8-1-1966

An Analysis of Measures and Steps to Implement Kenya's Development Plan 1964-70 Within African Socialism

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AN ANALYSIS OF MEASURES AND STEPS TO IMPLEMENT KENYA'S DEVELOPMENT PLAN 1964-70 WITHIN AFRICAN SOCIALISM

by

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B.A. in Economics, University of Minnesota (Minneapolis), 1965

A Thesis

Submitted to the Faculty

of the

University of North Dakota

in partial fulfillment of the requirements

for the degree of

Master of Arts

Grand Forks, North Dakota

August
1966

This thesis submitted by George S. Obong in partial fulfillment of the requirements for the Degree of Master of Arts in the University of North Dakota is hereby approved by the Committee under whom the work has been done.

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ACKNOWLEDGMENTS

The author wishes to express his sincere appreciation to Professor Charles W. Bullard, Chairman of the Economics Department, for his advice, constructive criticism in interpretation, and for the preparation of this paper.

Acknowledgment is also given to Professor Philip Marcus, currently on leave of absence, for his advice and warm friendliness during the time I worked under him.

Acknowledgment is also given to Professor Eugene B. Finch (Department of Economics) and Professor Henry J. Tomasek (Chairman of the Political Science Department) for their encouragement and suggestions in my program of study.

Acknowledgment is also given to Dr. Russell A. Peterson (Foreign Student Advisor-UND) and Dean Donald J. Robertson for financial support with tuition fees scholarship.

Acknowledgment is also given to Mr. J. G. Kiti (Ass. Education Attache) of the Kenya Mission to the United Nations for his kindness in supplying most of the information used in this thesis.

Appreciation is also extended to Mrs. A. D. Schneider, who quickly and efficiently typed the thesis despite many imperfections in the original copy.

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ABSTRACT

The purposes of this thesis were: (1) to analyse application of African Socialism in Kenya's economic goals for the 1964-70 period; (2) to show that growth is the first concern of planning in Kenya, and that the responsibility for the success of African Socialism in attaining this objective is a dual one. Besides government's efforts, the people themselves must contribute zeal for exertion and efficiency, and high standards of personal and professional integrity in every walk of life.

In order to attain its goal, the government is establishing new economic institutions and modifying old ones, freely choosing models from the successful economies of the world, adapting them to suit Kenya's conditions and, in the process, developing new concepts of economic organization. Ideological concerns ignored, the only criterion is the effectiveness of the institution in achieving greater welfare for all the people.

To ensure that the benefits of an expanding economy are widely enjoyed, the government is promoting the greatest possible participation of Africans in both the public and private sectors of the economy.

This development plan is only the beginning of a move towards greater welfare through vigorous economic growth, and if it succeeds, the average annual family income will be £ 200 by 1970.

In conclusion, the most important policies of the development plan should provide a firm basis for rapid economic growth. Other immediate problems such as Africanization of the economy, education, unemployment, welfare services, and provincial policies must be handled in ways that will not jeopardise growth.

INTRODUCTION

With independence attained in December 1963, Kenya is in the process of mobilizing its resources to attain a rapid rate of economic growth for the benefit of its people. The people of Kenya feel that, under colonialism, they had no voice in the Government; the nation's natural resources were organized and developed mainly for the benefit of non-Africans; and the nation's human resources remained largely uneducated, untrained, inexperienced and unbenefited by the growth of the economy.[1] This type of bitter feeling seems to the author a little unjustified because the British in Kenya, unlike the Belgians in Congo, did much to improve economic, political and social conditions of the indigenous Kenyans.

Kenya is in a period of multiple transition set in motion by the attainment of independence.[2] She is in transition from a subsistence to a monetary economy, from an economic dependence on agriculture to a more balanced growth, from a development of natural resources for others to a development of human and natural resources for the benefit of the people of Kenya.

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[1] African Socialism and Its Application to Planning in Kenya, Nairobi: Government Printer, 1964, p. 1

[2] Ibid.

