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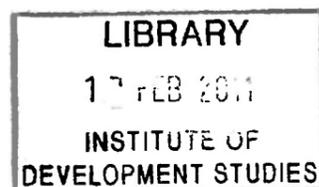
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Working Paper No. 53

DEVELOPMENT IN PRACTICE: SOME  
REFLECTIONS ON KENYA'S  
EXPERIENCE

By

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ABSTRACT

This paper does not aim at being a comprehensive analysis of Kenya's economic performance. Rather it singles out some aspects of Kenya's development and examines to what extent those aspects are reflected in the plan, how they have been implemented, and what has possibly been neglected which, if done, would improve the outcome of stated policies.

After a brief introduction, there are skeleton statements on the main thrusts of Government policy as stated in the Sessional Paper on African Socialism and the various Development Plans. Then follow discussions on five topics.

1) On self-help, one notices tremendous will to develop on the part of the populace but that at the time self-help projects are carried out, they rarely are included in the national Development Plan before hand. The result is unco-ordinated projects and inconsistent "planning".

2) Regional Balance is just at its infancy in Kenya. The action programmes up to now have been moderate, e.g. the Special Rural Development pilot projects which cover just a few areas and are inadequately financed. The implementation machinery could be improperly placed, e.g. the urban-oriented Kenya Industrial Estates Ltd. is charged with the Rural Industrialisation Program!

3) The stated employment generation intent is negated by implicit subsidies on capital as the section on "Employment and Technology" brings out.

4) In Kenya, published statistics generally cover firms with five or more employees, but small business sector (which has some "unregistered" and hence "illegal" businesses) accounts for over half of persons gainfully engaged. After a discussion of the "Formal and the Informal sectors", a case is made for the formalisation of the informal sector.

5) Section five is a critique of the planning machinery as presently constituted.

The main conclusion is that development in practice may not always be the development as planned and in fact some aspects of development are not planned at all.

DEVELOPMENT IN PRACTICE : SOME REFLECTIONS  
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Introduction:

Let us define the term development very broadly as the general betterment of a society in all its diverse aspects - social, cultural, political, and economic. It is an all-embracing phenomenon encompassing a nation's social institutions, its political organisation, and its economic characteristics. In our case, we shall concentrate on the economic aspects of development, knowing of course that complete isolation is not possible since the various aspects interact and that economic decisions could well have political and social consequences, and vice versa. Nevertheless, economic aspects are focused on because of the discussant's professional inclinations and predilections, and because economic phenomena are less likely to be disputed by way of being more quantifiable and objective.

The idea of Development in Practice suggests that there is a converse. If there is such a thing as Development in Practice, there must be such a thing as Development in Theory. The former is what actually happens while the latter is what was anticipated. It is not so much a positive and normative consideration of what is versus what ought to be, but what comes out of an incubated egg - a chick or some other organism? Hence, in order to have a better appreciation of what is actually observed, we ought to have a yardstick with which to measure. There can be no better yardstick than the idea of what was initially visualised.

This paper will briefly look at what the main thrust in Government policy is and offer some evaluations with specific reference to several features of Kenya's economy. It does not address itself to the broader question of development strategy nor does it try to be a comprehensive assessment of Kenya's development plans and performance.

Perspective on Policy:

Kenya Government policy with respect to certain economic objectives is to be found in various statements by high ranking Government officials, declarations and publications. All these sources have, to use a term borrowed from fiscal economics, Announcement Effects. Among the key documents are the

Kanu Manifesto (1963), the Sessional Paper Number 10 on "African Socialism and its Application to Planning in Kenya" (1965), and the Development Plans.

The Sessional Paper, in particular, puts these objectives very succinctly as: "universal freedom from want, disease and exploitation; equal opportunities for advancement; and high and growing per capita incomes, equitably distributed among the population". To give effect to the declared policy, the Government instituted a Planning Machinery which has produced a number of Development Plans.

The so-called "Red Plan" was supposed to cover the years 1964 to 1969. It was drafted in a hurry, essentially in order to have a plan in time for the onset of the Republic. Consequently it had to rely on inadequate data and was characterised by incomplete analysis. The Red Plan was soon replaced by the "Green Plan" (1966-1970) which was an expanded version of the red one. It had a greater scope and more systematic analysis, but like its predecessor had very little to show in terms of project content - with a possible exception of the Agricultural Sector.

