in the secondary market, the effective cost of existing debt will be lowered. These conversion schemes will encourage foreign investment, provide a channel for the return of flight capital and reduce the foreign exchange needs of external debt servicing. For domestic debt, such schemes will be designed largely to lengthen the repayment period.

4.10 MANAGEMENT OF EXTERNAL RESOURCES

4.34 Government will encourage the flow of external resources into the economy and direct these into the most productive sectors. These resources will finance approximately 18 per cent of total Government expenditure. External resources in the form of grants and loans will only be received where the anticipated local cost component is not very high and conditionalities are not too stringent. The grant element of such assistance will be expected to be at least 25 per cent. Government will establish priority areas and determine where specific donor funds and activities will be channelled. Donor flexibility will be required in rescheduling undisbursed funds and in taking on programme as opposed to project funding. Donors will also be expected to allow for competitive bidding, without insisting that goods and services must come from their own country.

4.35 Utilisation of donor assistance will be improved by strengthening administrative procedures for greater efficiency and enhancing the absorptive capacity within specific ministries. Improvements in planning, budgeting, implementation, monitoring and evaluation processes will mitigate some of the absorption problems. The system for obtaining appropriate decisions and taking necessary action will be improved to reduce delays in aid disbursement, including those currently experienced in obtaining Government approvals and authorisations, legal opinions, tax exemptions, sessional papers, counterpart funds, personnel and technical clearance. Further action will be taken to speed up project preparation and implementation, most important of which will be the intensification of staff training and proper manpower deployment. Government will also expect donors to reduce the number of unnecessary technical assistance personnel and will avoid the continued deployment of the poorly qualified among them.

4.36 During the Plan period, the Ministry of Planning and National Development will design systems for the sourcing, assessing, analysing, application, monitoring and evaluation of financial and technical assistance resources in order to ensure optimal acquisition, management and use of these resources.

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CHAPTER 5

SPATIAL DIMENSIONS OF DEVELOPMENT

5.0 INTRODUCTION

The spatial dimensions of development relate to the pattern of human settlements in the country as influenced by national resource endowments, trends in social and economic activities and the environment. They also relate to the country's external linkages through which social and economic interactions with other nations and agencies are facilitated. Spatial development activities during the Plan period will, however, focus on the provision of positive externalities that lower the cost of investment and improve on the utilisation of human capital.

5.2 The provision of physical infrastructure and services will go hand in hand with a convenient and accessible financial infrastructure. This is of critical importance if investments from the private sector are to be channelled to the rural areas to promote development activities that justify public expenditures on such infrastructures and facilities. During the Plan period, Government will encourage banking and non-banking financial institutions to extend their branch offices to the rural areas. This will in particular serve to facilitate the promotion of small-scale enterprises.

5.3 This Chapter focuses on the various activities that induce positive externalities for enhanced and balanced economic development between and among the rural and urban areas. A series of *Rural Trade and Production Centres (RTPCs)* which will be established during the Plan period will become important nuclei of economic activity, providing the market and outlets for farm produce and serving as centres for the purchase of farm inputs and other goods and services. The entire development of both the rural and urban centres is predicated on developments in major infrastructures covered in this Chapter including transport, communications and information systems, water supply, energy systems and meteorological and remote sensing data systems, among others. The Chapter also surveys the country's international linkages through the communication systems, data analysis facilities and information flow channels.

5.1 SPATIAL DIMENSIONS AND HUMAN SETTLEMENTS

5.4 The growth of urban centres in the country has increased rapidly over the last twenty-five years. During the 1948 population census, there were only 17 towns with populations between 5,000 and 9,999 and having an aggregate population of 276,000 people. The growth of towns both in number and population increased very rapidly after Independence when Africans had the opportunity to migrate to urban areas without restriction. Thus by the 1969 population census, the number had increased to 48 towns with a total population of 1.08 million people representing an average growth rate of 7.1 per cent per annum. Between the 1969 and 1979 population censuses, the number had further increased to 67 towns with a total population of over 2.3 million. Currently, the pattern of human settlements reflects an increasingly heavy concentration of population in the three major urban centres, namely: Nairobi, Mombasa and Kisumu.

5.5 In 1988, out of the country's estimated population of 22.7 million, 18.7 million (82.4 per cent) lived in the rural areas and 4.0 million (17.6 per cent) in the 172 existing urban centres. As indicated in Table 5.1, if this trend was to continue, the total urban population will have reached 5.6 million by 1993 compared to the projected rural population of 21.6 million people. The proportion of urban population to total population will have grown from 17.6 per cent in 1988 to 20.6 per cent by the year 1993. This is still a fairly low level of urbanisation.

Table 5.1: Projected Urban and Rural Population, 1988-93

(Million)

Year	1988	1989	1990	1991	1992	1993
Urban	4.0	4.3	4.6	4.9	5.2	5.6
Rural	18.7	19.2	19.8	20.4	21.0	21.6
TOTAL	22.7	23.5	24.4	25.3	26.2	27.2
Urban as % of Total	17.6	18.3	18.9	19.4	19.8	20.6

5.6 The continued flow of people from rural to urban areas poses a very high demand on the provision of various types of infrastructures and services, in excess of the local authorities' ability to provide them. This in itself does not imply that increasing urbanisation is undesirable. A major cause for concern is that the continued rapid growth of the major centres may lead to an increased concentration of economic growth benefits, thereby preventing a better spatial distribution of incomes between them and smaller urban centres and rural areas at large. The strategy for human settlements in Kenya will, therefore, have the twin aim of increasing the rate of urbanisation generally, while ensuring that such increases occur in the smaller urban centres rather than in the bigger ones. In this regard, the population growth rates for these centres which are at present above 6.5 per cent per annum will be moderated, while the growth of smaller towns within the population range of 2,000 to 20,000 will be stimulated to grow faster at an annual rate of over 7.5 per cent as indicated in Table 5.2. Appropriate incentives to achieve this objective are expounded in the other sections of this Chapter dealing with the development of Rural Trade and Production Centres and in sections of other chapters discussing rural-urban balance.

5.7 The main objective of the spatial dimensions policy is to achieve rural-urban balance by dispersing development activities to as many parts of the country as possible. Currently, there are 172 urban centres with a total population of about 4.0 million and which are estimated to increase to 240 urban centres by 1993 with their population rising to 5.6 million. It is anticipated that the smaller towns will grow faster while the percentage of the total urban population in towns with more than 100,000 people will decline as indicated in Table 5.2. In order to effectively cope with this trend, relatively more of the available resources will be channelled to smaller urban centres in the rural areas which have great potential for economic development. Through promotion of rigorous growth of small towns and urban settlements, it is expected that migration from rural areas to principal urban centres will be curbed.

5.8 Rapid expansion of the smaller centres will aim at achieving greater integration between agriculture and other non-agricultural activities and especially the small-scale enterprises. Availability of the necessary infrastructure and facilities in these centres will further expand the range of services available to rural communities, especially through offering effective markets for agricultural products while at the same time creating easier access to agricultural inputs such as fertilizers, seeds, farm implements and machinery, with the necessary repair

Table 5.2: **Urban Centres + and Their Population Distribution**

Size class	1979 Census*			1988 Estimate			1993 Forecast		
	No. of Ctrs.+	Pop ('000)	% of Urban	No. of Ctrs.+	Pop ('000)	% of Urban	No. of Ctrs.+	Pop ('000)	% of Urban
Nairobi	1	852.0	39.9	1	1,356.1	34.3	1	1,697.9	30.4
100,000	1	353.5	16.6	3	815.3	20.6	5	1,253.1	22.5
20,000 to 99,999	12	490.8	23.0	21	874.9	22.1	31	1,318.4	23.6
10,000 to 19,999	11	137.8	6.5	24	349.9	8.8	33	465.6	8.3
5,000 to 9,999	23	168.7	7.9	44	311.8	7.9	60	467.7	8.4
2,000 to 4,999	43	131.9	6.2	79	250.6	6.3	110	375.2	6.7
TOTAL	91	2,135.2	100.0	172	3,958.5	100.0	240	5,578.0	100.0

Corrected for Under-enumeration and Boundary Changes.

and storage facilities. In the implementation of this strategy, Government's efforts will be channelled through local institutions such as the Local Authorities and the District Development Committees (DDCs) in furtherance of the District Focus for Rural Development Strategy. The participation of the local community and Non-Governmental Organisations (NGOs) will be enlisted as appropriate.

5.9 To enable them to play their role more effectively, Local Authorities will need restructuring and strengthening, particularly with respect to general management and financial control. This will require a cadre of trained professional staff to provide the necessary leadership. In streamlining the financial system for the Local Authorities, Government will adopt measures to restructure the existing Local Government Loans Authority with the aim of converting it to a *Municipal Development Bank* through which both public and private sector resources can be effectively mobilised, in addition to expanding the revenue base of the authorities through fees and user-charges.

5.10 In pursuance of the goal of rural-urban balance, Government will promote the development of a dynamic set of smaller towns and other urban settlements designated as RTPCs. Government is fully aware that due to serious budgetary constraints, it will be difficult to establish more such facilities from public resources. Nevertheless, in its serious commitment to this programme, Government has set up a *District Development Fund (DDF)* within the Ministry of Planning and National Development to act as a catalyst for attracting both local and foreign financial resources for establishing the necessary infrastructures, particularly in the RTPCs. These resources will be supplemented by funds from the existing *Rural Development Fund (RDF)* administered by the Ministry.

5.11 The RTPC programme is expected to expand from the already selected 8 centres during the 1988/89 financial year, to 12, 16, 16 and 18 in subsequent years, adding up to the targeted figure of 70 by the year 1992/93. The estimated cost of this programme will be K£ 48.0 million, implying a minimum allocation of K£ 800,000 per centre. These funds will, however, be used in carefully selected packages that will effectively stimulate development of the immediate hinterland and associated facilities including link roads, water and sewerage, market space, telephone, postal, electricity and storage facilities and services.

5.12 Project identification, design and preparation will as far as possible be undertaken at the local levels with the *Divisional Development Committees (DvDCs)* as focal points. Draft project proposals will then be submitted to the *District Development Committees (DDCs)* for scrutiny and approval. This will include programmes and projects associated with NGOs, those initiated through local community action and through *Harambee* efforts. The Ministry of Planning and National Development will provide the necessary back-up in project identification, design, implementation, monitoring and evaluation to ensure the success of this strategy.

5.13 With the rapidly increasing population in *Arid and Semi-Arid Lands (ASALs),* demand for infrastructure and services will rise correspondingly. Since available labour in ASAL towns and villages is also increasing, it is important that a good proportion of new entrants to the labour force in these areas are kept away from the more fragile land and that they do not migrate to swell the urban unemployed population. Hence, the promotion of labour absorbing enterprises and public sector construction works in each district will be given high priority. A variety of employment generating possibilities will arise as a consequence of the development of RTPCs in such areas as product processing, service industries, livestock marketing infrastructure, seasonal food-for- work programmes, public works, mining and tourism. Funding for these activities will be channelled through the *ASAL II Sector Programme Fund* which will be established especially to take care of the infrastructural and other needs of these areas. Consideration will also be given to the promotion of inter-regional complementary programmes between the high potential regions and the ASALs. This will be in addition to other programmes that will fuel the growth of ASALs as economic regions with their own potential.

5.2 THE TRANSPORTATION SYSTEM

5.14 An efficient and well distributed transportation system is critical to the achievement of targets set out in Chapter 3. Without such a system, development of markets for goods and services will not be fully realised and national social and economic integration will be seriously hampered. Since the attainment of Independence, Government has given considerable attention to the development of road, rail and air transport facilities and expansion and modernisation of port facilities at Mombasa to ensure efficient handling of our exports and imports, in addition to those of our landlocked and other neighbours. Further development of these facilities will be largely dependent on the tempo of domestic economic growth alongside that of the neighbouring countries. Priority will be accorded, however, to the achievement of more cost-effective use of existing facilities since, besides funds not being readily available to carry out major expansion of transportation facilities in magnitudes achieved during the last twenty-five years, most of the needed infrastructure is already in place. Government will, therefore, allocate the necessary funds in the public budget for the maintenance, improvement and rehabilitation of existing facilities. At the same time, more toll stations will be introduced to raise collections from user-charges that will complement budgetary allocations for this purpose. Further expansion of the transportation network and facilities will only be undertaken in areas where the lack of such infrastructure is a bottleneck to development or to the meeting of other strategic needs.

a) Road Transport

5.15 Remarkable achievements have been recorded in the development of the road network in the country since Independence. While the total road network amounted to only 41,941 km in 1963, the country is currently traversed by some 150,600 km of various categories of roads. During the Plan period, this network will be upgraded, strengthened and rehabilitated with a view to improving communication and transportation in all corners of the country especially in the rural areas. Priority will be given to further enhancement of the *Rural Access Roads* and the *Minor Roads Programmes.* Table 5.3 sets out the targets for the road system development by surface type.

Table 5.3: Road System Target by Surface Type

(Kilometres)

Surface Type	87/88	88/89	89/90	90/91	91/92	92/93
Bitumen	6,800	7,000	7,200	7,400	7,600	7,800
Gravel	26,400	28,900	31,400	33,900	36,400	38,900
Earth	117,400	114,700	112,000	109,300	106,600	103,900
TOTAL*	150,600	150,600	150,600	150,600	150,600	150,600

* Any earth roads intended for opening are already included in the 150,600 kilometres. It is also Government policy to gravel all roads that are opened up. In this regard, the RARP will open up the 400 kilometres which will also be graveled. There will therefore be no increase in earth roads except where their absence is a bottle-neck to development.

5.16 Overall, the development of the road transport network will encompass the promotion of labour-intensive technologies in road construction and maintenance among other factors that would lead to employment creation and foreign exchange conservation. Greater stress will be laid on road maintenance and upgrading, although rural access roads will continue to be expanded where necessary. The enhancement and application of building standards will also ensure lower maintenance costs.

5.17 The road transport system particularly in the major urban areas is characterised by heavy congestion during peak hours, over-loaded public transport vehicles, over-speeding and reckless driving. Studies conducted in the past on urban transport problems have recommended intensive road improvement in the case of Nairobi, Mombasa and Kisumu. Most of the urban roads are not only single carriage ways but are also relatively narrow. Government, therefore, will concentrate efforts on both *dualling* and *widening* the network in addition to providing for *fly-overs, tunnels, grids* and *by-passes,* particularly in the three main towns. In addition, there is the all pervading problem of inadequate parking space, especially as most of the large towns tend to concentrate economic activity in the *central business district*. This trend of growth if assumed by the up-and-coming towns would lead to similar congestion. It is the Government's intention, therefore, to direct resources toward the improvement of the urban road network. In the meantime, measures will be taken to restrict inflows of traffic into town centres allowing access only to designated and essential services vehicles. Consideration will also be given to effecting further decentralisation of essential facilities and services such as banking, postage, office accommodation, etc., away from the central city and closer to residential and industrial areas. The possibility of staggering working hours in order to redistribute peak period traffic will also be explored.

b) Railway Transport

5.18 The railway network is run under the *Kenya Railways Corporation Act of 1978* which requires the Kenya Railways Corporation to operate on commercial principles so as to earn a reasonable return on capital invested. However, the Corporation is required, as a matter of policy, to assist in the haulage of strategic commodities such as imports of food and agricultural inputs. This, coupled with tight control on railway tariffs has contributed to the Corporation being unable to break even and from time to time to require heavy Government subsidies and guarantees for loans, especially for capital development. Over and above these problems, the railway system has faced stiff competition from road haulage and passenger transport and the Mombasa/Nairobi oil pipeline. To enable the Railways to run economically, Government will remove the subsidies and allow the Railways to apply economic charges and fares.

5.19 As a result of the heavy capital outlays required to provide sufficient rolling stock and motive power, the Corporation has until now been mainly concerned with consolidation rather than expansion of the rail service. During the Plan period, however, railway links will be developed in the emerging *Export Processing Zones* to facilitate the transportation of export commodities produced in these Zones.

5.20 In order to ease pressure on road passenger transport, consideration will be given to enhancing the contribution of the rail system to passenger transportation along the Mombasa-Nairobi-Nakuru-Kisumu-Butere line, the Nakuru-Malaba line and the Nairobi-Thika-Nanyuki line. The Corporation, however, will be expected to charge fares that are economical to its operations. The projected railway traffic for the Plan period is shown in Table 5.4.

Table 5.4: Projected Railways Traffic

	1985	1987	1991	1993
Passenger Traffic				
Passengers Carried				
('000)	1,920	2,285	2,720	3,050
Passenger Receipts				
(K£ '000)	4,457	5,300	6,310	7,070
Passenger Km				
('000 Km)	5,868	6,980	8,310	9,310
Goods Traffic				
('000 Tonnes)	3,239	3,640	4,100	4,430
Public				
Railways	85	90	95	99
TOTAL	3,324	3,730	4,195	4,530
Traffic/Tonne/Km (Mn)	2,007	2,260	2,660	2,870
Revenue (K£ '000)	6,154	6,645	7,110	7,680
Other Traffic Revenue				
Livestock (K£ '000)	1,006	1,050	1,130	1,175
Parcels, Luggage, etc.				
(K£ '000)	658	684	740	770
TOTAL (K£ '000)	1,664	1,734	1,870	1,945

5.21 In addition, the Corporation will study, in conjunction with major municipal authorities, ways and means through which the rail transit system can assist in improving the urban transit system in Nairobi and Mombasa. This would involve introducing *commuter train* *services* connecting town centres to residential and peri-urban areas and satellite towns. Consideration will also be given to the introduction of a *light rail transport system* initially in Nairobi and eventually to other major towns.

c) Marine Transport

5.22 Kenya is favoured with a seaboard on the Indian Ocean and a lake shore on her western border offering good natural harbours. Mombasa port is Kenya's only ocean terminus for the entire transport system providing important links with other parts of the world. The port is dominant in the East African region in that it handles the largest proportion of import and export trade, meeting our domestic needs and those of some of our neighbours, namely:- Uganda, Rwanda, Burundi, Sudan, Zaire and Zambia most of who are landlocked.

5.23 The importance of marine transport as a cheap mode of bulk haulage is underscored by the increasing amount of traffic handled by the Kenya Ports Authority (KPA) through the port of Mombasa. In recent years, the port's cargo handling capacity has been greatly expanded through the fast growing container facilities. Over time, however, the proportion of traffic handled by the port has shifted towards oils and bulk liquids emphasising the importance of these commodities to the economies of the region. As shown in Table 5.5, out of a total of 6.93 million tonnes of traffic handled by the port in 1986, dry cargo accounted for 3.67 million tonnes (52.9 per cent of the total), while oil and bulk liquids accounted for 3.26 million tonnes (47.1 per cent of the total). Passenger traffic particularly for tourists, although growing steadily, has remained below 6,000 up to 1986 whereas growth in container traffic has almost trebled between 1981 and 1986 rising from 44,083 Twenty-Foot Equivalent Units (TEUs) handled in 1981 to 119,855 TEUs in 1986.

5.24 The performance of the Kenya Ports Authority in handling import and export traffic has been commendable. The KPA is one among the few parastatals that have generated considerable financial surpluses from operations. Development of port facilities will remain modest in line with projected traffic volumes indicated in Table 5.5. Commensurate with the Budget Rationalisation Programme, emphasis will be laid on the completion of already on-going projects from among those in the pipeline with only high priority new projects being selected for implementation. The possibility of allocating a certain amount of foreign exchange resources equivalent to an agreed portion of the KPA's shipping and stevedoring earnings will be explored as a possible source of

Table 5.5: Port Traffic Composition, 1986-93

(Million Tonnes)

	Dry Cargo		Oil & Bulk Liquids			
Year	Imports	Exports	Imports	Exports	Transshipment	Total
1986	2.07	1.60	2.84	0.39	0.03	6.93
1987	2.16	1.66	2.97	0.40	0.04	7.23
1988	2.26	1.72	3.11	0.41	0.41	7.91
1989	2.36	1.79	3.26	0.42	0.42	8.25
1990	2.46	1.86	3.41	0.43	0.49	8.65
1991	2.57	1.93	3.57	0.44	0.57	9.08
1992	2.79	2.08	3.71	0.45	0.59	9.62
1993	3.03	2.24	3.85	0.46	0.62	10.20

funding for development activities. During the Plan period, the KPA which has ample land available will be encouraged to set up Export Processing Zones.

5.25 A suitable site for the construction of the *Mombasa Container Freight Station* will be identified with a view to improving trans-shipment operations. Current arrangements for trans-shipment where cargo is subjected to customs bond arrangements requiring cash deposits will also be examined for possible restructuring. The KPA will be required to take further measures to improve its operational efficiency through manpower training, better maintenance of plant and equipment and speedier documentation. Appropriate penalties will be instituted against persons and institutions who take unduly long to clear their containers from open storage areas.

d) Air Transport

5.26 Air transport is becoming increasingly vital to Kenya's progress. As we develop an export-oriented economy especially in the field of horticultural crops and other high-value agricultural products, air transport will become even more important. Additionally, Nairobi has become the hub of air traffic connections for a large part of the African continent and Western Europe. Government intends to capture these opportunities to strengthen the country's development.

5.27 Three functions fundamental to the evolution of an efficient air transport industry are the aerodrome service, the civil aviation information system and the meteorological forecasting and information service. The Aerodromes Department is responsible for the development, operation, maintenance, security and safety of all the airports. The Directorate of Civil Aviation provides air traffic control services to all major airports in the country and beyond, while the meteorological and weather forecasting systems are responsible for providing meteorological and climatological services to civil aviation and shipping in the region.

5.28 During the Plan period, these facilities will be improved to provide efficient services to the air transport industry and to support international air traffic flows. In particular, the Aerodromes Department will be transformed into a *Kenya Airports Authority* in view of the important role it will be expected to play, not only in the development and management of the airports but also as an important generator of revenue.

5.29 The national carrier, Kenya Airways, was established in 1977 to achieve the following objectives:

- to run a safe, profitable and reliable airline;
- to provide local and international air services;
- to provide airline related services including cargo handling and engineering services;
- to play a significant role in the promotion of related industries of tourism, trade and commerce that are of benefit to Kenya; and
- to develop skills in the local people with the aim of Kenyanising the running of the air transport industry.

5.30 Air transport is an extremely competitive industry. Since its inception, Kenya Airways has faced numerous operational difficulties including high insurance premiums and interest rates, increasing competition from charter operators and continued accumulation of blocked funds outside the country. In the past, the airline also faced a shortage of skilled manpower in managerial and technical fields making it very difficult to compete effectively. Government has taken steps to strengthen the management of the airline and enabled it to acquire two Airbuses and two Fokker 50 Friendship aircraft. This will make it possible for the airline to extend its services to further destinations.

5.31 As already mentioned, the export of horticultural crops and other processed agricultural products will become increasingly important, calling for increased use of wide-bodied aircraft. In addition to providing adequate space for these export goods, Kenya Airways will be utilised as far as possible in the freight of Government imports. The carrier will also be expected to improve its domestic, regional and international flight performance with respect to bookings, flight scheduling and technical services to enable it to compete with other international airlines more effectively, especially in the tourist industry which is one of Kenya's main foreign exchange earners.

5.32 Kenya Airways will also take full advantage of the harmonisation of flight schedules among PTA airlines, thereby generating a greater volume of both air cargo and passenger traffic. Nairobi has been designated a PTA collaborative centre for aircraft repair and maintenance. The national carrier will, therefore, be required to improve its technical handling capacity and enhance its competence in these areas.

5.3 COMMUNICATIONS SYSTEM

a) Postal Services

5.33 The provision of posts and telecommunications services and the control of radio communications operated from or received in Kenya rest with the Kenya Posts and Telecommunications Corporation (KP&TC). Over the last few years, the Corporation has expanded postal facilities considerably to cater for the needs of Kenyans throughout the country. Between 1982 and 1986, the total number of post offices increased by 16.6 per cent, rising from 731 in 1982 to 852 in 1986. Departmental offices increased by 27.4 per cent, while sub-post offices increased by 21.1 per cent over the same period. During the Plan period, the number of post offices is expected to grow from 954 in 1988 to 1,276 by 1993. Additionally, complementary services such as the Speed Post courier service, postal and money order handling facilities and the Post Office Savings Bank operations will be extended to cover an increasing number of postal outlets.

b) Telecommunications Services

5.34 Further to the expansion of postal infrastructure indicated above, the KP&TC has given considerable attention to the development of telephone exchange services. Over the ten years ending in 1987, the Corporation has spent over K£ 180 million in the expansion and modernisation of the telephone exchange capacity. The public phone-booth system has grown phenomenally over the last five years and has greatly improved public access to telephone facilities. The expected expansion of telephone facilities during the Plan period is given in Table 5.6.

Table 5.6: Growth in Telephone Facilities

Year	1982	1986	% Growth	1993	% Growth
Automatic Exchange ('000 Units)	108.4	169.8	11.9	449.4	14.9
Manual ('000 Units)	24.4	28.0	3.5	34.4	3.0
Direct Line Connections ('000 Units)					
Automatic	76.6	115.7	10.9	280.6	13.5
Manual	13.4	13.7	0.6	14.7	1.0
TOTAL (Direct)	90.0	129.4	9.8	295.3	12.5
Public Call Offices	0.7	2.7	40.1	7.2	15.0

5.35 During the same period, the telephone trunk capacity and exchange connections are expected to grow at 11.9 per cent per annum, while the manual exchange capacity is expected to grow at 3.5 per cent per annum. The microwave relay and overhead and ground cabling systems have been greatly expanded facilitating the introduction of *Subscriber Trunk Dialing (STD)* services. A second Indian Ocean oriented satellite antenna has been installed further extending the *International Subscriber Dialing (ISD) Service.* By 1988, all provincial and district headquarters had STD facilities while a reasonable number of large towns had direct access to International Subscriber Dialing. News items and sporting events can now be instantaneously transmitted through radio and television from a large number of points in the country and from a large segment of the world through the telephone system. The next phase in the development of the STD System will focus on divisional headquarters all of which are expected to be covered during the Plan period.

5.36 The Corporation has also embarked on an ambitious project to manufacture telephone exchanges and receiving equipment. Production will be geared towards satisfying the domestic market and exporting the surplus initially within the PTA region. In the field of telecommunications manpower development, the Corporation commands basic and technician level training capability. It is also billed to host the regional *African Advanced Level Telecommunications Institute (AFRALTI)*. These facilities will serve to ensure growth in capacity for self-sufficiency at all levels of technical and operational competence in this field.

5.4 WATER

5.37 Water is one of the most important basic needs in people's lives. As such, Kenya's spatial distribution of population is highly influenced by water availability. Water is used for home consumption, agriculture and livestock development, construction works and in industrial production. Water thus plays a key role in opening up otherwise remote regions to industrial and agricultural activity. In areas which are either arid or semi-arid, water for irrigation is necessary if new crops are to be introduced. In line with its efforts to bring about rural-urban balance and to open up the arid and semi-arid lands for increased economic activity, Government with the support of *Wananchi* will ensure that adequate water is available for these purposes.

5.38 Water needs for different rural and urban areas are different and hence its provision is being handled through water programmes specific to each category of needs. It is estimated that Kenya's rural population will increase from 18.7 million in 1988 to 21.6 million in 1993, an increase of 2.9 million. The urban population will increase by 1.6 million people over the same period. To date, only 75 per cent of the present urban population of 4.0 million has access to reliable clean water supplies while only 26 per cent of the rural population enjoys similar facilities. Overall, only 35 per cent of the present population of about 23 million is assured of clean water supplies and at reasonable distances as indicated in Table 5.7.

Table 5.7: Population Targets to be Served by Organised Water System Points, 1988-93

(Million)

Year	1988	1989	1990	1991	1992	1993
Urban Population	3.08	3.50	3.90	4.35	4.82	5.42
Rural Population	4.91	5.85	7.07	8.32	9.68	11.10
Total	7.99	9.35	10.97	12.67	14.50	16.52
% of Total Population	35.20	39.80	45.00	50.10	55.3	60.74

5.39 To reach the targets shown in the table, Government will expand existing water programmes and also start new ones during this Plan period. For the rural population, Government will increase the proportion of people served by organised water points from the present 26 per cent (4.91 million) to 50 per cent (11.10 million) by 1993. In urban areas, the proportion to be covered will increase from the present 75 per cent (3.08 million) to 95 per cent (5.42 million) by the end of the Plan period.

5.40 Government will encourage the private sector to upgrade its role in water conservancy such that each industrial set-up has water conservancy devices installed. *Harambee* fund-raising to supplement Government allocations for future water projects will continue to be encouraged so that consumers meet a reasonable portion of expenses covering both capital development and maintenance costs. To this end, measures will be taken to ensure that individual metre connections are fixed in all properties so that water rates reflect actual consumption.

5.5 ENERGY

5.41 Energy is one of the most essential inputs in sustaining the tempo of economic activity. The country's energy demand is expected to grow at the rate of 4.4 per cent per annum during the Plan period as indicated in Table 5.8. Currently, Kenya is dependent on three major

Table 5.8: Projected Energy Demand by Fuel Type

(Million TOE*)

Energy Source	1988	1990	1993
Woodfuel	27.80	30.30	35.30
Petroleum Fuels	1.70	1.81	1.90
Electricity	0.20	0.23	0.28
Coal	0.08	0.09	0.10
TOTAL	29.78	32.43	37.58

* Tonnes of oil equivalent

sources of energy, namely; woodfuel, petroleum fuels and hydro-electricity. The long-term aim of energy development is to achieve greater self-reliance and intensive energy generation where appropriate. The overall energy policy objectives will include:

- ensuring that adequate supplies of energy are made efficiently available in line with national development needs and at reasonable costs;
- promotion of conservation of all forms of energy;
- intensification of exploration for indigenous fossil fuels, particularly oil;
- continuation of rapid development of domestic hydro and geothermal electricity generation;
- increase in wood production under both on-farm and plantation systems and efficiency in woodfuel utilisation;
- encouraging domestic fuel substitution where possible; and
- introduction of alternative energy sources to broaden the national energy mix and lessen reliance on imported energy.

a) Woodfuel

5.42 Woodfuel will remain the main source of energy for domestic use during this Plan period. Demand is expected to increase from 27.8 million Tonnes of Oil Equivalent (TOE) in 1988 to 30.3 million TOE in 1990 and to 35.3 million TOE in 1993. The overall objective for wood energy is to ensure adequate supplies through sustained yields while at the same time protecting the environment. To achieve this objective, Government will promote the widespread use of fuel efficient *jikos* and cookstoves by providing information and advice through extension services and demonstrations to appropriate target groups.

b) Petroleum Sources of Energy

5.43 Petroleum fuels are the main sources of energy for the industrial, agricultural and transport sectors of the economy. With the expected increase in population and growth of the industrial sector, the demand for petroleum products will rise at 3 per cent per annum during the Plan period as projected in Table 5.9.

Table 5.9: Projected Demand for Petroleum Products

(Thousand Tonnes)

Product	1987*	1988	1990	1993
Light Petroleum Gas	24	25	27	29
Gasoline	274	277	283	290
Kerosene	99	99	105	114
Jet Kerosene	266	269	274	298
Gas Oil	458	464	478	521
Industrial/Marine Diesel	27	28	31	34
Fuel Oil	391	399	415	452
Bitumen	28	29	30	33
TOTAL	1,564	1,591	1,643	1,790

* Provisional

5.44 Although demand does not show rapid growth rates, imports of petroleum will nevertheless continue to claim a substantial part of scarce foreign exchange. Government will, however, adopt measures to ensure that foreign exchange resources are made available at levels that will sustain established national development goals. Direct importation of crude by the Kenya National Oil Corporation (KNOC) is expected to regulate this sub-sector while the Kenya Oil Refineries' processing capacity will be enhanced to facilitate the "cracking" of oil residues with resultant production of a wider range of petroleum products.

c) Oil Pipeline

5.45 The projected quantities of petroleum products to be transported during the Plan period are indicated in Table 5.10. These products are transported through the Mombasa-Nairobi Oil pipeline

Table 5.10: Petroleum Product Quantities to Transport

(Thousand Cubic Metres)

Year	1988	1989	1990	1991	1992	1993
*Product**						
MSP	316.0	316.0	318.5	337.1	348.9	360.4
MSR	275.4	282.9	290.6	293.6	316.4	319.4
KERO	172.9	172.9	184.6	190.8	202.7	211.9
JET (Embakasi)	265.9	290.9	284.4	291.9	301.3	310.5
AGO	667.2	667.2	684.5	694.3	698.6	702.3
JET (Nairobi)	67.7	67.7	73.1	76.4	81.0	86.2
PAL	13.8	13.8	14.4	15.0	15.4	15.7
TOTAL	1,778.8	1,210.8	1,850.1	1,899.0	1,964.3	2,006.6

*	*Product*
MSP	- Motor Spirit Premium
MSR	- Motor Spirit Regular
JET	- Aircraft Fuel
AGO	- Automobile Gas Oil
KERO	- Illuminating Kerosene
PAL	- Power Alcohol

which was constructed in the early 1970s when economic indicators in Kenya reflected potential for rapid economic growth with increasing demand for petroleum products at such volumes that both the railways and the road transport system could not cope adequately. Thus in 1978, the Government established the Kenya Pipeline Company (KPC) whose function is to provide an efficient and reliable means of transporting petroleum products between these two towns.

5.46 As of 1987, the Pipeline's operations were backed by several pumping stations. Since its inception, the pipeline has proved successful beyond original expectations and has carried large quantities of different white petroleum products. Plans for the extension of the pipeline to Western Kenya have been completed. Government will seek finances to implement these plans during the Plan period.

5.47 Despite huge increases in the Pipeline's throughput, excess capacity is still available within the system. While the installed capacity can handle up to 400 cubic metres of oil per hour, the current throughput is 300 cubic metres of oil per hour, representing a 75 per cent capacity utilisation. Further improvements in the rate of product delivery are still being made. Four extra pumping stations have recently been installed. When all planned pumping stations are completed, the pumping capacity will expand from the current level of 400 to 800 cubic metres of oil per hour.

d) Electricity

5.48 The increased and diverse utilisation of electrical energy in Kenya's development is propelled by its cleanliness, ease of use and reliability. Since Independence, electricity consumption has grown steadily from 486 GWH in 1963 to 925 GWH in 1974 and to 2,330 GWH in 1987, representing an annual growth rate of 6.6 per cent. Demand is projected to grow at the rate of 6.7 per cent per annum rising to 5,394 GWH by the year 2000. In 1987, the total electricity supply was 2,735.0 million kwh of which 1,891 million kwh (69 per cent) was met from hydro generation, 359 million kwh (13 per cent) from geothermal generation and 485 million kwh (18 per cent) was imported from Uganda. The *Kiambere* hydro-project with an installed capacity of 144 MW is expected to be commissioned soon while the *Turkwel Gorge* hydro project (106 MW) which is under construction is expected to be completed at the end of 1990. The total installed hydro-power production capacity in the country now stands at 351.5 MW distributed among the stations as indicated in Table 5.11. Geothermal electricity is currently obtained from Olkaria in the Rift Valley. The main thermal generation plants are located at Kipevu in Mombasa with two smaller units in Nairobi.

5.49 While domestic supply of electrical energy falls short of demand, the potential for more hydro-power generation in the country is still enormous. It is currently estimated at 1,422 MW distributed by water catchments as follows: Tana 583 MW; the Lake Basin 355 MW;

Table 5.11: Installed Hydro-Power Capacity

Station	Installed Capacity (MW)
Gitaru	145.0
Kamburu	94.2
Kindaruma	44.0
Masinga	40.0
Tana	14.4
Wanjii	7.4
Small Units	6.5
TOTAL	351.5

Rift Valley 245 MW; Ewaso Nyiro 155 MW and Athi River 84 MW. The construction of hydro-power stations is, however, expensive and hence future developments in this area will depend on the availability of funds and the established financial and economic viability of each unit. Geothermal exploration has been going on in an area covering 48,000 sq. km. in the Rift Valley especially at Olkaria, Eburu and Lake Bogoria. The full potential of the Olkaria field has been estimated at 1,200 MW, while that of the Eburu and Lake Bogoria fields is estimated at 1,000 MW.

5.50 Whereas in the past demand for electricity has tended to be concentrated in the larger urban areas, Government decided from the late 1970s to extend these facilities to the rural areas to enhance their development. Such undertakings usually require soft financing because of their initial low rates of return. Government intends to pursue this programme vigorously to ensure the rapid connection of all District and Divisional headquarters and other rural focal points.

5.6 INFORMATION AND BROADCASTING

5.51 With specific reference to spatial development in its broader perspective, the information and broadcasting system must fully respond to the information needs of investors to enable them to decide where to locate their activities, and to the business community in general in helping them to understand the markets for inputs and outputs, what transport and communication facilities are available for easy access to such markets and existing cost-price relationships. The general public must also be assisted in identifying areas with employment and other income earning opportunities and the market conditions for goods and services. To this end, the Ministry of Information and Broadcasting will be required to double its efforts in the gathering, processing and disseminating of such vital information throughout the country and abroad through radio and television broadcasts, films and other appropriate media.

5.52 In view of the growing importance of communication services, a study will be undertaken on the feasibility of establishing a second television channel and another radio channel possibly on a private entrepreneurial basis involving indigenous Kenyans.

5.53 To ensure wide coverage and effective reception of news and information throughout the country, the current decentralisation exercise to 61 centres linking Nairobi by radio-telephone, telex and telephone systems will be consolidated and expanded. The Ministry of Information and Broadcasting has established 11 booster stations in the country and has plans to build 5 new ones at Kitale, Maralal, Marsabit, Wajir and Malindi during the Plan period. Mobile cinema services will also cover the rural centres with increasing frequency. Programmes currently underway for the establishment of broadcasting transmitter monitoring sets will be completed as a matter of priority, with further expansion depending on the availability of financial resources and export potential. Besides the expansion of transmitting stations, the Government intends to modernise VOK production studios throughout the country. To man the new facilities, the Ministry will also embark on a vigorous recruitment and training programme for its manpower at the Kenya Institute of Mass Communication (KIMC). The

VOK will also be restructured into a parastatal, *The Kenya Broadcasting Corporation*, to improve efficiency and to enable retention of qualified and experienced staff.

5.7 INFORMATICS AND DATA COMMUNICATION SYSTEMS

5.54 The path of human development has been marked by a series of technological revolutions, commencing with the *Agrarian,* through the *Industrial Revolution* and culminating most recently with the *Electronic Revolution.* At the threshold of the twenty-first century, the dawn of the information revolution promises to carry the human race to even greater heights of technological achievement. The primacy of information as a tool for development planning is increasingly becoming appreciated by planners, decision-makers, investors and the public at large.