The progress wanted cannot be easily won and it cannot be achieved by returning to pre-colonial conditions. The best of Kenya's African Social heritage and colonial economic legacy must be reorganized and mobilized for a carefully planned attack on poverty, disease and the lack of education in order to achieve social justice, human dignity and economic welfare for all.

The major economic mobilization and reorganization of resources that these transitions imply cannot be realized without planning, direction, control and cooperation. But planning and direction imply clearly defined objectives.

Kenya's Objectives

All democratic free Societies have, in common, some fundamental objectives or goals to pursue. The degree to which these objectives are attained and exercised depends on the individual country's stage of economic and political development. In Kenya, these objectives[3] include:

i political equality;

ii social justice;

iii human dignity including freedom of conscience;

iv freedom from want, disease, and exploitations;

v equal opportunities; and

vi high and growing per capita incomes, equitably distributed.

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[1] Kenya African National Union Manifesto (Nairobi: Government Printer, 1964), pp. 1-2

Different Societies attach different weights and priorities to these objectives[4], but it is largely in the political and economic means applied for obtaining these ends that societies differ. These differences in means are, however, of great importance because real ends are never fully attained.

Kenya is already committed to these same objectives[5], and she must choose and put into working order the system or set of devices that will push the country as quickly as possible toward these goals, meeting at the same time the immediate and pressing needs of the people.

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[4] Ibid., p. 2

[5] Ibid., p 2

CHAPTER I

AFRICAN SOCIALISM

A. Meaning and Scope

The system adopted in Kenya is African Socialism, but the characteristics of the system and the economic mechanisms it implies have never been spelled out fully in an agreed form.

The Independence of African Socialism

In the phrase "African Socialism", the word African is not introduced to describe a continent to which a foreign ideology is to be transplanted. It is meant to convey the African roots of a system that is itself African in its characteristics. The principal conditions[6] the system must satisfy are three:

1. it must draw on the best of African traditions;
2. it must be adaptable to new and rapidly changing circumstances; and
3. it must not rest for its success on a satellite relationship with any other country or a group of countries.

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[6] Ibid., p. 3

African traditions:

There are two African traditions which form an essential basis for African Socialism: political democracy[7] and mutual social responsibility. Political democracy implies that each member of society is equal in his political rights and that no individual or group will be permitted to exercise undue influence on the policies of the state. The state, therefore, can never become the weapon of special interests, serving the desires of a minority at the expense of the needs of the majority. The State will represent all of the people and will act so impartially and without prejudice.

Mutual social responsibility can be interpreted as an extension of the African family spirit to the nation as a whole, with the hope that in the end the same spirit can be extended to larger areas. It means that if society and its members cooperates, the members will share the prosperity of the society. In other words, society cannot prosper without the full cooperation of its members. The state has an obligation or responsibility to ensure equal opportunities to all its citizens, eliminate exploitation and discrimination; and provide needed social services such as education, medical care and social security.

Adaptability:

African socialism must be flexible because the problems it will meet and the incomes and desires of the people will change over time.

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[7] An ideal mixture of borrowed western democratic and eastern socialistic systems which are acceptable and beneficial to the African's way of life.

Therefore, a rigid system will have little chance for survival. The system must:

i make progress toward definite objectives, and

ii solve more immediate problems with efficiency.

Relationships with Other Countries:

The third conditioning factor is the need to avoid making development in Kenya dependent on a satellite relationship with any country or group of countries. Such a relationship would be a violation of the political and economic independence so close to the hearts of the people. Economic non-alignment does not necessarily mean a policy of isolation, any more than political non-alignment implies a refusal to participate in world affairs. On the contrary it means a willingness and a desire[8]:

1. to borrow technological knowledge and proven economic methods from any country without commitment;
2. to seek and accept technical and financial assistance from any source without involvement in the cold war; and
3. to participate fully in world trade without political domination.