The Second Development Plan (1970-1974) is a more comprehensive document with extensive coverage of Local Government activity, private sector targets, rural development; and excels the previous plans in project specificity.

With this background in mind, let us look at some aspects of Kenya's development scene. For every aspect selected we shall pose such questions as: (a) Was this scene really planned? (b) If so, how successfully was it planned and implemented? (c) Are there indications of neglected opportunities, and well-intentioned but ill-advised measures?

The following scenes have been singled out for closer examination:-

- 1) Self-help Aspects of Education and Health;
- 2) Regional Balance;
- 3) Employment and Technology;
- 4) The Formal and the Informal Sectors;
- 5) The Planning Machinery.

1. Self-help in Education and Health:

The upsurge of and enthusiasm surrounding, self-help Harambee activities is an indication of the Will to Develop. This has entailed, on the part of the public, a tremendous will to save and sacrifice, as

vouched by their contribution in terms of time and money to build schools and health centers. But this was done without co-ordination and without reference to the availability of qualified staff to man the required services. The consequence was that some projects had to be abandoned as soon as they got underway resulting in wasted resources and frustrated expectations.

A recent example is the springing up of the Institutes of Science and Technology. As an index of the people's will to develop, this is commendable. But in so far as indications are that these institutes are being built on a District basis and that we could conceivably witness as many institutes as there are districts (40), then we have yet another example of non-planning or inadequate planning.

A frank planner would admit: we did not plan that! And he would be right because what we have hinted at above is not a form of plan-led development. But the plan followed (in the case of schools and dispensaries) and would have to follow (in the case of Institutes of Technology) to, so to speak, maintain order.

## 2. Regional Balance

According to the Development Plan (1970-74), "rural development is the basic strategy of this plan" [Preface P. iv] and "the Government believes that it is only through an accelerated development of the rural areas that balanced economic development can be achieved, that the necessary growth of employment opportunities can be generated and that the people as a whole can participate in the development process" [Dev. Plan, p.2].

This is a high ideal and it is a recognition that there exist glaring disparities between the various regions of Kenya, and between urban and rural areas. An indication that economic opportunities are not equitably distributed between urban and rural areas is the rural-to-urban population drift. There are push forces in the area of exit and pull forces in the area of immigration. Movement between regions would, perhaps, be just as marked as movement between country and town were it not for adverse social and tribal forces.

The problem of regional imbalance has been recognised, but attempts at its solution have not worked very well. A comprehensive picture of the regional development scene would have to look at such things as the effect of the taking up by the Central Government of education and health services

formerly entrusted upon Local Governments, the activities of the National Irrigation Board, the work done by the Range Management Division and the Water Development Authority, of the Ministry of Agriculture, etc. Failure to talk about these aspects is not to underrate their importance; rather we concern ourselves with two recent activities, namely the launching of the Special Rural Development Program (SRDP) and the Rural Industrial Development Centers (RIDCs).

Rural Development gained a new impetus with the famous Kericho Conference (1966) where Government Officials, aid-donating agencies, and experts produced a report which was edited by J.R. Sheffield and published as "Education, Employment, and Rural Development" /Nairobi, East African Publishing House, 1967/. As a follow-up to the conference recommendations, 14 areas were selected and an in-depth study of their development potential carried out by the University of Nairobi in conjunction with the Kenya Government. It is noteworthy that the 14 areas\* selected conspicuously excluded the dry areas, with the result that the resultant action programmes did not touch the already poorly endowed regions.

Of the 14 regions surveyed, 8 were singled out for pilot programmes whose major innovation was inter-ministerial and inter-agency cooperation for the purpose of elevating the general welfare in the relevant rural areas. From the outset, we notice very little in terms of financial commitment from the Treasury. For instance, according to J.R. Nellis,\*\* the 1970/71 budget allocated only K&10 to each SRDP! Gradually, foreign aid donors came to the rescue, at present the major backing for each programme comes from the following sources - Vihiga (USAID), Mberere (Norway), Migori (Sweden), Kapenguria (Dutch), Kwale (British), North Tetu (Kenya Govt). Despite notable progress on these lines, "little has happened as local officers are too busy with routine procedures and too inexperienced in intra-agency cooperation to get things moving..... bureaucratic inertia".\*\*\* Hopefully, in due course, learning effects will rectify the situation. But for now, we have an example of inadequate commitment by local administration and consequent reliance on expatriates. This will continue to be a source of anxiety about the continuity and long run viability of planning in Kenya.\*\*\*\*

\*For a detailed account of the findings in the 1968 survey, see J. Heyer, D. Ireri & J. Moris, Rural Development in Kenya. (Nairobi: East African Publishing House, 1971).

