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## Prospects for a Basic Needs Strategy: The Case of Kenya

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The logical starting-point for a discussion of a basic-needs strategy for Kenya is the 1972 ILO report on employment, incomes and equality in Kenya (ILO, 1972). Although it did not use the term this report was essentially about basic needs. The focus of earlier reports on 'unemployment' was explicitly rejected (e.g. p. 9) and the problem was defined as that of poverty and inequality. The whole strategy was aimed at achieving minimum income targets which "might be (p.109) . . . for rural households, 120 sh. by 1978 and 180 sh. by 1985, and for urban households 200 sh. and 250 sh. respectively" (in shillings per month at 1971 prices). It was also recognised that these targets were only a "shorthand expression for the real components of a minimum standard of living, namely nutrition, housing, clothing, public utilities, access to amenities, etc." (p.110). Specific real targets mentioned included the elimination of malnutrition, clean water at a reasonable distance and access to basic health services and to basic education (to be expressed "in such terms as distance from schools and clinics, teacher-pupil ratios, and number of physicians and other health personnel per head of population").

The official response to the ILO report's strategy of continued expansion, a wider sharing of the benefits, national integration of the economy and an attack on extreme imbalances and disparities, in the Sessional Paper on Employment (Republic of Kenya, 1973), was quite favourable. In general it found "the report to be original and innovative, particularly in terms of the broad social and economic framework of analysis within which the problems of unemployment and poverty are examined" (p.ii). However, not all of the report's proposals were endorsed in the sessional paper and the 1974-78 development plan (Republic of Kenya, 1974), and implementation has been selective.

ILO recommendations which *have* been implemented include those for the unification of tariff rates, including intermediate and capital goods (many of them previously duty-free); the abolition of investment allowances in Nairobi and Mombasa; an export subsidy; an increase in the rate of corporation tax on branches of foreign companies and in the rate of withholding tax on dividends paid to non-residents and on *all* payments to foreign suppliers of services; a 10 per cent sales tax on all manufactured goods, with essentials such as foodstuffs and

agricultural supplies exempted and 'luxury items' taxed at a higher rate; the abolition of graduated personal tax and consumption tax and the introduction of a capital gains tax; the acceptance of site-and-service housing schemes; the abolition of the tax on traditional liquor and of the licensing of taxi-drivers; the abolition of fees for the first four years of primary school; a rural works programme (although on a very small scale); and some pilot agricultural projects intended to reach smaller farmers.

ILO recommendations which have *not* been implemented include those for a progressive land tax, subdivision of land and (as a later possibility) a ceiling on individual land holdings; the ending of the demolition of slum housing and informal-sector business premises, unless for a "positive and overriding development reason", and of "counter-productive harassment" of traders, taxi-drivers, vagrants, etc.; and an incomes policy under which "those who earn less than £200 a year should receive a maximum annual rate of increase of 3 per cent; those in the £200 to £700 group a maximum of less than 3 per cent, and those with incomes over £700 shall have a wage freeze except for increases attributable to promotions or annual increments".

In short, while it is true that many of the ILO report's recommendations have been implemented, implementation has been distinctly patchy. Some of the measures taken are perhaps surprising in the extent to which they confront vested interests (e.g. the capital gains tax, taxation of luxury goods, abolition of investment allowance) but measures implying structural upheaval, such as land ceilings and redistribution, land tax and a freeze on the incomes of the higher paid, have been avoided.

The problem is that the ILO strategy, while perhaps not constituting a totally indivisible package, contains a *core* of mutually reinforcing recommendations. In particular, the recommendations on the structure of rewards, land policy, technology, protection, the informal sector and education seem to be inextricably linked to each other. For example, the educational reforms recommended would not work in the absence of a substantial change in the structure of rewards. Thus partial implementation is likely to be ineffective and may even in some respects make matters worse.