5.55 For the efficient and effective exploitation of information for development, a network of information technologies *(informatics)* and *data communication systems* must exist and be continually updated and adapted to the changing needs of society. Kenya is fully committed to exploiting existing possibilities in these fields for the advancement and betterment of the lives of her people. Consequently, a range of institutional arrangements in the fields of statistical data bases and bureaux, library, documentation and archival services, telephone, telegraphic, telex and facsimile services, satellite communication, radio and television broadcasting networks, mail courier services, books, newspapers and journals and a system of shows, exhibitions and extension services have been put in place to take advantage of existing technological possibilities. Government will continue to provide the necessary back-up for the development of relevant information and data generation, collation, processing, storage, retrieval and dissemination facilities.

a) Data Handling

5.56 Despite the revolutionary role information technology is playing in the rapid development of already advanced states, its use for development has had a slow take-off in Kenya. Information technology was introduced in 1953 in the form of *punch card tabulators* by the Government and the Railways administration. The first computer was introduced in 1961. By 1981 there were 121 mainframes in Kenya. Since then, growth in numbers and change in technology have progressed apace such that by 1985 there were 1,800 computers of various types and capacities.

5.57 The introduction of mini-computers in the 1970s and micro-computers in the 1980s has contributed greatly to the expansion in computer installations with the micros leading the way mainly due to their reduced cost, increased capacity, versatility, portability and low maintenance requirements. It is estimated that there are over 1,000 micros and the number is increasing steadily. At current estimates there will be over 5,000 units by 1993.

5.58 With the above developments it has been realised that information technology does not actually reduce job opportunities but rather generates more employment directly, and through rapid economic expansion engendered by faster and more accurate decision-making with its application. Government policy will, therefore, continue to encourage the adoption of appropriate information technology and to facilitate its development and acquisition not only in the context of industrial production of hardware and software as outlined in Chapter 7, but also through training and development of the necessary technical manpower.

b) Information Bureaux

5.59 As indicated elsewhere in this Plan, the Central Bureau of Statistics, the Government Computer Services Centre, the District Information and Documentation Centres and data-bases and management information systems in various ministries and agencies already constitute a solid network of information infrastructure. The network is required for the speedy and accurate handling of information and baseline data for planning and decision-making in the formulation, implementation, monitoring and evaluation of development programmes and projects. During the Plan period, a feasibility study intended to form the basis for the development of a broad policy frame regarding the co-ordination and development of the information infrastructure will be undertaken, eventually leading to a clearly articulated *national information and informatics policy.*

c) Development Information Co-ordination

5.60 As already indicated, information and communication are resources which when organised and utilised appropriately greatly enhance socio-economic, cultural, scientific and technological development. A broad inter-sectoral and inter-disciplinary co-ordination mechanism creates the necessary framework for the collection, processing, safe custody, timely retrieval and dissemination of information and know-how for planning and decision-making. As Government shifts critical development activities to the private sector, independent and autonomous development information facilities become necessary to create mechanisms for the collection, analysis, synthesis and dissemination of development information. During the Plan period Government will explore the possibility of promoting independent *Development Resource Centres* with readily accessible databases and appropriately interfaced with relevant Government Agencies, Private Development Agencies and private individuals and institutions to facilitate the making of appropriate investment decisions.

d) Libraries, Archives and National Museums

5.61 Various Acts of Parliament including *the Kenya National Library Services Board Act, the Public Archives Act, the Books and Newspapers Act* and *the National Museums Act* form the base for the development, management and utilisation of the infrastructural requisites for the acquisition, processing, storage, retrieval and dissemination of information from books, journals, periodicals, documentation and artifacts. During the Plan period, further expansion and co-ordination of these services will be undertaken to make them more accessible to a wider public not only for utilisation in a development context but also for recreation and leisure.

e) Scientific and Technological Information Services

5.62 The role of the National Council for Science and Technology (NCST) as spelt out in the *Science and Technology Act*, is to advise on all scientific documentation, statistics, surveys and general information, with the specific objective of establishing the necessary machinery for the collection and dissemination of scientific and technological information. To fulfil this objective, the NCST has established the *Kenya National Scientific Information Documentation and Communication Centre (KENSIDOC)* with the overall objective of developing information services necessary for the elaboration and implementation of Kenya's scientific and technological plans for socio-economic development. The medium-term objectives of KENSIDOC are to:

- put at the disposal of planners, research workers and technologists appropriate tools for the identification of sources from which required information can be found *(information referral services);*

- provide information on research institutions, on-going programmes and projects and research scientists in various disciplines;

- disseminate results of research undertaken in Kenya about Kenya by local and foreign researchers; and

- strengthen information sources in priority scientific areas identified in national development plans and strategies such as agricultural, industrial, health and development planning.

5.63 Government will continue, during the Plan period, to enhance these activities in order to ensure that scientific and technological information generated in this country is not only retained within our borders but also that it is appropriately documented and disseminated in support of planning and management functions in the economy.

f) Meteorological Facilities

5.64 In the face of the apparent fundamental changes in climatological and weather phenomena on the African continent, the lack of an efficient meteorological monitoring system can be a serious impediment to planning for natural resource development and especially in understanding weather and climatic changes as they affect food production and security, water resources management, conservation of natural resources, development and utilisation of new and renewable sources of energy and for drought and desertification monitoring.

5.65 The Kenya Meteorological Department is the main institution charged with the responsibility of generating meteorological and climatological information in the fields mentioned above, in addition to providing services to civil aviation and for shipping routes in the Western Indian Ocean. Although the facilities currently available at the Department have been improved considerably making it one of the leading institutions in Africa for this kind of work, further improvements are required to make it even more effective. There is need to expand meteorological stations in the rural areas to support those already existing in the large urban areas. An information dissemination system at the district level will be required to improve information on weather for the farmers and extension staff. Computerised facilities that link our system with the regional and global networks will be designed to provide advance information on impending weather changes on a day to day basis.

g) Natural Resources Assessment and Remote Sensing

5.66 Rapid natural resources assessment is now undertaken with wide coverage through such techniques as aerial photography and remote sensing. The Department of Resource Surveys and Remote Sensing (RSRS), formerly known as KREMU, has provided leadership in this field. Established ten years ago primarily to deal with range monitoring for wildlife and livestock conservation activities in the dry areas of the country, the Department has now built up-to-date facilities and manpower capabilities to gather and process a wide span of information useful in planning for agriculture, forestry and natural resources development in general. The facilities available include aircraft with airborne photographic equipment and ground computerised facilities which have proved useful in the gathering, processing and interpretation of data acquired from remote sensing satellites. During the Plan period, the facilities of RSRS will be improved and expanded to enhance the Department's effectiveness in gathering information for crop forecasting, drought monitoring and reporting on the negative impact of development activities on the environment. These functions will be revisited in Chapter 8.

5.8 INTERNATIONAL DIMENSIONS

5.67 Spatial development within Kenya has important linkages with development in other countries in Africa and worldwide. Planning for the development of infrastructure must also take into account our obligations and responsibilities as members of the United Nations system, the Organisation of African Unity (OAU) and the Preferential Trade Area (PTA) and other international arrangements. In summary, therefore, the following international programmes will continue to receive support.

a) Transport System

5.68 Kenya is signatory to important regional and international conventions in the area of transportation designed to bring greater integration of African economies. Among others, these are embodied in the *Lagos Plan of Action and the Final Act of Lagos of the OAU* and the *United Nations Transport and Communications Decade Programme.* Within this framework, Kenya will strive as far as possible to complete her section of the Gaborone-Cairo Trans-African Highway, which to date requires upgrading to bitumen standards of the Isiolo-Moyale section. Further, Government will complete the on-going construction of the Lodwar-Lokichogio section of the Kenya-Sudan road as well as the

Thika-Garissa-Liboi road which is intended to improve land communications between Kenya and Somalia.

b) Communications

5.69 As a means of improving the communications systems within and between African countries, the OAU Council of Ministers has recommended the setting up of the *Pan African Telecommunications Network (PANAFTEL)*. In this context, Kenya's contribution to telecommunications links with Ethiopia has now been put in place and her connections with Sudan and Somalia will be in place when these countries complete their portions of the network. Kenya's portion of the international satellite telephone links programme through the Longonot Earth Station has been completed, but additional wave facilities will be negotiated to further boost communication links within the region and worldwide.

c) Air Transport

5.70 Kenya's links with the international air transport system rest on three basic elements. First, Government and the national air carrier have scrupulously followed the rules and regulations set out by the International Air Transport Association (IATA) regarding quality of service and aircraft safety. Second, through the Directorate of Civil Aviation, Government has ensured that monitoring of air travel is done efficiently and within the requirements of the International Civil Aviation Organisation (ICAO). Third, Government will continue to ensure the adequacy, safety and efficient running of airport facilities, especially at the international airports of Nairobi and Mombasa. To meet these goals, Government will, as indicated earlier, establish the Kenya Airports Authority as an autonomous body charged with the running of airports in conformity with international standards.

d) Meteorology

5.71 Atmospheric and hydrometeorological factors often cover vast regions, such that the predictions of rain, drought conditions and floods can be anticipated weeks in advance and reported by facilities operated by other countries thousands of kilometres away. Kenya is, therefore, committed to co-operating with international agencies operating such modern facilities as atmospheric and oceanographic monitoring satellites, including the African Centre of Meteorological Applications for Development (ACMAD) headquartered in Benin which was established to co-ordinate activities and exchange of information on climate and the weather within the African region.

e) Remote Sensing

5.72 Data and information necessary for natural resources assessment and planning can now become rapidly available through remote sensing applications either from balloons, aircraft and more recently through satellite-based systems. As indicated earlier, Kenya has already established a base through which these activities can be improved and expanded in the Department of Resource Şurveys and Remote Sensing. In addition, Kenya hosts the ECA-supported Regional Centre for Surveying, Mapping and Remote Sensing (RCSMRS), which provides training and other services for the Southern and Eastern African sub-region under the auspices of the African Remote Sensing Council. It will, therefore, be necessary for RSRS in collaboration with the Ministry of Science and Technology to work closely with such bodies as the RCSMRS, remote sensing programmes of the US National Oceanographic and Atmospheric Administration (NOAA) and the European Space Agency (French) SPOT programme. Kenya hosts the Regional Remote Sensing Facility, complete with a ground receiving and tracking station, and computer and training facilities for the Southern and Eastern African sub-region. This programme has been adopted by the OAU, and the ECA and EEC have in principle agreed to provide the necessary financial resources for the operation of the facility.

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CHAPTER 6

AGRICULTURE AND RELATED DEVELOPMENT

6.0 INTRODUCTION

Agriculture is the mainstay of Kenya's economy providing as it does the basis for the development of other sectors of the economy. Priority ranking in the sector centres on food production, generation of raw materials for local industries and graduated processing of production for export. The overall thrust of our agricultural policy is first, to achieve internal self-sufficiency; second, to maintain adequate levels of strategic reserves and third, to generate additional supplies for export. This policy thrust will also contribute toward the attainment of our objectives of employment, income generation, foreign exchange earnings, rural-urban balance, food security and overall growth.

a) Internal Self-sufficiency

6.2 The feeding of Kenya's growing population will require increasing supplies of staple foods, principally cereals (maize, wheat, sorghum, millet, rice) pulses and tubers (peas, beans, potatoes), oilseeds (groundnuts, sunflower, cashewnuts, macadamia, sim sim, castor seed, etc.), fruits and vegetables, meat and meat products, dairy products, poultry and eggs, honey and horticultural produce. The production of these items will be stepped up during the Plan period in order to meet the country's needs for internal self-sufficiency in the first instance. In particular, scientific and technological applications will be fully employed to ensure adequate supplies of all staples.

6.3 The realisation of the industrial vision enunciated in Chapter 7 demands that as much of the raw materials required for the proposed industrial thrust be generated internally. Principal among the agro-industrial materials to be promoted include seed cotton, sisal, pyrethrum, tobacco, barley, hops, coconut and palm oil, sugar cane, softwoods, hides and skins and other animal and reptile products, etc. Government will encourage and promote the exploitation of latent industrial opportunities that would generate consumer products from these materials.The necessary infrastructure will be put in place and enhanced where it exists to facilitate the exploitation of these opportunities.

b) Strategic Reserves

6.4 In addition to producing enough food to meet domestic demand, production levels will also be geared towards meeting strategic reserves sufficient to carry the country for at least six months in the worst of times. This will entail the development of adequate storage facilities at appropriate locations in all districts alongside national storage facilities. At the same time, farmers will be encouraged to construct and maintain modified traditional homestead granaries to store their domestic reserves. Appropriate methods will be applied to reduce the levels of pre- and post-harvest food losses occasioned by pests and other environmental contaminants. In this regard, applicable processing and packaging technologies will be employed to increase the shelf-life of staples. The agricultural sector has already been billed to be the base of raw materials for industry. Besides, there is also need to ensure smooth production levels as and when there may otherwise be shortages arising from the vagaries of weather or unexpected surges in demand.

6.5 The maintenance of adequate levels of strategic food reserves and raw material inventories is predicated upon the development of a viable planning and monitoring system that will provide early warning signals to forestall the falling of such reserves and inventories below desirable levels. The nucleus of such a system has already been established in the case of food following on the experience of the 1984 drought. The system will be restructured and strengthened into a *Strategic Reserves and Inventories Monitoring Facility* in the Ministry of Planning and National Development to ensure that it provides a base for timely action on the maintenance of desirable levels of food reserves and raw material inventories. The principal function of the Facility will be to co-ordinate the efforts of other relevant Government agencies in the collection, processing and dissemination of data and information on the state of reserves and inventories and the factors likely to affect their adequacy and distribution, and to send out early warning signals when appropriate or optimum levels of reserves and inventories are threatened. The actual operation of specific reserves and inventory functions will remain the responsibility of respective Government agencies.

c) Production for Export

6.6 Whereas basic foodstuffs and industrial raw materials production will target the domestic market and strategic reserves, the traditional cash crops, coffee and tea, which exhibit relatively low domestic demand will continue to make the major contribution to our export earnings. As stated earlier, with diminished import substitution in the consumer goods industry, production orientation will change in favour of exportables. Under this policy framework, it will be imperative to boost production and productivity so that there are sufficient supplies of the relevant commodities available for export after priority internal consumption and strategic reserve needs have been met.

6.7 Thus the basic agricultural commodities to be promoted during the Plan period fall into three main categories which exhibit different behavioural patterns with respect to their application toward meeting internal self-sufficiency, strategic reserves and surpluses for export. First, basic food crops will be promoted principally to meet internal self-sufficiency and strategic reserve needs of the nation. Second, traditional cash crops namely coffee and tea will be produced mainly for export. And third, industrial raw materials will be produced primarily to feed existing and emerging industries which will also require strategic inventories to smoothen production, with any surpluses being exported in various degrees of processing.

6.8 This Chapter deals with agriculture and related development in high, medium and low potential areas of the country. The Chapter outlines the sector's contribution to the economy in terms of growth, employment, foreign exchange earnings and rural-urban balance and addresses the issue of pricing and marketing incentives, storage development, agricultural investment and credit. It also explains how the strategy of Budget Rationalisation applies to the sector, and the role of education, training, research and technology and land use policy in stimulating higher production and productivity. Finally, the Chapter deals with the application of irrigation technology in both high potential and arid and semi-arid lands, the latter also being given special treatment in view of the Government's determination to accelerate development in these lands which have not received adequate attention in the past.

6.1 AGRICULTURE'S CONTRIBUTION TO THE ECONOMY

a) Contribution to Employment and Growth

6.9 *Sessional Paper No. 1 of 1986* on *Economic Management for Renewed Growth* highlights some of the challenges which urgently call for a change in the tempo of the Nation's development efforts. This new phase of development will be based on stimulating rapid growth in the overall economy at the target rate of 5.6 per cent per annum. Agriculture, being the backbone of the economy, will be the prime mover in meeting these challenges. In the *Sessional Paper* the sector's contribution to this target growth rate was set at 5.3 per cent per annum. Owing to unpredictability of the weather, the average growth rate of 4.5 per cent as reflected in Chapter 3 is somewhat lower than what would be expected if there are no bad years. However, taking into account the size of the sector in the national economy, this level of contribution in meeting the 5.4 per cent per annum target rate of GDP growth will remain the key factor in stimulating rapid growth and the attainment of higher incomes for the majority of the Kenyan people who live in rural areas.

6.10 With the foregoing in mind, Government will create an enabling environment in the form of various incentives that will motivate the farmers to higher production. On the basis of these incentives which are discussed in greater detail later in this Chapter, the sub-sector targets are set for production outputs as shown in Table 6.1.

6.11 Although Government will aim at diversification of agricultural production as a matter of policy, the promotion of seven major commodities will be central to achieving the development goals and targets established for agriculture. These are coffee, tea, maize, wheat, milk, meat and horticultural crops. Development and expansion of coffee and tea will, however, be the foundation for growth of both agricultural incomes and exports. Development and expansion of maize, wheat and meat will be aimed at achieving domestic food security, while that of milk and horticultural products will be aimed at achieving both goals.

6.12 Production of maize, beans and milk utilises approximately two-thirds of the land area devoted to agricultural production. There are, therefore, limited possibilities for further expansion of land devoted to the production of these commodities as this would lead to a reduction in output of the higher valued commodities, and consequently result in a sharp fall in the per capita value of agricultural production.

Table 6.1: Output Projections

(Thousand Tonnes)

Commodity	1987 Actual	1988 Projected	1993 Targeted	Rate of Growth %
Maize	2,583	2,540	3,090	1.04
Wheat	257	231	255	1.02
Sorghum & Millet	176	181	210	1.03
Rice	26	28	41	1.08
Beans	294	309	394	1.05
Potatoes	782	821	1,048	1.05
Sugar	413	426	525	1.05
Beef	171	172	181	1.01
Milk	1,503	1,534	1,693	1.02
Tea	156	160	204	1.05
Coffee	105	123	150	1.04
Sisal	43	44	51	1.03
Pyrethrum	6.4	6.7	7.8	1.03
Cotton	42	45	67	1.08
Tobacco	6	6	8	1.04
Horticulture	40	44	70	1.10

6.13 The aim, therefore, is to reduce marginally the combined area devoted to these commodities to permit the expansion of the high-value, high-employment crops. This means that in order to meet the required output growth rates for milk and maize, their per hectare yields will have to increase more rapidly. For maize, the necessary growth rates are achievable provided there is widespread adoption of the already available high-yield seed varieties and more intensive and extensive use of fertilizers. For milk, however, the achievement of the necessary expansion will only be possible through intensive feed-based dairying. Thus in addition to conflicts in the demand for land between maize and milk, there is also an additional potential conflict in the case of domestically produced maize to be used for direct human consumption and its eventual extensive use in the feed industry. Agricultural development strategy will aim at reducing this conflict to a minimum by expanding other efficient domestic sources of feed as rapidly as possible.

6.14 For both coffee and tea, there is greater potential than for other crops and livestock for increasing yields. In the case of coffee this will be achieved through area expansion, replanting and in-filling with the new high-yield varieties already developed by the Coffee Research Foundation, especially the *Ruiru 11* variety, which unlike other varieties requires relatively lower levels of inputs and management. During the Plan period, the area devoted to coffee production will also increase through the planting of the *Robusta* variety in Western and Nyanza provinces. Expansion potential for tea on the other hand will lie with the planting of high-yield clones developed by the Tea Research Foundation. However, the main opportunities for growth in tea production will be realised through yield increases from the established small-holder and estate farms and *Nyayo Tea Zones.*

6.15 In addition to the sector's contribution to overall economic growth, it is also expected to make major contributions to employment generation. By the end of the Plan period, the total labour force will have reached 10.6 million compared to 7.5 million for 1984 as reported in *Sessional Paper No.1 of 1986* - an addition of 3.1 million. These new entrants to the labour force are already born and most of them are going through the school system.

6.16 It is expected that the highest level of employment in agriculture will come from increased productivity in the small-holder agricultural areas as a result of the impact of the incentive schemes to be implemented during the Plan period. A considerable number of jobs will also be created through expansion of the areas under coffee and tea, development of small-scale irrigation schemes and valley-bottom reclamation.

b) Contribution to Foreign Exchange Earnings

6.17 One of the most limiting factors to the nation's development will be the size of the foreign exchange gap. Historically, Kenya has depended largely on agricultural export earnings to meet the foreign exchange requirements for development programming and other activities. Major foreign exchange earners from the sector have been coffee and tea, which together have accounted for the largest share in total export earnings. The other major source of foreign exchange earnings has been horticultural crops which in recent years have not only been the fastest growing, but have also become the fourth largest foreign exchange earner after tourism, coffee and tea. Coffee and tea will continue to be the major foreign exchange earning crops. Export diversification will, however, be encouraged through further increased production of horticultural produce. Small contributions have also been made by exports of sisal, meat products, pyrethrum and cashewnuts. Because of the country's strong agricultural base, imports of agricultural commodities have been limited to vegetable oil products, wheat, rice and in the event of drought, maize and milk. Production and processing of oil crops will be given greater emphasis than has hitherto been the case. Modern sector agriculture still depends on imported inputs in the form of fertilizers, chemicals, machinery and equipment, a situation that calls for effective strategies to ensure local production of these inputs during the Plan period.

c) Contribution to Food Security

6.18 With increasing population and diminishing good agricultural land, it became clear in the mid-1970s that there was already a noticeable imbalance between food supply and demand in the country. It became necessary to publish *Sessional Paper No.4 of 1981* on *National Food Policy* which though still valid in its overall policy thrust now needs considerable up-dating to take account of what was learned from the drought of 1984.

6.19 Nevertheless, trends indicate that this situation may become more serious towards the turn of the century unless the country takes steps to increase food production. Failure to do this raises the possibility of the country having to rely on food imports and increased food aid.

6.20 Due to the vagaries of weather and migration to marginal lands, a large proportion of people living in these areas experience recurrent temporary food insecurity. This calls for systematic planned food management practices to mitigate or eliminate food shortages. Over the years, the food security problem has been addressed from three basic approaches. First, the Government has taken measures to ensure that consistent and adequate amounts of food are available in every part of the country at all times. This has been done through policies aimed at increasing national food production by making inputs available when they are needed and as far as possible ensuring timely payment for deliveries. Other measures include the expansion of public grain storage facilities during years of surplus, rationalised food imports and commodity swaps. In addition to these measures, the Government has also pursued a policy of price control primarily to stabilise producer and consumer food prices. During the Plan period, Government will ensure that projected food production meets domestic demand to the extent indicated in Table 6.2.

Table 6.2: Basic Food Projections

	Per Capita Consumption Kg/pers/yr)	Demand/Production Projections (Tonnes) 1988 Demand	1988 Production	1993 Demand	1993 Production
Maize	100.0	2,250,000	2,540,000	2,670,000	3,090,000
Wheat	19.4	440,000	231,000	535,000	255,000
Sorghum & Millet	7.7	175,000	181,000	213,000	210,000
Rice	3.0	69,000	28,000	84,000	41,000
Beans	13.2	300,000	309,000	366,000	394,000
Potatoes	33.5	760,000	821,000	925,000	1,048,000
Sugar	17.6	399,000	426,000	523,000	525,000
Beef	8.1	183,000	172,000	223,000	181,000
Milk	91.0	2,060,000	1,534,000	2,500,000	1,693,000

6.21 The following strategies will be applied toward meeting projected food requirements:-

- laying emphasis on development of drought resistant crops for ASAL areas including sorghum, millet, potatoes, beans, legumes and oilseeds;

- improvement and further strengthening of monitoring and early warning systems for weather conditions in all agricultural zones and wide dissemination of information on expected weather trends and their possible effects on food production and livestock management; and

- rationalisation of food import policy with the aim of reaching the correct balance in strategic reserves that does not lead to costly storage during normal years while guaranteeing timely imports as cheaply as possible.

6.22 One of the key elements of the strategy for achieving national food security objectives will be the proper management of strategic reserves. The Government is committed to maintaining a fixed Reserve position of 6.0 million bags of maize for each year of the Plan period. For other commodities, the Government will determine the level of desired stocks from year to year as the situation demands. Sustaining food security at this level will require expansion of the public storage system as indicated later in this Chapter.

6.23 In trying to maintain the strategic reserves for national food security purposes, it will be necessary to take into account the financing aspects of such reserves considering the high costs involved. Therefore, in line with policy restructuring in the marketing system, the National Cereals and Produce Board (NCPB) will be required to develop *integrated stock and financial management systems* particularly for maize, wheat and rice. The financing and maintenance of the National Strategic Reserves will, however, be separated from normal commercial operations which in any case the Government intends to eventually turn over to the private sector during the Plan period. As bad seasons are always preceded by good ones, adequate multi-commodity strategic reserves will be maintained at all times to see the country through difficult times such as droughts and poor harvests.

6.24 While the day to day management for grains, beans and other scheduled crops will rest with the NCPB, the actual control of ownership will rest with the Ministry of Supplies and Marketing. Major decisions with regard to the release or replenishment of the Reserves will be made by the Inter-ministerial Food Management Committee located in the Office of the President, with representation from Ministries of Supplies and Marketing, Agriculture, Livestock Development, Co-operative Development, Planning and National Development and the Treasury, with ultimate sanction by the Cabinet.

6.25 The critical importance of accurately monitoring crop status at all levels from planting, germination, growth, harvesting and storage cannot be over-emphasised. Therefore, during the Plan period, a comprehensive monitoring and early warning system based on the structures developed during the 1984 drought will be put in place. The system will facilitate the gathering and analysis of data for dissemination to users of the resulting information on weather, availability and use of inputs, supply of agricultural credit, livestock movement in the range areas in search of forage and the general status of livestock marketing throughout the country.

6.26 The data will be collected through a nucleus of 13 agro-meteorological stations, each located in a specific agro-ecological zone. The Meteorological Department of the Ministry of Transport and Communications and the Department of Resource Surveys and Remote Sensing (RSRS), will provide the lead in gathering primary data which will subsequently be supplemented with field information from the extension staff of the Ministries of Agriculture, Livestock Development and Supplies and Marketing, the District administration staff and the staff of NCPB and the Central Bureau of Statistics (CBS). Most of the information will be processed initially by the Food Planning and Monitoring Committees within each ministry, with technical assistance from the Food Forecasting Committee of the CBS. The Food and Nutrition Planning Unit located in the Ministry of Planning and National Development will play a critical role in data interpretation and policy analysis. The necessary equipment and facilities at all levels will be made available to ensure that the system achieves the required level of effectiveness during the Plan period.

d) Contribution to Rural-Urban Development Strategy

6.27 The whole thrust of the strategies for spatial development hinges on their expected support to rural development in general and the agricultural sector in particular. This is particularly important because Kenya being basically an agricultural country, the spatial pattern of human settlements will be consistent with the trends in agricultural activities. Over and above this, the expected growth in urbanisation will impose greater demands on the agricultural sector in terms of meeting food requirements of the urban populations, and in providing the necessary raw materials for agro-industry.

6.28 Both policy and institutional restructuring for the marketing system discussed below will require parallel development of physical infrastructures such as market sites, local storage, processing facilities, and transportation and communication systems. Major proposals in the Spatial Dimensions Chapter relating to the District Focus for Rural Development Strategy, Rural-Urban Balance Strategy and the development of the RTPCs have justification in their support to the agricultural sector, especially in improving market infrastructure and facilities. Particular attention will be paid to construction and maintenance of feeder and access road networks, improvement of market sites, local storage and processing and improvement in communications in order to provide better information to the farmers and traders on prices in markets throughout the country.

6.2 AGRICULTURAL INCENTIVES

6.29 The challenge placed upon the agricultural sector by *Sessional Paper No.1 of 1986* calls for major institutional and policy reforms. These reforms are expected to result in improvements in the pricing system, produce storage, marketing and distribution, the creation of an effective credit administration system and the strengthening of the extension system to enable it to more efficiently deliver information on high productivity technological innovations from research. The major components in the incentive structures and policy reforms that will be pursued during the Plan period are detailed in the following sections.

a) Pricing Incentives

6.30 Over time, Kenya has developed a well-established policy, and procedures for setting the prices for major agricultural commodities such as maize, wheat, rice, sugar, milk, cotton and domestically consumed tea. The analysis and subsequent setting of prices have been carried out in the *Annual Price Reviews.* Two major considerations have become the basis for official determination of prices. First, since Kenya participates in the international markets as a seller and buyer of agricultural commodities, the prices set domestically have to reflect border prices, i.e. expected export and import prices. Second, the Government recognises that the key factor in stimulating agricultural production lies in setting prices at levels that give the correct signals to the farmers and provide sufficient remuneration to them to ensure adequate supplies of the major food crops. During the Plan period, Government will continue to review agricultural prices with the aim of increasing them in order to maintain the correct terms of trade between agriculture and other sectors.

6.31 In spite of the fact that Kenya has made considerable progress in setting the correct prices for the farming community, there are still serious problems in the system of payment for agricultural commodity deliveries that are marketed through parastatals. For six major commodities, namely: coffee, tea, maize, milk, cotton and sugar, producers in recent years have often had to wait from two to fifteen months before receiving full payment. These delays have acted as a serious disincentive to production. The causes of these delays are a function of rigidities inherent in the type of system through which commodities are marketed.

6.32 Such delays create very serious problems for small-scale farmers who have no access to credit for the purchase of necessary inputs. Hence delayed payment can be seen as effectively reducing producer prices thus undermining the profitability of farming operations. During the Plan period, Government will institute appropriate measures to ensure that marketing boards and co-operative societies do not delay payments beyond two months.

b) Marketing Incentives

6.33 While the correct management of the pricing system has the greatest impact in stimulating agricultural production, Government is, however, fully aware that good prices by themselves do not achieve full impact on agricultural production unless other complementary inputs and services are also in place. In particular, an efficient marketing system is required that guarantees not only prompt payment to farmers but also efficiency in collection, storage and distribution of commodities to reduce losses to a minimum and preserves the quality of products available to the consumers.

6.34 Kenya has a wide range of marketing mechanisms and institutions involved in crop purchase, storage and distribution. These have evolved from systems existing prior to 1963 when the country attained her political Independence, but have undergone considerable modifications reflecting changing circumstances with varying degrees of success in terms of efficiency and market transparency. However, since the early 1980s, it has become clear that too much official involvement in marketing and pricing may induce operational inefficiencies. Furthermore, parastatals and nationwide monopolies such as the NCPB and KGGCU for maize, wheat and rice, KCC for milk, Cotton Lint and Seed Marketing Board (CLSMB) for cotton, Livestock Marketing Division of the Ministry of Livestock Development and the Kenya Meat Commission for meat products, have not achieved the objectives for which they were set, namely: price and income stabilisation for the farmers, efficient and inexpensive nationwide distribution of commodities to the consumer without Government subsidy and buyers of last resort. In almost all cases, the performance of these monopolies has remained poor due to lack of competition and weak management.

6.35 To overcome the limitations in the present agricultural marketing system, major restructuring involving gradual liberalisation will be carried out over the next five years. In this respect, the functions of the NCPB will be limited to the maintenance of the strategic reserves and buyer of last resort, thus leaving over 75 per cent of the market to private traders, millers and co-operative societies. This will be accomplished through the removal of inter-district movement permits and the operation of buying centres. To further reinforce the effectiveness of the recent decision to free meat prices, Government will confine the activities of the Livestock Marketing Division of the Ministry of Livestock Development to assisting pastoralists in difficult areas where private traders cannot profitably operate. In the case of milk, the monopoly position held by the KCC will be altered by licensing of additional smaller district-based dairy units thus confining KCC's operations to the major urban markets and public institutions.

6.36 While Government will take steps to implement the above restructuring in the marketing system, two other important considerations will be taken into account, namely: the re-organisation of the NCPB as custodian of the national strategic reserves and improvements in marketing physical infrastructure.

6.37 The central roles the NCPB will play in the maintenance of the national strategic reserves and in acting as buyer of last resort pose unique responsibilities to the organisation. Studies have been undertaken with a view to working out a reform programme that involves a major overhaul of the NCPB in the areas of general management, rationalisation of the buying network, financial restructuring and improvement in the monitoring of market conditions. This restructuring will, however, involve certain financial costs. In the first place and in order to ease the current financial burden from past operations, Government will write off existing loans incurred by the Cereals and Sugar Finance Corporation (CSFC) amounting to K£ 250 million. Additional financial requirements will be needed for the establishment of a *Crop Purchase Revolving Fund* and for the construction of the necessary storage facilities.

6.3 STORAGE DEVELOPMENT

6.38 Adequate storage for food and various types of inputs will be critical to the development of agriculture. The storage of marketed grains in the country is predominantly carried out by the NCPB and private rented facilities. So far, the private sector and particularly the grain millers have been heavily subsidised by the NCPB whose storage facilities they have depended on without expanding their own to meet their growing requirements. The existing national storage facilities both of the NCPB and the private sector (including millers) are estimated to have a capacity of 19.8 million bags.

6.39 Currently, the NCPB has 42 stores for maize and 12 for wheat in various parts of the country representing a capacity of 11.06 million bags for maize and 1.54 million bags for wheat. However, the desired capacity amounts to 14.96 million bags for maize and 2.09 million bags for wheat giving a deficit of 3.90 million and 0.55 million bags for these commodities respectively.

6.40 As indicated earlier, Kenya's population is expected to increase from the 1988 figure of 22.7 million to 27.2 million by 1993. Therefore, for every year of the Plan period, there will be an extra 1 million mouths to feed. It is thus imperative that the country not only increases food production, but also ensures adequate storage facilities to contain the requirements. The projected storage capacity for grain of 17.05 million bags by 1993 is required mainly to take care of the strategic reserves for national food security purposes. In view of the reduced role of the NCPB in the marketing of cereals, the private sector will be expected to construct storage facilities to meet their own needs. The public grain storage expansion programme is presented in Table 6.3.

Table 6.3: Development of Storage Facilities for Maize and Wheat

(Million Bags)

	Present Capacity	Extra Needed	Total
Maize	11.06	3.90	14.96
Wheat	1.54	0.55	2.09
TOTAL	12.60	4.45	17.05

6.41 The current storage development programme for the NCPB involves the construction of grain silos in Nakuru, Kisumu, Kericho, Bungoma, Narok, Nairobi, Moi's Bridge, Mosoriot and trans-shipment silos at Mombasa. These are expected to be completed during the 1988/89 financial year. The Nairobi and Mombasa silos will be completed by the 1990/91 financial year. On average, the grain construction programme will require K£ 3.77 million annually between

1988 and 1993. Alongside each silo project, conventional stores will be constructed for keeping national strategic reserves in bags for rapid movement to deficit areas. The construction of these facilities will aim at convenient national coverage through the development of:-

- storage capacity in the primary food surplus production areas, for reception and storage of marketed crops, particularly during the peak periods following the harvests;

- distribution storage capacity in the food deficit areas of the country;

- strategic reserve storage capacity in the surplus production areas; and

- adequate import and export storage capacity.

6.42 As already indicated, in order to ease pressure on the national public storage facilities, further development of private storage facilities especially by grain millers, co-operative societies and other traders will be encouraged. This is particularly important since with the liberalisation of marketing, inter-regional grain movement from surplus to deficit areas may impose strains in the national storage system. As indicated earlier, with liberalisation, current restrictions on inter-district movement of maize and other produce which increase marketing costs and consumer prices will be gradually removed to allow for free movement of produce throughout the country. Permits for movements outside the country will, however, be maintained for national food security reasons.

6.43 Coffee and tea being the major cash crops in the country will also require adequate storage facilities. Although the Coffee Board of Kenya (CBK) and the Kenya Tea Development Authority (KTDA) have developed their own storage facilities at factory premises and at Plantation House in Nairobi, there is need for additional stores and warehouses at the port of Mombasa. The Coffee Board of Kenya will expand storage from the current capacity of 400,000 bags to 1.3 million bags by 1993 to ensure smooth marketing operations. The KTDA on its part will construct a warehouse at Mombasa especially to handle tea auctions.

6.44 The present national holding capacity for fertilizer, maize seeds and animal feed is equivalent to 1.5 million bags out of which fertilizer requires a storage capacity of 1.2 million bags. This is mostly owned by the KGGCU, co-operative unions and fertilizer distributors. This capacity is considered inadequate and restrictive of procurement, delivery and distribution. Major problems are especially encountered with fertilizer imports which normally arrive in very large consignments. During the Plan period, the co-operative movement will develop farm input storage depots at Meru, Thika, Sagana, Kisii and Bomet as part of the national co-operative input marketing and distribution system. This will double the present input storage capacity from 1.5 million to 3.0 million by 1993.

6.45 Currently, it is estimated that approximately 62 per cent of the total maize produced in the country is retained on the farm for subsistence purposes and stored in traditional cribs and bins. Research findings, however, indicate that storage losses from these systems are as high as 26 per cent of the small farm production. This constitutes a very serious loss to the economy. During the Plan period, Government will, through the extension system of the Ministry of Agriculture, encourage already tested efficient on-farm storage structures.

6.46 The on-farm storage programme will basically aim at first, ensuring that storage losses from insect pests and other contaminants are reduced from 26 per cent to at most 10 per cent. Second, historical experience with seasonal variations in production and recurrent drought, have made some small-scale farmers conservative resulting in large stock carry-overs being maintained in the traditional stores for periods longer than five to eight months. On the other extreme, some farmers sell most of their produce immediately after harvest and thus experience severe shortages later. The construction of minimum loss storage facilities together with effective extension services will enable the local farmers to plan their stocks so as to avoid costs incurred in either extreme situation.

6.47 In developing the on-farm storage programme, it is expected that with appropriate incentives in prices, credit availability and physical infrastructure, the farmers would release their produce gradually over the year. To achieve the required transition, Government will introduce a *seasonal price differential* which will enable farmers to profitably install improved storage facilities and to cover their costs. This seasonal price differential will be operated through the *Crop Purchase Revolving Fund* to be operated by the NCPB.

6.4 AGRICULTURAL INPUTS DEVELOPMENT

6.48 Since with rapidly increasing population good agricultural land is becoming scarce, the challenge faced by the agricultural sector in endeavouring to meet the target growth rates set out in *Sessional Paper No. 1 of 1986* lies in effective promotion of increased and widespread adoption and use of improved seed varieties, fertilizers and pest and disease control chemicals.

6.49 Since Independence, the Kenyan farming community has in general understood the benefits of using yield increasing inputs provided that the cost/return relationships as determined by input prices and the degree of efficiency in the marketing and distribution are working to justify such investment. Consequently, the input delivery system has worked relatively well in many areas. In contrast to the produce marketing system in which the NCPB has been the major actor, the structure of input marketing is characterised by the participation of a range of large and small parastatals, co-operatives, private companies and traders. The Government sees this diversity of participants as the key to the future development of an efficient and competitive agricultural sector.