\*\*J.R. Nellis, "The Administration of Rural Development in Kenya," East Africa Journal, Vol.9, No. 3, March 1972 pp.10-17.

\*\*\*Ibid. p. 15.

\*\*\*\*For a similar view about the whole Planning Machinery, see Dharam P. Ghai, "Machinery of Planning in Kenya," IDS Discussion Paper No. 84.

Another aspect of rural planning is the establishment of Rural Industrial Development Centers (RIDCs). These aim at fostering the development of non-agricultural rural enterprises in rural areas with a view to expanding the range of occupational choice and sources of gainful employment in these areas. There is one thing that will render the idea of RIDCs not so effective, namely that the overall decision and planning about the RIDCs is vested with the Kenya Industrial Estates Ltd. For the short period that the KIE Ltd. has been in existence it has been urban-oriented and therefore it is unlikely to serve rural areas well, especially because of the wide geographical dispersion of rural centers where infrastructure of transport and communication is, in most cases, inadequate. A more desirable arrangement would be to transfer the decision-making authority to regional bases and making the Rural Industrialisation Programme independent of the KIE.

### 3. Employment and Technology

The Government aims at "planning the economy to obtain the maximization of employment opportunities" [Dev. Plan 1970-74 p.6], so that "every sector chapter of this document should be seen as an employment programme designed by Government to create the maximum number of jobs given the resources available" [Dev. Plan p. 106]. Furthermore, "it is our aim that the fruits of development will be shared among the mass of the people as a whole" [Dev. Plan, preface p.iv].

With widespread unemployment and underemployment in Kenya, many people do not have the opportunity<sup>to</sup> participate in the generation of income and, therefore, do not have a chance to share, directly, in the resultant cake. But production is by technical process while distribution is by social process. The latter can be pursued (when the former occurs) by, for example,

- a) Unemployment benefits;
- b) Steeply progressive taxation so that personal disposable income is less unequal than net income;
- c) Provision of employment for those able and willing to work.

Due to the size of the problem, institution of unemployment benefits would be staggering and financially impossible. Traditional unemployment insurance by way of the Extended Family mechanism does not work very smoothly. For instance, a Household Budget Survey in 1969 revealed a declining proportion of earnings remitted to members of the extended family as income rises!

Fiscal action of steeply progressive taxation would not be very effective due to the fact that those who would be affected happen to be the most vocal, the most articulate, the most politically active. There is also a possible adverse economic effect of dumped willingness to exert oneself to earn and take risks. Hence there is a limit to the action of levelling downwards. Perforce, generation of employment opportunities is the only sure way to effect a wider diffusion of economic and social benefits.

One of the major handicaps in employment generation is the rigidity of production processes. This is induced by a variety of factors among which are:-

- (i) Most entrepreneurs are either foreign or foreign-trained with the result that they naturally tend to use production techniques to which they have been used. Generally, these are modes of production copied from the Advanced or Developed Countries. "Imported" technology tends to conform to factor proportions of the source and for advanced countries technology tends to economise on labour, i.e. it is capital-intensive.
- (ii) Liberal Investment Policies in the form of accelerated depreciation, 20% initial investment allowance, and rebates on imported machinery and raw materials for manufacture.

All these factors encourage capital-intensive modes of production and hence contribute to low labour absorption in large scale agriculture, manufacturing, building and construction. So, in practice we find very impressive rates of growth of income (about 6.6% between 1968-1970) and very high rate of capital formation (over 20% of GDP in 1969), but depressing rates of growth of total employment (projected at 3.1% p.a. between 1968-1974).

There is an urgent need to revise policies in this field. Capital allowances should be abolished or/and Labour Employment Allowance instituted perhaps by giving a tax rebate to firms based on the number of people they employ. Dr. Schumacher's ideas on Intermediate Technology should be fostered and given effect by encouraging adoption of relevant technology, relevant, that is, in terms of conforming to Kenya's factor endowment, the resource mix of the country. The level of employment should be made an explicit criterion in project selection. Reliance should not entirely be placed on value added and contribution to Gross Domestic Product as the sole guiding light in project ranking. Finally the present Informal Sector should be formalised, for example by encouraging small-scale labour-intensive firms and rural non-agricultural enterprises. These have been relatively neglected areas as the following section brings out.