2. The Operating Characteristic of African Socialism

Use of Resources:

To be consistent with the conditions specified, African socialism

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[8] African Socialism And Its Application to Planning in Kenya, (Nairobi: Government Printer, 1964), p. 8

must be politically democratic, socially responsible, adaptable and independent. The system itself is based on the further idea that the nation's productive assets must be used in the interest of society and its members.

There are some conflicting opinions with regard to the traditional attitude towards rights to land. Some people say that land was essentially communally or tribally owned; others claimed that individual rights were dominant features; still others suggest that ownership did not really exist. Land issue will be treated fully in Chapter 7.

What comes to unite all these discussions of traditional property rights is the fact that land and other productive assets, no matter who owned or managed them, were expected to be used, and used for the general welfare.

However, these African traditions cannot be carried over blindly to a modern, monetary economy. The need to develop and invest requires credit and a credit economy rests heavily on a system of land titles and their registration. The ownership of land must, therefore, be made more definite and explicit if land consolidation and development are to be fully successful.

Control of Resource Use:

Under African socialism the power to control resource use resides with the state. The system must rely on planning to determine the appropriate uses of productive resources on a range of controls to ensure that plans are carried out.

Economic activities are different in function, importance and purpose. Some are directed towards satisfying the needs of society as a whole, others are employed by the individual for himself and many others serve both purposes in different degrees. The measure of control needed for each of these activities differs from that needed for others. In order to control effectively, sufficiently and not excessively in each case, many types of degrees of control are needed ranging from none, through influence, guidance and the control of a few variables such as prices or quantities, to absolute control represented by state ownership and operation.

The use of a range of controls also has as its counterpart the permission of varying degrees of private participation and initiative. The use of a range of controls offers the great advantage of flexibility. Controls can be applied selectively and with sensitivity depending on where in the phase of economic activity the one to be controlled is located Also, the degree and nature of controls can be modified over time. Another feature of the range of controls is that it permits a variety of forms of private participation, each of which can be utilized where it performs best. It also gives a substantial degree of freedom in attracting both private and public capital whether internally or from abroad.

The purpose of a range of controls and of planning is to ensure that productive assets are used for the benefit of society.

Class Problem:

The sharp class that once existed in Europe has no place in

African Socialism and no parallel in African society. By this the author means the Aristotlean philosophy that: "*from the hour of their birth, some are marked out for subjection, others for rule.*"[9] No such master-slave relationship arose in the traditional African Society and none exists today among Africans. Class problems in Africa, therefore, are largely one of prevention, in particular:

i to eliminate the risk of foreign economic domination, and

ii to plan development so as to prevent the emergence of warring classes.

In addition, Kenya has the special problem of eliminating classes that have risen largely on the basis of race. This matter of Africanization in Kenya is reserved for discussion in part B.

B. Application of African Socialism to Planning in Kenya

The end objectives of African Socialism are clear and have been set forth in part A. The high priorities placed on political equality, social justice and human dignity mean that these principles will not be compromised in selecting policies designed to alleviate pressing and immediate problems The most important of these policies is to provide a firm basis for rapid economic growth. Growth, then, is the first concern of planning in Kenya.

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[9] Michael B. Foster, Masters of Political Thought, (Boston: Houghton Mifflin Company, 1941), I 131

Resource Limitations:

The attainment of rapid growth requires careful planning and firm discipline in implementing plans to ensure that Kenya's limited resources are increased as rapidly as possible and used wisely in the promotion of growth. The critical shortages[10] in Kenya at the present time are:

i domestic capital;

ii trained, educated and experienced manpower; and

iii foreign exchange.

In addition, there is the urgent need to conserve their natural resources through national land-use planning and to create the physical environment in which people can enjoy the fruits of their labor.

Domestic Capital

The shortage of domestic savings available for investment is probably the most important single obstacle to rapid economic development. Continuous and lasting improvements in levels of living can be secured only through the progressive expansion of productive capacity, which depends to a large extent on the pace of capital formation.[11] The highest rates of economic growth have generally occurred in countries where the proportion of output allocated for investment has been relatively high.