6.50 The central objective of the Government's agricultural and livestock inputs policy is to ensure their adequate availability at the lowest possible farm-gate prices, at the right time and in the right quantities. The strategies for the development of these inputs, namely: fertilizers, seed, feed, pesticides, farm machinery and implements, artificial insemination and animal health services are discussed below.

a) Fertilizers

6.51 Fertilizer is the dominant farm input used in the country. Its consumption has varied between 100,000 to 250,000 tonnes in recent years and is expected to rise to 400,000 tonnes by 1993. The major constraining influence on fertilizer demand is the heavy foreign exchange costs and transportation requirements. While Government will aim at increasing the use of fertilizers by all farmers, particular attention will be paid to the needs of the small-holder. In order to achieve the goal of increased fertilizer use, various incentives are envisaged. First, the import allocation system has already been restructured so that fertilizer is categorised under Schedule 1 of the *Customs Tariffs Schedules* through which automatic import licenses are granted under the surveillance of the Ministry of Agriculture. Second, the current marketing system will be rendered more competitive to allow for more efficient distribution and to give better margins to retail distributors. Third, channelling of fertilizer acquired by the public sector will be improved through greater use of co-operatives and indigenous businessmen. Fourth, the system of distribution of fertilizer in small packets, which has already been initiated, will be extended to facilitate access to the small farmer who may not require or afford larger packets. Fifth, the extension system will be strengthened to propagate education on the right types, quantities and timing of the use of fertilizer inputs thus guaranteeing the highest returns to the farmers. The Government will also examine the feasibility of local production of fertilizer and the increased use of enriched farm-yard manure and other appropriate farm and non-farm wastes.

b) Seeds

6.52 Kenya has a solid experience with the production and distribution of improved seeds particularly in the case of maize, wheat and horticultural crops. Rapid adoption of the hybrid maize seed has made major contributions to the growth of the agricultural sector since Independence. It is estimated that about 600,000 hectares are currently planted, utilising over 200,000 kgs of hybrid maize seeds. In this process, the Kenya Seed Company (KSC) and the National Agricultural Laboratories have made major contributions in seed multiplication, reening and certification. Unlike the case of fertilizers, a healthy, ral seed distribution system has been established based on a large imber of small rural stockists. The distribution of the hybrid maize ed in 2-kilogram packets has led to dramatic adoption of this variety especially by small-scale farmers. One major contribution to success in this area has been the adequacy of margins built into the pricing structure.

6.53 During the Plan period, Government will take steps to ensure that the area under seed production is increased not only for the major crops such as maize and wheat, but also for barley, grasses, horticultural crops, beans and potatoes. This will be accomplished through hiring of private land by the KSC for the purpose as the need arises and also through irrigation schemes as has been the practice in the past. In addition, both large and small-scale farmers of proven ability will be allowed to grow seed under the supervision of the Ministry of Agriculture and the KSC, so as to allow expansion to meet the already identified export potential to neighbouring countries. The research institutes on their part, will be required to re-double their efforts in developing and screening other improved seed varieties.

c) Livestock Inputs

6.54 The objectives and strategies for the development of the livestock sector contained in the 1980 *National Livestock Policy* document will still remain valid during the current Plan period. The underlying assumption for long-term livestock development policy is that, given the current trends in domestic supply and demand, the country is likely to face large deficits of livestock products which might lead to costly imports. While the demand for livestock products keeps rising in line with population growth rates, the supply of land for extensive grazing in the medium and high potential land areas is getting increasingly scarce. There are also considerable difficulties in increasing the productivity of the range areas. Thus the possibilities for increasing livestock production lie mainly in intensive feeding zero-grazing.

6.55 To meet expected demand, the strategy for development of animal feed will be based on two considerations. First, there will be need to expand fodder crops and improved grasses by individual farmers themselves. Seed varieties for fodder crops and grasses that are already available will be widely distributed to farmers for this purpose. Second, there will be need to promote the manufacture of animal feed in the country. Through the extension system the choice of feed for farmers of various categories will be determined according to nutrient requirements and costs. As far as possible, local materials will be utilised in feed production.

6.56 Currently, the most widely used ingredient in the manufacture of feed is maize. Future dependence on this ingredient will inevitably lead to serious conflicts with the demand for maize for human consumption. Research efforts will, therefore, be geared toward finding alternative sources of feed such as sorghum, cassava and millet. Further, the processing and utilisation of by-products of sugar, pineapple, oilseed cake and other agro-feed bases will be encouraged. The use of agro-forestry tree species already researched and developed by the Ministries of Agriculture, Energy and Regional Development and Environment and Natural Resources will be promoted through the extension service. Price controls of the feed products will be done away with so that feed prices may become increasingly market-driven.

6.57 One of the major reasons for the relatively fast development of the livestock industry in Kenya is the considerable support the Government has given to artificial insemination and animal health services. These services, however, have involved heavy Government subsidies that can no longer be sustained. As these vital services have made an important contribution to the development of the dairy and meat industry in the country, Government will maintain and improve them but with considerable restructuring in operation and management.

6.58 While Government will increase budgetary allocations to both the Central Artificial Insemination Services (CAIS) and the Kenya National Artificial Insemination Services (KNAIS) to make them the focal points from which the services can be expanded, the farmer will gradually have to meet the cost of these services. The current system that depends heavily on motorised runs has proved costly and inefficient and hence it will have to be decentralised by putting static Artificial Insemination (AI) points at dips where appropriate.

6.59 Livestock production can often be costly and the risks faced by the farmer from disease losses can be enormous both to individuals and the national economy. Thus an efficient animal health support system is essential. The availability of drugs, vaccines and pest control dips plays a critical role in livestock production, especially for grade animals. Tick borne diseases are the major causes of livestock deaths. Currently, the tick control dipping system run by the Government has been the cornerstone of the animal health service. The dipping programme has, however, grown into a large and expensive operation. The efficiency of dipping has been reduced through lack of proper maintenance leading to understrength acaricides. This can eventually lead to tick resistance of acaricides which can pose a serious threat to the national herd.

6.60 In the past, the burden of drug and vaccine distribution in the country has rested with the Ministry of Livestock Development's Department of Veterinary Services, although they can also be obtained from a small number of private veterinarians. The level of subsidy in providing veterinary services ranges between 90 to 100 per cent on a broad range of drugs and vaccines. With this level of subsidy, the burden faced by the Veterinary Department on the Recurrent Budget inhibits wide coverage thus compromising the effectiveness of the service.

6.61 The Government intends to make the service more cost-effective by removing the subsidies and broadening the channel for drugs and chemical distribution and general animal health services through:-

- increasing privatisation of some services, particularly veterinary services and maintenance of cattle dips;

- increased user-charges;

- improved revenue collection; and

- increased involvement of co-operatives and farme providing these services to members.

d) Farm Machinery and Equipment

6.62 While Kenya's large-scale farming has benefitted fi of heavy tractors and other large implements, small-sca which accounts for the bulk of agricultural production has hind in farm mechanisation. An appropriate and cost-effect nisation system is critical to our agricultural developme Such systems already exist in other developing countries satile motorised hand tractors and power tillers carry out a ber of farm tasks and are available at reasonable p manufacture of small farm machinery and tools whose prot available in the market locally or can be easily acquired f countries will, therefore, be promoted. The production an tion of these tools will, however, be left in the hands of indig trepreneurs with Government encouragement and support.

6.5 AGRICULTURAL INVESTMENTS AND CREDIT

a) Agricultural Investments

6.63 *Sessional Paper No. 1 of 1986* accords high priority to cultural sector in the achievement of overall growth targets. cent trends are taken into account, investment in this secto terms has not increased appreciably. The main reason for th the Government in the past gave a lot more incentives for the ment of the industrial and commercial sectors, in addition to a considerable resources to the development of basic needs serv result has been a deterioration of the terms of trade against agr thus making investments in this sector less profitable than in o tors of the economy. In spite of the above difficulty, Governme has aimed at making funds available to the farming communit vestment in fixed capital and for purchase of other inputs to increased production.

6.64 The major participants in lending to the agricultura have been the commercial banks, accounting for 48 per cent lending, the Agricultural Finance Corporation (AFC) - 20 per c vate non-bank financial institutions - 18 per cent, and the co

AFC and CBK operations under the *New Seasonal Credit Scheme,* an additional 14 per cent.

6.65 In spite of the Government's commitment to increase the amount of financial resources channelled to the agricultural sector, the actual performance of the sector still leaves a lot to be desired. First, a large proportion of lending from both the public and private sectors has gone to financing transfers rather than to the creation of new assets. This has taken place particularly through land transfer programmes, the settlement schemes and the sub-division of large-scale farms by land-buying companies and societies. Second, although commercial bank credit outstanding to the agricultural sector appears to have increased, there has been considerable diversion of such funds to non-agricultural activities. The commercial banks have not been able to meet the target of lending 17 per cent of total deposits to the agricultural sector as required by the Central Bank. One reason for this is that with heavy Government borrowing from the system, the banks have little resources to invest, which they prefer to put in less risky areas. Other reasons include the inability of public institutions such as the AFC, Co-operative Bank of Kenya, and the co-operative system to deliver and process credit efficiently.

6.66 To improve this situation, Government will take several steps to ensure that additional investible resources go to the agricultural sector. First, Government will, within the framework of anticipated budgetary constraints, endeavour to increase allocations to the sector. However, this will be done by providing a framework within which the private sector can make a greater contribution. In this context, Government will ensure that incentives given through infrastructure, pricing, marketing and input supply are vigorously pursued. Second, commercial banks and non-bank financial institutions will be given encouragement to invest in the sector by ensuring that as Government borrowing in the financial system is gradually reduced, part of the resulting pool of resources will be invested in agriculture. Appropriate interest rate incentives will accordingly be put in place. Third, major restructuring will be carried out within the AFC and the Co-operative Bank of Kenya to make these institutions more effective in credit delivery.

b) Seasonal Credit Scheme

6.67 In the context of year to year national food security, the restructuring of the agricultural credit system will be considered incomplete unless priority is given to the seasonal credit component. In recent years, this scheme has not operated to the satisfaction of the Government. Historically, the seasonal credit system evolved from the Guaranteed Minimum Return (GMR) scheme established in 1942 by the colonial Government had run into serious loan loss problems by 1978 which worsened due to the absence of effective means to enforce recovery. It was, therefore, abandoned during that crop year and replaced by the New Seasonal Crop Credit Scheme (NSCCS) operated mainly through the AFC. The NSCCS contained no formal provisions for crop and livestock insurance and was applicable for crop acreages of five and above. The NSCCS, however, has suffered even greater financial and management problems than the GMR. Loan collection by AFC has remained extremely low with the proportion of the principal repaid ranging from 65 to 75 per cent only in years of good harvest.

6.68 In view of these problems, the Government appointed a special Task Force in 1986 to review the situation and make recommendations on the best framework for the management of seasonal crop and livestock credit schemes. The recommendations of the Task Force are being considered for implementation during the Plan period.

6.6 BUDGET RATIONALISATION IN AGRICULTURE

6.69 Since Independence, the largest source of investment in agriculture has been the public sector from budgets of the Ministries of Agriculture, Livestock Development, Settlement and Housing, Water Development, Co-operative Development and their major parastatals. However, while the nominal share of agriculture in budgetary allocation has remained more or less the same over a number of years, it has been declining in real terms.

6.70 In as much as the Government would wish to allocate more resources to the agricultural sector from public sources, there are serious institutional constraints that need to be addressed. First, capacities of the Ministries concerned to absorb funds have been critically limited by management problems. Second, even though the subventions and support of parastatals involved in agriculture account for over 45 per cent of overall budgetary allocation, such investments have proved unprofitable and are a serious drain on Government revenue. Third, in recent years, the proportion of the budget going to the employment of additional personnel has increased dis-proportionately to allocations for operations and maintenance. Thus one of the most serious budgetary problems is how to rationalise the capital and recurrent costs in this sector. These problems will continue to be addressed under the Budget Rationalisation Programme which has already been put in place.

6.7 AGRICULTURAL EDUCATION AND EXTENSION

6.71 The key to increased agricultural production ultimately lies with the nation's ability to disseminate relevant information to the farming community to facilitate effective adoption of new production techniques, application of agricultural inputs, decision-making on markets, prices and methods of preserving water, soil and vegetative resources. Through the extension system, Government will emphasise greater awareness of improved agricultural practices amongst the farming communities which is likely to result in greater benefits to the economy. This will be based on training of the farmers themselves through effective utilisation of capacity at farmers training centres in order to move the locale of agricultural education and training away from the technical to informal institutions closest to the farmers. These efforts will be coupled with greater use of farm demonstrations and farm groups counselling especially among women farmers.

6.72 Government will ensure that principles of agriculture are firmly incorporated in the syllabi and curricula of primary and secondary schools, in specialised agricultural training institutes and at university throughout the Republic in order to achieve changes in attitudes in favour of farming among the youth. The responsibility for bringing this about lies with the Ministry of Education which will ensure that trained agricultural teachers are available for the 8-4-4 education system during the Plan period. Under-graduates in various social and natural sciences who wish to opt for teaching will be encouraged to take additional courses in agriculture to prepare them for teaching in secondary schools. The Faculties of Education already started in three of our national Universities will give the necessary assistance in this regard, in addition to meeting the requirements of general and specialised education.

a) Agricultural Education

6.73 In so far as formal, technical and professional training in agriculture is concerned, better co-ordination will be required amongst the relevant institutions and Ministries. Currently, four Ministries are involved in curriculum development and administrative and budgetary control over education and training for agriculture. These are the Ministries of Education, Agriculture, Livestock Development, and Technical Training and Applied Technology. The Ministry of Education exercises administrative and budgetary control over the Universities of Nairobi, Moi and Egerton and the Jomo Kenyatta University College of Agriculture and Technology. The Ministries of Agriculture and

Livestock Development are the major employers of graduates from these training institutions who are nevertheless finding their way in increasing numbers into private sector employment. During the Plan period, Government will ensure that the capacities of these institutions are expanded and strengthened.

6.74 In view of the Budget Rationalisation Programme, it will no longer be possible for the Government to bear the entire cost of training and guarantee automatic employment for graduates from the training institutions and universities. Therefore, while Government will take responsibility for meeting the capital costs of expanding training institutions, the trainees themselves will contribute towards the recurrent costs of maintaining them in such institutions. Further, the training philosophy will be based on creating a new cadre of knowledgeable farmers who are ready for self-employment in the farming sector rather than harbouring expectations for eventual employment in the public sector, as has hitherto been the case.

b) Agricultural Extension

6.75 Agricultural extension is largely controlled by the Ministry of Agriculture through the Extension and Agricultural Services Division, and the Ministry of Livestock Development through the Departments of Livestock Production and Veterinary Services. Tea extension is, however, carried out by the Kenya Tea Development Authority (KTDA) while private companies such as the Kenya Breweries, British American Tobacco Company and East African Industries carry out their own extension work for barley, tobacco and oilseeds respectively.

6.76 The underlying philosophy in crop and livestock extension is reflected in the *Training and Visits (T&V)* approach. In essence, the T&V approach focusses on the transfer of knowledge and farming skills through close contact with farmers on the basis of a regular visiting cycle. Since it was started in the early 1980s this system has proved effective in the transmission of modern farming techniques in the rural areas where it has so far operated well in spite of serious transportation constraints. Government will continue to use the T&V extension approach during the Plan period. Although Government will retain dominance in the administration of the extension system, measures will be taken to encourage the private sector to play an increasing role. The lead already taken by the companies mentioned above will be extended to cover more crops, and to foster firmer linkages between the farming communities and agro-industry, Farmers co-operatives and unions will also be expected to play their part.

6.77 Women are the backbone of farming operations especially in the rural areas. The informal extension network between rural women and the large number of organised women groups has become one of the most powerful and dynamic mechanisms for technological change in agriculture. In spite of this, past extension efforts have tended to bypass women. To rectify this situation, Government will fully incorporate informal training, education and extension packages within the T&V extension system especially to meet the needs of women. Government will also make deliberate and concerted efforts to ensure that women play a greater role in agricultural production, mobilisation of farm incomes and access to land and other resources. This, however, will be done in ways that do not undermine the respective roles of men and women in the development of their communities and the whole nation.

6.8 AGRICULTURAL RESEARCH AND TECHNOLOGICAL DEVELOPMENT

6.78 Productivity in agriculture depends on the application of scientific knowledge in generating improved technologies and in effectively applying them to the production system. It is on the basis of these technologies that the extension service designs the necessary advice and production packages for the farmers.

6.79 In Kenya, major breakthroughs in agricultural technology have been made over the last 80 years especially with regard to maize, sugarcane, wheat, pyrethrum and horticultural crops. Building on these past achievements, the main objectives for agricultural research during the Plan period will include:

- helping in the production of food and other farm products at costs the farmers can afford;

- improving the quality of agricultural products to meet domestic demand while competing effectively in the export markets;

- protecting crops and livestock from pests, diseases and other environmental hazards;

- protecting local and foreign consumers from health hazards arising from contamination from fertilizers and other agro-chemicals;

- supporting a productive agricultural sector through environmentally safe and efficient management of the nation's primary resources, namely: man, soil, water, fauna and flora; and

- helping to raise income levels and hence the quality of life in the rural areas, where the majority of the people live, through improved farming techniques and the efficient use of primary resources.

6.80 From a critical survey of Kenya's agricultural research system carried out in 1986, several constraints have been identified that prevent the transfer of research results to the farming communities. First is the absence of a comprehensive management system to optimise on available human and financial resources. Second is the absence of a well defined list of priorities to determine the direction of research, as a result of which there has been a proliferation of donor financed projects with different levels and styles of management and financing. Third, there does not exist a system for monitoring and evaluating research projects and hence most projects are continued indefinitely, some well beyond their useful lives. Fourth, opportunities have not been taken of the existence of trained scientists in the institutes of higher learning to fill in gaps in scientific expertise in research stations. Similarly, opportunities available at international research centres have not been fully exploited to benefit the country. Finally, the research system has been seriously under-funded due to heavy dependence on the Government budget which is increasingly becoming constrained.

6.81 To meet the objectives set for research and to mitigate the identified constraints, Government has taken several steps to revitalise the research system which will be further expanded and consolidated during the Plan period. First, through the amendment of the *Science and Technology Act,* all agricultural research activities will be placed under the umbrella of the Kenya Agricultural Research Institute (KARI). KARI will, therefore, take responsibility for the network of research stations formerly held by the Scientific Research Division of the Ministry of Agriculture and the Veterinary Research Division of the Ministry of Livestock Development. In its new role, KARI will work-out, for Government approval, a research and development programme that meets the country's needs for various types of food and cash crops, agro-forestry practices and livestock products.

6.9 LAND USE POLICY

6.82 Land use policy relates to the system of laws, rules, regulations and practices that govern the rights and obligations of land owners towards the achievement of the public interest with the aim of ensuring optimal use of available land to meet the needs of the population. Kenya's constitution guarantees the right and security of tenure subject to laws and regulations governing usage. Land issues revolve around the specifics of land tenure systems, consolidation, adjudication, registration and the use to which land may be put. These issues exhibit a high degree of sensitivity and complexity in Kenya where people have a strong affinity to land on which the great majority depends for their sustenance. In order to develop a suitable framework to address them, Government will set up an *Independent Land Use Commission* during the Plan period to review questions relating to land and advise on optimal land use patterns for present and future generations in various agro-ecological zones.

6.10 IRRIGATION DEVELOPMENT

6.83 Irrigation development will make a major contribution towards the attainment of the objectives set in *Sessional Paper No.1 of 1986*. However, irrigation requires highly specialised agronomic and water management technology. As of 1986, it was estimated that Kenya has an irrigation potential (in the engineering sense) of 500,000 hectares, and about 300,000 hectares amenable to drainage and valley-bottom reclamation. Currently, the area under irrigation covers only 36,000 hectares of which 12,600 hectares are under public management in Bunyala, Kano Plains, Mwea and Bura and some 23,000 hectares under private management. Thus the country has been able to utilise only 4 per cent of her irrigation potential.

6.84 In the past, Government policy on irrigation has tended to favour large-scale irrigation schemes. However, experience has shown that such schemes are expensive to implement and operate thus representing a serious drain on the economy. On the other hand, smallholder irrigation schemes based on self-managing groups of farmers with technical and advisory support from the Government have proved relatively more successful. Such schemes are basically oriented towards more employment generation, local food security and increased incomes. Owing to their relatively low implementation and operational costs, the development of small-scale irrigation and drainage projects will be preferred during the Plan period.

6.85 Government will also work out a long-term irrigation development strategy which will resolve the conflict between small-scale and large-scale irrigation projects taking into account the availability of land, water, financial and manpower resources and the need for better institutional co-ordination between agencies involved in irrigation development. Since one major component of irrigation costs for large-scale schemes lies in design, supervision and implementation, a vigorous plan of action will be implemented to ensure that in the long-run, Kenya will have sufficient trained and qualified manpower to handle future irrigation schemes without resorting to costly expertise from outside the country. In promoting irrigation, a balance will be struck between commercial and subsistence crop production. Irrigation of strategic commodities such as coffee, rice and horticultural crops, with already assured markets, will be given top priority since they show high irrigation/yield potential, which in turn translates into high farm incomes and foreign exchange earnings. Studies will be carried out that will determine effective and inexpensive irrigation technologies, including the utilisation of ram-pumps, small waterfalls, etc. Thus, by the end of the Plan period, the total area under irrigation will have been expanded to 45,550 hectares as shown in Table 6.4.

Table 6.4: Irrigation Development Targets, 1989-93

(Hectares)

Targets	1989	1990	1991	1992	1993
Present	33,000	34,380	35,760	38,440	41,880
Increment	1,380	1,380	2,680	3,440	3,670
TOTAL	34,380	35,760	38,440	41,880	45,550

6.86 In effecting this expansion programme, priority will be given to measures geared to:-

- establishing operational irrigation units in the districts having considerable irrigation potential such as Kisumu, Taita Taveta, Elgeyo Marakwet and Meru;

- maintaining training programmes aimed at imparting skills in policy formulation, design and implementation to meet the needs of irrigation development;

- creating a career structure for professional irrigation staff with a view to reducing the current deployment of trained manpower to jobs unrelated to irrigation development; and

- encouraging lending institutions such as the AFC, co-operative and commercial banks and other financial institutions to seek investment opportunities in the irrigation sub-sector. The relevant Ministries will assist farmers wishing to borrow funds from these institutions in project preparation, design and evaluation.

6.11 DEVELOPMENT OF THE ARID AND SEMI-ARID LANDS (ASAL)

6.87 The arid and semi-arid lands of Kenya comprise more than four-fifths of the country's total land surface and carry over 25 per cent of the total human population and slightly more than half of the livestock population. A majority of the people living in these areas are pastoralists although semi-pastoral and farming communities exist as well. Some of these communities are recent immigrants from the more densely populated, high potential areas of the country.

6.88 Throughout the colonial period, the development of the ASAL areas was given low priority, a situation that persisted during the first three post-Independence Development Plan periods. However, by the late 1970s, the Government took a major evaluation of the potential contribution that ASAL areas could make to the national economy. From this evaluation, policy re-orientation gave recognition to the importance of these areas in national development and the need to accord them special attention considering that:-

- they have substantial potential for development though at higher costs than the rest of the country;

- most of the poorer people live in these areas hence the need to improve their living conditions through increased productivity and creation of employment opportunities that would enable them to equitably share the benefits of development; and

- the increasing problem of soil erosion and environmental degradation, the threat of desertification and the negative consequences of phenomena such as hunger and malnutrition which manifest themselves most severely in these areas often calling for diversion of public resources to famine relief operations.

6.89 The first step in coming to terms with the development of the ASAL areas was the implementation of the Marginal Lands Pre-Investment Study Project carried out in 1977 whose results were published in the 1979 policy paper entitled, *The Arid and Semi-arid Lands of Kenya - A framework for Implementation, Programme Planning and Evaluation.* Since then the ASAL programme has dealt with integrated area development projects in Machakos, Kitui, Baringo and Turkana which have met with varying degrees of success.

6.90 From experience gained in implementing these area-based integrated development projects and in view of the new strategy emphasising renewed growth as spelt out in *Sessional Paper No.1 of 1986*, the approach to ASAL development requires restructuring, hence the need for *Second Generation* strategies that will be implemented during the Plan period.

a) Objectives for the Second Generation ASAL Programme

6.91 The main objectives of the *Second Generation* ASAL Programme include:

- making available the means of exploiting the important production potentials of ASAL resources, thereby contributing significantly to incomes, employment and food security goals of this Plan;

- reclaiming where damaged and protecting valuable and fragile natural environments. These approaches are dealt with in greater detail in Chapter 8;

- generating opportunities for improving the quality of life of present and future populations on a sustainable basis; and

- determining ways and means of effecting symbiotic exchange of resources and products between ASAL and the high potential areas.

6.92 The new ASAL strategy will focus attention on self-sustaining innovation and production activities in the small-scale dry-land farming, irrigated agriculture and pastoral sub-sectors. These will in turn require support through specific policies and investments in production and physical and social infrastructures which will be necessary to overcome particular operational constraints in ASAL areas.

b) Dry-land Farming Systems Development

6.93 The lead activities in ASAL will hinge on the continued development and demonstration of low-cost outlays of technical packages through an accelerated *Farming Systems Development (FSD)* programme. This will involve farmers co-operating in on-farm trials and demonstrations and receiving free inputs and, where justified, food aid in compensation for land and labour opportunity costs. The improved packages will be widely demonstrated to generate on-going beneficiary demand at local level. For this purpose, promising or proven components will include agro-forestry species, new drought resistant maize and sorghum varieties - the latter grown on rationing mode for feed and as drought period food reserve - grain legumes, root crops and oilseeds. Vertically integrated farming systems will be encouraged where they provide accelerated access to improved farm incomes. Oxen training and supply of ox-drawn equipment including ox-carts for farm-market access will be expanded. Soil and water conservation methods such as terracing and water harvesting will be integrated within the improved farming systems. Enhanced vegetative cover in inter-cropping, relay cropping, agro-forestry and organic structure systems improvement for water retention such as composting, the use of green manure and mulching will also be encouraged.

c) Pastoral Systems Development

6.94 Livestock remains the most profitable way of utilising the extensive rangelands of ASAL. The viability of the pastoral and nomadic systems will be enhanced through improved disease control, range rehabilitation, production of supplementary feed and food crops using water harvesting techniques and various silvo-pastoral agro-forestry systems. Pastoralists will be encouraged to match livestock numbers more closely to wet season and post-drought rangelands carrying capacities while reducing these numbers to match combined grazing, irrigated fodder and reserve feed supplies in the dry season. In doing so, Government will ensure that the role of livestock in the community food security systems is strengthened and supplemented in several ways. These include reliable food cropping, improved cash returns from livestock sales reflecting higher animal quality, and access if all fails, to reliable famine relief and post-drought recovery programmes centred on state ranches and incorporating breeding stock entitlement and food-for-work components. Other specific measures will include:-

- extension of the current foreign donor supported disease control rehabilitation projects to all ASAL districts;

- rehabilitation of stock routes, sales yards and quarantine holding grounds, and generation and better supply of market information and provision of weighing equipment to local councils to facilitate sale on live-weight basis;

- encouraging the private sector to establish commercial breeding and fattening projects initially financed by foreign donor support and administered through the commercial banks with the specific aim of restocking after drought. The scheme would enable livestock owners to negotiate replacement of breeding stock at officially posted and guaranteed prices;

- encouraging other specialised businesses to identify and supply export markets with processed livestock products. Government will encourage the establishment of dressed weight sales and chilling facilities at selected market centres;

- rehabilitation of livestock watering points and additional provision of such facilities intended to reduce range destruction caused by concentration of livestock numbers, in consultation with the pastoralists;

- examining possibilities for more extensive land use for livestock grazing in national parks and reserves or in buffer zones in specific ecological contexts. The Government will review arrangements for direct allocation to local residents of a share of revenue generated from wildlife-based tourism consistent with the strategies spelt out in Chapter 8; and

- promotion of bee-keeping. Bee-keeping can increase incomes for residents of ASAL areas who have little or no land or livestock. Recent experience indicates that modern bee-keeping is particularly suited to women groups and will thus be initiated with lessons from traditional bee-keepers being carefully assimilated. The Government's long-term objective is to expand the export of processed honey considerably. Examination of potential markets for the products of bee-keeping will, therefore, be carried out. The private sector will be encouraged to promote the development of the local industry to produce and sell bottled mead. In order to promote honey production, a joint venture company will be established involving the DFIs and the private sector. The DFIs will ultimately sell their equity in the company to the bee-keepers when the company becomes a viable going concern.

d) Small-scale Irrigation Development in ASAL

6.95 There has been a long history of successful low-cost small-scale irrigation schemes in ASAL areas extending back to the pre-colonial era. However, in recent years, pre-occupation with the development of large-scale irrigation schemes in the country has caused these past achievements to be ignored. When new schemes are proposed for the ASAL areas, the basic approach will be to adapt accessible irrigation technology to the needs of smaller units. New irrigation schemes of this kind, rehabilitation of older ones and improved maintenance of irrigation works will be accorded high priority. These approaches will, however, be applied in the larger multi-purpose context of the long-term river basin development plans.

6.96 More efficient use of water for agricultural production in ASAL areas will be secured by water-harvesting techniques of all kinds in areas far from river basins. The higher rainfall portions in arid areas will adopt the development of various water conservation structures especially the integrated network of drains and small dams constructed through food-for-work and *Harambee* labour, to provide high pay-off supplementary irrigation water. In the lower rainfall areas, new techniques including the triangular and trapezoidal bands often referred to as the *Kitui Ridges* will be applied where appropriate.

6.97 Even where potential is known to exist, groundwater resources have so far not been utilised to any significant extent in the ASAL areas. Government intends to intensify groundwater exploration in these areas which, when discovered, will enable the production of high-value crops such as cotton, horticultural crops, fruits, etc. Technology is already available for the economic delivery of water to plants which make effective use of the restricted supply of ground water in the form of drip irrigation. This technology will require to be suitably modified for cost-effectiveness and to avoid the salination problem that tends to be common in these areas. Other problems relating to irrigation development in the ASAL areas are discussed in Chapter 8.

e) Institutional Arrangements for ASAL Planning and Management

6.98 Since the initiation of the ASAL programme in 1979, activities in these areas have been co-ordinated by the Rural Planning Department of the Ministry of Planning and National Development. While funding for major projects and programmes has remained with line Ministries, the contributions to ASAL development through the RDF and through the Micro-projects scheme operated by the ministry have been significant. Over time, the Rural Planning Department has evolved as the focal point for the planning and co-ordination of the programmes in ASAL. This evolution has been further extended within the context of the District Focus for Rural Development Strategy. Effective administration of the ASAL programmes will be part and parcel of that strategy within which diverse needs and the imbalances in the provision of Government services will be addressed in the context of the DDCs.

6.99 A large number of donor-funded area-based projects are currently on-going, the great majority of which have had a life time of three to five years. At the same time, some districts have not yet received any funding. This situation has resulted in piece-meal treatment of the ASAL areas which has occasioned considerable difficulties in management and co-ordination. The Government intends, therefore, to set up a *Special ASAL Development Fund* into which multi-donor/GOK funding will be channelled. Use of the fund will, however, be weighted directly in favour of productive investment combined with environmental reclamation and protection measures and supporting infrastructures. The districts will bid for allocations under the fund for specified and integrated activities reflecting the viability of the proposals, the level of implementation and the effectiveness of previous allocations. This will facilitate the generation of genuine beneficiary demand for the proposed activities and projects.

6.100 The Ministry of Planning and National Development will retain and further enhance the capacity for development, design and execution of the ASAL projects. Some larger projects such as trunk roads, large dams, etc. will, however, be left to the individual Ministries concerned. The ASAL fund will also support a mobile extension training team as well as a planning and management service team. For the technical and specialised skills in project design and implementation, the Ministry of Planning and National Development will tap manpower resources from other Ministries.

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CHAPTER 7

INDUSTRIAL AND COMMERCIAL DEVELOPMENT

7.0 INTRODUCTION

The development of the industrial and commercial sectors will be accorded high priority during this Plan period. Hitherto, these sectors have played a key role in achieving fast rates of growth in the economy but have been faced with various challenges which have necessitated major restructuring of policy and the institutional frameworks necessary to enable the sectors to meet these challenges. This restructuring will be undertaken during the Plan period.

7.2 In effect, policies will be designed to create the incentives necessary for the emergence of the commanding heights of the economy in fulfilment of Kenya's industrial development vision and strategy. This strategy will curve out an industrial path in iron and steel, including billets, tool-and-die and machine parts; biotechnology, including fertilizers, agricultural chemicals, pharmaceutical and medicinal products; high technology, including computers and telecommunications equipment; various agro-based industries and small-scale industries.

7.3 The industrial and commercial sectors combined have witnessed fast growth with their share of overall GDP increasing from 8 per cent in 1963 to over 26 per cent in 1987 at constant 1982 prices. This impressive performance resulted from the industrial strategy of import substitution propped up by high protective tariff walls and administrative controls adopted at Independence. This strategy has resulted in considerable lowering of the country's dependence on imported consumer goods. Thus the percentage share of consumer goods in total imports fell from 27 per cent during the 1960s to only 6.4 per cent during the period 1980-87. The policy of import substitution in consumer goods has, therefore, served Kenya well. The next phase of our industrialisation will be spearheaded by a strategy of export promotion of consumer and intermediate goods while at the same time laying the base for the eventual production of capital goods. These twin aspects of the new phase of industrial development will require new and heavy capital investment.

7.4 This Chapter addresses the objectives and strategies required for the effective development of industry and commerce, and the structural adjustment measures that will be implemented during the Plan period. It also outlines measures for the promotion of export trade and the development of core industries to generate the required development thrust. Finally, the Chapter develops the case for small-scale enterprises and the measures that will be taken to promote them during the Plan period in recognition of their pivotal role in low-cost employment and income generation.

7.1 OBJECTIVES FOR INDUSTRIAL AND COMMERCIAL DEVELOPMENT

7.5 In the context of *Sessional Paper No.1 of 1986* on *Economic Management for Renewed Growth*, the development of the industrial sector occupies the second priority position after agriculture. While agriculture will be the base for overall growth, employment and foreign exchange generation, the industrial and commercial sectors will be the main engines for faster growth. In this respect, the development proposals outlined in Chapter 5 on Spatial Dimensions will serve to provide positive externalities that will make investments in these sectors less costly, less risky and more profitable.

7.6 Kenya's industrial and commercial policies have run into numerous structural problems since the late 1970s which now need addressing if the sectors are to meet the challenges ahead. First, in placing too much emphasis on consumer goods substitution, there were no commensurate incentives for the development of intermediate and capital goods. This has led to greater demand for foreign exchange resources by these sectors in disproportion to other sectors.

7.7 Second, the import substitution industrialisation strategy, though successful in serving its intended objective, worked to make capital relatively cheap compared to labour and other potential domestic inputs, so that entrepreneurs were able to establish capacities far greater than the domestic markets could cope with. The collapse of the East African Community in 1977 further exacerbated the excess capacity situation. The level of new investment has declined dramatically in real terms from a figure of K£ 156.8 million in 1978, to K£ 63.9 million in 1985 rising only to a modest K£ 90.9 million in 1987.

7.8 With relatively high levels of effective protection in the domestic markets, the industrial and commercial sectors have become progressively inward oriented as many local firms have been able to reap high profits in the domestic market while operating at low levels of capacity utilisation. Under the circumstances, such firms see no reason to take the risks inherent in the external export market. Industry and commerce have, therefore, become a major drain on foreign exchange resources generated mainly from agriculture and tourism. To the extent that opportunities for further expansion of import substitution for consumer goods are clearly diminishing, the potential for expansion must lie in production for export.

7.9 Lastly, in an effort to promote industrial and commercial activities in key strategic areas, Government had established numerous parastatals. As of 1985, these entities accounted for 8 per cent of GDP, 55 per cent of public sector capital formation, 31 per cent of public sector employment and 15 per cent of modern sector employment.

7.10 To solve the problems outlined above, the set of objectives that will be pursued to revitalise industry and commerce in meeting the targets set out in Chapter 3 of this Plan are discussed below.

a) Growth

7.11 The overall growth rate for this Plan period is targeted at 5.4 per cent per annum. In contributing to this growth, industry and commerce are targeted to grow at 6.7 per cent per annum. Both these growth rates are lower than those projected in *Sessional Paper No. 1 of 1986* due to the difficult economic environment foreseen during this Plan period. To ensure the attainment of the targeted growth rate, incentives will be provided to attract new investments in order to increase both the available capital stock and levels of capacity utilisation for greater efficiency and higher returns to new and existing capital. With the scarcity of capital resources likely to be at our disposal, the efficient use of labour at low capital costs will be strongly promoted. In line with the target growth rates set out in Chapter 3, the projected growth of industrial output by sub-sectors is indicated in Table 7.1.

7.12 To promote rapid growth in these sectors, labour and capital available will have to be highly productive and new investments will take into account the productivity of labour and capital. To the extent that the private sector has proved more efficient than the parastatals in some industrial and commercial activities, Government will reduce its direct involvement in such activities and provide market-based incentives to guide private sector investment to areas of highest productivity. To achieve this objective, taxes, prices, wages, interest rates, profits and trade and tariff policies will be restructured and rationalised.

Table 7.1: Projected Industrial Output by Sub-sectors

(K£ Million)

SUB-SECTOR	1987	1989	1990	1991	1992	1993
Food Processing	2,423.7	2,586.1	2,759.4	2,944.2	3,141.5	3,352.0
Beverage & Tobacco	318.7	340.0	362.0	387.1	413.1	440.0
Textile & Clothing	309.9	330.7	358.9	376.5	401.8	428.7
Leather & Footwear	58.5	62.4	66.6	71.17	76.0	80.9
Paper & Wood Products	137.1	136.3	156.1	166.5	177.7	189.6
Plastics & Pharmaceuticals	130.0	138.7	148.0	157.9	168.5	179.8
Basic Chemicals	112.0	119.5	127.5	136.1	145.2	154.9
Cement & Glass	8.1	8.7	9.3	9.9	10.6	11.3
Iron & Steel	369.7	394.4	420.9	449.1	479.2	511.3
Electrical & Transport	234.0	249.7	266.4	284.3	303.3	323.6
TOTAL	4,101.7	4,366.5	4,675.1	4,982.7	5,316.7	5,672.1

b) Employment

7.13 The importance given to the industrial and commercial sectors also derives from their contribution to the employment objective. In line with projected employment targets set out in *Sessional Paper No.1 of 1986* and more specifically with targets set out in Chapter 3 of this Plan, modern sector employment is expected to grow at 4.4 per cent per annum rising from 1.37 million in 1988 to 1.7 million by 1993. Employment in manufacturing alone is projected to grow at 4.6 per cent per annum rising from 177,000 in 1988 to 222,000 by 1993. Employment in commerce and trade is expected to grow at 7.0 per cent per annum, rising from 109,000 in 1988 to 153,000 by 1993.