#### 4. The Formal and the Informal Sectors

Some people refer to what they loosely call the "Modern" and the "Traditional" sectors. The former is characterised by dynamism, profit maximization, capital accumulation and is largely urban-based. The latter is non-dynamic, producers are not profit-motivated, little capital is accumulated and is largely rural-based. We reject this classification because it is non-descriptive in so far as some rural-based small scale activities can be as modern and use very sophisticated techniques. The classification is inaccurate because of its dual implication that the so-called "modern" activities are good while the "traditional" activities are bad and show no signs of development potential.

Actually what distinguishes some sectors from others, as far as dynamism and capital build-up are concerned, is the relationship between the established institutions with the sector in question. Thus some firms can get access to institutional forms of capital (banks, insurance companies, etc) while others have to rely almost exclusively on personal sources; some are easily licensed while others are not. We use the more accurate term "Formal" for the former and "Informal" for the latter. The degree of formal relationship with the economic institutions is the essential characteristic distinguishing the Formal from the Informal Sector. Another characteristic is the nature of Government control which tends to foster the Formal but to retard the Informal. [In fact the whole of the Public Sector falls within the Formal Sector]. Government-organised statistical surveys usually cover the Formal Sector so that the formal sector can be referred to as the Enumerated Sector.<sup>+</sup>

In Kenya, there are examples of informal economic activities to some of which we shall refer. There are "illegal" settlements in such places as Mathare Valley, Kibera and Dagoretti in Nairobi, and Kambura hydro-electric scheme site in Embu District. These settlements may be unhealthy and unsightly, but are about the only form of housing the residents can afford. Urban renewal has resulted in such people moving out to other areas and setting up similar housing primarily because they can't afford to rent or buy the new houses, e.g. Majengo and Kariokor. What is needed is low cost housing and a more expanded program of site-and-service housing schemes.

<sup>+</sup> John F. Weeks, "The Problem of Wage Policy in Developing Countries with Special Reference to Africa", Economic Bulletin of Ghana, Vol. 1, No.1, 1971, pp 31-44.

"Illegal" taxis, the so-called "Matatus" (because originally they charged only 30 cents regardless of the distance travelled between terminals), serve a very useful purpose of supplementing public transport within the towns and alleviating the waiting problem which is so acute during rush hours. It is a cheap and affordable means of inter-city travel which is now adversely affected by Police swoops. The taxis between towns (Nairobi to Myeri, Meru, Nakuru, Mombasa, Kisumu) have greatly reduced the travel time between areas. A more rational licensing policy would go a long way towards formalising this informal activities which, after all, impart utility and widen the range of choice within the Kenya economy.

Hawkers, outdoor traders Shoe shine boys, maize roasters, and tea kiosks businessmen are gainfully employed. They constitute a category of the self-employed who occasionally hire casual labour. Self-employment is visualised by the Plan as a possible outlet for the energy of the unemployed. But these forms of self-employment are hampered by a number of factors. For example, in Isiolo (as in many other towns) there was a move to demolish the sheds of outdoor traders following pressure group activity by traders in permanent stone stalls built by the Local Government. The better-endowed traders feared competition from the informals. What the occasional legal harassment of the petty traders leaves unanswered is what alternatives are available for the displaced entrepreneurs and their workers. Some of them are illiterate or semi-literate, do not have much by way of capital, have no marketable skills, have no other source of funds other than themselves, their relatives or friends, and in an economy already fraught with unemployment their expulsion deprives them of their only chance to be useful, economically speaking.