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[10] The International Bank for Reconstruction and Development, The Economic Development of Kenya, A report of a Mission Organized by the IBRD at the request of the Governments of Kenya and U.S. (Baltimore: The Johns Hopkins Press, 1963), 11. 33-40

[11] United Nations Department of Economic and Social Affairs, World Economic Survey 1959 (New York, 1960), p. 63. Sales Number 60 11 cl

The shortage of domestic capital stems from the low rate of domestic saving and the difficulties encountered in raising local and central government tax revenues.

It is often assumed that developing countries are so poor that domestic savings must in any case be negligible, but this is wrong. Even poor Indian peasants[12] and West African Cocoa farmers [13] have been found to have a high propensity to save. The problem of increasing the flow of domestic savings for development is consequently a double one: of taking steps actually to increase the volume and of mobilizing it into channels where it will be available to the government and other developers.

The simplest method of extracting savings for development from the home population is by means of "deficit finance"[14] whereby the government spends more than it has and covers the difference by borrowing from the Central Bank if there is one or simply by printing notes. The rate of interest implied is zero in the case of printing notes, and for central bank loans it is probably very low.

Skilled Manpower

The natural goal of all underdeveloped countries[15] is to make a

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[12]Cf. Shanti Lal Sampia, Economic Weekly, 22 June, 1963

[13]Cf. R. Galletti et al., Nigerian Cocoa Farmers, Oxford, 1956

[14]Ursula K. Hicks, Development Finance, (Oxford: Oxford University Press, 1965), pp. 47-48

[15]African Socialism and its Application to Planning in Kenya, Nairobi: Government Printer, 1964), p. 21

primary education universal and mandatory as rapidly as possible. However, as long as resources are insufficient to meet all educational requirements, the relative growth of different levels and fields, education should be carefully coordinated.

Growth therefore requires a good supply of skilled, trained and experienced manpower. Large numbers of qualified manpower are required to teach in Kenya's rapidly growing secondary school system, teachers' colleges and the University; to consolidate, survey and register land at a quicker rate; to do agricultural research, provide extension services, train farm managers and operate national farms, to manage private industrial and commercial establishments; and many others.

The existing situation in 1962 can be illustrated by noting that the Government employed 25 highly trained surveyors, only two of whom were African, and had 11 vacancies; the Government had 11 hydraulic engineers, one of whom was an African, and had seven vacancies; of 811 doctors in Kenya, approximately 50 were African; of 1,569 secondary school teachers 364 were African; and of 316 teachers in teachers' training colleges, 126 were African.

Finally, the very fact that it takes a long time to train professional people means that shortages of high level manpower will continue to be with the Kenyans for several planning periods.

Foreign Exchange:

Government ordinarily borrows foreign exchange to cover as much as possible of the so-called "foreig exchange component"[16] of their economic development project. Insofar as local materials and labor can be used, there is no direct need for foreign exchange.

Payments for goods and services bought from abroad and repayment of foreign loans must be made in foreign currencies. Kenya can acquire these currencies by selling goods and services abroad, promoting tourism, borrowing abroad and reducing Kenya's holdings of foreign assets.

Up to 1962 Kenya did not have a foreign exchange problem but planners must be careful that steps they take to promote growth, including foreign policy, do not create this problem.

To avoid future foreign exchange problems, Kenya must use her borrowed funds and imported goods efficiently and in the production of more goods and services either for additional exports or for import substitution.

Planners must be aware that bilateral trade and aid agreements can lead to specific currency difficulties.