7.14 The rapid growth of the industrial and commercial sectors is expected to expand the domestic market for goods and services, thus leading to higher incomes and increased employment opportunities in all sectors of the economy. With rising efficiency and the employment of more labour absorbing technologies, these sectors will be capable of employing more workers as output rises. Existing industries currently operating at less than full capacity will be encouraged to employ more people to reach full capacity utilisation without the need for investing additional capital. Priority attention will, however, be accorded to the promotion and development of labour-intensive small-scale enterprises in both the urban and rural areas.

c) Export Orientation

7.15 As already indicated above, one of the most serious problems faced by the industrial and commercial sectors is their inward orientation. It is, therefore, clear that achievement of the target growth rates set for sectors must hinge on the rapid expansion of production for export. Industry and trade will make a major contribution toward the stabilisation of the balance of payments position. This will be achieved through increased direct foreign exchange earnings from exports and by lowering demand for imports of manufactured goods. For this to happen, development and utilisation of domestic raw materials must be encouraged. Increased investment by Kenyans in other countries will also be actively promoted.

d) Diversification

7.16 Historically, Kenya has depended on agricultural sector exports for foreign exchange earnings. This dependency on primary commodity exports whose prices are unpredictable results in unfavourable terms of trade and serious problems in the management of the balance of payments. Overall, therefore, Government is determined to attain effective diversification of the export base through the promotion of non-traditional exports. In this regard, the industrial and commercial sectors will, by increasing their export potential, contribute to this diversification strategy. Furthermore, these sectors are expected to help in the processing of agricultural commodities before exportation so as to increase the level of value-added retained within the economy. Dispersion of industrial and commercial activities away from major urban areas to smaller towns and rural centres in line with the Rural-Urban Balance Development Strategy will also play a useful role in meeting the diversification objective.

7.2 STRATEGIES FOR INDUSTRIAL AND COMMERCIAL DEVELOPMENT

a) Improved Information

7.17 A fundamental prerequisite for the effective encouragement of further investment in the industrial and commercial sectors will be to ensure that public policies and strategies are clearly stated, transparent and consistently applied. To achieve this goal, Government will publish widely information on procedures for the establishment of industrial and commercial concerns, laws and regulations that govern trade and manufacturing, tax concessions and rules relating to business practices both at home and abroad. First, the provision of both the *Foreign Investment Protection Act* (FIPA) and the *Restrictive Trade Practices, Monopolies and Price Control Act* will be widely publicised through the Investment Promotion Centre (IPC), which will provide investors with a focal point for obtaining the necessary information. The brochure already prepared explaining the operations of the *"One-Stop-Office"* of the IPC will be widely circulated. Second, the role of the Kenya External Trade Authority (KETA) will be re-examined with a view to making it more effective in providing market information to prospective investors. Third, the Ministry of Information and Broadcasting will run programmes which will disseminate information on investment opportunities, the status of input and product markets and various economic indicators relevant to the promotion of industrial and commercial development.

7.18 In addition to the above, the Ministry of Foreign Affairs and International Co-operation will play a greater role in disseminating information to the world community on industrial and commercial investment potential in Kenya. Government will, therefore, take steps to strengthen the offices of *Commercial* and *Economic Attaches* abroad, by providing more funds, staff and facilities where necessary for the gathering and dissemination of information in foreign countries to promote Kenyan exports abroad and encourage foreign investors.

b) Enabling Environment

7.19 Revitalisation of the industrial and commercial sectors will require a clear understanding of the broad monetary and fiscal policy framework outlined in Chapters 3 and 4 of this Plan, the prices and wages policies and the tax system. The establishment of a conducive climate for both domestic and foreign private investment will be achieved by pragmatic, flexible and dynamic economic management backed by stable economic and political conditions. Government will aim at creating an enabling environment through greater reliance on market-based incentives and less through regulatory structures for directing private sector resources to areas that will benefit the greatest number of Kenyans. Government will also progressively shift away from involvement in industrial and commercial concerns that are better suited to the private sector, except in cases where such concerns are deemed to be of strategic importance.

7.20 In furtherance of the above aims, Government had during the 1988/89 Budget removed price controls on a broad range of commodities to allow market forces to determine cost-price relationships in the economy. This approach will be maintained during the Plan period. Government will also strive to maintain the good industrial relations established in the country which allow for progressive adjustments in wages to take account of the effect of inflation and productivity increases using Wages Guidelines applied through arbitration by the Industrial Court. The Wages Guidelines will be employed to encourage investors to adopt labour-intensive methods of production. In addition to lowering effective rates of protection and encouraging greater use of local materials, the exchange rate will be managed at levels that will make Kenyan producers progressively more competitive.

7.21 Government will also maintain interest rates above inflation rates and at high enough levels to encourage those investments that make the most efficient application of scarce capital resources and reward the use of more labour per unit of capital invested. The rates will also be used to promote monetary stability and economic growth.

c) Profit Maximisation

7.22 The primary aim of private investment is to generate profit. Government will, therefore, create an environment within which both domestic and foreign investors can make a profit without compromising the interests of the nation. Developments in spatial dimensions coupled with broad fiscal, monetary and pricing policies will be used to create an environment where other than normal risks are reduced, productivity of capital enhanced and, within acceptable safeguards, profits maximised.

d) Technological Development

7.23 A dynamic and self-reliant industrial sector will to a large extent depend, inter alia, on the natural and human resource endowments of the country. Government will, therefore, strengthen industrial research activities in order to identify the potential uses of these resources, develop indigenous talents and technologies and assist in the acquisition, adoption and assimilation of foreign technologies. To this end, adequate resources will be provided to the Ministries of Research, Science and Technology and Technical Training and Applied Technology for the promotion of basic and applied research in areas of priority to the nation. Commensurate support will be given to national research institutes and, in particular, the Kenya Industrial Research and Development Institute (KIRDI) in furtherance of industrial research. Priority attention will be accorded to research activities that promote the use of domestic resources and which are relevant to the development of small-scale enterprises and other strategic industries.

7.24 To the extent that international conventions limit progress in the adoption and localisation of technologies from abroad, Government will review the current system of registration of patents and industrial designs, formulae and processes. This will facilitate the promulgation of a patent law that allows for easy access to foreign technologies no longer protected under international conventions while at the same time protecting Kenyan originated inventions. A *National Technological Development Award* scheme covering patentable inventions and utility models will be launched to provide incentives to Kenyan inventors.

7.3 POLICY RESTRUCTURING FOR INDUSTRY AND COMMERCE

7.25 In view of the problems and constraints that have emerged in the industrial and commercial sectors over the last decade and a half, the revitalisation of these sectors to meet the objectives and goals set herein requires comprehensive restructuring of policies and programmes. The past industrial and commercial development strategies that depended heavily on administrative controls, high protective tariff walls and price controls led to dampened competitiveness and structural inefficiencies. In the revitalisation programme, the Government is committed to the policy of broad-based liberalisation.

7.26 Comprehensive studies are prerequisite to the acquisition of the necessary data and information for the management of industry in Kenya. In the past, non-Kenyan consultants have been called upon to do a one-time analysis of selected industries. As a result, the country has been unable to retain such data and information for effective institutional capability building. There is, therefore, need to carry out industrial and commercial sector studies on a systematic basis so as to cover multi-year adjustments in strategies and policies that affect efficiency in these sectors. Avoiding continued unnecessary import of analytical skills in this area will lead to continuity, improvement of the local analytical capabilities and the setting up of an accessible data bank for day to day decision-making. Use of indigenous researchers, consultants and other experts to the extent possible will develop a wide local base of industrial expertise.

7.27 To make data and information available upon which difficult policy decisions can be made regarding the restructuring and liberalisation of the industrial and commercial sector policies and strategies, Government will establish a permanent capability within the Ministry of Planning and National Development to initiate and co-ordinate the required studies. In particular, an *Industry and Trade Analysis Unit* will be established within the Ministry to be responsible for the acquisition and building of the required analytical skills to bring to bear the necessary decision criteria on a continuous basis.

a) Price Liberalisation

7.28 A major disincentive to investment has been the overwhelming impact of price controls. While price controls are justifiable as a means of protecting the consumer, this objective cannot be achieved if the price control system leads to shortages, low profits and in-built uncertainties. Consequently, Government has lifted price controls on various items in the *General List* retaining only twelve items in the *Specific List* namely: (i) charcoal, (ii) salt, (iii) maize and maizemeal, (iv) sifted maizemeal, (v) milk, (vi) fats and edible oils, (vii) bread, scones, and buns, (viii) wheat flour, (ix) tea, (x) rice, (xi) sugar and (xii) beer and stouts.

7.29 The removal of price controls, however, has its dangers if markets are controlled by monopolistic firms. To guard against this situation, Government has published the *Restrictive Trade Practices, Monopolies and Price Control Act (1988)*. The new Act which replaces the *Price Control Act* will guard against monopoly and collusion in price fixing, and the control of markets by large firms against the smaller ones, factors which tend to kill the competitive spirit that the Government is determined to foster in the economy. Furthermore, while the Act allows for market forces to determine prices, the Treasury will retain the power to fix prices in cases where their setting by private firms may contravene the provisions of the Act. To implement the provisions of the Act, a new *Monopolies and Prices Commission* has been set up in the Ministry of Finance to take over the functions of the Department of Price Control. Its main function will be to encourage competition in the economy by monitoring activities in restraint of free trade and enforcing rules prohibiting such practices. To guarantee justice and fair play in the application of the Act, a special tribunal is provided for to arbitrate where conflicts of interest occur or where the powers of the Commissioner, under the Act, are alleged to have been exceeded.

b) Import and Tariff Regime Restructuring

7.30 The current import policy based on high tariffs and quantitative restrictions typified by import licensing and foreign exchange rationing is too restrictive to allow for competition. The high rates of protection have been maintained even where they are evidently redundant. Government will therefore continue, during the Plan period, to make a comprehensive review of the Tariff structure with a view to lowering tariff rates generally and to achieve equitable levels of effective protection.

7.31 To provide an effective strategy for liberalisation of imports, a continuous review of the import licensing schedules in the *"Red Book"* will be made to complete the restructuring exercise started during the last Plan period. As at the end of 1987, the import schedules had been revamped into the following three main categories:

Schedule 1: This schedule contains mainly high priority capital goods, raw materials and intermediate inputs with relatively few problems of identification or erroneous invoicing. These will be handled with dispatch.

Schedule 2: This schedule contains those items of relatively high priority which require Ministerial or Government Agency approval prior to granting of licence. These approvals, in general, will be granted subject to meeting certain technical criteria.

Schedule 3: Items in this schedule are further categorised into three groupings:-

Schedule 3A: This category contains items that are in many ways similar to those in Schedule 1 but also includes some final goods which will be subject to tariffs rather than administrative controls for protection. Several of these items exhibit problems of identification or erroneous invoicing which might slightly delay the granting of licence.

Schedule 3B: This category contains lower priority goods which should be able to compete with imports which enter relatively freely subject to tariffs rather than controls. Some of these items require prior approval by a Ministry or Government Agency.

Schedule 3C: This category contains those items for which Government will continuously review the desirability of importation. Some of these items require prior approval by a Ministry or Government Agency while others are either undesirable or of such low priority as not to deserve allocation of scarce foreign exchange. Locally produced goods within this category may be strategic or those which would require a longer period of non-tariff protection before being exposed to tariff protection alone.

7.32 Prior to the 1988/89 Budget, there were 23 different *ad valorem* tariff categories ranging from 10 to 170 per cent plus a number of specific duties and a duty free category. These classifications were complex and without any economic justification. The process of putting in place a uniform tariff structure was outlined during the Budget Speech which provided similar effective rates of protection to all firms and industries so as to achieve efficiency and equity in the economy. The tariff structure reforms will take into account their effects on Government revenues, effective levels of protection, balance of payments and the impact on the taxation structure generally. In the early stages of liberalisation, Government will institute legislation to protect those industries that may be exposed to dumping malpractices.

c) Exchange Rate Management

7.33 The high demand for foreign exchange arises from the need for inputs to fuel the growth of industry and agriculture. This demand puts great pressure on the available limited foreign resources. To moderate this demand and thereby relieve the pressure, Government will move towards market-based programmes as a means of rationing while gradually reducing the use of controls and licensing. Two market-based programmes which will continue to be operated are the use of managed floating exchange rate and a rationalised tariff regime. The long-term goal will be to use exchange rate management as the major instrument for regulating imports. In this context, therefore, the value of the Shilling will be maintained at realistic levels in relation to the major trading currencies with the aim of establishing Kenya's competitiveness in world markets. Import substituting manufacturers whose operations result in net foreign exchange savings will benefit from this policy of flexible exchange rates, while those whose foreign costs are close to their foreign exchange savings will not. The restructuring of the economy towards industrialisation is heavily dependent on those industries accessing export markets competitively. While general export incentives are dealt with below, the exchange rate policy which rationalises imports will at the same time benefit Kenyan-based exporters and the tourist industry.

d) Corporate Income Tax Policy

7.34 Recent studies have indicated that Kenya's effective rates of taxation are relatively high vis-a-vis those of other developing countries with outward looking export-oriented industrial and commercial development strategies. This results from the rather limited allowances previously permitted on initial investments and depreciation rates. However, relief was given by the *1988 Finance Act* on foreign exchange fluctuations which tended to act as a disincentive to foreign investors as they affected debt repayments for foreign loan commitments. In view of the need to attract more capital from abroad for industrial development, Government will carry out a comprehensive review of the corporate income tax structure with a view to making it sufficiently attractive to foreign investment capital.

7.35 However, to give additional boost to rural investments, new facilities located outside Nairobi and Mombasa will continue to enjoy various remissions on the cost of plant and machinery, thus dramatically reducing income taxes in the early stages of the projects. Specifically, investment allowances for rural-based manufacturing projects will be maintained at 60 per cent to encourage investment in these areas.

e) Financial Restructuring

7.36 As indicated above, the Government is seriously concerned about the declining trends in investment in industry since 1978. To the extent that manufacturing and commerce are expected to make major contributions to the achievement of growth and employment objectives during the Plan period, it will be crucial that this trend is reversed through strategies that attract both domestic and foreign capital. The impacts of the incentive structures presented above and of export promotion are, therefore, expected to lead to increased flow of investments in industry and commerce enabling these sectors to grow at 6.7 per cent per annum, with their contribution to GDP rising from a figure of K£ 90.9 million in 1987 to K£ 100.92 million in 1993 at constant 1982 prices. This projected level of investment will be required in order to replenish the capital stock eroded over the last decade and to create new investments especially in export-based manufacturing reflected in Table 7.2.

Table 7.2 : Projected Level of Investment in Manufacturing Sector (Constant 1982 Prices)

(K£ Million)

Year	Buildings	Other Construction	Transport Equipment	Machinery	Total
1987	0.32	2.16	12.27	76.18	90.93
1988	0.31	2.20	12.49	77.42	92.52
1989	0.32	2.24	12.71	78.87	94.14
1990	0.33	2.27	12.93	80.26	95.79
1991	0.34	2.31	13.15	81.66	97.46
1992	0.34	2.35	13.39	83.09	99.17
1993	0.34	2.40	13.64	84.55	100.92

7.37 The projected levels of investment will require a restructured financial environment exhibiting several important features. First, by reducing its borrowing from the local financial system, Government will create a pool of financial resources that commercial banks and non-bank financial institutions can invest in industrial, commercial and other activities. Second, the Capital Markets Development Authority will foster an orderly capital market through which enhanced financial intermediation can take place, facilitated by an effective stock exchange system in which the market for long-term savings and loans can be developed and broadened. Third, as was announced during the 1988/89 Budget Speech, foreign-owned companies will continue to have access to local financial markets in proportion to their levels of Kenyan equity ownership and also to borrow locally up to amounts required for custom duties clearance on imported capital equipment.

7.38 In addition to the above, Government will remove existing constraints to the inflow of foreign capital. Apart from specific guarantees existing in the *Kenya Constitution,* the recently reviewed *Foreign Investment Protection Act* will improve on the nature of such guarantees to ensure that foreign investors can repatriate their incomes and capital on agreed terms and will thus be protected from losses arising from depreciation of the Kenya Shilling. New equity holdings in selected growth and export promoting industries can now be legally stated in the investors preferred currency.

7.39 Proceeds from the sale of foreign assets intended for transfer outside Kenya will nevertheless be required to be invested under *"Blocked Accounts"* for at least five years in selected Government Securities but they will now be able to earn market rates of interest before transfer.

f) Ownership Restructuring in Industry

7.40 Industrial and commercial development in Kenya portrays two important features with respect to ownership. First, from the early years of Independence, Government has deliberately pursued policies of involvement in productive activities in areas considered strategic to the promotion of local control of the commanding heights of the economy. Through this strategy, Government has directed considerable capital resources into parastatals and public sector enterprises. As of 1987, direct Government investments in industrial and commercial firms or through publicly owned Development Finance Institutions dominated the whole economy in terms of share in GDP, capital invested and modern sector employment. Second, since Independence, priority was accorded to industrial and commercial development with no distinction in ownership as between foreigners and Kenyans. In terms of turnover, the manufacturing and trading activities of non-indigenous Kenyans who make up less than 2 per cent of the population now constitute more than 65 per cent of the total.

7.41 Government's intention to tackle these two problems should be understood in terms of efficiency in the use of resources, the need for its reduced involvement in activities that are not strategic in nature and the need for equitable distribution of the benefits of growth and development to all communities across the nation.

7.42 As of 1986, there were about 103 state corporations in manufacturing and commercial sectors which were either fully or partly owned by the Government either directly, or through the Development Finance Institutions such as the Industrial and Commercial Development Corporation (ICDC), the Industrial Development Bank (IDB) and the Development Finance Company of Kenya (DFCK). Recent experiences show that some of these entities are inefficient, poorly managed, unprofitable and a burden on the tax payer on account of heavy budgetary subsidies made to them year after year.

7.43 Continued involvement in these entities by Government is no longer justifiable on economic grounds and had been called to question as early as 1982 by the *Presidential Working Party on Government Expenditures.* Following the recommendations of the Working Party, the *Presidential Task Force on Divestiture of Government Investments* was appointed whose report will be published during the first year of the Plan period indicating the direction that divestiture will take. However, as has already been stated, Government will drastically reduce its direct involvement in industrial and commercial activities. Divestiture will, however, be carried out through the capital markets system. The Capital Markets Development Authority will provide guidelines on how shares and stocks in parastatals will be sold to the general public through the Stock Exchange System. Divestiture will also present a unique opportunity for Kenyanisation of these enterprises by giving a majority of shares to the local people.

7.44 Although after more than two decades of Independence considerable progress has been made in the Kenyanisation of agriculture and the management of public sector activities, most Kenyans are still unable to participate in the ownership and control of large-scale industrial and commercial enterprises which accounted for over 20 per cent of total modern sector GDP in 1987. However, it is universally accepted that to maintain economic and political stability in any country, a significant portion of investments should be in the hands of its nationals. The thrust of the Kenyanisation strategy is, therefore, to increase the participation of local people in various activities of the economy. It does not imply denying non-Kenyans effective participation in the economy. On the contrary, it is consistent with the need to enhance entrepreneurial development and expanded investments in the country. In this process, equitable distribution of national income will be assured as well as the welfare of the majority of the people. In addition, Kenyanisation by improving the purchasing power of the general populace will serve to expand market opportunities for increased investments from abroad. It will be one way through which nationals will graduate into the competitive system where they can participate on an equal footing with non-Kenyans.

7.4 PROMOTION OF EXPORT TRADE

7.45 As has already been observed, manufacturing for export has not done well in Kenya in the past. The industrial and commercial sectors have in fact been the major users of foreign exchange resources generated from other sectors, particularly agriculture. The inward-looking orientation has led to inefficiencies and lack of competition. Local industries have found it more profitable to sell in the domestic market rather than in foreign markets, since the export market entails greater exposure to risks, stiffer competition, more stringent quality requirements and a more demanding marketing drive. Government will widen the scope for manufacturers and other businessmen to expand their activities in the export market through provision of a wide range of incentives. The range of incentives envisaged during the Plan period is discussed below.

a) Export Processing Zones (EPZs)

7.46 An EPZ comprises an earmarked area, either near an airport or a seaport provided with various physical, communications and service facilities and customs offices. The entire production from the zone, however, remains strictly for the export market. An Inter-ministerial Committee will be set up during the first year of the Plan period to work out details for the establishment of such facilities starting initially with those earmarked for Nairobi's Jomo Kenyatta International Airport and the Port of Mombasa. Details for the establishment of the EPZs will be worked out during the first half of the Plan period.

b) Manufacturing-Under-Bond

7.47 *Manufacturing-Under-Bond* will, however, be the backbone of our export strategy. This programme will offer exporters potential for simplifying the steps that must be followed in obtaining imported inputs and moving products to export markets. The scheme, which was worked out during the 1987/88 financial year, will allow imported inputs free of duty and local purchases free of sales taxes provided the eligible production facility is licensed entirely for export production. Although since its announcement not many firms have made use of the facility, Government is confident that many prospective industrialists will take up the challenge during the Plan period. The country will benefit from increased inflow of foreign exchange resources as well as employment and acquisition of enhanced skills by Kenyans.

c) The Green Channel Scheme

7.48 Unnecessary delays experienced in obtaining foreign exchange by exporters for the purchase of necessary inputs have been a serious constraint to the expansion of exports in Kenya. Government, by establishing the *Green Channel Scheme* and in the spirit of liberalisation, will foster dispatch in the handling and processing of the relevant documents to facilitate timely delivery of export orders. The Scheme will simplify and speed up steps required to receive administrative approvals for import licenses and foreign exchange releases. The already established Inter-ministerial Committee chaired by the Ministry of Commerce will provide the guidelines for the full-fledged operation of the Scheme. It essentially consists of the utilisation of green forms and folders which are easily distinguishable and which are thus dealt with expeditiously at all stages of processing.

d) Export Compensation Scheme

Treasury

7.49 The *Export Compensation Scheme* established in 1974 had the basic aim of giving incentives to exporters generally and of helping in the promotion of manufacturing for external markets. However, experience with this scheme over the years indicates that it has not resulted in significant expansion of exports. Numerous problems have emerged ranging from delays in processing and payment of claims, absence of clear eligibility criteria, taxation of such payments and its openness to abuse. Due to shortages of funds allocated by Government for the scheme and the difficulties enumerated above, it turned out that over 50 per cent of the payments made between 1980 and 1986 went to two major exporters who because of their established position would have continued to export anyway, even without the scheme. Government will improve on the system by setting up a *three-stage duty-drawback facility* providing for the remittance of import duties on the actual value of imported inputs for the manufacturing of exports within one month.

7.50 The above action will be accompanied by restructuring of the administrative machinery to ensure prompt documentation, processing and payments. To make this effective, Government will establish performance evaluation criteria to determine the applicable rates of payment. This will require increased levels of data collection, analysis and reporting. In this respect, therefore, Government will require the Ministries of Finance, Planning and National Development, Industry and Commerce and the Central Bank of Kenya to work together to establish a computerised data bank for this purpose. These activities will be co-ordinated by the Ministry of Planning and National Development as part of the industrial and commercial studies referred to earlier.

e) Export Credit Insurance and Guarantee Scheme

7.51 External marketing is an area replete with risks. Experience from countries that have implemented successful export promotion strategies indicates that in order to make the exporting process smooth and less risky, a system of credit and insurance coverage is required. The necessity of having such a system has been mooted from time to time though no definite decision has been made. Among the reasons for its non-establishment so far include lack of financial resources to be committed from public sources, and uncertainties regarding it's modus operandi. In view of the concerted export drive that is to be put in place during the Plan period, Government will set up a consortium of local commercial banks and insurance companies to operate the *Export Credit Insurance and Guarantee Scheme.* The lead will be taken by the Kenya Commercial Bank Ltd., the National Bank of Kenya, the Kenya National Assurance Company and the Kenya Reinsurance Corporation, who will represent Government interests.

7.52 The scheme will conform closely to the terms and conditions established under the *Multilateral Investment Guarantee Agency (MIGA)* to which Kenya is already signatory. The Consortium, with its focal point at the Kenya Commercial Bank, Nairobi, will facilitate the coverage of losses to commercial banks that may arise due to failure of an exporter to repay the guaranteed advances because of protracted default or insolvency. These advances include overdrafts, packing credits, pre-shipment loans granted for purchase, manufacture, processing or packaging of goods for export against orders or contracts of sale, either under Letters of Credit or approved credit terms, post-shipment finance granted to exporters by banks through purchase negotiations, discount of export bills or advances against such bills.

7.53 The guarantee fees payable will be determined by the Consortium once established. The insurance element will also be operated by the Consortium with a focal point at the Kenya National Assurance Company, Nairobi and will aim at protecting exporters against loss, after export of goods, that may arise due to commercial risks such as insolvency of the buyer, the buyer's protracted default to pay and the buyer's failure to accept goods. It will also provide for cover against political risks, including the imposition of restrictions on remittances by the Government of the buyer's country, Government actions that block or delay payments, war and civil disturbances or a sudden imposition of import licensing restrictions. Maximum liabilities to be covered and premiums to be paid will be worked out by the Consortium with the approval of the Ministry of Finance.

f) Preferential Trade Area (PTA)

7.54 In 1983, Kenya became signatory to the PTA Treaty which serves as an instrument for collective action in trade liberalisation, economic integration and growth for the countries of the Eastern and Southern African Sub-region. The PTA arrangements provide additional incentives and opportunities for exporters which Government intends to further encourage and develop within the terms and provisions of the Treaty. The PTA Treaty provides for:-

- preferential terms of access to markets of the Member States;
- the right of transit for goods through Member States territories without import and export duties;
- special clearing and payment arrangements, a Unit of Account (UAPTA) and negotiable UAPTA travellers cheques;
- improved and better co-ordinated communications by air, sea, road, and rail; and post, telex, telephone, etc.;
- simplified and standardised trade documentation, control and communications procedures;
- the progressive reduction and eventual elimination of tariff and non-tariff barriers to trade on selected items;
- a PTA Trade and Development Bank to provide credit for facilitating trade among member states' exporters and importers; and
- establishment and/or rehabilitation of industrial concerns on a complementary basis.

7.55 Government will continue to negotiate for the improvement of conditions relating to the *Rules of Origin* established under the Treaty requiring majority domestic ownership and management which were suspended temporarily for five years from 1987 during which time a sliding scale preferential treatment formula will apply. In the interim, measures will be adopted for increasing national equity participation in foreign businesses based in Kenya which export goods and services to the PTA market, in order for them to qualify for full preferential treatment in accordance with the provisions of the Treaty. Government will also encourage increased participation in PTA trade among local and foreign firms operating in Kenya. We have already published the PTA tariff rates under the *3-tier system* for commodities contained in the initial *common list* and will continue to do so for additional lists of commodities in conformity with the sliding scale preferential treatment. At the end of the five years when the relevant clause of the rules of origin applies once again, Government will participate in negotiations for new arrangements in the spirit of reciprocity. During the Plan period, permanent stands will be constructed at the Nairobi Agricultural Show Grounds to facilitate annual displays of PTA merchandise. taken

g) Export Information and Promotion

7.56 Apart from the incentives already mentioned, the expansion of external trade will also depend on the strength of our promotional activities. Towards this end, Government established the Kenya External Trade Authority (KETA) in the mid-1970s as an independent body outside the Government structure. However, due to various problems including shortage of funds, KETA was absorbed within the Department of External Trade in the Ministry of Commerce, a position from which it has not been able to effectively play its originally intended role. During the Plan period, Government will take steps to reactivate KETA with an independent status, to play the role of middleman between foreign buyers and domestic suppliers and to organise for participation in international trade exhibitions. In this specific role, KETA will work closely with Commercial Attaches in our embassies abroad.

7.5 DEVELOPMENT OF INTERNAL TRADE

7.57 The Government has long recognised the importance of orderly development of internal trade alongside the promotion of indigenous businessmen in the country. This was explicitly stated in *Sessional Paper No. 10 of 1965* with the ultimate aim of fostering an entrepreneurial society in which the interest of the African people was to be enhanced. Thus Government created various bodies and initiated several programmes aimed at ensuring the rapid development of internal trade throughout the country. The principal organisations in this category included the Kenya National Trading Corporation (KNTC), the Joint Loan Boards (JLBs), the Industrial and Commercial Development Corporation (ICDC), the Kenya Industrial Estates (KIE) and the Kenya Institute of Business Training (KIBT). These organisations were to provide financial and technical advice and training facilities to enhance local entrepreneurship within the internal trade sector. During the Plan period, Government will strengthen these institutions to enable them to play an effective role in the Kenyanisation of commerce.

a) The Role of the Kenya National Trading Corporation

7.58 The KNTC was incorporated in 1965 with the major aim of Africanising distributive trade in the country. To achieve this objective, Government identified some essential commodities for distribution by the KNTC. In the initial stages these were restricted to salt, sugar, cement and agricultural inputs such as seeds, fertilizers, etc. Through the relevant provisions of the *Import, Export and Essential Supplies Act,* the KNTC was given a monopoly status in the distribution especially of salt and sugar. This monopolistic status led to inefficiencies and unprofitable operations that were subsidised by Government and the consumer. Under the circumstances, the KNTC failed to compete effectively with older and well established non-Kenyan businesses. Constraint

7.59 In the new drive for the Kenyanisation of the economy which is firmly entrenched in this Plan, the KNTC, in spite of its problems and shortcomings, will be made to play an effective role. Government will adopt measures to ensure that KNTC is revitalised and further strengthened with a dynamic management team for effective and profitable operation. However, during the Plan period, a thorough review will also be made of the status of KNTC with regard to its role in the Kenyanisation process, the ultimate aim being to gradually turn over this role to indigenous operators with demonstrable potential for success.

b) The Role of Joint Loan Boards

7.60 Like KNTC, the original aim of the JLBs was to help in the Africanisation of trade and industry. They were seen as one way through which emerging African businessmen could gain experience in commercial activities thus enabling them to reach a standard of credit-worthiness which would allow them to play a more effective role in the economy alongside non-indigenous businessmen.

7.61 In spite of these noble aims, the JLBs have faced numerous problems mainly due to poor management, false accounting, the issue of fictitious loans, etc. As of 1987, the JLBs had loaned out a total of KShs. 87.5 million covering over 30,000 loanees of which regrettably, Constraints

11,000 were in default involving a total of about KShs. 45.0 million. Equally unfortunate, the capital base covered by the loans to businessmen continued to shrink on account of cost increases which were not accompanied by complementary expansion of credit.

7.62 About the middle of the last Plan period, Government made an in-depth review of the operations of the JLBs scheme and found that despite the weaknesses mentioned above, it could be further strengthened to play its role effectively in promoting the development and expansion of internal trade in the rural areas, especially in the development of small-scale enterprises, in addition to its being a convenient channel through which public resources could be made available in support of the District Focus for Rural Development Strategy. To achieve this goal Government will:-

- set up a supervisory unit at headquarters level to provide for continuous inspection and internal audit throughout the country;

- provide a training programme for all district trade development officers and Board clerks in all districts to improve loan processing and recovery;

- engage qualified extension officers to monitor the proper use of funds provided under the scheme and to assist the loanees in running their businesses more profitably;

- seek additional funds from both the public and private sectors to improve the capital base for the loanees. Interest rates will be reviewed from time to time to reflect the real value of funds; and

- resolve conflicts in the management of the scheme arising between the local authorities and the Ministry of Commerce by having the latter take full charge of JLB operations throughout the country.

c) The Role of the Industrial and Commercial Development Corporation

7.63 The Government set up the ICDC in 1967 with the aim of facilitating the expansion of industrial and commercial activities in Kenya. As far as the development of internal trade was concerned and especially with regard to small-scale entrepreneurs, ICDC initiated the Small Loans Programme in support of retail, wholesale and other distributive businesses whereby loans would be provided for the acquisition, by indigenous Kenyans, of non-Kenyan business premises in rural and urban areas.

7.64 Over time, this scheme experienced serious difficulties. One of the major problems was the financial constraints faced by the ICDC, which undermined its ability to provide property loans for the purchase of existing businesses thus hampering its ability to promote the Kenyanisation process it was intended for. Arising from this and other factors, many businesses transferred in this process from non-indigenous to indigenous businessmen reverted to the former through "back door" transactions.

Constraints

7.65 However, ICDC as one of the major development finance institutions in the country cannot be removed from the development of internal trade and will still be required to search for ways and means of developing and expanding internal trade in furtherance of the Kenyanisation strategy. It will be required to review the Small Loans Programme and submit proposals to Government for improving its operations. In particular, its contribution to the development of small-scale enterprise will be enhanced through raising the level of loans to between KShs. 50,000 and KShs. 500,000 per unit. Further, decentralisation will be effected through the opening up of local offices at district level.

d) Trade Licencing

7.66 The *Trade Licencing Act* is one of the tools through which Government has been able to organise and control commercial activities. During the Plan period, Government will carry out a review of this Act for the purpose, inter alia, of enhancing the Kenyanisation process. In achieving this objective, Government will first harmonise the operations of both the District Trade Licencing Review Committees and the District Trade Advisory Committees. There is also need for harmonisation of the provisions of this Act with those of the recently published *Restrictive Trade Practices, Monopolies and Price Control Act* without which the required complementarity in trade licensing and control of unfair trading practices would be hard to achieve. The aim will be to eliminate unnecessary steps in licensing procedures and to bring about the consolidation of specified licences.

e) The Role of the Kenya Institute of Business Training

7.67 The need for training in managerial skills for indigenous Kenyans was immediately recognised on attainment of Independence. The primary goal of setting up the Kenya Institute of Business Training was thus to help impart basic management skills to indigenous Kenyans in key areas of business management such as accounting, marketing, book-keeping and personnel management. Over the years, the Institute has trained a large number of Kenyans in these fields. Initially, this training was aimed at the top management personnel in the private sector and Government parastatals. However, in recent years attention has been directed towards the training of small-scale entrepreneurs.

7.68 During the Plan period, the role of the KIBT will be further strengthened, especially in the training of the small and medium-scale indigenous entrepreneurs at different levels throughout the Republic. The necessary funds and physical facilities will be provided through the public budget, but contributions from the private sector and the trainees themselves will be expected. KIBT will be the focal point through which Government will co-ordinate the training of local entrepreneurs.

7.6 CORE INDUSTRIES AND INDUSTRIAL REHABILITATION

a) Core Industries

7.69 Core industries are those industries that are considered essential for the formation of a strong and sustainable industrial base. They are also vital in forging the necessary linkages between industry and the agricultural, transport and communications sectors. Government will take firm measures in the form of various incentives designed to promote the development of core industries with specific focus on:-

- metallurgical industries centred around iron and steel production to provide a wide range of materials required by the engineering industry;

- capital goods industry, for the production of a wide range of machine and hand tools for use in the industrial and agricultural sectors. A special project will be prepared by Government for the development of machine tools and dies. This programme will be promoted by the Kenya Industrial Estates (KIE), the Kenya Industrial Research and Development Institute (KIRDI) and the Ministries of Technical Training and Applied Technology and Research, Science and Technology. The forging and foundry facilities at the Central Workshops of the Kenya Railways Corporation will provide the base for manufacturing and prefabrication of all types of gears, shafts, and spares to provide facilities for the manufacture of machine tools and dies;

- chemical and bio-technological industries to provide fertilizers, pesticides, industrial process chemicals and packaging materials relevant especially to agriculture and food production;

- pharmaceutical industries for the production of medicinal drugs and vaccines and to bridge the gap between modern and traditional medicine;

- local resource based industries especially those using wastes and by-products as well as agro-industries including the processing of oilseeds, coffee, tea, pyrethrum, sugar, grains, hides and skins and dairy products; and

- telecommunications and information processing industries including the assembly of micro-computers and telecommunications equipment.

b) Industrial and Commercial Rehabilitation

7.70 As indicated previously, Kenya's industry and commerce have been oriented primarily towards the domestic market. The revitalisation programme called for during the Plan period, based on expansion in production for export and the achievement of high rates of growth requires that production be efficient and competitive in world markets. While recent studies point to increasing sophistication in domestic manufacturing, it is also clear that the structure of some of our major industries would not lend itself to expansion of output as envisaged nor would it withstand foreign competition without major internal management and technological restructuring. Government, through the Ministry of Industry, will launch an industrial rehabilitation programme based largely on private sector participation, and covering already identified problem firms in the textile, sugar, pulp and paper, transport equipment, metal and engineering and the cement industries.

7.7 DEVELOPMENT OF SMALL-SCALE AND JUA KALI ENTERPRISES

7.71 Since the attainment of Independence, Government has given strong support to the industrial and commercial sectors of the economy. The relatively high growth rates achieved by these sectors reflect the significant achievements made in the social and economic development of our country. Apart from structural problems that have since emerged and to which reference has already been made, a serious omission has been the neglect in exploiting the full potential of the small-scale and *Jua Kali* enterprises. This potential can no longer be ignored if the country is to meet the targets for employment and income generation set out in this Plan and in *Sessional Paper No. 1 of 1986.*

a) Characteristics of Small-Scale and Jua Kali Enterprises

7.72 Although small-scale and *Jua Kali* enterprises have long been ignored, available evidence indicates that outside agriculture and the public sector, employment opportunities in these enterprises far outweigh those in the formal wage sector in industry and commerce. Over 70 per cent of small-scale and *Jua Kali* activities are, however, found in trade and commerce, especially in the rural areas compared with 15 per cent for both the manufacturing and service sectors. In general, the small-scale and *Jua Kali* enterprises, comprising of up to 50 employees and up to KShs. 5 million in turnover, are characterised by:-

- ease of entry and exit;
- low capital requirement for establishment and operation;
- dependence on local resources and recycled wastes;
- family ownership;
- employment of simple technologies that are easy to adopt;
- labour-intensive production techniques;
- low cost skill acquisition mainly outside the formal school system; and
- ability to operate under highly competitive market conditions.

7.73 Experience in Kenya and elsewhere in the developing world indicates that small-scale and *Jua Kali* enterprises are not primarily oriented toward profit maximisation. Although this may be the secondary goal, their main aim is to create employment and security for members of the immediate family. Where the problem takes the form of youth and school-leaver unemployment, small-scale and *Jua Kali* enterprises offer excellent potential for their absorption.

b) Achievements

7.74 In *Sessional Paper No. 1 of 1986*, the potential contribution the small-scale and *Jua Kali* enterprises could make to employment generation was cast into relief. Though there had been previous attempts to develop small-scale and *Jua Kali* enterprises, resulting in the identification of the needs of the sector and the problems encountered in solving them, firm measures will now have to be taken towards directly assisting this sector as a matter of strategy.