As early as 1955, Sir Arthur Lewis stated that small enterprises "in any country account for more than half of industrial, commercial and agricultural employment."<sup>(1)</sup> In the context of Kenya, there are no reliable data on this, since most of the small businesses are missed in the Annual Enumeration of Employees. However, according to a World Bank estimate in 1972, "the small-scale sector probably accounted for between one-quarter and one-third of all employment opportunities in the urban areas. If the rural enterprises are included, small-scale African business sector is estimated to account for rather more than half of all African employment provided by private commerce and industry in Kenya."<sup>(2)</sup>

(1) W. Arthur Lewis, The Theory of Economic Growth, London: George Allen & Unwin Ltd. p. 81

(2) I.B.R.D. and I.D.A., Economic Progress and Prospects in Kenya, Vol.11, Annex A: Small-scale African Business, (March 3, 1972), p. 8

Clearly, then, the small business sector has played a vital role in the amelioration of Kenya's pressing problem of unemployment. Within this sector are some "unregistered" and therefore "illegal" businesses. In view of the limited employment opportunities generated by the hitherto "enumerated" sector, the "unenumerated" sector will increasingly be called upon to absorb the surplus. It is, therefore, incumbent upon policy makers to devise positive development-oriented action programmes to foster this sector by, say, granting legal recognition, assistance in marketing, technical guidance, etc. By so doing, it will be easier for the authorities to maintain close supervision in order to prune any undesirable products and practices in a selective fashion, rather than the present negative policies, at worst, and benign neglect, at best.