In effect the economy is still at a crossroads as far as strategy is concerned. As the pre-recession 1971/72

balance-of-payments crisis showed, it is near the end of the easy stage of import substitution. There are now two broad options for further industrialisation. The first, in the spirit of the ILO report, is that of widening the internal mass market by investment and other policies which benefit those at the bottom of the income scale at the expense of those at the top. The second, in the spirit of the recent World Bank report (World Bank, 1975), is that of achieving greater efficiency in resource use by "restructuring the pattern" and "reforming the process" of growth, that is by shifting the emphasis towards the more efficient sectors and sub-sectors—from industry to agriculture, from import-substituting to export processing industry, from infrastructure and services to directly productive sectors, etc.—and by improving efficiency within each sector and sub-sector, "getting the prices right" and removing biases in exchange rates, interest rates and product prices. The first option, with its emphasis on redistribution and intervention in the market, is consistent with meeting basic needs; the second, with its emphasis on market criteria of efficiency, is the antithesis of a basic needs strategy. The ILO report recommendations which have been implemented so far are largely those that are common to either strategy, so the options are still open.

If the basic needs/redistribution option were chosen, it would need to be recognised, perhaps more than did the ILO report, that it represents a rejection of market criteria of efficiency. Polarisation and poverty are only partly due to the state interference emphasized by the report (particularly in the section on the informal sector); in an important sense they are inherent in the operation of markets, particularly in an economy which is as open to transnational influences as Kenya's is.

For instance, in general the dominance of the formal sector is certainly due to support from the State, particularly the protection it offers from imports and other market entrants. But the need for protection from other market entrants arises from the small size of the market and the less-than-optimum scale of operations that it imposes. As markets grow, economies of scale shift the unit cost advantage to mass-produced formal-sector goods away from the cheap-labour-intensive products of the informal sector. This has already happened in the case of many industries in Kenya (e.g. textiles, footwear). Moreover, in other consumer-goods industries the formal sector has a market advantage deriving from the way in which it has *redefined the needs* of consumers, often spending vast amounts on advertising, packaging and marketing for this purpose but also benefiting from the general spread of acquisitive consumerism in society.

A basic-needs strategy in Kenya would thus involve looking very carefully from this perspective at the nature of the products of the consumer-goods manufacturers in the formal sector. How many would not be competitive with smaller firms without state support of various kinds? How many have a real unit cost advantage over smaller firms in meeting relatively un-redefined needs? And how many derive their market power primarily from redefining needs in a way that conflicts with a basic-needs strategy?

There are several ways in which such redefinition might conflict with a basic needs strategy. The most obvious is where a direct conflict with one of the basic needs, such as nutrition, may arise. For instance, Stewart (1977) has documented the redefinition of Kenyan demand for maize flour away from ordinary posho, produced by labour-intensive methods, towards the packaged, branded, sweeter, whiter, finer and *less nutritious* sifted flour, produced by roller mills. A second conflict may arise through the diversion of household expenditure towards redefined and less efficient (from the point of view of satisfying basic needs) household consumption. For example, Langdon (1974) has shown how advertising campaigns stressing the importance of the appearance and image of branded, packaged, perfumed, machine-made soap has ousted hand-produced soap which is functionally superior, uses ingredients of better quality, lasts longer and is cheaper per unit of cleaning power from urban markets in Kenya. A third set of conflicts arises from the effects (emphasized in the ILO report) of firms of this kind on the structure of supply—the displacement of small-scale labour-intensive producers and the discouragement of local technological awareness and capacity, the limited labour absorption, the absence of linkages with the rest of the economy and the tendency towards concentration in Nairobi.

The implications for policy of such an examination of the nature of the products of the consumer-goods manufacturers in the formal sector would vary according to the diagnosis. State protection against competition from other market entrants (but not necessarily protection against imports) would be withdrawn in those cases where this was the sole basis of a formal-sector firm's market advantage. Advertising for the purpose of redefining consumer needs in a way that conflicts with a basic-needs strategy would be banned, and there might be a case for banning *all* advertising of consumer goods except at the point of sale. There might also be a need for government to play an active role in designing and producing alternative goods consistent with the overall strategy.

As well as redesigning the structure of consumer goods production a basic needs strategy would imply

restructuring government services. This could be represented as the making of counter bids by government on behalf of the more deprived areas and groups against the demands of the market and of the political system. In the case of health services, for instance, the effective demand of the higher-income groups mainly located in urban areas of the international market and of harambee (self-help) health centres built in the more prosperous rural areas largely determines the nature and pattern of health care<sup>1</sup> in the absence of strong intervention. Thus a 'quota system' based on need rather than merely on geographical area would be implied.