7.75 In the past, Government has provided support to various small-scale and *Jua Kali* enterprises, and especially to women's groups through the Women's Bureau. This support has typically involved non-formal training and especially handicraft production throughout the country. Similar support has been given in training and skill formation through Village Polytechnics and *Harambee* Institutes of Technology.

7.76 Although sufficient experience in the implementation of these schemes has now been acquired, the envisaged increase in the tempo of activities during the Plan period will require major rethinking with regard to improving their management, handling of default problems and disbursement of loans, expanding spatial coverage and harnessing the support the private sector and Government must give to enhance their expansion and performance.

c) Enabling Environment For Small-Scale and Jua Kali Enterprises

7.77 The role which the small-scale and *Jua Kali* enterprises will play in income and employment generation must be viewed in the context of industrialisation and commercial development policies and strategies to be implemented during the Plan period. The success the country hopes to achieve in the development of small-scale and *Jua Kali* enterprises will be firmly rooted in policy restructuring and liberalisation covering the pricing structure, trade regime liberalisation, foreign exchange management, wages and investment policies and financial restructuring. In particular, Government will amend rules and regulations inhibiting the development of the small-scale and *Jua Kali* enterprises, such as time consuming administrative procedures in obtaining licenses, inappropriate building codes, etc. It will also ensure that unfair trade practices on the part of large-scale firms do not jeopardise the survival and performance of this sector.

d) The Role of Government

7.78 As observed earlier, small-scale and *Jua Kali* enterprise activities are easily born but their mortality rate is high as well. To the extent that these high mortality rates reflect economic dynamism in which uneconomic activities find it difficult to survive, the phenomenon could be beneficial. However, where the root causes lie in the hostility of the environment in which they are persecuted, starved of capital, overlooked by the commercial financing system and, until recently, ignored by most external aid agencies, the natural reaction would be to give overwhelming and direct Government support to these enterprises. However, experience shows that such support inevitably leads to slow entrepreneurial development, failure to take risks and eventually an inbuilt dependency in the very people Government wishes to encourage to be self-reliant.

7.79 Despite these contradictions, Government is convinced that its facilitative role in the development of small-scale and *Jua Kali* enterprises is necessary. This role will be reflected firstly in the content and transparency of policies supportive of their development. Secondly, through its taxing and spending programmes, Government will directly and indirectly change the cost-price relations that will be beneficial to the development of the small-scale and *Jua Kali* enterprises. Thirdly, where the limiting factor is the availability or inaccessibility to capital, Government will intervene to redress the problem.

e) Strategy and Programmes

7.80 The small-scale and *Jua Kali* enterprises sector will create jobs for more than two million Kenyans, promote the degree of indigenous control of the economy and help improve the distribution of income in many directions such as by gender, location and sector. The spinoff will be the modernisation of much of the traditional agriculture and livestock husbandry with increased diversification of the economy into the service and processing sectors. Thus the rationale for Government action in support of this sector is based on the potential contribution of these enterprises to the development of the economy in their own right.

7.81 Small-scale and *Jua Kali* entrepreneurs tend toward self-employment and independence. The sector is the training ground for the nation's entrepreneurs who are the dynamic risk-takers with tremendous energy and an enviable capacity to solve problems and to think and work innovatively. These attributes are prime elements in efficient job creation and in opening up new areas of enterprise. To further motivate these entrepreneurs an award scheme will be developed to promote innovation and invention through them, in line with Government's facilitative role in this as in other sectors.

7.82 Availability of vital and relevant information and knowledge is critical to effective decision-making. Of particular importance is the knowledge relating to the markets for materials, products and technologies. The Ministries of Foreign Affairs, Technology and Research, Labour, Manpower Planning and Development and Information and Broadcasting will ensure that information is made available to the public through the media, extension and training outlets, which can be harnessed by these entrepreneurs for their own good and that of the economy.

7.83 Government will also assist the sector by examining the laws, regulations and procedures which have frustrated small-scale and *Jua Kali* enterprises from competing on an equal footing with the more established businesses. Part of this environmental handicap arises from lack of access to suitable financial, distributive and marketing infrastructures. As has been argued in Chapter 5, the provision of such infrastructures during the Plan period will stimulate entrepreneurs to invest in minor and secondary towns so as to exploit existing potentials.

7.84 Government will also speed up the already initiated review of local authority by-laws and regulations that have proved restrictive to the development of small-scale and *Jua Kali* enterprises. This will include the suspension of certain categories of licences, appropriate revision of the building codes and ease of allocation of land to these enterprises. In this respect, *Small-Scale and Jua Kali Business Allocation Boards* will be set up at district level under the auspices of the DDC to oversee matters related to the allocation of land to these enterprises.

7.85 In the area of financing, institutional restructuring will be carried out during the Plan period. The wide-flung network of commercial banks virtually confines its lending to larger established businesses, while a small group of organisations, largely NGOs, struggle to address the needs of the teeming and dynamic micro-enterprise sector. In between, a group of development finance institutions such as the ICDC and KIE provides support to medium-size businesses.

7.86 Experience has shown that viable projects can pay the market rate of interest, thereby removing the unfortunate mentality that cheap funds are gifts and not loans which will eventually have to be paid. Government will, therefore, support programmes to reduce the cost of giving small loans while ensuring that banks have adequate liquidity and that they become more actively involved in this sector both in the provision of start-up finance and short-term working capital. The Co-operative Bank will be encouraged to play a more dynamic role in re-cycling funds through its branches. By financial institutions extending credit to the suppliers of inputs, it is possible that collateral requirements for those selling their output in some monitorable form could be relaxed. Other experimental modes of providing credit through sub-contracting with larger enterprises or with persons or institutions possessing specialised skills will also be facilitated.

7.87 Agencies in both public and private sectors will be encouraged to develop supportive efforts in training, advising and counselling entrepreneurs in project formulation, implementation, operation, monitoring and evaluation. The Capital Markets Development Authority will design ways and means through which successful small-scale and *Jua Kali* enterprises can expand their capital base. NGOs working in this area will be encouraged to form an umbrella organisation to facilitate the optimal use of scarce skills.

7.88 Since small-scale and *Jua Kali* enterprises are being called upon to create a large number of jobs and since formal training institutions may not necessarily be knowledgeable about the conditions obtaining in this sector, such institutions may not be as efficient as the apprenticeship schemes which already exist in this sector. It is, therefore, proposed to explore ways and means of extending these apprenticeship schemes, including the possible use of the training levy, in order to ensure that the skills of existing master craftsmen are not only extended to their peers but also transmitted to future generations.

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CHAPTER 8

RESOURCES AND ENVIRONMENT

8.0 INTRODUCTION

The achievement of the development goals contained in this Plan will largely depend on the efficient utilisation of resources at our disposal, particularly domestic resources. The rapid growth of GDP will require the efficient use of technology, human resources and natural resource inputs such as land, water, minerals and forests on a sustainable basis. The implied developmental activities while conferring benefits to the individual and the nation have the tendency of generating diseconomies in the form of soil erosion arising from excessive cultivation or overgrazing, gaseous emissions, liquid effluent and toxic accumulations from industrial activities all of which pollute the environment. Some industries emit wastes that are hazardous to fauna and flora, the damage to which may require excessive costs to arrest or reverse. Overstocking may lead to overgrazing and the exposure of the land to desertification. Generally, projects bringing positive benefits to the individual may not always lead to positive economic benefits to the nation especially when social costs outweigh social benefits. In the past, economic analyses of development activities have often ignored the social costs leading to uncontrolled environmental degradation.

8.2 In implementing the strategy for achieving sound environmental management consistent with growth requirements, two approaches will be adopted. First, Government will carry out environmental assessments and resource surveys for all districts and identify both the production potential and the possible negative environmental consequences of economic activity given existing technologies. Once these baseline studies have been completed, they will provide the database and framework for continuous environmental monitoring and evaluation. Second, in making decisions regarding programmes and projects, the principles of socio-economic cost-benefit analysis will be employed, a list of possible consequences of starting up programmes and projects will be made and their potential impacts analysed. Through these criteria, those programmes and projects whose benefits outweigh costs to society will be supported and conversely.

8.3 To create a balance between the generation of economic benefits and damage to the environment associated therewith, Government will apply the following strategies to reduce or eliminate the cost of these negative externalities:-

- The impacts of each individual project will be internalised during appraisal and analysis, including all the costs and benefits and in making choices on appropriate technologies, economic size and project location. Where human health and safety is concerned, Government will set standards for the sustainable use of resources and for the appropriate disposal of wastes.

- Subject to absolute upper limits beyond which closure is the solution for avoiding environmental disaster, Government will impose deterrent surcharges for those concerns whose activities pollute the environment. Such surcharges (or rent) will be used to compensate those individuals and institutions adversely affected by such actions and to pay for the cost of rehabilitation.

- A careful balance between the needs of current and future generations will be made in the exploitation of non-renewable natural resources. In this respect, the exploiters of natural resources will be required to develop new technologies that use less of such resources and otherwise search for alternative resources. They will also be required to take appropriate conservation and rehabilitation measures.

- A sessional paper on environmental management and protection will be prepared during the Plan period as a basis for the promulgation of a *National Environment Enhancement and Management Act (NEEMA)* which will include provision for an *arbitration tribunal for environmental disputes*.

8.4 This Chapter discusses the natural resource base and the interplay between it and developmental activities in various sectors of the economy including agriculture, livestock, industry, trade, forestry, water and soil, fisheries, wildlife, tourism and mineral development, exploration and use. It also surveys the issue of technology choice in resource exploitation, measures to be taken for effective management of disasters and the international dimensions of environmental management and human settlements development.

8.1 THE NATURAL RESOURCES BASE

a) Land and Human Resource Base

8.5 Kenya covers an area of 582,646 sq. km. of which 571,416 sq. km. is dry land and 11,230 sq. km. is open waters. The country exhibits considerable climatic variation from the humid coastlands to the cool highlands. About four-fifths of the land (473,000 sq. km.) is arid or semi-arid. Only a mere 18 per cent (104,844 sq. km.) constitutes the medium and high potential areas which support two-thirds of the country's population. Most of the arable land is utilised for agriculture. Of the remaining land area, 36,300 sq. km. have been set aside for wildlife conservation while only 2,008 sq. km. are left to natural and exotic plantation forests.

8.6 In 1988, Kenya's population was estimated to be 22.7 million. At a 3.7 per cent per annum growth rate, there will be 27.2 million people in 1993 out of whom 21.6 million will be in the rural areas and 5.6 million in urban areas. Table 8.1 has been developed to show population density for the total land area and for arable lands, and the distribution of both the active population and those below 15 years.

Table 8.1: Population, Estimates and Characteristics, 1979-93

Year	Rural	Urban	Total	Below 15 yrs	Active 15-64 yrs	*Density/ sq. Km of Total Land Area	*Density/ sq. Km of Arable Land Area
1979	13.0	2.3	15.3	8.3**	7.5**	22	125
1988	18.7	4.0	22.7	11.5	10.4	31	171
1990	19.8	4.6	24.4	12.2	11.3	35	193
1993	21.6	5.6	27.2	13.4	12.9	38	209

* Figures are calculated for population density in the rural areas.

** Adjusted for under-enumeration.

8.7 The population distribution depicted in the table poses some challenges to development. First, for the arable land to sustain the total population, there will be need for the application of improved and intensive agricultural and livestock development techniques. Second, it also means that the arid and semi-arid lands will be tapped for agricultural and livestock production. Correct management practices will be adopted to ensure that while intensifying agriculture, conservation measures will be taken to arrest soil erosion and the depletion of soil nutrients.

b) Water Resource Base

8.8 The availability of good quality water is essential for human, animal and plant life as well as for industry. The degree to which water is available will, therefore, largely determine the environmental and ecological conditions that influence the pattern of human settlements. It will also determine the range of practicable human activities in terms of crop, animal and forestry production and the related up-stream and down-stream activities.

8.9 In addition to the 11,230 sq. km. of open water sources in lakes, rivers and dams, Kenya receives an average annual rainfall of 567 mm. converting to 322.77 billion cubic metres of water. The Lake Victoria drainage basin has the highest mean annual rainfall with 7.30 billion cubic metres, followed by Tana River with 4.70, Athi River with 1.39, Rift Valley with 0.81 and Ewaso Nyiro with 0.74 billion cubic metres respectively. However, the amount of water actually available for utilisation in any one year depends on the rate of run-off, the aridity of the catchment area and the methods of interception at various points in the hydrological cycle among other factors.

c) Forests and Vegetative Cover

8.10 The vegetative cover in most ecological zones has remained largely the same except in high potential areas where human activities have had considerable influence. The major vegetation types found in these zones include forests, woodlands, grasslands, bushlands, shrublands and desert.

8.11 The forest proper covers 3.4 per cent of total land area or about 15 per cent of the 1,946 sq km. of high potential agricultural land out of which 1,700 sq. km. comprise of indigenous forests, 122 sq. km. exotic plantation forests and 124 sq. km. of privately owned forests. In addition, there are about 61.9 sq. km. of mangrove forests in coastal areas which play a unique role in marine ecology.

8.12 The rangeland vegetation types encompass woodland, bushes, shrublands and grasslands and cover about 75 per cent of the total land area. These vegetation types are predominantly found in the arid and semi-arid lands where one-third of the total population resides and slightly over half of the livestock population is found. They also provide habitats for over four-fifths of the country's wildlife resources. Human activity in these areas is based predominantly on livestock rearing.

8.13 Fisheries resources of the country can be grouped into capture fisheries found in our part of the Indian Ocean, inland lakes, rivers and dams, and the potential that exists through fish-farms and ponds. With the fishing techniques currently applied, the country realised only 131,181 tonnes in fish catches in 1987 of which 122,340 tonnes were from inland waters, 7,747 tonnes from marine fisheries and 1,094 tonnes from fish-farms.

d) Mineral Resources

8.14 Over 400 mineral occurrences have been identified in the country. Those of economic significance include soda ash, fluorspar and salt. Soda Ash deposits found at Lake Magadi in Kajiado District are believed to be inexhaustible at current rates of exploitation. Precious minerals of significance in the past such as gold, silver and metal-based sulphides have been declining over the last three decades. Triassic rocks at the coast contain deposits of lead, zinc, silver and barium. Geothermal resources have a potential of some 2,200 MW of energy generation. Potential oil deposits have been identified at the coast, several off-shore locations in the adjoining nation's *Exclusive Economic Zone* in the Indian Ocean and in Northern Kenya. Thin lignite (coal) deposits have been located in boreholes in lake sediments in Kitui and in the coastal *Karoo* formations without promise of economically workable deposits. Diatomite, carbon dioxide, gypsum, kaolin and other industrial and construction materials which are found in the sediments and volcanic strata of the Rift Valley are currently being exploited especially for domestic use. Diamond occurrences have been reported in various parts of the country but have not been firmly verified. Sand mining has also become an important source of income in various parts of the country, meeting both the needs of the construction industry and glass manufacture.

e) Wildlife and Livestock Resources

8.15 Available data indicate that wildlife population is on the decline especially among the rhino, elephant, Grevy's zebra and buffalo.

In view of this situation, and given the competitive demands on land use between wildlife which has a high economic value emanating from its support of the tourist industry and livestock production for food, the monitoring and management of wildlife and livestock populations especially in the marginal areas and rangelands will be intensified. During the Plan period, comprehensive data will be gathered and analysed not only on the well-known species but also on primates, carnivores, crocodiles, hippos and birds. The RSRS and the Wildlife Management Department of the Ministry of Tourism and Wildlife will play a leading role in this exercise.

8.2 DEVELOPMENT AND ENVIRONMENTAL MANAGEMENT

8.16 The rational exploitation and management of a nation's natural resources is of critical importance to national development and the welfare of the people. As mentioned earlier, experience indicates that the process of development, while leading to high growth of GDP and improvement in the welfare of Kenyans, has had deleterious effects on the natural environment in terms of deforestation, overstocking and soil erosion, air and water pollution as well as urban blight. The fast population growth has resulted in increasing pressure on land resources and pressing demand for rural and urban shelter, infrastructure and services.

8.17 The Government is desirous to ensure that this development does not take place at the expense of the natural environment, *"the goose that lays the golden egg of development"*. Government will, therefore, institute measures aimed at attaining the correct balance between the development needs of the nation and the protection of the environment within and among the various sectors of the economy.

a) Agriculture, Livestock, Water Development and Environment

8.18 Although urbanisation and industrialisation have grown rapidly in the past, Kenya is still largely an agricultural country. As already indicated, medium and high potential land constitutes only 18 per cent of total land area with the population density per sq. km. of arable land rising from 171 in 1988 to 209 in 1993. This calls for more intensive farming which is likely to cause the depletion of soil nutrients unless appropriate farming methods including the use of manures and other fertilizers, are effectively applied.

8.19 The land tenure system and cultural norms relating to land, coupled with a fast growing population, have led to the sub-division of land in some areas into plots too small to be economical for agriculture. Government will institute a study on the land tenure system with a view to inducing changes in some of the cultural practices impacting on land use.

8.20 Population pressure in the medium and high potential areas has induced out-migration into arid and semi-arid land areas where the environment is fragile and crop production risky. The opening up of these areas to arable agriculture often involves the clearing of vegetative cover thus exposing the soil to wind and water erosion. Where arable agriculture has substituted livestock rearing, the end result has been low level production and the shifting of livestock to more arid zones. In such cases, overstocking has led to serious degradation of the rangelands and to soil erosion especially near watering points. To enhance agricultural production while at the same time conserving the natural environment, it will be necessary to introduce effective dry-land farming techniques while also developing water reservoirs, planting trees and controlling overstocking. The ASAL question has been addressed extensively in Chapter 6.

8.21 Chemical fertilizers, pesticides and fungicides are important to the development of agriculture. The use of these agro-chemicals has steadily increased and made a positive contribution in raising agricultural production. However, their use has had severe pollution effects in some cases. In coffee growing areas for instance, the negative effects of these chemicals on the environment have been observed in the Tana and Athi River systems. Government will monitor the situation continuously to ensure that benefits derived from the use of agricultural chemicals are not negated by the harmful consequences of their use or misuse.

8.22 Water is a critical resource for agriculture and livestock development as well as for the sustenance of our natural environment. Indeed, water is life. This country has adequate water resources for rural and urban household consumption; for crop, livestock and wildlife production and sustenance; for industrial application, geothermal and hydro-electric power generation; for effluent disposal from urban settlements and for transportation in some places. The country's water resources are, however, unevenly distributed and vary in quality. It has already been emphasised that to feed Kenya's rising population we must improve our agricultural production dramatically. Current practices in agriculture have, however, resulted in the cutting down of vegetative cover thus threatening the water catchment base and ultimately leading to extensive soil erosion in many parts of the country.

Once this process has taken place, the soil can no longer conserve moisture effectively and land productivity is considerably reduced.

8.23 Further, the potential for use of water resources for irrigation development is considerable, but it must be properly exploited to avoid environmental damage. Irrigation, while contributing positively to the development of agriculture and livestock, has negative effects which must be anticipated and corrected. These include floods from swollen rivers during the rainy season; salination which has been encountered in irrigation schemes in Perkerra, Mwea and Kano; siltation from soil erosion; leaching from agro-chemicals and excessive growth of algae and aquatic weeds which, if not effectively controlled leads to eutrophication and the destruction of fish resources. Other health hazards associated with irrigation such as malaria and bilharzia have also become manifest.

8.24 In view of these outcomes, Government will put in place both financial and technical resources for developing irrigation technologies that minimise these environmental and health hazards and at the same time establish appropriate water use and conservation practices. Water and soil conservation are critical for balanced development of agriculture and livestock and for the preservation of our beautiful environment. Hitherto, water and soil conservation efforts have received top Government priority as reflected, inter alia, by the establishment of the *Permanent Presidential Commission on Soil Conservation and Afforestation.* Activities such as the construction of cut-off drains, terraces, subsurface dams and gabions have been initiated and extended to local levels.

8.25 During the Plan period, Government will further strengthen these activities with emphasis being placed on promoting voluntary community participation in addition to countrywide education and information programmes to enhance *Wananchi's* efforts in carrying out soil and water conservation activities at the farm level. Government will also continue to provide subsidies for the construction of water and soil conservation works and will impose appropriate penalties under the law on those whose actions are inimical to the national goal of soil and water conservation. Government will also encourage vegetative control of soil erosion where that strategy holds promise.

b) Industrial Development and the Environment

8.26 The industrial sector has hitherto provided a strong impetus to development and as indicated in Chapter 7 of this Plan it will constitute an important engine of economic growth for the future. Whereas industrial expansion has brought about extensive positive externalities, certain diseconomies have occasionally set in in the process, including water, air and noise pollution and solid waste accumulation.

8.27 Water pollution from industrial activities includes toxic wastes emanating from chemical and pharmaceutical industries, research laboratories, textile mills, agro-chemical industries, coffee and paper pulping factories, sisal decorticating mills, sugar milling factories and tanneries among others. Over and above toxic emissions, some of these plants also discharge waste water rich in organic matter which on decomposition not only reduces the oxygen content in water courses thus blighting aquatic fauna and flora, but also increases plant nutrients that cause eutrophication. In practically all cases, water pollution is accompanied by excessive emission of heat which drastically changes the ecology of the receiving water body.

8.28 Atmospheric pollution is caused by vapours and gases from furnaces, industrial process wastes and automobile exhausts. The Mombasa Oil Refinery emits about two tonnes of sulphur dioxide daily into the atmosphere. The building and construction industry is also responsible for considerable dust nuisance. In the major urban areas and particularly in Nairobi, vehicular traffic accounts for over 90 per cent of air pollution.

8.29 Other sources of environmental pollution which particularly affect urban areas include solid waste disposal and industrial noise. The adverse effects on the human environment are compounded by poor working conditions and other health hazards in the working environment which sometimes lead to bodily injuries and even death of workers.

8.30 To reflect the Government's concern with industrial pollution, various incentives will be given during the Plan period to industrialists who employ environmentally sound technologies. Commensurate penalties will be instituted against industries whose activities damage the environment. In addition, Government will introduce a strict zoning system for industries that damage the environment so as to reduce risks to human health and habitat.

c) Forestry Development and the Environment

8.31 As already indicated, the vegetative and forestry resources of the country are limited and though they are potentially renewable, the rate of exploitation is exceedingly high, rendering them practically non-renewable. Where depletion has taken place, rehabilitation of the aly be accomplished at enormous costs and Destruction of forests is threatening their ıde prevention of soil erosion, protection llife habitats and conservation of valuable ı. This process impacts negatively on agriry which are vital to the national economy. es for a large proportion of the population roblems for the major hydro-electric and

becoming critical in the design and im- the management and preservation of forting demand for woodfuel energy for rural me groups in urban areas in the form of ree-quarters of the charcoal used in urban nd vegetation. Estimates show that there s of woodstock with an estimated rate of um. Woodfuel accounts for more than 70 n Kenya providing more than 95 per cent . The current annual supply of woodfuel n tonnes out of which about 28 per cent 47 per cent from agro-forestry and 25 per to the growing population and slow rates nd for woodfuel exceeds supply thereby ur forests. Table 8.2 indicates the balance national woodfuel resources.

emand/Supply Balance

(Million Tonnes)

1985	1990	1995	2000
24.5	30.3	38.6	47.1
19.1	20.5	26.6	16.5
12.6	10.7	7.8	5.2
6.5	9.8	18.8	11.3
5.4	9.8	12.0	30.6
974.0	932.0	864.0	800.0
0.9	1.5	1.5	..

8.33 The consequences of widespread deforestation and the laying bear of the rangelands through harvesting of fuelwood are extremely serious. To stem this negative environmental impact, Government will enforce guidelines for the exploitation of forest resources the details of which will be worked out during the Plan period. In addition, the on-going campaign to encourage Kenyans to plant more trees and conserve energy will be re-emphasised while parallel programmes for the development of alternative cheap energy will be undertaken. Since such measures are of long-term concern, Government will provide a *Woodfuel Conservation Subsidy Scheme* based on reducing the effective price of paraffin to encourage its use as an alternative to charcoal and wood. This will be further supported by an accelerated rural electrification programme.

8.34 Forests have also made a significant contribution towards our industrial development. Currently, there are a total of 350 licensed saw-mills which produce approximately 200,000 cubic metres of sawn timber per annum utilising an estimated total of 440,000 cubic metres of logging out of which only about 100,000 cubic metres are from indigenous forests. With the expected growth of the construction industry, saw-milling for timber alone will require about 600,000 cubic metres of logs, most of which will ultimately come from the already threatened indigenous forests. The wood-based panel industry on its part is currently dominated by four plywood, one fibreboard and one particleboard mills. The annual requirements of wood for these products is about 70,000 cubic metres and is expected to grow by 14.3 per cent to about 80,000 cubic metres by the year 1993. The demand and supply balance for industrial wood is projected in Table 8.3.

8.35 By comparison with other countries in the world, the prices/royalties charged for the use of wood in Kenya are too low considering the opportunity cost of the use of these resources in environmental and economic terms. Government will, therefore, review the pricing structure for wood resources used in industry with a view to bringing prices to levels that reflect this opportunity cost. It has also been observed that the Pulp and Paper Mill at Webuye poses a threat to the environment in terms of its chemical effluent into the Nzoia River system and in the depletion of forest resources in surrounding areas. Consequently, any further expansion of this particular mill will be discouraged and future expansion will only be allowed in other less vulnerable areas.

8.36 In line with the recommendations of a report recently published by the Kenya Forestry Research Institute (KEFRI) which has been fully endorsed by the Government, the Forest Department will

Table 8.3: Industrial Roundwood Supply/Demand Balance to the Year 2005

Year	Sawlog/Panels			Pulpwood		
	Supply (m^3/y)	Demand (m^3/y)	Status (m^3/y)	Supply (m^3/y)	Demand (m^3/y)	Status (m^3/y)
1985	1,155,400	700,600	454,800	399,000	361,000	38,000
1990	1,895,000	866,200	1,028,800	577,000	672,000	-95,000
1995	2,072,600	1,269,000	803,600	557,000	582,000	-25,000
2000	2,108,400	1,724,600	383,800	746,000	740,000	6,000
2005	2,100,000	2,403,600	-303,600	620,000	940,000	-320,000

popularise and promote the development of agro-forestry, social forestry and farm forestry at the community and individual levels with the objective of promoting:-

- establishment of forest estates using improved germplasm;
- expansion, effective management and conservation of forest areas to ensure adequate future supply of woodfuel and materials for industrial use, water and soil conservation, and recreation;
- protection of forests against damage by pests and diseases such as insects, pathogens, viruses and animals;
- expansion of the amount of land reserved for afforestation;
- initiation of special programmes for the afforestation of the ASAL areas;
- re-afforestation of over-cut areas with indigenous species; and
- protection and monitoring of vegetative cover changes in the ASAL areas.

8.37 To attain the above objectives, the following strategies will be *applied:-*

- Current programmes on forest cover mapping and monitoring using available technology such as aerial photography and satellite remote sensing will be continued.

- The Forest Department will liaise closely with KEFRI in order to make effective use of research findings for further development of the forestry sector.

- High quality seeds will be made available at various forest stations and from KEFRI for propagation to all forest areas.

- The *Rural Afforestation Extension Scheme (RAES)* which emphasises the adoption of agro-forestry by individual farmers and the community at large will continue the distribution of seedlings of various species, in addition to encouraging individuals and institutions to raise their own seedlings.

- The capacities of tree nurseries already established at administrative centres will be expanded to provide additional seedlings especially for planting in communal lands.

- The Local Afforestation Programme (LAP), the main aim of which is to promote soil conservation, will be expanded and strengthened in all districts.

- The Chief's Nurseries Programme (CNP) initiated in 1981 to provide further support for the Rural Afforestation Extension Scheme and which had covered 370 out of 850 locations as of 1987 will be expanded to cover all the remaining locations including those in the ASAL areas.

- Manpower training will be expanded from the current output of 35 to 175 graduates a year from Moi University by 1993 and from the current 30 foresters and forest assistants from the Londiani Forestry College to 150 foresters and 300 forest assistants annually. The Forestry Industrial Training Centre at Nakuru will expand its training programme for sawmillers to cover management methods and the use of new technologies.

- The Permanent Presidential Commission on Soil Conservation and Afforestation will accelerate its efforts in this area.

d) Fisheries and Marine Resources Development and the Environment

8.38 Kenya's fisheries resources are far from being fully exploited. Hitherto, Lake Victoria has been the major source of fish with lesser contributions coming from the other inland lakes and rivers. The Indian Ocean which promises high potential in the development of the fisheries industry is currently being exploited by foreign trawlers, except for limited catches by local fishermen using low level technology and game fishing mainly by tourists. Due to its labour-intensive character, the fisheries industry offers considerable potential for employment and income generation to numerous small-scale fishermen and fish traders.

8.39 Fish production has increased at the rate of 14 per cent per annum from 48,218 tonnes in 1980 to 138,400 tonnes in 1988. However, the period 1980-87 has witnessed a considerable decline in fish output from the inland lakes, particularly Lakes Turkana, Naivasha and Baringo. The reasons for this decline include ecological changes from both climatic variations and human activity and over-exploitation. Table 8.4 depicts the projected fish landings over the Plan period.

8.40 The main constraints which have led to the under-exploitation of existing potential include:-

- use of artisanal methods of fish harvesting unsuitable for the exploitation of off-shore and deep-sea fishing;
- inadequacy of support to fishermen to enable them to introduce new fishing technologies and equipment;
- application of inappropriate fishing methods which lead to over-exploitation and destruction of the breeding grounds;
- the dearth of communications infrastructure to fish landing beaches including poor access road networks;
- inadequacy of fish processing and storage facilities at the landing beaches and within the distribution network; and
- lack of effective credit systems for financing the purchase of better boats and fishing gear and for investing in aquaculture and fish farming.

Table 8.4: Projected Fish Landings, 1988-93

(Tonnes)

Area	1988	1989	1990	1991	1992	1993
Marine Fish	7,645	8,041	8,367	8,799	9,067	9,437
Crustaceans	418	430	443	452	461	470
Other Marine	149	151	157	165	170	179
Total	8,212	8,622	8,967	9,416	9,698	10,086
Lake Victoria	120,259	127,475	133,848	139,242	144,770	149,133
Lake Turkana	7,095	7,024	7,094	7,164	7,234	7,309
Lake Naivasha	322	334	344	354	364	375
Lake Baringo	120	134	152	190	204	216
Fish Farming	1,116	1,127	1,161	1,184	1,231	1,280
Other Areas	1,276	1,327	1,380	1,395	1,493	1,552
Total	130,188	137,421	143,979	149,529	155,296	159,865
GRAND TOTAL	138,400	146,043	152,946	158,945	164,994	169,951

8.41 The Government intends to fully exploit the fisheries potential in both inland waters and the extensive marine off-shore and deep-sea sectors. With regard to the 200-mile Exclusive Economic Zone, Government will initiate steps for the full exploitation of existing potential currently farmed by foreigners.

8.42 In order to meet the above objective, the following strategies will be implemented:-

- Stricter enforcement of regulations will be instituted against fishing methods that lead to over-exploitation and destruction of breeding grounds, including a total ban on fishing in certain areas during specified periods.

- Continuous monitoring of pollution threats in the lakes, rivers and the ocean will be effected.

- Research will be conducted to ensure that any new species introduced will lead to increased fish production without damaging the ecology.

- Fish breeding farms will be introduced for restocking of the depleted areas and species and for supplying fish farms and ponds.

- Basic spatial infrastructure at landing sites in the form of access roads, slipways, cold stores and ice-making plants will be provided.

- Credit facilities will be given to fishermen through co-operatives and lending institutions to enable them to acquire better fishing gear, transport and storage facilities and for fish processing and marketing.

8.43 In the case of deep-sea fishing, Government will draw up strategies for the development and utilisation of the country's 200-mile Exclusive Economic Zone. During the Plan period, consideration will be given to the possibility of leasing this zone to competent bidders who, apart from paying rent for exploiting these resources would also contract to assist the country in developing the nation's deep-sea fishing fleet and training of the requisite manpower.

e) Tourism and Wildlife Development and the Environment

8.44 The increased pressure on land due to human settlements for agricultural production is likely to limit land availability for wildlife conservation. Yet, in certain ecological zones of the country, wildlife conservation and management offers the only ideal balance between human economic activity through tourism and environmental conservation. Apart from these considerations, wildlife conservation is an important factor in preserving the ecological balance, and a natural heritage we must preserve for posterity and for sheer aesthetics. There is, therefore, need to establish the optimal balance between devoting such lands to wildlife and demand for human settlement.

8.45 Government will continue to promote wildlife protection and conservation activities through:-

- vigorous suppression of recently increased poaching activities through the deployment of more, better trained and properly equipped anti-poaching units;

- carrying out research aimed at enhancing conservation and management of wildlife populations;

- possible translocation of certain species from threatened dispersal areas to parks and reserves in order to enhance their conservation in furtherance of overall ecological balance and for tourism promotion;

- special protection of endangered species such as the rhino, elephant, Grevy's zebra, Hunter's antelope and carnivores like the leopard and cheetah;

- training of wildlife conservation and anti-poaching personnel to increase their capabilities and competence in planning and management of parks and reserves;

- reviewing of reward and remuneration schemes for wildlife and tourism-related staff;

- effecting physical measures such as the digging of trenches and mounting of electrified fences around wildlife parks to contain wildlife within the parks thereby protecting human lives, domestic animals and crops from damage by wildlife;

- educating the public on the continuing importance of protection and conservation of wildlife for aesthetic value and as a natural heritage and for their rôle in maintenance of proper ecological balance and sustaining the tourist industry; and

- revising and updating the *Wildlife Conservation and Management Act* to reflect the changing complexities of wildlife management.

8.46 Developments in tourism over the last ten years have seen this sector shift from third to first place as a foreign exchange earner in the country as of 1987. The number of tourists visiting Kenya has grown from 344,000 in 1977 to 662,000 by 1987. Foreign exchange earnings from tourism during the same period have grown from K£ 48 million in 1977 to K£ 292 million by 1987. Taking this trend into account, it is clear that tourism will continue to play an important role in the development of the country's economy. The number of tourists visiting Kenya during the Plan period is projected to rise from the current 735 thousand to 1183 thousand as shown in Table 8.5. Bed-nights for tourists are forecast to grow at the rate of 5 per cent since it is expected that conference tourism and visits of short duration will expand faster.

Table 8.5: Projected Number of Tourists and Earnings

(Thousands)

	1988	1989	1990	1991	1992	1993
Tourists	·735	808	889	978	1,076	1,183
Foreign Exchange Earnings (K£ Mn.)	326	375	431	472	543	623
Bed-nights						
Residents	1,131	1,216	1,336	1,467	1,615	1,705
Non-residents	272	294	323	349	357	378
Over 30 days Foreigners	3,930	4,145	4,331	4,534	4,759	5,062
Total Bed-nights	5,333	5,655	5,990	6,350	6,731	7,135

8.47 The experience of the last twenty years indicates that the following issues need to be addressed with respect to the tourist industry:-

- Past efforts have over-emphasised the promotion of foreign tourism whereas not much has been done to develop domestic tourism. In effect, Kenyans know very little of the beauty that lies within their own country. Domestic tourism will, therefore, be promoted hand in hand with international tourism.

- Certain negative consequences have emerged from tourism which the Government intends to address through regulation and other policy instruments. These include social and cultural pollution, considerable damage to the parks and reserves through careless discard of litter, noise, nuisance and general interference in the normal life of wild animals.

- The fees and taxes levied on foreign tourists are heavily subsidised and do not reflect the true cost to the Kenyan tax payer of developing and preserving tourist attractions. In 1987 for example, the average spending per tourist per day was KShs. 630 which is hardly adequate to sustain even a local tourist. These charges will, therefore, undergo revision to reflect the true cost of wildlife conservation and to avoid subsidising tour operating companies.

8.48 Whereas it will be important to attract more tourists to the country, caution will be taken to mitigate the negative externalities mentioned above. While efforts shall be made to realise a flow of some 1,000,000 tourists by 1993, encouragement will be given to the kind of tourism that maximises foreign exchange earnings and employment. Less encouragement will be given to the "package tourists" who generally spend very little money during their stay in Kenya besides creating considerable congestion in the parks, thereby affecting wildlife behaviour and depreciating the viewing experiences of others, and in certain instances adversely effecting cultural and moral values.

8.49 To ensure that tourism develops in the right direction, Government will during the Plan period:-

- give various incentives for the encouragement of domestic tourism through the Domestic Tourist Council;

- intensify tourism marketing abroad through carefully targeted and better publicity;

- intensify the control of tour operations in hotels, restaurants, travel agencies, curio shops and other tourism-related enterprises to ensure that correct levels of earnings are realised, negative impacts of tourism minimised and environmental tranquility maintained in the parks, reserves and beaches;

- indigenise the ownership and management of the tourist industry; and

- ensure the provision and maintenance of desirable infrastructure, especially transport and communications facilities, to meet the needs of the rapidly growing tourist industry.

f) Mineral Resources Development and the Environment

8.50 Various mineral occurrences have been identified whose further exploration, prospecting and development will require collaborative efforts by both the Government and the private sector in order to maximise future benefits which accrue from the exploitation of these resources. As scales of workable deposits must depend on good geological maps, Government accords high priority to this activity and will give various types of incentives to encourage mineral exploration, prospecting and development. Government will also carry out the following activities in order to further promote mineral development:-

- geophysical surveys and research programmes including regional mapping of unmapped parts of the country;
- revision mapping to evaluate the mineral potential of areas already mapped on a reconnaissance scale;
- geochemical exploration using both aerial and ground techniques;
- chemical prospecting for the appraisal of mineral deposits and core drilling to carry out in-depth investigations of the economic potential of such deposits;
- complete and up-to-date registration of all geological and mineral fields in the country;
- maintenance and continuous up-dating of the mineral inventory of the country;
- effecting measures to ensure the safety and security of mine workers in mining and quarrying industries; and
- review of laws and regulations governing mineral resources to ensure consistency with the current needs and technological advances in this field.

8.3 TECHNOLOGICAL DIMENSIONS IN THE USE OF NATURAL RESOURCES

8.51 The choice of technology in the use of natural resources for the production of goods and services has a direct influence on the future state of our environment in terms of the produced output, wastes generated and socio-cultural changes induced. Technological applications developed from research are critical to the long-term development of any nation. The appropriateness of technology will be predicated on the balance of environmental and economic costs and benefits. In order to foster the use of appropriate and environmentally sound technology, Government will, therefore, actively encourage:-

- the efficient use of energy, its conservation and greater reliability on renewable energy resources;

- the production of goods that are accompanied by by-products or wastes that can be re-used or re-cycled;

- the use of local renewable material inputs;

- technologies with minimal noxious or dangerous emissions and wastes;

- the application of technologies that minimise wastes and which exhibit re-cycling possibilities;

- technologies with minimum disturbance to the natural eco-systems;

- the use of local talent and inputs wherever practicable; and

- active development of innovations and inventions.