Proper Use of Domestic Resources:

Not all of Kenya's domestic resources are fully utilized. Some are either wasted or destroyed.[17] The use of outmoded farming tech-

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[16]Stephen Enke, Economics for Development, (Englewood Cliffs, N.J. Prentice-Hall, Inc., 1963), p. 452

[17]African Socialism and its Application to Planning in Kenya, (Nairobi: Government Printer, "n.d."), p. 24

niques may result in erosion; the cutting of windbreaks and the burning of vegetation may turn fertile acres into deserts; and the destruction of forests may eliminate important water supplies. Practices tending to harm rather than conserve Kenya's physical environment must be stopped through education and legislation.

Critical Issues and Choices:

The country entering currently on nationhood is faced, at least in principle, with the problem of selecting an economic system.[18] The choice, one from which the developing countries of the eighteenth and nineteenth countries were conveniently exempt, is between the economic, political and constitutional arrangements generally associated with the Western democracies, on the one hand, and the policy and economic organization which avows its debt to Marx and the Russian Revolution, on the other.

Kenya has chosen neither of these and has adopted the policy of non-alignment in her economic and political goals. Some of the more crucial choices[19] facing Kenya's economic planners, in their course of development, on which decisions must be made are:

i Under what circumstances and to what degree should the means of production be nationalized?

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[18]John K. Galbraith, Economic Development, (Cambridge, Massachusetts: Harvard University Press, 1964), p. 23

[19]African Socialism and its Application to Planning in Kenya, (Nairobi: Government Printer, "n.d."), p. 25

ii What means should be employed to promote Africanization?

iii Under present conditions, what fraction of Kenya's development budget should be set aside for the expansion of welfare services?

iv How to extract savings from home population and channel it into investment projects in Kenya?

v What "Canons of taxation" should be adopted to increase revenue, establish incentives, distribute income and diffuse economic power?

vi What role should self-help play in development?

vii What agricultural and land tenure policies should be practiced to increase productivity and aid economic development?

viii What considerations should be borne in mind when building educational facilities and providing programmes?

ix What criteria should be used in channelling investments into industrial, commercial and tourist establishment?

x How can labor unions contribute to economic development?

xi How can the Government protect consumers from excessively high prices and contaminated goods and services?

The forthcoming chapters will discuss how the government plans to answer these decision-making policies.

CHAPTER II

APPROACH TO ECONOMIC PLANNING

There are various definitions of planning to be found in economic literature, but for the author's purpose he would take the one he considers to be a generic definition. Planning therefore is the systematic management of assets.[1] Management of assets involves: The identification of the primary objectives to the pursuit of which assets will be managed; the integration of the several strategic streams of decisions which are necessary if assets are to be converted to the achievement of the objectives posed; and time consideration over which objectives and strategic decisions are to be made. In summary, the principal aspects of the planning process are: Ideological; Technical and Economic; and Organizational and Political.

Objectives:

The most commonly voiced objective[2] of public planning is an accelerated rate of growth in the national economy, usually expressed

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[1]Neil W. Chamberlain, Private and Public Planning (New York: McGraw-Hill Book Company, 1965), pp. 4-9

[2]Ibid., pp. 64-66

as a percentage increase in Gross National Product. The second objective is the attainment of full employment, and last, the equalization of inco[illegible] classes and re[illegible].

Problems of Planning:

Since the nature and direction of planning in each country are determined by its political orientation, planning itself is therefore a neutral technique which can serve whatever purpose desired by the planners. The first task of the planners is to ensure consistency of the plan. That is objectives (rate of growth, full employment, and distribution of income) may not be contradictory. Second task is programming investment, i.e. to examine the feasibility of the plan by comparing its objectives with existing resources, in terms of finance and physical output, and by analyzing the means available for increasing these resources, and last, the problem of estimating future demand.[3]

A Good Plan:

Planning being vitally necessary in the poor country, the author wishes to say something about the requirements of a good plan. These are four:[4] The choice of instruments for the execution of the plan should be pragmatic; it should be accommodated to the level of economic and cultural achievement of the country in question; the plan must provide a strategy for

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[3] Paul Alpert, Economic Development, (New York: The Free Press of Glencoe, 1964), pp. 70-80

[4] John K. Galbraith, Economic Development (Cambridge, Mass: Harvard University Press, 1964), pp. 68-76

economic advance; and last the plan should emphasize the visible and the invisible dimensions of industrial achievement.