Within agriculture a basic needs approach to food and nutrition would imply a complete reorientation of strategy, with less emphasis on export cash crops, large farms, progressive smallholders in high-potential areas and more on food for local consumption. This shift, involving research, extension and other public services to agriculture, would be aimed at increasing food production for own consumption, increasing the availability of food on local markets and raising its nutrient quality, as well as at increasing cash incomes. Land redistribution would also be necessary, as a means of ensuring a larger and more equally distributed output and reducing migratory pressure on the towns and marginal areas. It would need to be combined, however, with continuing measures to counteract the polarising tendencies of Kenyan-style rural development.

The strategy would also imply a need for a further narrowing of pay differentials in the public and private formal sectors. The allocation of 33 per cent of the government's current budget to the Ministry of Education in the 1974-78 plan, the ineffectiveness of attempts at educational reform and the diversion of household expenditure towards schooling fees and expenses are a reflection of the irresistible pull of the dysfunctionally high rewards obtained by the schooled (but not by the skilled). The redesign of the structure of production and of government services, together with other redistributive measures would in any case, imply a drastic remoulding of hierarchical managerial systems and of the nature of the professions, which would complement a narrowing of pay differentials. The managerial cadre of the multinational corporation and the internationally mobile professionals would be among the main losers from such changes and could be expected to oppose them.<sup>2</sup>

Finally, meeting basic needs is not costless and a method of provision which at least is not a deduction from capital accumulation is to be preferred. Also the labour-absorptive capacity of the formal sector, while likely to be increased by the structural changes envisaged, would still be limited; capital intensive methods would still be used where they were unequivocally more efficient. Both these considerations imply a need to explore even more carefully the ways in which surplus labour could be put to productive use, either in projects which provide directly for basic needs, such as rural water schemes, or which generate the surplus to finance the costs (particularly the current costs) of basic-needs projects. The current rural works programme is an example of such an approach but its use of central finance and administration is likely to limit the extent of its impact.

Much more in the spirit of a basic needs strategy would be community-based participatory projects. In Kenya's case a question at least worth investigating is the extent to which the harambee movement lends itself to such a purpose. As things stand it must be frankly recognised that large-scale harambee represents a bid for resources from the centre rather than a substitute for such resources. But this is not always the case with smaller projects. It may be that the individualisation of land tenure and rural differentiation are destroying the basis of such communal labour use, but it would be worth finding out if this is so and if it is irreversible.

By now it will have become apparent that there is a striking similarity between the programme implied for Kenya by a basic needs objective and the unimplemented remainder of the ILO report's recommendations. The unblocking of market opportunities for smaller firms, restructuring of consumer goods production, a quota system for government services, reorientation of agricultural policy, land redistribution, narrowing of pay differentials, community-based participatory projects—the emphases may be slightly different, but all have a familiar ring about them.

Thus a basic needs strategy raises once again in an acute form the question asked by Leys about the ILO mission's proposals:

"The obvious puzzle presented by these proposals is what incentive the mission thought all these groups<sup>3</sup>—the heart and soul of the alliance of domestic and foreign capital—might possibly have for making such sacrifices. Apart from anything

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1 Redistribution of income would move need and effective demand closer together, but, in the absence of complete equality, a gap would remain.

2 See Godfrey (1977) for further discussion of the implications of a basic needs strategy for the professions.

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3 "the people who had fought their way to positions of power and wealth in the Kenyatta regime—ministers, MPs, councillors, KANU office-holders and their various clienteles".

else, there was at least a family resemblance between the mission's package of proposals and the essentials of the KPU's former programme. The KPU had not of course worked out a programme as fully or with as much sophistication as the mission; but then the mission did not, for its part, seem to have pondered the significance of the suppression of the KPU. What did the mission think would induce the Kenyatta regime to do in the 1970s what it had not only not done, but had destroyed its opponents for advocating, in the 1960s?" (Leys, 1975: 262).

Leys' rather static approach may lead to an underestimation of the room for manoeuvre. We have seen, for instance, that implementation of ILO recommendations has extended beyond what a mechanical reading off of dominant interest groups would have suggested. But the core of the programme, including the measures that would be necessary to a basic needs strategy, has not been implemented. To be frank, it is not much easier to give a convincing answer to Leys than it was three years ago—and his question remains uncomfortably the first one to be answered by all those advocating basic needs strategies for existing governments, not just in Kenya but in any country.

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