8.52 To this end, Government will strengthen the capabilities of our research institutes and create the necessary machinery for the translation of research findings into industrial applications to ensure that technologies applied to development are not only cost-effective, but also environmentally sound. To this end, the relevant technical arms of Government under the professional guidance of the Kenya Bureau of Standards will enhance on-going research into technologies and applications appropriate to our environment. This will be co-ordinated with other research developments proposed in Chapter 7.

8.4 MANAGEMENT OF DISASTERS

8.53 The stability of both the natural and human environment is often threatened by natural and man-made disasters. There are three common categories of disasters viz:-

- *Natural disasters resulting from geological events* such as earthquakes, landslides, volcanic eruptions and such atmospheric phenomena as hurricanes and lightning. Since 1982, about 600 earthquakes have been reported in Kenya with most epicentres being in the Rift Valley and Nyanza geological formations. These centres are located in zones that are heavily populated and thus pose grave risks to human life and property. Landslides have often occurred in highland areas. The threat of lightning has become a phenomenon of national concern especially in areas around Lake Victoria and parts of Western Province.

- *Natural disasters arising from a combination of geophysical and climatic factors* such as floods and droughts. Droughts have in recent years been a major problem especially in the northern and eastern parts of the country while floods have occurred with increasing frequency in the Kano Plains, the Tana River system and in the Yala/Nzoia River systems.

- *Disasters directly related to human action*. These include forest fires originating from the practice of garden clearing by burning and the threat of man-made disasters occurring in industry, agriculture, construction and mining operations carried out in some parts of the country without the necessary safeguards, resulting in injuries and sometimes death.

8.54 Experience from events in other countries as well as those from our past will be used to build up adequate capacity for prediction and anticipation of disasters, as well as the technical and resource capabilities for coping with them when they strike. An inter-agency *Disaster Relief Committee* established under the Office of the President in 1984 to address the then prevailing drought has since been disbanded. This adhoc approach did not constitute creation of the necessary level of preparedness to handle disasters especially those of catastrophic magnitudes. In addition to the institutional framework required for anticipation of, and effective reaction to disasters there is need for a legal framework in the form of an act of Parliament enabling such institutions to respond and marshall the necessary resources for coping with such situations quickly and effectively. During the Plan period, the necessary legal and institutional frameworks will be designed and put in place, and a programme of training launched to build the necessary managerial competence for disaster management and disaster relief administration. This will supplement the early warning systems proposed in Chapter 6.

8.5 INTERNATIONAL DIMENSIONS

8.55 The United Nations Conference on the Human Environment held in Stockholm, Sweden in 1972 culminated in the establishment of the United Nations Environment Programme (UNEP) and the Vancouver Conference on Human Settlements of 1978 which led to the establishment of The United Nations Centre for Human Settlements (HABITAT) both headquartered in Nairobi. The Government is fully committed to policies and strategies of sound environmental management and human settlements development not only within the country but also in the wider sub-regional, regional and international contexts. This commitment precedes the formation of these agencies, but has undoubtedly been greatly influenced in recent years by their operation. Kenya is also signatory to a large number of environmental treaties and conventions that link her to sub-regional, regional and global action programmes on environmental conservation and management and human settlements development. Government will continue to render support to collaborative efforts in these fields in its commitment to promote a better quality of life for man.

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CHAPTER 9

EMPLOYMENT AND HUMAN RESOURCES DEVELOPMENT

9.0 INTRODUCTION

The ultimate success of planning for economic and social progress depends to a large extent on the people who are the most critical resource in the development process. Human beings constitute the creative genius and impetus for development. They are the principal agents of change and the central pillars of the economy. While people are the ultimate beneficiaries of economic and social development, they are also the most vital input in the productive, distributive and exchange processes of the economy. They also provide the market for goods and services, thus generating the motive power for progress.

9.2 The dynamic of human development is dependent on the level of effort employed toward bringing up a healthy population that has the strength and will to turn the wheels of progress for the general welfare of the people. A healthy nation stems from a healthy populace. *Health here is interpreted as being not the mere absence of disease but the complete physical, mental, spiritual, social, cultural and emotional well-being as encapsulated in the set of values and attributes that contribute towards the development of the total person*. Thus the development of human resources as envisaged in this Plan encompasses all these dimensions. It involves various stages of socialisation and stamina-building beginning with mother-care, through peer-group interaction at pre-primary, primary, secondary and tertiary levels and the work-place. Once this process has taken place, man is poised for the challenges of survival and development.

9.3 The production of goods and services is predicated on the possession of requisite knowledge, proper attitudes and appropriate skills, capabilities, capacities and values in addition to land, capital and technology. Kenya is neither well endowed with physical natural resources nor capital and technology, but has ample potential for sustained socio-economic development through the abundance and vitality of her human resources. In this regard, vigorous steps have been taken since Independence to equip the population with the necessary knowledge, skills and attitudes. Some of the problems that have been encountered in the process and which are discussed in this Chapter include the following:

- a rapidly growing, dependent population which diverts much of the country's resources to consumption and, therefore, leaves less for saving and investment;

- a rising number of unemployed in the urban areas of the country, as well as widespread under-employment in the rural areas;

- shortages of persons with a wide range of critically important skills, constituting major constraints in achieving planned goals and targets;

- organisational weaknesses in institutional development; and

- lack of correct, market-based financial incentives and rewards which would attract people towards vital productive activities.

9.4 There are other major human resource development factors such as nutritional improvement and health-care programmes which increase the productive capacity of the population. These factors are dealt with in other chapters of this Plan particularly Chapter 10.

9.5 The problems enumerated above are to a large extent deeply rooted in the social and cultural milieu, and the structural maladjustments in the economy. Their solution, therefore, calls for the application of the appropriate mix of long, medium and short-term approaches. In the long-term, consideration will first be given to the supply side of the problem by implementing measures to reduce the population growth rate which has a bearing on the size of the labour force. This is where the strategies for the control of population growth discussed below become relevant. Secondly, technological innovations will continue to be developed and transmitted for general application to increase labour productivity. Thirdly, major changes in the organisational and legal systems affecting production, marketing, investment and institutional restructuring will be considered. Lastly, those changes in the education and training policies proposed in the Report of the *Presidential Working Party on Education and Manpower Training for the Next Decade and Beyond* and accepted by the Government vide *Sessional Paper No. 8 of 1988* will be implemented during this Plan period.

9.6 Medium-term considerations will relate to the impact of policy changes in economic restructuring as outlined in *Sessional Paper No.1 of 1986*. Of particular importance are changes affecting prices and wages, access to credit and the acquisition of appropriate skills through training. Short-term measures will address the question of how the economy can be made to expand its capacity to absorb more labour given the current levels of capital infrastructure especially in the industrial and agricultural sectors. In particular, it is expected that considerable employment expansion will be achieved through full utilisation of excess capacity in industry, as indicated in Chapter 7, increased production of tea and coffee in the agricultural sector and expansion of small-scale enterprises in both sectors.

9.7 The Sixth National Development Plan will mainly address the medium and short-term measures so as to specifically generate employment opportunities for the 2 million people that will be entering the active labour force during the five-year period. The Plan will also lay the foundation for addressing the long-term issues which cannot be ignored at this stage, but which will also be pursued in the two ensuing Plans which, together with the present one, should progressively and cumulatively deal with these issues in the time horizon of *Sessional Paper No. 1 of 1986*.

9.8 Against this background, this Chapter discusses various issues, policies, objectives and strategies relating to human resources development and employment that will obtain during the Plan period. It has drawn heavily from, among others, the Report of 1988 *Presidential Working Party on Education and Training for the Next Decade and Beyond*, *Sessional Paper No. 1 of 1986* on *Economic Management for Renewed Growth*, the 1985 *Sessional Paper No. 2 on Employment* and the 1981 *Presidential Working Party on The Establishment of a Second University*. It spans the whole spectrum of employment, education and manpower planning, training and development in the various sectors of the economy, as well as matters related to labour productivity, technological development, incomes and wages guidelines.

9.1 THE EMPLOYMENT PROBLEM

9.9 The need to create employment opportunities for all Kenyans was clearly stated in *Sessional Paper No. 10 of 1965*. In the intervening period the Government has taken several actions to address it in the light of changing circumstances. First was the National Assembly's *Report of the Select Committee on Unemployment of 1970*. In response to concerns raised by the Select Committee, the Government invited the

International Labour Organisation (ILO) in collaboration with United Nations Development Programme (UNDP) to carry out a study of the employment situation in Kenya. A report entitled *Employment, Incomes, and Equality : A strategy for Increasing Productive Employment in Kenya* was subsequently submitted to Government and published in 1972 in response to which the Government published *Sessional Paper No. 10 of 1973 on Employment.*

9.10 These documents established the Government's approach to the employment problem until it was updated by the *Presidential Committee on Unemployment* of 1983 which formed the basis for the publication of *Sessional Paper No. 2 of 1985 on Unemployment*. Taking the essential elements of that Sessional Paper, Government, in the preparation of *Sessional Paper No. 1 of 1986* on *Economic Management for Renewed Growth* not only put the unemployment problem in its long-term perspective, but also brought into sharper focus its relationship with the evolution of the structural characteristics of the economy within the context of which growth is billed to be the main generator of employment.

9.11 The causes of unemployment and under-employment in Kenya are partly related to seasonal phenomena and partly to information gaps, time lags and structural imbalances and rigidities. Many of those currently unemployed in towns could find work in the countryside. To do this, they may have to accept that their qualifications may not be sufficient to entitle them to urban modern sector employment. Others who have migrated to the towns because of wage differentials may similarly become employed were they to accept lower wages. The inflexibility of money wages will to some extent be overcome through use of the Wages Guidelines. Other common causes of unemployment relate to deficiencies in domestic and international demand, where the costs of Kenyan goods may well feature as a key criterion in determining demand and consequential employment. Yet, the availability of complementary inputs such as land, tools or management skills has noticeable short-run implications on job availability. These issues form part of the agenda for action for human resources development under which they will be reviewed and examined in depth during the Plan period.

9.2 EMPLOYMENT CREATION STRATEGIES

9.12 Employment is the means by which people provide themselves with access to the essential basic needs. Despite past Government efforts to alleviate it, unemployment still remains a serious problem. As indicated in *Sessional Paper No. 1 of 1986*, the levels at which jobs can be created will depend on the rate of economic growth and development particularly as these give rise to complementary inputs and access to markets.

9.13 While the rate of economic growth will be partly affected by external factors beyond our control such as a world recession, inflation or contraction in the inflow of external investible resources, rapid growth and hence employment expansion will still largely depend on internal factors. In particular, there is need for the adoption of policies and supporting programmes that provide incentives for increased investment in both the private and public sectors of the economy. These will include appropriate fiscal and monetary policies, the development of capital markets, appropriate interest rate policies, the proper functioning of the marketing and pricing systems, and the development and expansion of the domestic and external markets for our products.

a) The Employment Scenario

9.14 The employment scenario faced by the country during this Plan period is summarised in Table 9.1. As can be seen from this table, the total population will grow from an estimated figure of 22.7 million in 1988 to 27.2 million in 1993. The labour force, defined as members of the population who are economically active, i.e. those between 15 and 64 years of age, either working or searching for work, is expected to grow from 8.6 million in 1988 to 10.6 million in 1993. The largest additions to the number employed will come from small farms, urban small-scale and rural non-farm enterprises. Total modern sector employment is expected to grow at the rate of 4.2 per cent per annum, rising from an estimated figure of 1.37 million in 1988 to 1.68 million in 1993. It should be noted that the extent of unemployment in the rural areas is difficult to estimate because it mostly exists in the form of disguised under-employment.

9.15 In the above context the areas of major concern in the short and medium-term will revolve around the following considerations:

- The need to generate employment in terms of the number of people actively engaged in economically useful activities, which in general should increase in step with the additions to the labour force. During the Plan period, the overall impact of employment arising from new investments will probably be small because such investments will take a much longer gestation period. Hence there is need for more intensive use of existing capacity especially in the industrial sector.

- In agriculture, the rural non-farm and the urban informal sectors, the employment problem takes the form of under-employment which results from the failure of people to obtain jobs appropriate to their skills, and the lack of capital and other com-

Table 9.1: The Employment Scenario

(Thousands)

	1988			1993			
	Rural	Urban	Total	Rural	Urban	Total	New Jobs
Population	18,698	3,959	22,657	21,636	5,578	27,214	
Labour Force	6,933	1,623	8,556	8,302	2,275	10,577	
Modern Employment							
Private Employees	217	443	660	235	608	843	183
Public Employees	226	440	666	264	514	778	112
Self-employed	-	41	41	-	61	61	20
Total Modern	443	924	1,367	499	1,183	1,682	315
Informal Urban	-	441	441	-	730	730	289
Small Farms	6,055	-	6,055	7,070	-	7,070	1,015
Rural Non-farm	435	-	435	733	-	733	298
Total Employment	6,933	1,365	8,298	8,302	1,913	10,215	1,917
Unemployed	-	258	258	-	362	362	(104)

Notes:
1) The participation rates for rural areas are assumed to be 69.8 per cent for males and 91.5 per cent for females.
2) Public sector employment is expected to grow at 3.2 per cent p.a. which is less than the recent historical growth of 4.7 per cent.
3) It is assumed that there will be mainly underemployment but not open unemployment in the rural areas.
4) It is further assumed that the historical unemployment rate of 16.2 per cent of labour force in urban areas will remain the same during the Plan period.

plementary factors of production. This category includes subsistence farmers, informal sector employees and casual and part-time workers. The promotion of employment creation in these sectors will require enhancement of the productivity of rural activities through the provision of credit, inputs and extension services for on-farm work and non-farm small-scale enterprises; and in the urban areas, provision of appropriate technologies and expansion of marketing opportunities for the informal sector.

b) Public Sector Employment

9.16 Since Independence the public sector has remained the largest source of employment in Kenya. However, as noted in the Report of the *Working Party* on *Government Expenditure of 1982*, the expansion of the public sector at the rates so far recorded had resulted not only in over-staffing in certain areas but also in overwhelming wage expenditures which have tended to reduce funds for necessary complementary services to the extent of creating diminished efficiency in both development efforts and the provision of public services. Currently, Personal Emoluments alone account for over 63 per cent of the Government's Recurrent Budget. Large numbers of people have been employed in parastatals without an accompanying increase in efficiency and profitability. These trends can no longer be sustained in view of expected budgetary constraints.

9.17 During the Plan period, Government will, therefore, continue to implement the Budget Rationalisation Programme to ensure that:

- a slower growth rate of employment in the public sector is attained;

- greater emphasis is laid on more efficient utilisation of existing staff and facilities, to achieve better rationalisation of the relationship between personal emoluments and operational costs for public entities;

- local authorities are only allowed to engage additional staff when this contributes to expanded services and that such additional employment will have to be authorised by the Government;

- expansion in the Teachers Service Commission is strictly in line with the requirements and needs to meet the objectives for the education system as established by the *Working Party on Education and Manpower Training of 1988* and elaborated later in this Chapter;

- public sector employment is reduced through divestiture of non-strategic activities;

- regulations and practices which compel the Government to automatically absorb works-paid staff in certain ministries and which in the past led to unnecessary expansion of Government employment are reviewed;

- sound criteria are established for achieving the right staffing mix between professional and supportive staff cadres to remove the existence of over-staffing in certain areas and under-staffing in others;

- greater emphasis is laid on in-service and on-the-job training to improve the efficiency of existing staff and to encourage them to actively look for self and private sector employment opportunities; and

- public sector training policy is clearly understood. Trainees will not automatically be absorbed into Government employment but will compete for entry, with the balance being either self-employed or otherwise find work in the private sector.

c) Private Sector Employment

9.18 In line with the strategies for financial restructuring proposed in *Sessional Paper No. 1 of 1986* and the proposals outlined in Chapter 4 of this Plan, Government will, by gradually reducing its borrowing from the banking sector, allow the private sector greater access to investible resources. Employment-specific incentives will also be provided to create more jobs in both the urban and rural areas.

d) Creation of Jobs in Trade and Industry

9.19 As mentioned in Chapter 7, Government will induce the private sector to create more jobs in both trade and industry by providing an enabling environment for new investments, productive deployment of capital and introduction of labour-intensive innovations. Trade policy will continue to be so re-oriented as to reduce the degree of protection previously accorded to import-substituting activities and to increase returns on non-traditional exports. Interest rates on loans will be maintained above the inflation rate to screen out unproductive uses of savings. The modern industrial sector will be developed on the basis of relatively high and rising productivity and be made to attract and generate indigenous entrepreneurs and managers. The sector will also be made to support and promote the development of agriculture and the rural areas in general.

e) Employment Opportunities in the Agricultural Sector

9.20 As stated earlier, agriculture will continue to play a major role in stimulating and supporting growth during this Plan period and beyond. So far as employment is concerned, the sector will absorb more farm workers, increase family incomes, and catalyse the growth of off-farm activities in the rural areas. To achieve these targets, Government will continue to encourage the sub-division of large farms in those areas where it has been shown that employment and output per hectare are generally higher for small farms than for larger ones. It will also, by way of foreign exchange releases and the support of the co-operative movement, ensure the timely and convenient availability of complementary inputs. Since extra employment will be associated with expansion of output, greater emphasis will be laid on improving agricultural marketing including processing, grading and packaging for export.

f) Employment Opportunities in Small-Scale Enterprises

9.21 The scope of economic activities in the small-scale enterprise sector is enormous. Such activities include retail trade, construction, wood and metal work, transportation and tourism, among others. Some of these activities generally go unrecorded in the official accounts, yet, according to recent studies, they employ from 40 to 60 per cent of the urban labour force and contribute between one-quarter and one-third of total urban incomes. The role of these activities in generating jobs and incomes in the rural areas is also significant. Several measures which will be undertaken to promote small-scale enterprises and which have been discussed at length in Chapter 7 will play a key role in generating employment opportunities in both rural and urban areas.

9.22 Early in the Plan period, Government will launch a *Small-Scale Enterprise Development Programme* with the intention of identifying and addressing constraints which hamper the sector's capacity to expand. These constraints arise from lack of diversity, easy saturation of the market, lack of market information, low capacity to adapt to changing circumstances and inherent uncertainty in general. All these deficiencies have had the effect of reducing the sector's capacity to create secure jobs.

g) Employment of Women

9.23 According to recent labour force surveys, approximately 87 per cent of the adult female population in the rural areas are employed in agriculture. This arises because most adult males tend to migrate to urban areas in search of wage employment. In addition, participation of women in informal sector non-agricultural activities is overwhelming. In spite of the critical role women play in the development of the economy, and as outlined in Chapter 1, there are several problems facing them in their efforts to upgrade themselves into the formal labour market where incomes are higher and working conditions much better.

9.24 During the Plan period, Government will continue in its endeavour to ensure that women are increasingly and productively employed in all sectors of the economy. This goal will largely be pursued through expansion of educational and other opportunities for women with the aim of increasing their participation in the formal sector establishment.

9.3 LABOUR PRODUCTIVITY AND TECHNOLOGICAL DEVELOPMENT

a) Labour Productivity

9.25 The production of goods and services requires the appropriate mix of physical, financial and manpower resources. The quantity and quality of goods and services that can be produced given available natural and financial resources depend on the quality of labour input and consequently on the level of technological application. However, the concern in development programming is not merely that of the absolute amount of capital and human resources that is committed to production of goods and services. For a country like Kenya with a narrow natural resource base and scarcity of investible capital, the issue becomes one of ensuring the highest returns per unit of the resource utilised. Thus, the employment problem can be restated in terms of resource productivity and particularly the productivity of labour. But since labour productivity also largely depends on the level of technological application, and since Kenya does not as yet have the necessary resources for the independent development of technology, the employment question must, at least in the short-term, be related to technology choice and transfer.

9.26 Kenya currently exhibits the dual characteristic of having a small, dynamic, high productivity modern sector enclave utilising sophisticated technologies largely transferred from abroad, co-existing with a large but low productivity rural agricultural sector, the activities of which are characterised by widespread under-employment. The modern sector of the economy on the other hand is characterised by excess capital capacity. These observations suggest that there are severe imperfections in the market for investible funds which will have to be addressed during the Plan period.

b) Technological Development

9.27 Government's approach to foreign investment inflows and the transfer of technology will be to encourage appropriate technologies and sound investments through low effective rates of protection, investment and tax allowances, easier access to foreign exchange allocation and improved export compensation where necessary. Of particular importance will be those technologies applicable to the development of small-scale enterprises. The Kenya Bureau of Standards will be required to address itself to the issue of recognising emerging appropriate technologies that may currently not be in use on account of being disqualified by inappropriately sophisticated standards. Government will establish the necessary machinery to protect technologies and other discoveries arising from among Kenyans. Further developments in investment and technologies will be centred not only on the small-scale enterprises but also in the Export Processing Zones and the Manufacture-Under-Bond facilities discussed in Chapter 7. Research and technical training institutions will also be required to develop indigenous technologies and to disseminate technological information effectively.

9.4 INCOMES AND WAGES POLICY

a) Strategy for Equitable Income Distribution

9.28 One of the basic objectives of the Government is to find ways and means of expanding and distributing the fruits of economic growth equitably of which creating jobs is one of the most important. Emphasis has in the past been put on reducing the income gap between and among urban and rural areas, wage earners in different sectors, persons of different ethnic origins and persons with different levels of education, through fiscal, monetary and other policies.

9.29 Incomes policy affects the relative size of earned incomes. Fiscal policy, particularly through the tax structure, reduces differentials in incomes by taxing proportionately more the larger of the earned incomes while welfare measures ensure that the very poor and unfortunate gain access to health, education and other basic needs at reduced or no cost. Each of these three measures is necessary but not sufficient to bring about equitable distribution of the benefits of economic growth. Even though these measures have been taken, the degree of income inequality is still a problem that will require to be addressed during this Plan period. Bridging the gap between the rich and the poor has not been easy mainly because of the inability of the economy to provide enough income generating opportunities, lack of capital and inappropriate skills, attitudes and knowledge on the part of the unemployed and increasing tax evasion especially by non-wage income earners.

9.30 As already indicated, this Plan aims at renewed rapid economic growth at the rate of 5.4 per cent per annum during the period 1989-93. The attainment of this growth objective will not only facilitate equitable distribution of economic benefits to Kenyans but also the realisation of the Plan theme, "Participation for Progress". In addition, the differentials between high and low incomes will continue to be reduced through administrative means such as taxation, the pricing system, tariffs, *Harambee* contributions and Wages Guidelines.

9.31 Government will adopt the following incomes policy measures in order to realise more job opportunities among other objectives:-

- Gains from increased productivity will be shared among workers through higher wages; consumers through lower prices; investors through a fair return on invested capital and the unemployed through creation of more employment opportunities.

- Differentials in earned incomes will continue to be reduced through progressive taxation and the provision of welfare services to those in low income groups and elimination of excessively high incomes.

- Policies and measures to control monopolistic practices and excess profits earned by businesses will be implemented. These will include pricing policies and industrial incentives that will also promote the employment of labour.

- Property incomes will be controlled at levels that will not hamper investment.

- Comprehensive property taxes, and in particular land taxes based on size and land ceilings to effect redistribution of wealth will be instituted.

- Support will be given to activities that promote the generation of non-wage rural incomes, particularly for small farmers and rural non-farm workers in order to increase the relative attractiveness of rural life vis-a-vis urban life and to promote agricultural output so as to reduce urban unemployment and poverty. Measures will also be taken to ensure that farmers do not subsidise urban dwellers.

b) Wages Guidelines

9.32 In an open market economy like Kenya, it is expected that the price of labour, or wage rate, should correspond to its market value. Differences in wage rates must, therefore, reflect differences in skills and levels of sophistication in the technologies embodied in various types of investments. This is the general environment in which the Government would like to maintain the wages regime. However, given the dualistic character of our economy, market forces would not work perfectly, and hence Government has in the past maintained a *two-tier wages policy.*

9.33 First, wages paid in small-scale agriculture, rural non-farm enterprises and the urban informal sectors are determined by market forces and, therefore, respond to factors such as demand, supply and seasonality. For modern large-scale agriculture, modern industrial and commercial sectors and the public sector, wages are set through the application of Wages Guidelines by the Industrial Court. The Guidelines set minimum limits for negotiated wage settlements taking into account the cost of living among other factors. In the public sector, wages have been determined through periodic salary reviews and schemes of service of various categories of workers during which the Wages Guidelines are taken into consideration.

9.34 The wages regime established above has worked well in the past and will as far as possible be maintained. However, the following three special considerations will apply:-

- Care will be taken to restrain modern sector wage rates from outstripping rates in the rural areas unduly. This will help to stimulate small-scale enterprises by moderating expectations of job-seekers which arise from the very large wage differential between the two sectors.

- As far as practicable the differentials in wages between the public and private sectors for the same level of skills will be reduced. In the public sector, parastatals engaged in industrial and commercial activities which are viable and profitable will offer wage rates that are competitive with those in the private sector.

- In both the private and public sectors, existing wage differentials between Kenyans and non-Kenyans for the same skill categories will be re-examined. The side-stepping of this policy requirement through various hidden allowances and other non-wage benefits will be discouraged as far as possible.

9.5 POPULATION DIMENSIONS

9.35 During the Plan period, the long, medium and short-run manpower supply needs of the economy and the strategies to meet them will be reviewed within the broader framework of human resources development in the context of which policy action tends to elicit multiple effects far beyond the mere impartation of skills to citizens with which to earn their livelihood. Some of the issues encountered in this regard are outlined below.

a) Demographic Dimensions

9.36 On the basis of census statistics, Kenya's population growth rate had risen from 2.5 per cent in 1948 to 3.8 per cent in 1979. As shown in Table 9.2, this increase in the rate of growth has been influenced by several factors, notably the decline in infant and child mortality, higher birth rates resulting from higher fertility among women in their child-bearing ages, and improved medical services which have helped to overcome infertility, reduce still-births and abortions and to generally lower morbidity and mortality. In this respect, it is to be noted that the crude death rate has been declining steadily from 25 per thousand in 1948 to 14 per thousand in 1979.

Table 9.2: Demographic Indicators of Census Years

	1948	1962	1969	1979
Population (Million)	5.4	8.6	10.9	16.1*
Total Fertility Rate (No)	6.7	6.8	7.6	7.9
Crude Birth Rate (Per 1,000 Population)	50	50	50	52
Crude Death Rate (Per 1,000 Population)	25	20	17	14
Natural Rate of Population Increase	2.5	3.0	3.3	3.8
Infant Mortality Rate (Per 1,000 Live Births)	184	126	119	104
Life Expectancy at Birth (Years)	35	44	49	54

* Adjusted for under-enumeration.

9.37 Correspondingly, the crude birth rate has been persistently high, having increased from 50 per thousand in 1948 to 52 per thousand in 1979. From the 1948 estimate of 184 infant deaths per thousand live births, infant mortality has also been declining steadily, reaching a level of 104 infant deaths per thousand live births in 1979. The increase in life expectancy over the years has also been remarkable. The 1979 estimated level of 54 years compares with the world average of 62 years, 58 years for developing countries in general and 50 years for Africa. Total fertility, defined as the number of live births a woman gets by the end of her reproductive life, has also increased from the level of 6.7 children per woman in 1948 to 7.9 children per woman by 1979. However, from the 1984 *Kenya Contraceptive Prevalence Survey,* there are indications that fertility rates may be declining having dipped to a level of 7.7 children per woman by 1984. These statistics will be updated by the results of the next census to be undertaken in 1989, the first year of this Plan period.

b) Implications of Rapid Population Growth Rates

9.38 Despite the projected decrease in the population growth rate mentioned above, it still remains high by world standards. Given the nature of the age structure of the population, there will be short-run implications on the Government's ability to provide basic needs, while the long-run suggests heavy pressures on the economy which are likely to induce major structural and social changes that will become necessary to absorb the greater labour force. These factors, together with other constraints that might slow down the achievement of employment targets shown in Table 9.1, require that all efforts be made to ensure that welfare targets set out in Chapter 10 are attained especially those relating to health, housing and water facilities. In this respect, major investment and training programmes especially for small-scale enterprises in both urban and rural areas are of critical importance to the expansion of self-employment opportunities. Population projections for selected groups are shown in Table 9.3.

Table 9.3: Projected Population by Selected Groups

(Thousands)

Functional Age Groups	1989	1990	1991	1992	1993
Total Population	23,513	24,397	25,308	26,247	27,214
Children (0-14)	11,832	12,219	12,610	13,007	13,412
Pre-School Age (0-5)	5,523	5,700	5,874	6,054	6,240
Primary School Age (6-13)	5,707	5,897	6,089	6,282	6,478
Secondary School Age (14-17)	2,251	2,335	2,434	2,534	2,635
Female Reproductive Age (15-49)	5,018	5,232	5,457	5,691	5,934
Productive Age (15-64)	11,190	11,670	12,171	12,695	13,136
Old Age (65+)	491	509	527	546	566
Potential Labour Force	9,139	9,483	9,836	10,202	10,577

1) These projections are based on the 1979 census assuming that: a) mortality will decline from a crude death rate of 13 per thousand in 1980 to about 9 per thousand by the year 2000; b) Fertility rate will decline as expected from 7.9 in 1980 to 5.6 in the year 2000.

2) Potential labour force has been computed as a proportion of the population aged 15-64 years on the basis of observed participation rates.

c) National Population Policy

9.39 Government has all along attempted to grapple with the irreducible question of population growth. This is a complex issue that requires to be approached from a long-term multi-dimensional perspective. To view the issue as one of an undesirably high population growth rate which must be brought down by direct population control measures such as contraception is to oversimplify the problem. Indeed, experience has shown that such approaches, even with the best intentions, have not been successful principally because they tend to gloss over crucial economic, social and cultural considerations. They also fail to connect the well-being and quality of life of the people to population control proposals.

9.40 Government policy on population management rests on the following two premises:-

- It is neither the absolute level of population nor its rate of growth per se which is the major concern since with a better technological base and resource endowment Kenya could support a much larger population. The major concern is that the inability of Kenya's natural resource base and industry to sustain rapid labour force growth tends to lead to low incomes and unacceptable living standards. Thus population control measures such as family planning must be seen as approaches toward long-term solutions to the problem.

- The only way communities can be made to appreciate family planning activities is to impress upon them that because of resource constraints, families ought to have the number of children that they can adequately support. This approach requires that family planning activities be supported by programmes which will offer the prospects for better family life. Such programmes should result in increased agricultural production, higher incomes from non-agricultural activities, better nutrition, rational child spacing and enhanced community-based health services.

9.41 In spite of the above, the National Family Planning Programme launched in 1967 remains the cornerstone of population management strategies in Kenya. Since its inception, the programme has been operated on a free service basis as part of the national health-care delivery service. It has been closely linked to the Maternal and Child Health Care Programme which is described in greater detail in Chapter 10. While substantial progress has been made on maternal and child health services leading to notable declines in infant and child mortality, the family planning component of the programme has had a negligible impact on Kenya's fertility trends.

9.42 While Government policy on the question of rapid population growth in general is firm and transparent, decisions on family size ultimately rest with the families themselves. To this extent, the most effective public policy approach in this area is, therefore, through persuasion and education. Government is determined to control by all legitimate and acceptable means the size of the population to match available resources and will continue to educate *Wananchi* on the effects and consequences of large families on family welfare and the quality of life in general. Facilities will also be provided within easy reach for those who opt to practice family planning to further reflect Government's grave concern on this matter.

9.6 THE EDUCATION SYSTEM

9.43 In the medium-term, it is the development of the talents of those already born which needs to be addressed in order to ensure their best chances of finding suitable employment which will address their needs for both income, self-actualisation and personal fulfilment, through imparting relevant and adequate education and training.

a) Education Philosophy

9.44 The development of human resources fundamentally depends on the level and intensity of formal, non-formal and informal education and training. Over the last twenty-five years of our political Independence, the education and training system has been the subject of more than ten reviews by Special Commissions and Working Parties. Among others, these reviews include the 1964 *Ominde Commission*; the 1981 *Wanjigi Committee* and the 1988 *Presidential Working Party on Education and Training for the Next Decade and Beyond.* Those findings and recommendations of the Working Party that have been accepted by Government and are contained in *Sessional Paper No. 8 of 1988* will by and large determine the philosophy and scope of education and training programmes contained in this and subsequent Plans to the year 2000.

9.45 The guiding philosophy on education is that in general, the education system should aim at producing individuals who are properly socialised and who possess the necessary knowledge, skills, attitudes and values to enable them to participate positively in nation-building. It is based on the following key principles:-

- It is essential to make the public aware of the importance of conservation and enhancement of the environment in carrying out their activities.

- The education system should provide skills and appropriate technology for effective development of agriculture, livestock, forestry, minerals for both large and small-scale industries and foster attitudes for self-employment in both the rural and urban areas.

- Members of the public and the youth in particular should be educated in the most economical ways of utilising agricultural land while at the same time protecting the environment.

- The development of positive attitudes towards environmental health both in the rural and urban areas must be encouraged.

- The promotion and appreciation of the national culture in its various dimensions must be seen as a prerequisite for meaningful national development.

- An appreciation of the need for population control and good family life for all communities must be developed in order to facilitate the fulfilment of basic needs and to foster human happiness.

- Full understanding of the concept and practice of the *Harambee* Spirit and the *Nyayo Philosophy* in so far as they help the mobilisation of resources for national development at community level is the foundation of our development and must be actively fostered.

- All Kenyans must develop a sense of nationalism, patriotism, self-reliance and self-determination, the pillars upon which our national pride and dignity are built.

b) Emerging Issues in Education

9.46 In spite of the considerable achievement Kenya has made in the area of education as demonstrated in Chapter 1, two significant issues have emerged that will require to be given serious consideration during the Plan period. These relate to the *relevance* of the education system to the changing needs of the economy and the *cost* of education.

9.47 With regard to relevance, the *Working Party Report of 1988* provides a comprehensive view of how the pedagogical considerations of the education system should be re-oriented to accommodate the new philosophies that have been judged to be relevant to our future needs. With the introduction of the 8-4-4 education system in 1985, this process had already started. The 8-4-4 education system is geared to making the transition from formal education to general and specialised training for the work place more synchronised and as smooth as possible. This would be achieved through the introduction of vocational and technical courses at each level of the formal educational system. These courses are designed to make the graduates at each level properly oriented to face realities in agriculture, small-scale enterprises and other forms of self-employment that most of them will inevitably have to be engaged in, as opportunities for rapid generation of jobs in the modern non-agricultural sector will be critically limited.

9.48 The education system will, therefore, be directed to finding ways and means to:-

- assist the school leaver at every cycle to find gainful employment in the modern wage sector, small-scale enterprises and other forms of self-employment;

- make the individual more easily trainable at higher levels of education and training;

- instil realistic attitudes and aspirations regarding employment in both the parents and school leavers; and

- provide education as a human right as far as possible, and allow for both public and private participation in meeting the costs of achieving this objective.

9.49 The problem of financing education from the public budget proves to be the most critical strategic issue facing the sector. Although the cost of education is currently borne both by the public and private sectors, the share of public expenditure on education has now become an issue of major concern. As of 1987, over 35 per cent of the total public sector recurrent budget was taken up by education alone, compared to 15 per cent in the 1960s and 30 per cent in 1980. If budgetary allocations for the training activities of the Youth Polytechnics, National Youth Service, Directorate of Industrial Training and the Directorate of Personnel Management (DPM) are taken into account, this proportion approaches 40 per cent. Private spending on education is estimated to contribute 25, 70 and 50 per cent of the total expenditures on primary, secondary and higher education respectively. This implies that overall, both public and private sector allocation to education range between 10 and 15 per cent of the GDP.

9.50 This increasing claim of the education system on national resources, if allowed to continue along the same trend, would seriously reduce the resources available to meet the growth targets set out in Chapter 3 of this Plan. To forestall that situation, Government will introduce a *cost-sharing system* of education through which both public and private expenditures will be rationalised throughout the education system. As mentioned in Chapter 4, a cost-effectiveness study of the entire education system will be undertaken during the Plan period. In the meantime the implementation of those *Working Party* recommendations that have been accepted by Government and which are contained in *Sessional Paper No. 8 of 1988* will take into account the pressure on the Government budget exerted by expenditure on education. In applying the cost-sharing formula, consideration will be given to assigning the appropriate costs to Government such as those relating to general administration and professional services. Parents and beneficiaries of education and training will, on their part, take up those costs relating to the development and provision of educational facilities, equipment and personnel services. These measures are additional to those designed to make the education system more effective and efficient and to generally bring them within the ambit of the Budget Rationalisation Strategy.

c) Projected Enrolment

9.51 As noted above, there has been a tremendous expansion in educational enrolment and facilities since Independence. This has resulted from a deliberate policy on the part of the Government both to ensure that access to education is seen as an essential basic need and also to meet the manpower needs of the economy. It also arises from the pressure of private demand for education since most Kenyans believe that higher education enhances the prospects for wage employment in the modern sector and, therefore, guarantees higher incomes and better working conditions and living standards. As already mentioned above, efforts to inform parents and pupils of the most likely long-term scenario with respect to job opportunities will be intensified. Projected enrolment statistics in the education system are shown in Table 9.4.

Table 9.4: Projected Enrolment in the Education System

(Thousands)

LEVEL OF EDUCATION	1988	1989	1990	1991	1992	1993
Primary Schools	5,217	5,400	5,580	5,762	5,945	6,130
Secondary Schools	553	735	758	790	806	812
Vocational & Technical	17.9	19.5	20.4	21.2	22.0	22.9
Special Education	9.4	10.3	11.3	12.5	13.7	15.1
Teacher Training						
Primary T.T.C.s	13.1	13.2	13.3	13.4	13.6	13.7
Diploma T.T.C.s	3.8	4.4	5.0	5.8	6.7	7.8
Graduate Teachers	5.5	6.3	6.9	7.5	7.9	8.1
University Education						
Undergraduates	26.0	29.9	34.4	39.5	45.5	52.3
Postgraduates	1.9	2.2	2.4	2.7	3.1	3.4
Adult Literacy	274	301	331	364	401	441

(1) Most of these projected enrolments assume past trends as contained in the Working Party Report on Education and Manpower Training for the Next Decade and Beyond.

(2) Primary school enrolment for each year is projected to grow at the same rate as that of the population group aged 6-13 years, taking the 1987 base year figure of 5,031,400.