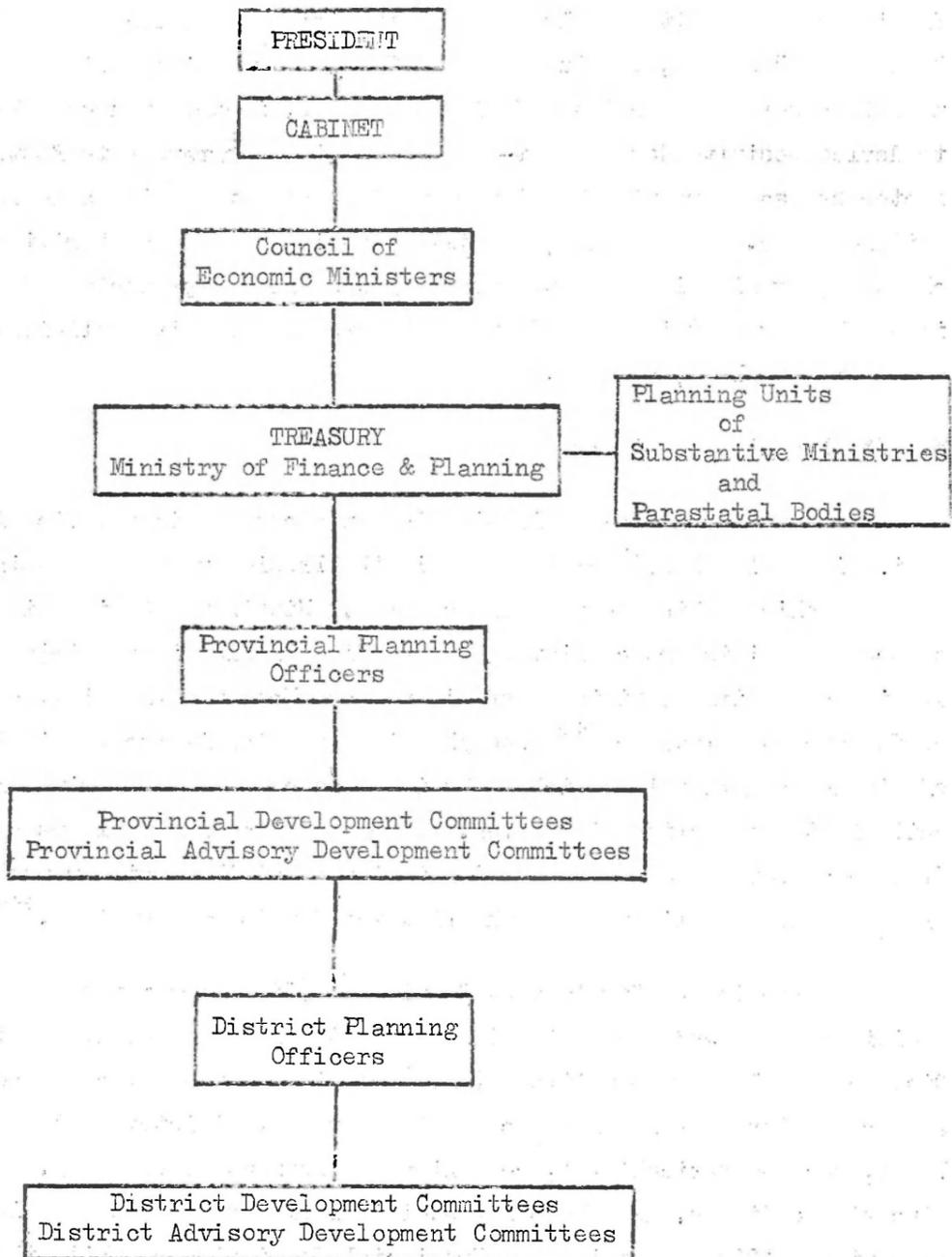
#### 5. The Planning Machinery

The machinery of planning in Kenya can be diagrammatically represented as in figure 1 below.<sup>++</sup> At the apex is the President and the Cabinet - the supreme policy making body in the country. Within the Cabinet is the Council of Economic Ministers consisting of the Vice President and Minister of Home Affairs as Chairman, Minister of Finance and Economic Planning, and Minister of Commerce and Industry.<sup>+++</sup> The planning function is located in the Ministry of Finance and Planning which works in close collaboration with planning units in the operating ministries. There are Planning Officers at the Provincial level and the Hdegwa Commission on Civil Service remuneration proposed the establishment of the District Development Offices.<sup>++++</sup>

Provincial Development Committees (PDCs) consist of the provincial administrative and professional heads of Central Government Ministries. District Development Committees (DDCs) consist of the principal administrative and professional staff of the central government ministries at the local level, such as agricultural, community development, veterinary, medical, education officers, and the chief administrative officer of the local authority. PDCs are chaired by Provincial Commissioners while the DDCs are chaired by District Commissioners. At both Provincial and District levels we have Development Advisory Committees which consist of the relevant Development Committees, members of Parliament from the area concerned, and several prominent citizens nominated by PCs and DCs, respectively. They act, as their name implies, in a purely advisory capacity to the Development Committees.

<sup>++</sup>For an excellent account of the planning organisation as it existed in 1969 see Dharam P. Ghai, "Machinery of Planning in Kenya", Discussion Paper No.84, Institute for Development Studies, Nairobi, October, 1969. Here, too, .....cont/p.11.

Figure 1. PLANNING ORGANIZATION



From this discussion on the structure of the planning machinery, we see that there is some provision for local participation through a network of development and advisory development committees. But on closer scrutiny, we notice that we have local, but not necessarily popular participation. The general public is not associated in any formal way with the planning machinery. Unlike other countries, Kenya does not have a system of working parties consisting of officials, businessmen, trade unionists, outside specialists, farm leaders, etc. The plan reflects ministerial and official directives. Planning is entirely from above. But development, the implementation of that which is planned, has to come from below. Here, then, lies a very strong case for popular involvement in the planning and implementation machinery.

An index of the efficiency of the implementation machinery is provided by the extent to which the annual development estimates are actually carried out. The Kenyan experience in recent years has been rather disappointing. As Table 2.30 on pages 56 & 57 of the Development Plan (1970-74) shows, over the years 1964/65 - 1967/68 there has continued to be persistent and substantial short falls between final approved estimates and the actual development expenditure carried out. The result is that the annual budget, which is the principal vehicle for giving effect to the Development Plan, has not adequately translated the plans into reality.

#### Conclusion

This discussion of some selected features in Kenya's economic development has not pretended to be comprehensive by the very fact of its being selective. Nonetheless, its partial evaluations are worth recapitulating. We have seen that there are some scenes that the Plan did not quite anticipate or ignored all together (e.g. the proliferation of self-help projects and the informal sector activities). Other scenes were planned but not adequately executed (e.g. the Special Rural Development Projects). In some instances we notice conflicting policy objectives (e.g. the aim to maximize the rate of job creation, while at the same time fostering capital-intensive techniques).

Perhaps this discussion poses some of the problems without offering very much by way of solutions. But then the realisation of a problem is a

footnote ++ cont.

will be found a detailed breakdown of the constituent units in the Ministry of Planning.

+++ Other ministers are brought in when matters of interest to them are under consideration.

++++ Report of the Commission of Inquiry (Public Service Structure and Remuneration Commission) Nairobi, Government Printer, 1971, p. 113

necessary pre-condition for a proper diagnosis and prescription for a suitable solution. It is hoped that this paper brings to light the fact that development as observed may not be the development as planned. Development is a very intricate phenomenon.