All what has been said before applies to all underdeveloped countries of which Kenya is included. The author now turns to how Kenya in its economic development plan 1964-70 plans to attack and solve some of these decision-making problems.

Kenya's Planning Policies:

The Government of Kenya is dedicated to the creation of a democratic African Socialist Kenya: democratic because it will be a free society in which there will be no place for discrimination by race, tribe, belief or otherwise; African because the nation must grow from indigenous roots, adopting the best from other cultural systems; Socialist because all people have the right to be free from economic exploitation and social inequality. The Government's specific objectives[6] include:

1. Maintaining and developing in a modern context the traditional spirit of mutual social responsibility between the individual and his society;

2. The preservation of the traditional attitude that everyone has a duty to work in a cooperative endeavor for the benefit of the common good and the

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[5]Kenya, Development Plan 1964-70 (Nairobi: Government Printer, 1964), p. I

[6]Ibid.,

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[5]Kenya, Development Plan 1964-70 (Nairobi: Government Printer, 1964), p. I

[6]Ibid.,

development of this attitude to play its role in creating a modern state through incentives for hard work and greater productivity;

3. Establishing a political and economic climate which stimulates the use of property for the common good, while safeguarding the principles of individual rights and ownership;

4. Increasing per capita income by stimulating the economy to grow at a relatively faster rate than its population;

5. Ensuring an equitable distribution of income;

6. Developing fully every citizen's abilities so that he may contribute most effectively to social and economic development;

7. Creating employment opportunities and ensuring that those employed are neither exploited nor discriminated against;

8. Providing social services, such as education and medical care and an increasing measure of social security, which are fundamental to human dignity, unity and improvements;

9. Establishing military and police forces dedicated to securing peace, stability and freedom.

The achievement of the African Socialism, as it is idealized, is a long-term goal. With this goal in mind, the government's policies developed for planning for 1964-70 period, must reflect present conditions, particularly shortages in resources for development. This reflection is shown in the following adopted governmental policies:

1. A social policy which seeks to preserve the traditional spirit of mutual social responsibility while adapting it to the needs and circumstances of the modern state;
2. An educational policy that recognizes social aspiration and the need for skilled manpower as well as limited financial means and the burden ~~of rapid~~ of rapid population growth;
3. A manpower policy which is aimed at alleviating unemployment and developing a skilled labor force;
4. A wage policy which is designed to eliminate exploitation and discrimination, but is clearly related to productivity and conditions of supply and demand;
5. A policy to ensure the equitable distribution of the benefits of economic growth among the people of the various regions;
6. An investment policy which is designed to

stimulate private capital formation and employment opportunities for labor;

7. A policy to secure greater participation in economic affairs by the government and people of Kenya;

8. A policy towards the external supplies of funds containing assurances against nationalization and designed to encourage a net flow of foreign capital;

9. A policy to develop new and existing institutions for promoting domestic savings and their productive utilization;

10. A policy emphasizing self-help schemes which will involve the people of Kenya in planning and working for their own development;

11. Industrialization and agricultural policies which recognize their mutual interdependence and the dominant role of agriculture;

12. A trade policy designed to conserve foreign exchange resources in order to finance capital imports;

13. A tax policy which considers incentives, income distribution, ability to pay, the responsiveness of tax revenues to economic growth, relative needs of central and regional governments, the impacts of a central bank on fiscal policy and the need

for synchronization with tax policies of the other countries in East Africa.[7]

Planning Techniques:

A fundamental characteristic of African Socialism is its strong commitment to central economic planning as the organization and technique for marshalling the nation's resources in efficient pursuit of Government's economic and social objectives. Planning is intended to coordinate activities in the private and public sectors, to ensure that actions in each sector complement those in the other and to influence development in both sectors for the common good; to fulfill its purpose the planning organization for the 1964-70 period must perform a series of the following functions:

1. Develop factual and functional knowledge of the economy.
2. Specify and analyze targets.
3. Formulate plans and policies.
4. Coordinate and communicate plans.
5. Implement the plan and evaluate its operation.
6. Promote revision and flexibility.