(3) The projected under-graduate enrolment is quite tentative since it is dependent on availability of more teaching staff and the necessary physical facilities in the four Universities. There were 26,000 students in 1988 and this population is projected to rise to about 52,000 by 1993.

(4) Although the Adult Literacy enrolment has been declining in the recent past, appropriate measures will be taken as recommended in the Working Party Report on Education so that this downward trend is reversed. The enrolment is expected to rise by 10 per cent per annum from 1988 to 1993.

d) Pre-Primary Education

9.52 Pre-primary education, which caters for children between the ages of 3 to 5 years has been recognised as an important step in preparing young children for formal primary school entrance. This level of education is also important in the growth and development of children, especially in laying the foundation for a child's life-long education and socialisation process. Government will, therefore, strengthen its supervisory role at this level and foster better co-ordination among the agencies handling pre-primary education such as the *National Centre for Early Childhood Education* of the Ministry of Education, the relevant department in the Ministry of Culture and Social Services, local authorities, NGOs and other private interests.

9.53 The contribution of the private sector in providing this level of education has been significant especially in the urban areas. However, some private interests have been motivated by the desire to make profit rather than the welfare of the children. Three factors have emerged in the development of pre-primary educational institutions. First, the curricula followed in these schools vary widely from region to region and from school to school and quite often are not properly synchronised with the primary education curriculum. Second, because of their concentration in the urban areas, the benefits arising from this level of education accrues more to urban children rather than to rural children thus giving the former considerable advantages in preparation for primary school education. Third, the quality of teachers engaged in pre-primary institutions also varies widely in spite of attempts by Government to offer in-service training for this category of teachers.

9.54 During the Plan period, Government will take steps to ensure that:-

- pre-primary schools are expanded nation-wide especially in the rural areas;

- a uniform pre-primary education curriculum is introduced and harmonised with that for the primary school system; and

- all pre-primary schools are registered to allow for intensified and co-ordinated supervision throughout the country.

e) Primary Education

9.55 In the development of human resources, the Government considers primary school education not only as having the highest returns to the nation in all economic and cultural aspects but also a basic human right that should be provided to all Kenyans. Over the years since Independence, Government has made efforts to achieve universal primary school education. Though these efforts have been frustrated by several factors including budgetary constraints, Government abolished direct payment of school fees from Standard I to IV in 1974, and thereafter from Standard V to VII in 1980 and to Standard VIII in 1985. In 1979, the *Primary School Milk Programme* was introduced for the purpose of improving the nutritional and health status of children, thereby considerably enhancing their learning abilities.

9.56 As a result of these measures, primary school enrolment increased dramatically from 1.8 million in 1973 to 2.8 million in 1974, further rising by 23.3 per cent to about 3.0 million in 1978 and to 3.7 million in 1979. Between 1979 and 1987, on average, primary school enrolment increased by 3.9 per cent per annum. It is projected that during the Plan period enrolment will rise by 13.5 per cent from 5.4 million in 1989 to 6.1 million in 1993. The Government is satisfied with the considerable improvement in female enrolment which has risen from 44 per cent of total enrolment in 1971 to 49 per cent in 1987, giving a ratio of boys to girls of almost 1:1.

9.57 During the Plan period steps will be taken to expand primary education facilities by both the public and private sectors so that all children of primary school age can have access to education. However, the following specific issues will have to be addressed:

- In line with the Budget Rationalisation Programme and the *Harambee* Spirit, parents will be encouraged to continue with their commendable efforts in the establishment of school facilities and the provision of the equipment necessary for the full range of learning experience to supplement those that will of necessity be provided by the Government.

- School facilities will be provided by the Government in Arid and Semi-Arid Lands (ASAL) and nomadic areas to encourage children in these difficult areas to go to school.

- Parents and communities will be encouraged to retain their children in school for the whole duration of primary education to bring the drop-out ratio from the 1987 level of 35 per cent to 15 per cent by 1993.

- Improvement in curriculum development already introduced under the 8-4-4 education system will be continued.

- The Teacher Training Programme will be expanded with the aim of increasing the supply of trained teachers and reducing the proportion of untrained teachers from 30 per cent in 1987 to 20 per cent by 1993.

- An efficient system for primary school supervision and inspection will be developed.

f) Secondary Education

9.58 Following the rapid expansion in primary school enrolment and the past high demand for this level of education, secondary school education has also witnessed tremendous expansion. In 1963, there were only 151 secondary schools of which 119 were Government maintained and 32 private. By 1987, these figures had increased to 2,485 schools of which 635 were Government maintained, 1,497 *Harambee* and 353 unaided private schools.

9.59 The development of the secondary school system has not been without problems. Among others, there has been over-enrolment especially in *Harambee* and private secondary schools as a result of which the use of facilities and staff has been severely over-stretched. Second, the quality of education in some private schools has been questionable because of the use of poorly trained teachers and the non-application of authorised and recommended curricula. Third, with the major reorientation in education philosophy embodied in the 8-4-4 system, the existing curricula require major realignment to dovetail them with those for primary schools, institutions of higher learning and training institutions.

9.60 As indicated in the 1988 *Working Party Report* , Government will take steps to moderate the expansion of the secondary school system in the country to bring it in line with the demands placed upon it by the expanding supply from primary schools and national requirements for higher education and training. The establishment of new schools will be given low priority. Rather, there will be more extensive use of existing facilities through the establishment of at least three streams for each class in all schools. It is also at this level that the cost-sharing principle will be fully applied so that the establishment of additional secondary schools will be largely the responsibility of the communities and the private sector. Government will, however, undertake to train more teachers for this level of education and to provide more effective supervision and counselling. Control on the quality of education in private schools will be strictly applied through licensing and supervision.

g) Special Education

9.61 In focussing attention on the education of normal children at primary and secondary levels, relatively little attention has been paid to the needs of those suffering from blindness, deafness and from other physical and mental disabilities. The handicapped are, however, an integral part of our society and it is our inescapable responsibility to ensure that they are given a fair chance to make their contribution to national development in spite of their disabilities. Lack of public concern for these groups of persons has led to the mistaken belief that this area is the exclusive province of religious groups and other Non-Governmental Organisations.

9.62 While Government will further encourage the activities of these NGOs and other private philanthropic groups during the Plan period, it will aim at reaching most children in this category by providing more public funds and facilities for the purpose. Parents of such disabled children will be encouraged to enrol them in appropriate schools instead of hiding them at home as has been the case in some instances.

h) University Education

9.63 The unique role university education should play in the development of the nation has been comprehensively dealt with in the *Report of the Presidential Working Party of 1988*. The Government has accepted most of the recommendations on the *Working Party* under this heading and is committed to their effective implementation during the Plan period and beyond. However, in implementing these recommendations, Government will take the following considerations into account:-

- There is need for expansion of university education in the country which arises from the following factors: first, this level of education is necessary in generating a pool of highly qualified personnel in various specialised skills. Greater numbers of graduates will generate the potential for promoting higher productivity of capital and other resources in their individual capacities as farmers, engineers, doctors, industrialists, scientists, etc. The need to expand university places should not, therefore, be related exclusively to public sector employment. Second, the ratio of university graduates to the population is still relatively low in Kenya as compared to other countries with similar levels of development and in relation to the level of technological sophistication the country has attained.

- Because of the shortage of university places locally, many Kenyans have sought university education overseas with two important consequences. First is the high cost in terms of foreign exchange and second, there are serious difficulties in determining the quality of education from some foreign universities.

- The cost of university education is high and is one of the major sources of concern in public financing.

9.64 In light of the above, the Government intends to double the level of student in-take in the already existing universities as compared to the position in 1988. Government will encourage the establishment of private universities provided they meet the standards set by the Commission for Higher Education in terms of syllabi, quality of teaching and laboratory and library facilities. With expanded university opportunities, it is expected that families will meet the cost of teaching in the spirit of cost-sharing. However, special fellowships will be made available for needy students who display exceptional talent in critical skill fields. Increasing opportunities will also be availed for the acquisition of university level training through adult and distance education.

9.65 In addition to the demand for the training programmes offered locally, the high and rising number of Kenyans who have gone overseas for education and specialised training reflects both the value of such training and the limited capacities in local institutions. Overseas training, however, can only be regarded as complementary to local training and a means of transferring technology and knowledge from industrialised countries. Of the estimated 12,000 students currently training abroad in various disciplines, nearly 60 per cent are in North America and about 24 per cent in India. Almost 90 per cent are sponsored privately while some 10 per cent receive Government scholarships.

i) Teacher Education

9.66 The programme for the expansion and improvement in the quality of education ultimately depends on the availability in adequate numbers of suitably qualified teachers. According to the findings of the *Working Party*, in 1987, 30 per cent of primary and 40 per cent of secondary school teachers were untrained. At University level there is a serious shortage of qualified teaching staff. In July 1987, the University of Nairobi had 154 vacancies out of an establishment of 1,162, while Moi University had 25 vacancies out of an establishment of 48. Kenyatta and Egerton Universities also had serious shortages of teaching staff. In the short run the Universities clearly require assistance from both local and foreign sources to meet requirements in the education sector. During the Plan period, Government will launch accelerated training programmes to cover all levels of education as recommended by the *Working Party*. Consideration will also be given to the possibility of organising secondment from the civil service to the Universities on favourable terms in order to relieve the problem.

9.7 MANPOWER TRAINING

a) Manpower Training Strategy

9.67 One effective way of ensuring high productivity of labour is through appropriate training. Since Independence, a variety of institutions have been developed to cater for the economy's needs for skilled manpower. However, Government policy on manpower development in general and training in particular has undergone three major phases since Independence. The first phase took place in the early 1960s when the chief concern was that of Kenyanising the public service as quickly as possible. A series of crash training programmes geared specifically to the promotion of local staff was launched. While this served its purpose then, it has had the long-term effect of creating false expectations on the part of officers in Government service for automatic promotion after undergoing some form of training.

9.68 The second phase began in the early 1970s with the publication of the *Ndegwa Review Commission Report* of 1971 which identified the need to transform the public service from an organisation merely geared to administering public affairs into an instrument of development management. The third and current phase arose from the findings and recommendations of both the *Waruhiu Salary Review Committee of 1980* and the *Report of the Working Party on Government Expenditures*. With specific reference to training, both these Reports made two major observations. One was that although a large number of training institutions had been established in the country, there was lack of co-ordination and control leading to duplication and under-utilisation of existing training facilities. Secondly, official Government training policy did not give consideration to the needs of the private sector even though this sector meets its skilled manpower requirements largely from Government trained staff. This discrepancy tended to affect the overall optimal allocation of trained manpower throughout the economy.

9.69 Arising from the above observations and from the need to continuously adapt to the changing skill requirements in the economy, the Government has found it necessary to emphasise training for self-reliance, and to take measures to:-

- ensure that the country is provided with adequate indigenous skilled manpower for both the public and private sectors;

- institute a comprehensive manpower planning process which relates demand for trained manpower to supply from the training institutions;

- introduce cost-sharing between beneficiaries of training and Government; and

- ensure that training is attuned to providing relevant entrepreneurial skills to prepare individuals adequately for self-employment and employment generation.

9.70 This thrust will be continued during the Plan period. Furthermore, the large number of training institutions in the country will be more effectively co-ordinated and controlled to avoid duplication and under-utilisation of training facilities. Training for self-reliance will also take into account the need for rapid Kenyanisation at expert level throughout the public and private sectors of the economy. In addition, Government will actively encourage unrestricted labour mobility between the public and private sectors of the economy.

b) Training Opportunities and Programmes

9.71 Currently, training is largely a public sector activity. For the primary school leavers, training opportunities have been available in the 545 Youth Polytechnics, 19 Technical Training Institutes, the National Youth Service and several private and NGO-supported institutes. Post-secondary school leavers who do not secure places at the Universities may enter Teacher Training Colleges, the three National Polytechnics and the 17 *Harambee* Institutes of Technology.

9.72 However, there are 2,000 vocational and technical training institutions out of which only 200 are operated by the Government for civil servants and public employees. These 200 institutions cater for 27,000 trainees annually. The training capacity of private institutions has not yet been established. In the public sector specialised and technical training is co-ordinated by the Directorate of Personnel Management (DPM) in the Office of the President while that of the private sector has no specific co-ordinating machinery.

9.73 Government policy regarding future public sector pre-service training will be geared to the demands of the economy. Towards this end, the DPM will complete and up-date its *Manpower Training Survey* in all ministries, local authorities and parastatals to determine pre-service training needs. The Survey should provide information on the demand side both in terms of numbers and the critical skill areas needed. Future intakes in the publicly supported training institutions will be based on this information.

9.74 In order to broaden the scope of training, Government will encourage the private sector to become more involved so as to remove their dependence on public sector training programmes. Government training institutions will increasingly allow greater intakes from the private sector in two ways. First, sponsorship of private sector trainees will be actively encouraged in certain areas. Second, the Government will restrict public support for training to requirements for meeting specific needs of the public sector thus releasing space for private sector trainees. Where trained civil servants move to the private sector, the Government will be recompensed through the training levy.

9.75 Government will take steps to ensure better co-ordination of in-service training programmes in line with the Budget Rationalisation Programme in all ministries, local authorities and parastatals and especially for induction courses. The DPM will ensure that induction courses are introduced in job specifications and undertake systematic post-training follow-up to ensure that proper deployment of staff is achieved.

9.76 Further, *Ministerial Training Committees* will be institutionalised and strengthened in every Ministry so as to facilitate adoption of appropriate methods of identification and analysis of training needs. In order to make the work of these committees more effective, the DPM will work out schemes of service for all job categories.

c) Development of Entrepreneurship and Management Training

9.77 As indicated in Chapter 7 and elsewhere in this Chapter, the Government is committed to the development of small-scale enterprises and the indigenisation of the economy as a means through which greater employment generation can be achieved for the largest number of Kenyans. However, the Government is fully aware that serious constraints lie ahead since those endowed with suitable skills and management abilities often lack the opportunity of appropriate exposure which hinders their success in business. This constraint will be addressed mainly through the *Restrictive Trade Practices, Monopolies and Price Control Act*.

9.78 Hitherto, small-scale entrepreneurs have largely developed without much formal training, depending as they have on ad-hoc apprenticeship. Where training opportunities have existed, namely through the Kenya Industrial Training Institute, the Kenya Institute of Business Training and the National Industrial and Vocational Training Centre, a number of entrepreneurs have taken such courses for formal training and certification. In almost all cases, those who have undertaken this formal training have had a number of years of experience in small-scale businesses and are seeking certification to have their qualifications recognised. This has, however, led to a situation where, instead of using the acquired skills to improve their independent performance, quite a large number of certificate holders have abandoned the small-scale sector in search of sometimes non-existent opportunities in the formal sector. Most of the existing training institutions in the country, ranging from the National Youth Service, the youth polytechnics, national technical training institutes, national polytechnics, *Harambee* institutes of technology and private technical training institutions, however, concentrate on school leavers with the aim of developing technical and managerial skills for modern sector employment. To cater for the vast majority who are expected to be involved in self-employment activities, it is necessary to devise a training system through which the youth can be trained on apprenticeship basis in the appropriate market and technological environments.

9.79 Government is fully aware that in carrying out ownership restructuring and indigenisation programmes, it will face serious management constraints. While it is desired to see indigenous Kenyans get increasingly involved in all modern sectors of economic and commercial activity, if those who obtain command of such enterprises are inadequately qualified and run them inefficiently, this would have deleterious consequences on growth and employment objectives. The key to the success of these programmes, therefore, must hinge on appropriate training to transmit the necessary technical and managerial skills to the target groups.

9.80 Chapter 7 deals with a wide variety of incentives to be directed to the small-scale enterprises sector. Specifically on the manpower development front, Government will institutionalise an informal training system through which youth can be trained on an apprenticeship basis to facilitate the transferring of certain skills traditionally practiced within particular industries and communities. It will also help small businessmen in exploring possibilities of participating among themselves in joint product campaigns. Studies will also be carried out to establish the nature of entrepreneurial activities, their classifications and location.

9.81 One further approach to the development of entrepreneurship and management skills relevant to ownership restructuring and indigenisation will be implemented. Government will encourage partnerships between Kenyan and non-Kenyan entrepreneurs so that should the businesses be turned over to full indigenous ownership, the necessary management skills are transmitted as well. This will be followed up by frequent in-service training, workshops and seminars.

d) Kenyanisation and Technical Assistance

9.82 The rate at which Kenya converted its public service from an institution dominated by non-Kenyans to one in which Kenyans gained almost 100 per cent command of decision-making and managerial positions by 1975 is commendable. However, it is to be appreciated that the use of expatriate manpower in certain technical and specialised skills has greatly contributed to the modernisation of the economy and the transfer of modern technologies. The process of Kenyanisation was, however, not very successful in the private sector owing to the fact that managerial expertise required to run commercially viable industrial and commercial enterprises was in short supply. Apart from this constraint, the process of Kenyanisation in the private sector was also slowed down by the tight foreign control of the sector and through the use of dummy job classifications to circumvent the rules applied to work permit applications and approvals.

9.83 However, by the early 1980s it became clear that the country had developed a pool of technical and managerial manpower resources that were capable of manning the high and middle-level management positions even in private sector concerns. It also became evident that as a result of the rapid expansion of university level education and specialised training both locally and abroad for medium and high-level manpower, the need to resort to technical assistance even on advisory capacities had become increasingly superfluous and costly to the economy aside from the fact that the continued use of such technical assistance denies able Kenyans the opportunity to participate fully in the economic and commercial activities of the country. This has led to frustration and the loss of self-confidence among some of the qualified local personnel. Furthermore, its continuation could lead to a disastrous dependency syndrome which is unacceptable to Independent Kenya.

9.84 In light of the policy thrust for Kenyanisation and the need to make effective use of local manpower in technical and managerial positions, Government will actively discourage the use of foreign personnel except in those areas where local skills and expertise are still non-existent or inadequate. This will be achieved through the following measures:-

- stricter and more transparent administration of the work permit system;

- in the public sector, the use of expatriate personnel will only be justified if there is an obvious gap to be filled in terms of specialised manpower or if it is certain that this will involve training functions that would transfer knowledge and skills to local Kenyans *within a specified period of time;* and

- both bilateral and multilateral agencies will be impressed upon through dialogue and in the spirit of mutual understanding on the need to employ local experts and consultants as far as possible in positions that have hitherto been reserved for expatriates. Where this is not possible, such positions should be granted to personnel from other developing countries with similar experiences, within the framework of Technical Co-operation Among Developing Countries as encouraged by various United Nations General Assembly Resolutions.

9.8 MANPOWER PLANNING

9.85 It has been amply emphasised in this Chapter and elsewhere in this Plan that skilled manpower is one of the most critical inputs required in a modern economy. To hasten economic growth and to avoid critical shortages or surpluses of manpower, it is necessary to identify further demand for skilled manpower and to design education and training systems that will produce the kind and level of manpower required by the economy. Manpower planning also involves interventions in the economy and particularly in the labour market to influence policies relating to the pattern of labour use including minimum wages, labour deployment policies and labour market information strategies.

9.86 Manpower planning is closely linked to manpower development which entails the enhancement of skills, motivation, job satisfaction, training and career development. To achieve satisfactory manpower planning, appropriate forecasting techniques must be applied effectively. Monitoring the demand for jobs and analysing the composition of those applying and those being hired involves analysis of classified advertisements and labour exchange data. Employers' surveys and analyses of trends are useful in monitoring the current structure of the labour force by industry and the employers' requirement projections over a specific period, where such requirements are defined with respect to skill level, qualification and job classification.

9.87 Certain target ratios are also used to determine requirements over time, for example: professional/technologist, technician/craftsman, pupil/teacher, patient/doctor ratios. In the past, manpower planning has been undertaken on an ad-hoc basis and related to narrow areas of concern such as the manpower needs for administrative and managerial cadres. During the Plan period, the Ministry of Manpower Development and Employment in collaboration with the Ministries of Planning and National Development, Labour, Education and Technical Training and Applied Technology will institutionalise the process of manpower planning, taking into consideration and building upon the work already carried out by the National Manpower Development Committee. This will involve:-

- identification of the nature and magnitude of developmental and maintenance tasks demanded by the imperatives of social and economic evolution of the country;

- determination through analysis and synthesis of the levels, quantities and qualities of skills required to perform those tasks;

- establishing the levels, quantities and quality of existing skills and matching them to existing demand;

- determination of the shortfall in the levels, quantities and quality of needed skills;

- identification of existing training capacity and technology for meeting the established shortfall;

- expansion of capacity and acquisition of technology to meet any inadequacies; and

- development of training programmes to fill existing gaps with in-built testing and evaluation criteria.

9.88 To achieve this goal, the Ministry of Manpower Development and related institutions will utilise the results of the *classification of occupational titles* being undertaken by the CBS, and carry out task analyses based on these titles, with the aim of identifying, clustering and classifying skills categories required for various tasks to facilitate the development of appropriate training and manpower development programmes.

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CHAPTER 10

WELFARE PERSPECTIVES

10.0 INTRODUCTION

Chapter 2 of this Plan sets out the philosophical framework upon which development activities in Kenya will be based during the Plan period. This philosophical framework reflects the Government's firm belief in individual freedom in matters of religion, economic pursuit and the right to ownership of property. Further, the Plan theme "Participation for Progress" embodies the belief that Kenyans must be actively involved in productive work as individuals and as communities in the improvement of their own welfare, the sure way to satisfy basic needs, enhance human dignity and raise national welfare. Within this context, the development objectives, strategies and programmes set out in Chapters 5 to 9, must be seen as a commitment to the steady improvement of the welfare of all Kenyans.

10.2 Gainful employment is the very basis of the enhancement of human welfare. Through active participation in economically productive activities, people are able to achieve higher incomes through wages, rents and business profits, which in turn generate increased demand for goods and services and ultimately lead to increased savings, productive investments and faster rates of growth. Unemployment, under-employment and poverty are among the worst results of inadequate development. They arise from the failure of market mechanisms which hamper people's access to factors of production, inadequate education and training, differences in technologies applied which bring different rewards to individual effort and unfavourable physical environments. Income maldistribution throughout the nation which is a consequence of these distortions is a major concern of any Government in fulfilling its role as guardian of the public interest.

10.3 The achievement of acceptable levels of welfare for the majority of the people does not depend on increased personal incomes alone, but also on other factors including equitable access to basic needs facilities and services such as education, health, water, nutrition, transport and communications, energy, marketing infrastructure, recreation, etc. The District Focus for Rural Development Strategy which was initiated in 1983 embodies a commitment to pursue these goals in a decentralised context so that the benefits derived therefrom can reach the largest number of Kenyans.

10.4 This Chapter lays out strategies that provide for the distribution of welfare benefits to the majority of the population and programmes that are expected to raise the level of that welfare in terms of employment, incomes, health and physical well-being, shelter, personal security, education, water, transport and communications, etc., all of which are critical to the achievement of increased productivity, personal confidence and national solidarity.

10.1 ROLE OF THE PUBLIC SECTOR IN THE PROMOTION OF WELFARE

a) Central Government

10.5 In seeking to improve the welfare of the people, Government has set the necessary policy framework to effect socio-economic development. The relevant instruments are contained in various policy documents enabling decision-makers both in the public and private sectors to make appropriate choices in their social and economic activities that have a bearing on the welfare of the people. Government has hitherto played a central role in the provision of both social and economic services including education, health, security and the appropriate environments for investment. Above all, Government has ensured a stable political climate whereby personal security and socio-economic welfare are guaranteed and enhanced. In the provision of these services, Government has not only made a direct contribution but also played a key role in giving overall guidance to all organs of the nation providing welfare services to the people.

10.6 Given the increasing demand for welfare improvement facilities and services, their continued provision by the Government through the Exchequer has become increasingly difficult. Most socio-economic roles performed in the past by Government will have to be relinquished to the private sector, leaving Government to concentrate on governance and the creation of an enabling environment for the citizens and investors at large to participate more fully in the nation's development. Only investments of a strategic nature will remain under the purview of Government. The enabling environment referred to here includes the whole range of incentives discussed extensively in this Plan.

10.7 In coming to terms with the above realities, the Government during the Plan period is committed to the implementation of budget rationalisation and cost-sharing principles. The Plan theme "Participation for Progress" underlies the Government's commitment to give the chance to communities and the private sector to help accelerate the provision and coverage of such services which Government will not involve itself in, given the serious budgetary constraints it is facing. Government will work toward the inculcation of the merits of the cost-sharing principle in the minds of all Kenyans, thereby helping in the mobilisation of human and financial potentials for the development of the nation. Further, this principle will help in fostering participatory decision-making at project design and implementation stages thus ensuring local level commitment to the success of the projects.

b) Local Authorities

10.8 In the provision of basic needs facilities and services, it is impracticable to rely on an all-embracing Central Government. Local authorities are an essential extension of the Central Government administrative set-up for providing such facilities and services to Kenyans. Their functions include the provision of pre-primary and primary level education, health, housing, water, sewage disposal and road construction and maintenance. Currently, local authorities are organised into city, municipal, town, urban and county councils. There are a total of 91 urban centres including the Nairobi City Commission. By 1993, the population covered by the councils, other than the county councils, will be in the region of 6.2 million. This places a considerable burden and responsibility on these authorities.

10.9 Despite the critical role local authorities are expected to play in promoting the well-being of communities under their jurisdiction, their performance has often been inadequate on account of the general administration and financial management problems that they face.

10.10 From the point of view of Local Authorities, the reasons for the unsatisfactory delivery of services to the communities under their jurisdiction arise from Government directives with regard to changes in the range of their mandated functions and particularly with regard to what they perceive as an erosion of their revenue base. While this argument has some measure of justification, the problems faced by local authorities have mainly stemmed from their inability to manage available resources efficiently, their failure to follow laid down procedures in staff recruitment, discipline and dismissal and the shortage of qualified staff in key technical areas such as management, accounting, engineering, etc. The Ministry of Local Government and Physical Planning also lacks adequate technical staff to provide the requisite guidance and co-ordination.

10.11 The revenue base of the Local Authorities has been adversely affected since Government abolished the Graduated Personal Tax (GPT), eliminated primary school fees and shifted responsibility for primary teachers' salaries and essential drugs at health centres to the local authorities. While most local authorities now face large deficits which they have attempted to finance from drawings on water and housing undertaking reserves, others have liquidated general fund assets and resorted to bank overdrafts. Although the auditing of the accounts of most local authorities have fallen behind schedule, available data indicate that most of them are heavily indebted.

10.12 The task of rationalising the operations of local authorities poses a serious challenge to the Government. During the Plan period, Government will aim at the full implementation of the initiatives decided upon in 1985 and other more recent policy directives relating to the functioning of the local authorities. These include:-

- bringing within the purview of the Public Service Commission the recruitment of professional staff thus assuring them job security;
- strengthening training programmes for both staff and councilors;
- revising Local Authority accounting procedures for financial planning, programmes and budgeting;
- introducing local service taxes and authorising wider coverage of agricultural cess in order to expand the revenue base of the authorities;
- strengthening the capacity of local authorities to collect revenues under the recently approved service charges and reviewing these charges on a regular basis;
- permitting local authorities to raise revenue from tourist activities; and
- re-organising the Local Government Loans Authority into a *Municipal Development Bank* with authority to mobilise finan-

cial resources through the banks and non-banking financial institutions and through financial intermediation in the money and capital markets.

10.2 NUTRITION AND FOOD SECURITY

10.13 Nutrition makes a major contribution in the promotion of the welfare of the people. However, most people do not always have the minimum dietary requirements to ensure adequate nutrition. Some households have neither the ability to produce enough food for themselves nor the purchasing power to acquire food needed for adequate nutrition. In other cases, nutritional inadequacy arises from cultural practices and taboos which bar people from the consumption of certain foods. Nutritional adequacy will, therefore, be satisfied by increased and diversified food production, the variety of foods consumed which in turn depends on the economic status of households, the availability of other basic need services, e.g. education and health, and the gradual change in cultural habits.

a) Nutrition Planning and Co-ordination

10.14 Since its establishment the Food and Nutrition Planning Unit has achieved commendable outcomes including: (i) creation of mutual understanding among the institutions involved in nutrition activities by way of policy formulation, training and intervention programmes, (ii) development of methodologies for the assessment of nutritional impacts of agricultural and rural development projects, (iii) development of techniques for rapid assessment of the nutritional status of target communities, (iv) design of a framework for data collection, analysis and reporting on the nutritional status of the population, and (v) establishment of a network for information exchange between the countries in the Eastern and Southern African Region and the rest of the World. During the Plan period, the Unit's activities in these areas will be further developed and strengthened.

b) Nutrition Surveillance

10.15 In general, nutrition surveillance activities will depend heavily on nutrition surveys carried out by the CBS which will provide the indicators required for decision-making at national and regional levels. These indicators will, however, be refined through specific studies directed to particular areas of concern and to particular groups identified to be at risk. The Food and Nutrition Planning Unit will help in the analysis of the data available from the CBS, academic research institutions and NGOs.

c) Preparation of Food Composition Tables

10.16 In 1985, the Food and Nutrition Planning Unit through its Inter-ministerial Co-ordinating Committee initiated activities for the preparation of *National Food Composition Tables* with the object of determining correct feeding patterns which are essential for balanced diet intake which enhances health. The belief that appetite or culturally determined food consumption habits are a safe guide has been proved to be scientifically false. National Food Composition Tables are essential for nutrition planning and intervention including:-

- helping in assessment of nutritional status of the people generally;
- helping dieticians to recommend dietary treatment of certain diseases;
- helping in screening crops so that better varieties with better nutrients are encouraged in the agricultural sector; and
- facilitating the determination of the nutritional values of locally available foodstuffs to assist those working in the nutrition field.

d) Information for Control of Nutrition Disorders

10.17 Although in the intervention phase the control of nutritional disorders belongs to the area of Primary Health Care (PHC) and Preventive Medicine, certain aspects thereof are important from the standpoint of nutrition policy formulation such as those outlined below:-

- *Iodine deficiency disorders* have become a major concern not only in PHC programmes but also for public policy. The importance of this problem led to the establishment of the *National Council for the Control of Iodine Deficiency Disorders-Kenya (NCCIDD)* in the Ministry of Health as a country chapter of the Word Health Organisation (WHO). The specific strategy for dealing with iodine deficiency disorders largely rests on the iodisation of salt. Based on per capita human consumption of 10 grams per day, the estimated 1987 domestic demand for salt was 75,000 tonnes, about 30 per cent of which was not iodised. Government, during the Plan period, will ensure that all salt sold for human consumption is iodised. Specific incentives will be provided in cases where iodisation might increase both production costs and consumer prices.

- In Kenya, a large number of people, especially children and pregnant and lactating mothers suffer from anaemia. Among the chief causes of anaemia is malarial infection. The situation is quite serious in areas where this disease is endemic such as much of the Coast and Nyanza Provinces. However, the chief dietary cause of anaemia is low iron absorption arising from nutritional habits based on intake of staples such as rice, wheat, maize and legumes which are poor sources of bio-available iron. Loss of iron through chronic haemorrhage caused by hookworm and schistosomiasis is also widespread among certain communities. Effective curative methods are available but are fairly costly. The most cost-effective way to deal with the problem lies in nutrition and health education and preventive medicine. These approaches will be augmented through the establishment of simple laboratory and clinical analysis facilities at community levels for early detection and treatment of the condition and, in difficult cases, referral to more specialised institutions.

e) Growth Monitoring Programme

10.18 Data available from various Child Nutrition Surveys carried out by the CBS indicate that morbidity and mortality among children up to the age of six are in one way or the other related to nutritional problems. In most cases, attention has been focused on the more easily identifiable symptoms of malnutrition, such as Kwashiorkor and Marasmus, with little attention being given to the greater problems of invisible (mild/moderate) forms of malnutrition which result in poor growth. In order to ensure early intervention on malnutrition, growth monitoring becomes especially important. To cater for this, the Ministry of Health initiated in 1985 the *National Growth Monitoring Programme* through which children are weighed each month and the results recorded on growth charts thereby facilitating identification of the need for intervention at an early stage. This programme will be further expanded to all target districts identified through nutrition surveys.

f) **Vitamin A Deficiency**

10.19 Blindness is a major disability in Kenya. Among its other causes, Vitamin A deficiency is considered significant although not widespread in the country. Government will take steps to ensure that Vitamin A deficiency is eradicated by the year 2000.

g) **Drought Contingency**

10.20 Food security has been covered extensively in Chapter 6. From a nutritional standpoint, before people can improve on their dietary habits, they must have sufficient food to eat. The country has made considerable strides in expanding food production and has managed to maintain near self-sufficiency in foodstuffs. However, droughts have occasionally threatened the nation's ability to feed itself thereby necessitating the importation of food.

10.21 From experiences gained during the 1984 drought, Government has established a *drought contingency planning and monitoring mechanism* capable of giving advance warning on impending difficulties in food security both at the national and regional levels. These structures will be further developed and strengthened during the Plan period.

10.3 THE HEALTH SYSTEM

10.22 The achievement of the physical and mental well-being of the people is critical to the development of the human resource. The development and expansion of health services and facilities in terms of spatial coverage, training of personnel and sophistication in tertiary care delivery services have been tremendous since Independence. Between 1963 and 1987, the infant mortality rate dropped by one-third and life expectancy increased by over ten years. Overall, the number of doctors increased from 908 in 1963 to 3,000 in 1987, i.e. from a ratio of 8 doctors per 100,000 people in 1963 to 14 per 100,000 in 1987. Hospital beds and cots per 100,000 people increased from less than 110 in 1963 to 148 in 1987.

10.23 In spite of these positive trends, the provision of health services countrywide is still inadequate. Among problems that have emerged are:-

- increasing pressure on public sector financial resources not only for expanding health facilities and services but also in respond-ing to increasing demands arising from a high population growth rate;

- an inequitable spatial distribution of health services in the country due to low community participation in some areas and the difficult physical environments obtaining especially in the arid and semi-arid areas;

- shortage of manpower and management expertise for the running of health services;

- a low level of hospital operational efficiency epitomised by a more than 100 per cent bed-occupancy rate co-existing with the high cost per in-patient per day; and

- lack of proper public information and education which would guide the people themselves to develop competence in meeting the basic requirements of good health.

10.4 HEALTH OBJECTIVES AND STRATEGIES

10.24 Developments in the health sector during the Plan period will be geared toward contributing to the long-term objective of achieving *"Health for All by the Year 2000"*. In meeting this objective, three important principles will be taken into account: (a) to achieve cost-effectiveness, the promotion of health awareness should lead to individuals and communities taking greater responsibility for their own health as part of the philosophy stipulated in Chapter 2 on promotion of human dignity, self-reliance and self-determination; (b) the achievement of the above objective should not be viewed as largely a public sector concern; rather, consistent with structural reforms contained in *Sessional Paper No. 1 of 1986*, a greater role will have to be played by the private sector, self-help groups and NGOs; (c) the belief that responsibility rests purely with the Ministry of Health is untenable. It is clear that the achievement of sound physical and mental health must also rely on the integration of basic services such as education, training, water and sanitation, distribution of basic foodstuffs and a feeling of mental, social and spiritual well-being for which other ministries and agencies are largely responsible. The programmes and strategies for achieving specific objectives in the health sector are discussed below.

a) Financing of Health Services

10.25 Over the last decade one of the most critical issues faced by the health sector has been that of financing health services. The Government, faced with an inelastic revenue base and a growing demand for health services, finds itself in a situation in which devoting relatively more resources to health would compromise overall growth and employment goals. Yet additional resources will be required for expansion and improvement of health services in an attempt to assure the provision of this basic need. Overall, therefore, while ways will be found to maintain the level of public sector budgetary resources assigned to health in real terms, a re-ordering of priorities as between promotive, preventive and curative health services to achieve the desirable level of cost-effectiveness is inevitable. Additional resources will, however, have to be raised through cost-sharing, the contribution of communities, church organisations and other NGOs and increased private sector participation.

10.26 The public sector's contribution is by far the largest source of funding for the health sector, providing over 50 per cent of its total recurrent and development expenditures. This contribution has been growing at over 7 per cent per annum in recent times. Despite this heavy burden on the public purse, serious under-funding obtains in certain key areas of promotive, preventive and curative medicine which has reduced the efficacy of the health-care delivery system. Currently, curative services take over 70 per cent of public spending on health while preventive medicine accounts for less than 5 per cent of expenditure allocations of the Ministry of Health.

10.27 During the Plan period, while maintaining the level of real expenditure, public sector funding will decline to 45 per cent of total health expenditures. This reduced proportion will, however, not be realised at the expense of efficiency which will be maintained through reordering of priorities with greater emphasis being placed on preventive and promotive services and better delivery of curative services within existing facilities.

b) Cost-Sharing

10.28 The expansion of basic needs services in education and health will be met through cost-sharing. Government will introduce user charges and fees at graduated levels for hospital in-patient care and provide drugs at cost in public facilities. A large number of Kenyans prefer private hospitals where they receive more efficient services but pay higher fees to public health facilities where fees are minimal or non-existent. With this in view, Government will expand service coverage under the *amenity ward system* where services will be provided for a fee at all district and provincial hospitals and at Kenyatta National Hospital. In introducing cost-sharing, care will be taken to safeguard the condition of the genuinely poor and disadvantaged members of society who will continue to benefit from the provision of free health services.

c) Health Insurance

10.29 The most important health insurance programme in the country is the *National Hospital Insurance Fund (NHIF)*. Membership of the Fund is compulsory for public servants earning above KShs. 1,000 per month who are required to make a monthly contribution of KShs. 20 per head.

10.30 Although this scheme has been very beneficial to Kenyans in the public service, some shortcomings have become evident. Both the monthly contribution and the daily rates were set in 1966 and no longer cover the cost of hospitalisation, especially at private hospitals and often leave the people involved in serious indebtedness. Its coverage in rural areas is minimal.

10.31 In view of the above, Government will re-organise the Fund into a *National Health Insurance Corporation* to co-ordinate and administrate a health insurance scheme for civil servants to enable them to have access to inexpensive health insurance policies. The scheme will, however, only provide brokerage facilities through which private insurance companies will profitably participate thereby also spreading the inherent risk. In the meantime, while the modalities for the operation of the Corporation are being worked out, Government will carry out a revision of both the monthly contribution and the in-patient daily rates.

10.32 Two serious problems have arisen with regard to out- patient medical claims by Government officers. First, in spite of contractual requirements, the budgetary allocations for this scheme have always fallen below 10 per cent of actual requirements. Second, because it co-exists along with free medical services, most officers have come to view the scheme more like a gift when they are able to make use of it. The end result has been a tremendous accumulation of unpaid claims, a good proportion of which are fraudulent. While Government will in principle retain the *Ex-Gratia* Payments Scheme because of its special nature, the existing system for out-patient medical claims will be replaced by a monthly allowance incorporated automatically into the wage rate. In the initial stages, this will lead to marginal budgetary allocations. However, in the long-run, much of this allowance will be recaptured through cost-sharing thus helping in the development of health services.

d) Private Sector Contribution

10.33 The private sector and NGO contributions in the provision of health services have amounted to approximately 42 per cent for both recurrent and development expenditures. However, full potential has not been attained. To meet the objective of "Health for All by the Year 2000", it is important that private sector resources and capabilities be mobilised to help in the expansion of health services. Government will, therefore, work out a system of incentives, including underwriting the cost of land for the establishment of hospitals and clinics especially in the rural areas, favourable tax rebates and the acquisition of drugs at cost.

e) Administration of Health Services

10.34 The rapid expansion of population and the increasing demand for health facilities have led to serious problems in the management and delivery of health services. This has resulted in the inefficient maintenance of facilities, poor distribution of drugs and essential medicines, lack of prioritisation in the composition of health services and the ineffective utilisation of trained manpower. To improve this situation, Government will encourage effective management of health services through the application of appropriate planning, budgetary control and management principles.

10.35 As the Government will require more effective use of health facilities, the Ministry of Health in collaboration with the Directorate of Personnel Management will work out a training programme for health and hospital management at all levels. Further, in the spirit of the District Focus for Rural Development Strategy, Government will decentralise decision-making in matters concerning the administration of health services to the districts. In addition, the Ministry of Health in collaboration with the Ministry of Planning and National Development will establish a *Health Management Information System (HMIS)* which will undertake data collection and analysis and management of information flows necessary for timely decision-making. The management information component of this activity will be developed internally in the Ministry of Health and its supportive agencies to help in keeping track of the use of health-care resources and facilities.

f) Manpower Development in the Health Sector

10.36 Kenya has made considerable progress in training manpower for the health service. The ratio of nurses and clinical officers to doctors had been reduced from 20:1 in 1963 to 11:1 in 1987. However, the manpower resources thus far available have yet to achieve optimal regional coverage. Further, there are still shortages of skilled manpower in certain key areas of medicine which have to be developed in line with modern health technologies. In this regard, therefore, Government will expand training through the use of existing facilities for medical personnel to provide basic Primary Health Care (PHC) throughout the nation. The aim is to train not only for the public sector but also for the private sector as part of the package of incentives to the operators in this sector to help them meet their manpower needs. Emphasis will be placed on the training of community health workers in support of the Primary Health Care Programme to help in achieving greater coverage.

g) Primary Health Care

10.37 Kenya subscribes to the principles contained in the *"Alma Ata Declaration"* of 1978 which stresses the need for any meaningful health care strategies in developing countries to introduce approaches for the provision of essential health services that correspond to basic needs, are universally accessible and allow for the full participation of the communities themselves. This calls for an integrated system with eight essential components, namely; appropriate health education, provision of proper nutrition, basic sanitary facilities including the supply of safe water and hygienic waste disposal, maternal and child health care including family planning, immunisation against major infectious diseases, control and prevention of local endemic diseases, appropriate treatment of injuries and provision of essential drugs. From this standpoint, the Primary Health Care (PHC) approach is comprehensive and takes into account promotional, preventive, curative and rehabilitative aspects of health-care. The essential difference between the earlier approaches and the PHC approach lies in community-based action on the part of the latter. In this sense, the programmes described below are a refinement of the PHC approach.

h) Preventive and Curative Health Services

10.38 Experience in Kenya and elsewhere in the world indicates that preventive health services are more cost-effective than curative services. In the five Development Plans since Independence, the stated strategy has laid emphasis on the preventive over curative approach, yet so far, this statement of policy has not been met with in actual practice. In the first place, there has been the mistaken view that preventive health is the responsibility of one Ministry, the Ministry of Health, whereas it is the broad responsibility of a number of ministries and agencies which may not always be aware of the importance of their role in this regard.

10.39 During the Plan period and consistent with the PHC approach indicated above, this distinction will become increasingly irrelevant from an operational standpoint. What will be of importance is the improved efficiency of the whole health-care delivery system hinging on effective drug distribution, without which the efficient and cost-effective operation of the health system, whether for preventive or curative services, will be in serious jeopardy.

10.40 The major activity in preventive health where the Ministry of Health will take direct responsibility is the *immunisation programme.* The prevalence or incidence of morbidity and mortality especially among children due to Measles, Polio, Whooping Cough, Tetanus and Tuberculosis in Kenya is of major public health policy concern. Although considerable effort has been exerted in dealing with these problems, the coverage has not been complete due to shortage of funds and personnel. During the Plan period greater effort will be directed to expanding the coverage of the immunisation programme throughout the country.

i) Maternal and Child Health

10.41 Proper care of expectant mothers and new-born babies assures a healthy start for children as productive citizens of the country and ultimately ensures less costly curative services. During the Plan period, therefore, ante-natal care will be further expanded under the Child Survival Programme to enable expectant mothers to attend at least one pre-natal health session before the birth of each new baby. More traditional birth attendants will accordingly be selected and trained at the community level and equipped with simple instruments and drugs to assist in the programme. Post-natal care will include infant immunisation, education on the use of *Oral Rehydration Salts* and nutrition monitoring.

10.42 The expanded immunisation programme will attempt to cover all those districts already identified as having high infant mortality rates co-existing with low immunisation rates. Overall, Government intends to have at least 80 per cent of all new-born babies covered by the immunisation programme by 1993. Through nutrition monitoring and surveillance, specific intervention programmes will be launched to cater for at-risk target groups. It is envisaged that through these programmes stunting will be reduced from the current rate of 20 to 5 per cent during the Plan period.

10.43 Family planning will also be pivotal in the *Mother and Child Health Care Programme.* Information on various family planning methods will be widely propagated to help in child spacing to improve the health of mothers and their offspring.

j) Environmental Health

10.44 The overall objectives for the development of environmental health cover four aspects. First is the concern for water supply and sanitation which are discussed in greater detail later in this Chapter. Second, the population will be protected against environmental pollution and food contamination. Third, greater attention will be paid to the control and management of vector-borne diseases. Fourth, special attention will be paid to the control of *Sexually Transmitted Diseases (STD).*

10.45 Among the most widespread and prevalent environmental health concerns in Kenya are three major vector-borne diseases, namely; malaria, bilharzia and sleeping sickness. Malaria currently accounts for over 20 per cent of reported out-patient morbidity cases in Government health facilities. Due to difficulties in data collection, it is likely that causes of morbidity and mortality arising from malarial infection are considerably higher, especially in the Nyanza, Western and Coast Provinces. The solution for the control of malaria parasites lies in the destruction of their habitats. This responsibility should not be left to individuals and communities alone but should involve the participation of the local authorities. There is a dearth of facilities for early detection of malaria at village level where formal health facilities are few and far between. The biggest problem posed by the threat of malaria lies in the emergence of chloroquine resistant strains. During the Plan period, therefore, Government and the public at large will increase their efforts to reduce the incidence of malarial infection, to monitor the spread of the chloroquine resistant strains and to seek effective drugs for its treatment through research.

10.46 Parasitic infections such as hook-worm, tape-worm and bilharzia continue to be major causes of illness impeding the growth and development of children and the productivity of grown-ups especially in rural areas. During the Plan period, Government will intensify the control programmes already initiated including treatment, water and sanitation, health education for the general public and snail control. Local snail control, construction of washing slabs and proper water drainage in urban areas will also be part of the programme for the control of these parasitic diseases.

10.47 Data available for 1987 indicate that STD are one of the major causes of morbidity in the country, the most common among them being *gonorrhea* and *syphilis*. Other forms of STD which pose serious problems to mothers include *chancroid* and *chlamydia* infections and *herpes*. In recent years, the spread of *Acquired Immune Deficiency Syndrome (AIDS)* has assumed serious proportions and is the most dangerous since as yet it has no known cure.

10.48 Activities for the control of AIDS will be co-ordinated through the recently established *National AIDS Control Committee* in the Ministry of Health. To the extent that AIDS has become an issue of international concern, the Committee will work closely with relevant regional and international agencies in the control of the spread of AIDS and in furthering research on its possible cure.

k) The Role of Traditional Medicine

10.49 Although for a long time the role of traditional medicine and its potential contribution to health has been viewed with skepticism, a large proportion of people in Kenya still depend on it for their cure. One reason for continued skepticism lies in lack of information on its effectiveness, drug quality and safety. During the Plan period, Government will encourage the formation of *professional associations for traditional medicine practitioners*. Such associations will facilitate the gathering of necessary information for the use, development and appropriate adaptation of traditional diagnostic, therapeutic and rehabilitative control technologies that will become part and parcel of formal medical research and of the Primary Health Care Programme.

10.5 WATER SUPPLY AND SANITATION

10.50 Water is basic to all life. It is because of the role water plays in life that in this Plan it is discussed extensively in Chapters 5 and 8. The provision of clean water forms part of the foundation upon which strategies are laid for meeting basic needs requirements and improvement of the well-being of individuals and communities. Adequate sanitation is prerequisite for the prevention of environmental pollution, as well as water-borne and other infectious diseases. In this regard, water and sanitation programmes contribute greatly to the achievement of the objectives of Primary Health Care, preventive health care and environmental health.

a) Water Supply Programmes

10.51 In some parts of the country, water is not readily available and people, particularly women and children, have to travel long distances in search of it. In parts of the country served by rivers and streams, the hilly terrain makes water supply to the households an expensive and difficult undertaking. Elsewhere, people depend on storm water which is collected in man-made ponds. In the urban centres, water supply tends to fall short of the requirements of the rapidly increasing population. In most cases available water is inadequate or of poor quality. The basic goal of the national water development policy, therefore, is to facilitate the provision of water in sufficient quantity and quality to meet the needs of human beings, agriculture, livestock and industry.

10.52 Government has since Independence initiated various programmes for the supply of water in both rural and urban settlements with the original stated objective of the *provision of piped portable water to all Kenyans by the Year 2000.* This objective has, however, proved difficult to achieve given the scarcity of qualified manpower, financial resources and problems related to the implementation of projects. The various activities geared toward the provision of wholesome supplies of water and which involve the Government, local authorities, NGOs and the community fall under the following categories:-

- Rural Water Supplies
- Self-help Water Supplies
- Urban Water Supplies
- Settlements Water Supplies
- Minor Urban Water Supplies
- Integrated Water Development Programmes
- Water Quality and Pollution Control

10.53 In urban areas, water supply programmes fall under the jurisdiction of local authorities. As already stated elsewhere in this Plan, the

Local Government Loans Authority will be restructured into a Municipal Development Bank with a view to enhancing the provision of financial resources for the development of programmes under the local authorities. To this end, provision of adequate good quality water for the growing urban population will receive high priority. In addition, where the Rural Trade and Production Centres (RTPCs) are earmarked for development, water supply will be central to their success. Government will make available financial resources through the District Development Fund for the provision of infrastructure, including minor water supply schemes. Overall, Government will encourage the development of appropriate water harvesting technologies suitable to particular environments.

b) Sanitation

10.54 In most urban areas, where water has been piped to individual households and industries, water-borne sanitation is normally in place, whereas in rural areas such facilities are generally lacking. At the same time, the disposal of partially treated liquid wastes and other contaminants arising from industrial activities and garbage disposal impair the quality of receiving waters in streams and rivers, rendering such water unsuitable for human consumption. Increasing pollution now occurs in major urban areas due to rapid growth of the population coupled with inadequate effluent and waste water treatment facilities particularly in the mushrooming slums. In some parts, lack of water-borne sanitation facilities and reticulated latrines is a serious cause of poor environmental health. During the Plan period, Government will, with community and local authority participation, step up the development of sanitation facilities in both rural and urban areas involving the construction of reticulated latrines and septic water-borne facilities. The Ministries of Health and Water Development will work together in monitoring the dangers of contamination of rivers and other open water bodies in the rural areas and also to augment the environmental health education campaign. Further discussion on the need for improved sanitation facilities in urban areas is covered in the next section on shelter and housing and in the section dealing with the problems of urban slums in Chapter 8.

10.6 SHELTER AND HOUSING

a) Housing Development

10.55 Adequate shelter and housing are important basic needs. Hitherto, the growth in demand for shelter and housing especially in urban areas has far outstripped supply, posing a serious challenge to the Government. Projections in Chapter 5 indicate that the Rural-Urban Balance Strategy which aims at redirecting population flow from major urban areas will give rise to an urban population increase from 4.0 million in 1988 to 5.6 million in 1993, with most of the increase still being attributed to the existing major towns which will make up to 22.9 per cent of the total urban population.

10.56 Due to rapid urban growth, approximately 38,000 new households are added in the urban areas each year surging the demand for housing to over 60,000 units per annum compared to the 1986 supply of approximately 40,000 units per annum. At this rate, it is likely that close to a million people will be seeking decent housing, the absence of which will increase the number of unplanned slum structures as expounded in Chapter 8. With only 3 per cent of GDP being invested annually in housing of which less than half is in modern dwellings, the financial burden of closing the gap becomes considerably heavy.

10.57 Within the public sector, housing development has been organised through the Ministry of Lands and Housing, the National Housing Corporation (NHC) and the local authorities. In recent years, housing development in urban areas has been undertaken through several programmes some of which have received considerable foreign donor assistance. These include Government sponsored programmes through the National Housing Corporation's "middle income" and "low-cost" housing operations, such as site and service schemes which are undertaken in collaboration with local authorities and urban councils. The NHC accounted for over two-thirds of formal housing units completed in urban areas between 1978 and 1987 while local authorities accounted for only 10 per cent of new units. Other programmes have been donor-supported and have provided housing development for major towns such as Nairobi, Mombasa and Kisumu and smaller towns. In Nairobi, these programmes accounted for over 6,000 new units and include such developments as Buru Buru Estate and the Dandora Site and Service Scheme. In 1985, a donor-funded housing development programme was launched to cater for the housing needs of 15 smaller towns in the country. The first phase covered Londiani, Kitui, Molo and Kapenguria accounting for 1,710 units, while the second phase covers Kakamega, Naivasha, Garissa, Isiolo, Machakos, Nyahururu and Siaya and provides for about 1,100 new units.

10.58 As already stated, the current provision of housing in urban areas still falls far short of requirements. Experience gained through the implementation of housing development schemes mentioned above indicate that the rationale for low-cost housing based on the principle of "housing needs" rather than the ability to afford a house has resulted in a situation where higher income groups and not the target population have acquired ownership. While the momentum gained from the above programmes will be maintained with appropriate modifications, the real challenge that faces the nation is to find mechanisms for the mobilisation of financial resources for the housing development programme. During the Plan period, Government will continue to seek solutions to problems that have hitherto inhibited housing development.

b) Programmes for Housing Finance

10.59 The most obvious constraint to housing development throughout the nation has been the shortage of, and more particularly, inaccessibility to funding for the middle and low income groups even where funds are actually available. The number of institutions involved in housing finance has nevertheless increased considerably over the last ten years. Apart from finances available through NHC, the Housing Finance Company of Kenya (HFCK) and Savings and Loans Limited, which are the major parastatals in the field, the number of private building societies increased to over 30 by 1987. These have provided long-term mortgage lending covering 10 to 25 years, charging interest rates between 13 and 19 per cent per annum. In addition, insurance companies have been involved in financing housing development. Commercial banks also provide limited housing finance though their terms and conditions tend to exclude a large number of people wishing to own houses.

10.60 During the Plan period, Government will take steps to ensure that more housing development funds are mobilised. This will be accomplished first, through restricting Government borrowing from the financial system, thus releasing an increased pool of funds for the housing finance institutions some of which will be committed to housing development. Second, Government will allow such institutions to gain easier access to pension funds mainly from the National Social Security Fund (NSSF) and the Post Office Savings Bank. Third, by developing and expanding the capital markets, it will be possible to generate a secondary mortgage market through which financial assets can be bought and sold between investors. Fourth, the role of Co-operative Savings and Credit Schemes and Co-operative Housing Societies will be further strengthened to give greater access to funds for housing development both in rural and urban areas. Appropriate interest rates and lending policies will be evolved to support the market system incentives for this purpose.

10.61 One other issue relates to staff housing for civil servants. During the first decade of our Independence, with a relatively small civil service, it was largely possible to meet housing needs through the *"pool housing"* system in urban areas. Those not covered under this system could easily meet their requirements through rental of private sector or local authority housing. Over time, the *owner-occupier scheme* developed later has assisted a number of civil servants to meet their housing needs. With the fiscal realities faced by the Government, it is clear that opportunities for increasing the number of houses for civil servants through the "pool" system will be severely restricted.

10.62 During the Plan period, Government will only maintain the "pool" system as a bridging measure to allow civil servants to plan the acquisition of their own houses, but will also continue to build civil servant housing in the difficult rural areas. Overall, the thrust of Government policy in enabling civil servants to have access to housing will be geared to providing *housing loans* similar to the current car loan scheme. In this way, it will not only be possible to house public servants in a manner commensurate with their status and to avoid excessive pressure on the public budget, but the scheme will also go a long way toward helping develop the market for housing.

c) Other Issues in Housing

10.63 Scarcity of land in urban areas has increasingly become a major constraint to the development of housing. Where available, its ever increasing cost has adversely affected initiatives on the part of individuals and private developers to invest in more housing. Insecurity of land tenure has proved to be one of the key causes of slum creation. The Land Commission discussed earlier in this Plan will address these problems.

10.64 Apart from constraints of finance and land availability in the development of urban housing, one other important factor concerns the provision of basic infrastructure such as streets and roads, street lighting, water and sanitation facilities. Government through the local authorities will ensure that such services are provided. The presence of these facilities will undoubtedly stimulate investment and hence promote job creation in emerging towns.

10.65 A number of regulations and building codes exist under the town planning, land and housing laws, the *Public Health Act* and the *Local Government Adoptive By-Laws.* To a large extent, these instruments have become major obstacles to rapid housing development in the country. During the Plan period, therefore, Government will undertake a general review of these laws and regulations to bring them in line with the current demand for housing in urban areas. In addition, existing rent policies which have tended to discourage housing development in the past will be reviewed.

10.7 COMMUNITY SECURITY AND SAFETY

10.66 For people to participate fully in the important task of nation building, it is important that the social, political and economic environment in which they live, work and enjoy leisure is secure. Only in such an environment will it be possible to make rational decisions as to the likely future outcomes of investment, thereby facilitating the mobilisation of both capital and labour resources for national development.

a) Crime Prevention and Criminal Rehabilitation

10.67 As a nation develops both socially and economically, it faces challenges from new types of criminal activity and juvenile delinquency arising from social and economic forces. While the police force has the normal responsibility for the prevention and elimination of criminal activities, it should be appreciated that crime prevention must begin both at the home and community levels, for it is only there that early tendencies to crime can be curbed. The next important form of crime prevention is effective guidance and counselling through the country's education and training systems.

10.68 During this Plan period, Government will approach the question of crime prevention from two angles. First, the education and training institutions will be required to strengthen their guidance and counselling programmes through staff training and appointment of qualified personnel. Second, steps will be taken to improve the efficiency of the police force through training and better interaction between the force and the members of the public.

10.69 Control and prevention of criminal activity needs a firm information base to facilitate detection of those negative tendencies which arise from rapid social and economic transformation leading to increased proclivity to criminal behaviour. During the Plan period, Government will establish a *National Crime Research Centre* for the promotion of research into those processes leading to deviant behaviour, to re-examine existing programmes and policies for early detection of crime and to enhance the effectiveness of the legal system in the punishment of crime through the judicial and penal systems.

10.70 The judicial system plays a vital role in the prevention of crime. Due to manpower shortage in the system, however, cases that demand immediate attention in order to guarantee justice are sometimes inordinately delayed. In other cases involving the welfare of members of the public, those charged with the responsibility of speeding up the processes of law are often inadequately prepared to sort out the legal entanglements involved. To alleviate these problems, Government will take measures to ensure that the delivery of justice is timely and that it provides an effective deterrent. This will be accomplished through expanded recruitment, training and deployment of qualified court officers to all districts and the provision of necessary physical facilities. In addition, Government in collaboration with the Law Society of Kenya and the Council for Legal Education will reinforce the code of conduct for members of the legal profession.

10.71 Typical penal methods may not be effective in dealing with crimes arising from social and economic dislocation. Further, penal confinement is costly to the Government and has not always led to improvement in criminal behaviour in spite of corrective rehabilitation efforts both in prison and outside. Over-reliance on imprisonment will be avoided and traditional forms of punishment and the possible use of extra-mural penal employment in community projects will be explored. The community, therefore, will become increasingly responsible for crime prevention and rehabilitation. The formal criminal rehabilitation programmes in the Office of the Vice President and Ministry of Home Affairs and National Heritage and those in the Ministry of Culture and Social Services will be seen largely as complementary and will be specifically applied to more difficult and intractable cases. In particular, alcoholism and drug abuse which are slowly becoming prevalent among the people will require more than typical community efforts to curb.

10.72 While good laws must apply to everybody equally, to treat unequals equally is to negate the basic principles of natural justice. After 25 years of Independence, the general life styles, standards and expectations have changed so much in Kenya that it is now appropriate to examine the treatment, accommodation, clothing and feeding of criminals and suspects with a view to improving them. Confining young children with their errant mothers in police stations and prison remand cells, or abandoning them at home while their mothers are in prison can be traumatic for the family and the young ones in particular, and is worse in the case of female heads of households and un-wed mothers who are growing in numbers with the collapse of traditional morality. In this regard, therefore, Government will establish special accommodation facilities outside prisons and police cells for mothers with infants and young children.

10.73 In recent years, and as already indicated, trends toward increasing criminal activity, including alcoholism and drug abuse among the youth have become manifest. The root causes of these problems lie in rapid social and economic change which leads to an inadequate and decreasing role of the family in the socialisation process. Greater exposure to the negative sides of cinema, printed media and radio and television have also been proved to result in misguided socialisation leading to the development of criminal tendencies among the youth. Other causes arise from the peculiar socio-cultural dislocations typical of large urban conglomerations such as urban slums. However, the leading cause of juvenile delinquency lies in idleness and the lack of productive employment.

10.74 Many families and individuals are unable to provide for themselves or to participate in social and economic activities either because they are orphaned, destitute (such as the parking boys and girls), elderly, handicapped or simply poverty stricken. The on-going programmes supported by the Government and NGOs will be intensified to assist these disadvantaged groups with the aim of making them self-reliant as far as possible.

10.75 The youth of this country constitute a vital resource that has to be developed for positive nation-building rather than being allowed to be idle and hence exposed to undesirable social behaviour. During the Plan period, greater efforts will be made to generate more productive employment for youth in all sectors of the economy. Greater encouragement will also be given for youth to find gainful work in the informal sector and in small-scale enterprises in the rural areas. Programmes for vocational training will be expanded as elaborated in Chapters 7 and 9. The Government, working closely with NGOs will further develop *Youth Information Services* at all district centres to expose the youth to employment and self-advancement opportunities. Intensified research into the social and economic processes that lead to criminal behavior among the youth will be carried out under the auspices of the National Crime Research Centre. In addition, *Alcohol and Drug Control Institutions* will be established to arrest the escalating alcoholism and drug abuse among the youth. More approved schools and remand homes will be established to cater for the increasing number of young offenders.

b) Road Accident Prevention

10.76 One of the most unfortunate outcomes of development is the increasing number of road accidents and the general lack of safety for all road users. The majority of road accidents have been attributed to human error and careless driving (83 per cent), as compared to bad weather and sudden obstructions (8.6 per cent), defective motor vehicles (7 per cent) and road defects like potholes and lack of appropriate road signs (1.4 per cent). The gravity of the accident rate and resulting casualties is reflected in Table 10.1.

Table 10.1: Road Accidents and Casualties, 1982-86

Year	1982	1983	1984	1985	1986
No. of Accidents	7,524	8,023	8,229	8,474	9,066
Deaths	1,462	1,515	1,490	1,806	1,832
Serious Injuries	4,978	5,017	4,880	5,113	5,701
Minor Injuries	7,400	8,509	2,220	2,870	9,676
Total Casualties	13,840	15,041	8,590	9,789	17,209

10.77 The data in the table indicate that between 1982 and 1986, the number of road accidents increased at an average rate of 4.8 per cent per annum. Over the same period, recorded deaths increased at an average rate of 5.8 per cent, serious injuries at 3.4 per cent and minor injuries at 6.9 per cent per annum. The total number of casualties rose at an average rate of 5.6 per cent per annum. These numbers reflect an estimated fatality rate of 5.4 persons per 1,000 vehicles, compared to 0.45 for Britain, 0.5 for USA, 0.7 for Australia and 1.0 for Japan among developed countries, which nevertheless have higher vehicle ownership per capita and much larger fleets than Kenya.

10.78 This high and increasing incidence of road casualties and fatalities constitutes a serious waste of human resources, in addition to the social distress it creates among affected families and communities. The Government views this situation with grave concern especially since most of these accidents are definitely avoidable. The largest proportion of accidents as indicated earlier arises from careless and reckless driving. Although this is a generalisation that needs to be qualified by improved data, careless driving of public service vehicles has contributed greatly to road accidents. Road accidents increase the demand for costly curative health services and make the shift toward preventive health services more difficult to achieve.

10.79 Government will adopt the following approaches in promoting the reduction of road accidents:-

- Through the National Road Safety Council, Government will intensify public education on general road safety requirements.

- The Ministry of Transport and Communications in collaboration with the police force will intensify the monitoring of driving schools to ensure that those undertaking training are thoroughly exposed to the requirements of road safety. Re-examination of old drivers will be instituted to weed out those whose competence has declined or whose eyesight has deteriorated. Drivers without valid driving licences will receive stiff penalties. Proper training of public service vehicle drivers will be mandatory. Pedestrian and cyclist awareness of proper conduct on the road will be enhanced through non-formal and informal education.

- The Ministry of Transport and Communications, working closely with the local authorities will ensure that roads are properly maintained and proper road signs placed in correct positions.

- Vehicle inspection will be more systematic and will be required periodically of all vehicles. This service will be decentralised to the district level. The training of vehicle inspectors will be intensified.

- Compensation and redress for accident victims will be speeded up. In this regard, Government will require that insurance companies make their terms and conditions transparent. They will also be allowed to appoint their own vehicle inspectors who must be approved and registered by the Government.

- Enforcement of traffic rules will be intensified.

- Pedestrian and cyclist pathways will be provided for where practicable.

- Accident reports will invariably be accompanied with technical vehicle assessment reports carried out on the spot by qualified vehicle inspectors.

- Efforts by voluntary organisations aimed at preventing avoidable disability arising from accidents will be encouraged.

c) Other Areas of Safety

10.80 With an increasing number of skyscrapers in the major urban centres of Nairobi, Mombasa and Kisumu, there is urgent need for safety precautions against the outbreak of fire. This calls for a more efficient fire service that is capable of fighting such fires and rescuing people from the skyscrapers. It is, therefore, the Government's intention to ensure that appropriate and efficient fire control systems are developed and installed.

10.81 In Chapter 8, the diseconomies of environmental pollution arising from the industrialisation process are discussed. One social diseconomy related to industrialisation is the occasional incidence of industrial accidents leading to the maiming and sometimes death of individuals. The *Factories Act* which governs the installation of safety measures in industry and the compensation to workers arising from industrial accidents has not always been adhered to by industrialists. During the Plan period, Government will enforce the provisions of the Act more stringently to ensure the safety of workers.

10.8 SPORTS

10.82 The Government recognises the role of sports as a means of promoting discipline, together with moral and physical qualities in youth which are essential for the development of a nation of dedicated and patriotic citizens who recognise the value of tolerance and mutual understanding, thus acquiring qualities that promote happiness for all members of the community. Government policy, therefore, is to promote sports as a means of developing character in youth, improving their health, creating a national consciousness in them and teaching them to appreciate the values of tolerance, mutual respect and friendship at home and abroad.

10.83 To this end, the Government has invested substantial resources in the development of additional sports facilities namely, the *Nyayo National Stadium* and the *Moi International Sports Centre, Kasarani.* During the Plan period, Government will continue to improve sports facilities, concentrating at the district and provincial levels in line with the District Focus for Rural Development Strategy. The District Development Committees together with local authorities will be required to allocate land for the development of sports facilities required by various sporting interests.

10.84 In harmony with both local and international trends, the organisation and management of sports will remain the responsibility of various clubs and associations with guidance from the Kenya National Sports Council under the auspices of the Ministry of Culture and Social Services. In order to further improve the sporting spirit of the nation, efforts will also be made to diversify into other forms of sports including *gymnastics* and the *martial arts* in addition to what is currently prevalent in the country.

10.9 THE ROLE OF CULTURE IN NATIONAL DEVELOPMENT

10.85 Culture is a unique way of life peculiar to a people, encompassing social institutions, values, norms and ethics as well as attire and various forms of artistic and literary expression. Culture is typically expressed through the nation's unique artifacts, diversity of song, art, dance, theatre, literature and other traditions. Culture should be seen in a dynamic context that embodies responsiveness to changing social, economic, physical, political and technological environments. Acceptance of modern living standards and technological innovations has inevitably led to the abandonment of some facets of our most cherished cultural heritage, sometimes leading to serious social dislocations.

10.86 For a nation to maintain its identity it is important that certain cultural values be developed and promoted. A national language is one aspect of cultural identity as it plays an important role in national development by facilitating interaction among people throughout the country. A common cultural heritage not only enhances national unity, maintenance of personal and community security and peaceful co-existence of various ethnic groups but also ensures that posterity is not severed from the foundations of the nation. It should also promote and inculcate a sense of national pride, unity and patriotism, individual responsibility and accountability and the commitment to hard work for the achievement of national progress in various economic, social and scientific fields.

10.87 Rapid cultural and social transformations in Kenya have had diverse impacts on the family, the basic social unit of the nation, and the institution for the transmission of culture which determines the development of the personality of individuals from their early age. Interaction with the outside world through the varied media and through tourism has occasioned certain adverse cultural tendencies in society such as social deviance, increasing individualism and self-centredness which tend to threaten the spirit of African Socialism and attendant mutual social responsibility.

10.88 During the Plan period, Government will enhance the preservation and development of Kenyan culture through the following programmes:-

- establishment and development of *cultural centres* at district and divisional levels to act as focal points for cultural expression especially in rural areas;
- development of *Kiswahili* as a national language;
- design and introduction of national dress types;
- maintenance of the role of elders in public decision-making in such matters as land, marital relations and extended family relationships;
- greater exposure of pre-school children to the family environment by avoiding taking them into the formal education system at too early an age;
- introduction of inter-cultural exposure through educational materials;
- promotion of the positive image of Kenyan culture through the mass media;
- promotion of the national culture through song, dance, mime, oral and printed traditional literature;
- preservation of monuments and structures of cultural interest and expansion of museums in each provincial centre to display

items of past material cultures and artifacts specific to those regions and to the nation;

- development and encouragement of appropriate traditional technology including traditional medicine already discussed earlier in this Chapter; and

- promotion of Kenyan authorship and publishing.

10.89 After language and attire, the next significant factor in determining national culture is material culture which takes the form of the making of tools, cultural artifacts expressing cultural aesthetics and all types of household furniture and equipment. In this respect, the development of cultural products such as the now well-established *kiondos*, various dress materials and designs and wood and stone carvings has become increasingly important in the propagation of our cultural heritage internationally. In the past, these activities were considered part-time cultural occupations and were rarely used for the generation of income and employment. During the Plan period, Government will ensure that, while these activities are developed as expressions of national culture and beauty, they will also become an integral part of the small-scale enterprise system. Groups and individuals with these particular skills will be encouraged through extension efforts with priority being accorded to the establishment of cultural industries in the RTPCs.

10.10 PARTICIPATORY MOVEMENTS

10.90 *Harambee* and self-help efforts among Kenyan communities have made a considerable contribution to social and economic development since the attainment of Independence. The movement has been responsible for the mobilisation of manpower and capital resources for the provision of an array of basic needs facilities for welfare improvement, the most common of which are education facilities, youth centres, health facilities and community halls. In addition, such resources have been put to economically productive projects such as the construction of cattle dips and other infrastructure including water and transport and communications.

10.91 As indicated in Table 10.2, the total value of *Harambee* contributions increased almost four-fold from K£ 9.79 million in 1979 to K£ 37.29 million in 1985. In general, contributions from *Harambee* groups have been one way through which the people themselves have

Table 10.2: Total Value of Harambee Contributions

(K£ Million)

Project Type	1979	1980	1981	1982	1983	1984	1985
Education	5.05	12.28	11.48	12.78	9.43	37.45	24.48
Nurseries	0.51	1.44	0.62	0.77	0.39	1.21	0.63
Health	0.24	0.34	0.81	0.47	0.39	0.58	0.49
Social Welfare	2.23	2.00	2.45	2.22	3.14	2.66	3.37
Domestic	0.03	0.05	0.06	0.13	0.10	0.24	0.08
Water	0.88	0.67	0.74	0.59	0.79	1.31	1.04
Transport/ Communications	0.05	0.03	0.02	0.10	0.04	0.06	0.22
Agriculture	0.42	1.34	0.73	1.37	1.50	0.38	0.98
Buildings	0.05	0.44	0.85	0.69	0.43	0.67	1.21
Other Construction	0.09	0.02	0.01	0.03	0.02	0.07	0.05
Other	0.24	0.13	0.39	0.52	0.07	0.96	4.73
TOTAL	9.79	18.74	18.16	19.67	16.30	45.59	37.29

become committed to the improvement of their own welfare and that of others without relying on the Government, which contributed on average only 9 per cent of project costs over the seven year period.

10.92 Women's group participatory initiatives have also contributed tremendously to economic and social progress in the country. Besides their contributions in cash to *Harambee* projects, they have also made major contributions in terms of materials and labour particularly because they constitute the majority of the rural population. Through various women's organisations in the country including *KANU - Maendeleo Ya Wanawake*, National Council of Women of Kenya (NCWK), the Women's Bureau (WB), the Young Women's Christian Association (YWCA) and the Girl Guide Movement, there has been growing and effective participation of women in developmental activities across the country. Such organisations will continue to receive encouragement and support during this Plan period.

10.93 In addition to the role played by the Government, local authorities, co-operative societies and community groups in national development, there have also been significant contributions by Non-Governmental Organisations. In recognition of their important role in the promotion of welfare projects, the Government set up the *Kenya National Council for Social Services (KNCSS)* as early as 1964 to co-ordinate the activities of NGOs with those of Government and local authorities and to avoid duplication. Since the NGOs have become increasingly involved in developmental activities, these efforts will be strengthened by the District Focus for Rural Development Strategy through which the NGOs, in collaboration with the DDCs, community groups and local authorities will enhance the process of local participation in the design, implementation, monitoring and evaluation of projects.

10.94 All the NGOs will register with KNCSS and provide the Council with a complete description of their organisation. This will include their management structures and staffing, sources of funding, origin and philosophy and, where appropriate, any overseas links and the range of their operations both in Kenya and in other countries. The NGOs by and large divide between those which are directly welfare oriented and those which induce welfare impacts through development activities. Direct welfare NGOs will work through the Ministry of Culture and Social Services. Those involved in more conventional development projects and activities will work through the Ministry of Planning and National Development which will ensure that their programmes fit into established national and district priorities in order to reduce duplication and wastage of resources. NGOs will clear their budgets through the relevant operating Ministries in order to ensure that their funds are reflected in the accounting records of the Ministry of Finance. In order to ensure continuity and the effective use of the facilities which they establish, NGOs will also be expected to provide for the funding of recurrent costs and maintenance.

10.95 The independence of NGOs will continue to be respected and they will be encouraged to develop control mechanisms outside of the Government machinery to enable the country to profit from their unhindered presence and functioning.

10.11 PUBLIC INFORMATION AND EDUCATION

10.96 As indicated earlier, the ultimate goal of development is the improvement of the welfare of the individual, the family and the community at large. Man is the principal agent of change and the main beneficiary of development. However, to contribute effectively to the development process, man has to be provided with the opportunity to gain knowledge, skills and other relevant resources. One of the most important resources in this regard is information acquired through formal, non-formal and informal education and training. Government has hitherto placed considerable emphasis on formal education and training and has in addition mounted literacy programmes throughout the country. The priority in the on-going *Adult Literacy Campaign* has been on reading and writing and has led to the development of the individual beneficiaries and through their actions to the overall social and economic progress of the nation. During the Plan period, adult literacy programmes will receive further emphasis and expansion throughout the country.

10.97 Besides the role of the formal education system and functional literacy programmes in improving information flows to the public, other methods of information transmission have already been covered in Chapter 5. Nevertheless, effective information and communication can only take place in an environment of literate *Wananchi*. A programme to enhance literacy during the Plan period will be mounted in a more integrated manner than has hitherto been the case. The people will be provided with information regarding their actual and potential contribution to social services through cost-sharing. They will also be provided with information on health, nutrition, family planning, weather forecasting for agricultural activities, air and sea travel, and scientific research and development.

10.12 AUTHORSHIP, PUBLISHING AND PUBLIC LIBRARIES

10.98 Although the country has taken tremendous strides in the development of agriculture, industry, health and education, inter alia, authorship and publishing have not received much attention. Until very recently most reading materials available in the country such as school textbooks and other literary works have been produced abroad. This has resulted in cultural domination through the reading materials written for other cultures, leading to the adoption of foreign attitudes at the expense of the national culture. It is important to note that books are a cultural mirror of a nation and its people and are an effective means of disseminating that culture. Therefore, to promote and preserve the Kenyan culture, it must not only be documented for posterity but also lived by us and our children.

10.99 Currently, a number of Kenyan writers have emerged who have produced literary works based on the national culture but who often depend on foreign dominated publishing houses for the publication of their works. The only Government sponsored publishing houses are the Kenya Literature Bureau and the Jomo Kenyatta Foundation which have taken up the important role of publishing textbooks for the education system. It is, therefore, evident that reading materials for general purposes especially for children, when available, are generally based on foreign settings and hence do not depict Kenyan culture. To develop a well informed and strong nation, the publishing of books relevant to the needs of the people and which boost Kenya's rich cultural heritage will receive the highest priority.

10.100 During this Plan period, Government will institute measures to accelerate the development of Kenyan authorship and publishing. However, the authorship and publishing of books per se is not enough in the endeavour to bring reading materials within easier reach of the people. It is necessary to develop an efficient library service as a means of making books available to all Kenyans for leisure and self-fulfillment. Such a library service should be accessible in terms of subscription and location. In an effort to improve the literacy of Kenyans and to enhance their beneficial use of leisure through reading, the existing public library service will require additional support. During the Plan period, therefore, the Kenya National Library Services will be strengthened to enable it to develop library services in all districts aiming eventually to service divisional and village levels.

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