[7] Ibid., pp. 2-3

CHAPTER III

PLANNING ORGANIZATION

The planning functions described in Chapter Two imply certain essential characteristics of a successful planning organization. First, the statistical data which form the basis for all planning must be accessible to the planning unit. Also the kinds of data collected should be a matter of consultation with the planners to ensure that the proper statistics are available for both target setting and plan evaluation. Second, economic planning functions must be closely coordinated with those of financial planning. However, development planners must avoid direct responsibility for financial administration because they should think in terms of real resources and the long-run, while financial administration is usually necessarily a matter to be considered in monetary terms and the short-run.[8]

Besides these primarily internal requirements, the author thinks it is imperative that a planning organization maintain close relations with other organizations both within and outside the Government. Particularly, there must be access to the Prime Minister and the Cabinet

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[8] Ibid.

for thorough discussions of policy matters. Also there should be coordination with the development plans of neighboring countries to improve upon existing common services and markets.

Directorate of Planning

To execute the plan, the Government established a Directorate of planning located in the Ministry of Finance and Economic Planning.[9] A chart outlining this unit and its relationship to other bodies both in and outside the government is shown in Figure 3.1.

The major burden for economic planning is carried by the Chief Planning Officer and his staff, who sets sectoral growth targets. The Directorate ensures that Ministries, in planning for the sectors of their responsibility, work to those targets and planning offices are in constant touch with the ministries to guide them at each stage of planning.

According to the plan, the Chief Financial Officer is, with his staff, responsible for external aid negotiations, both technical and financial. The financial section also deals with tne development of internal financial institutions to generate local funds for development. Also it is responsible for financial programming, including the preparation of annual capital budgets, and works programming.

Development Committee of the Cabinet:

The Cabinet has established a Development Committee, chaired by the Minister For Finance and economic planning with the Minister of

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[9]Ibid., pp. 6-7

State in the President's office as the vice-chairman. Members include those ministers with portfolios most closely related to economic development, but all ministers are free to attend meetings of the Committee. The Committee reviews development plans for both the public and private sectors; makes specific recommendations on priorities in relation to work capacity, staff availability, available finance and other relevant factors; and in general considers any problem related to economic planning.[10]

Advisory Bodies:

To allow regions to participate in problems of national coordination of development plans, the Regional Development Consultative Council has been established under the chairmanship of the Minister of Finance and Economic Planning, with the Parliamentary Secretary of Economic Planning as vice-chairman. It consists of one member to be designated by each region and is advisory to the Minister.

The Planning and Development Advisory Council has been established to ensure consultation and coordination with private industry, agriculture, organized labor and other private interests. It is composed of members from the general public appointed for their personal abilities. The Council is headed by the Parliamentary Secretary for Economic Planning and it is advisory to the Minister for Finance and Economic Planning.

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[10] Ibid., pp. 7-8

East African Coordination:

Already East Africa enjoys a fair degree of cooperation on economic matters. There is a common currency. Labor mobility and the absence of internal tariffs create an effective common market. Tax administration is undertaken for all three countries by the East African common services organization and, to promote an equitable distribution of the revenues thus raised, a portion of them is put in a distributive pool and allocated to each country as recommended by the Raisman Report.[11] Also the East African industrial council is working towards a common policy on industrialization through licensing. The East African Railways and Harbors and East African Posts and Telecommunications Administrations ensure common planning on those essential services. Last, in 1963 the three countries' colleges - Makerere College in Kampala, University College Dar es Salaam, and University College in Nairobi - joined to form the University of East Africa, thus establishing cooperation on higher education.

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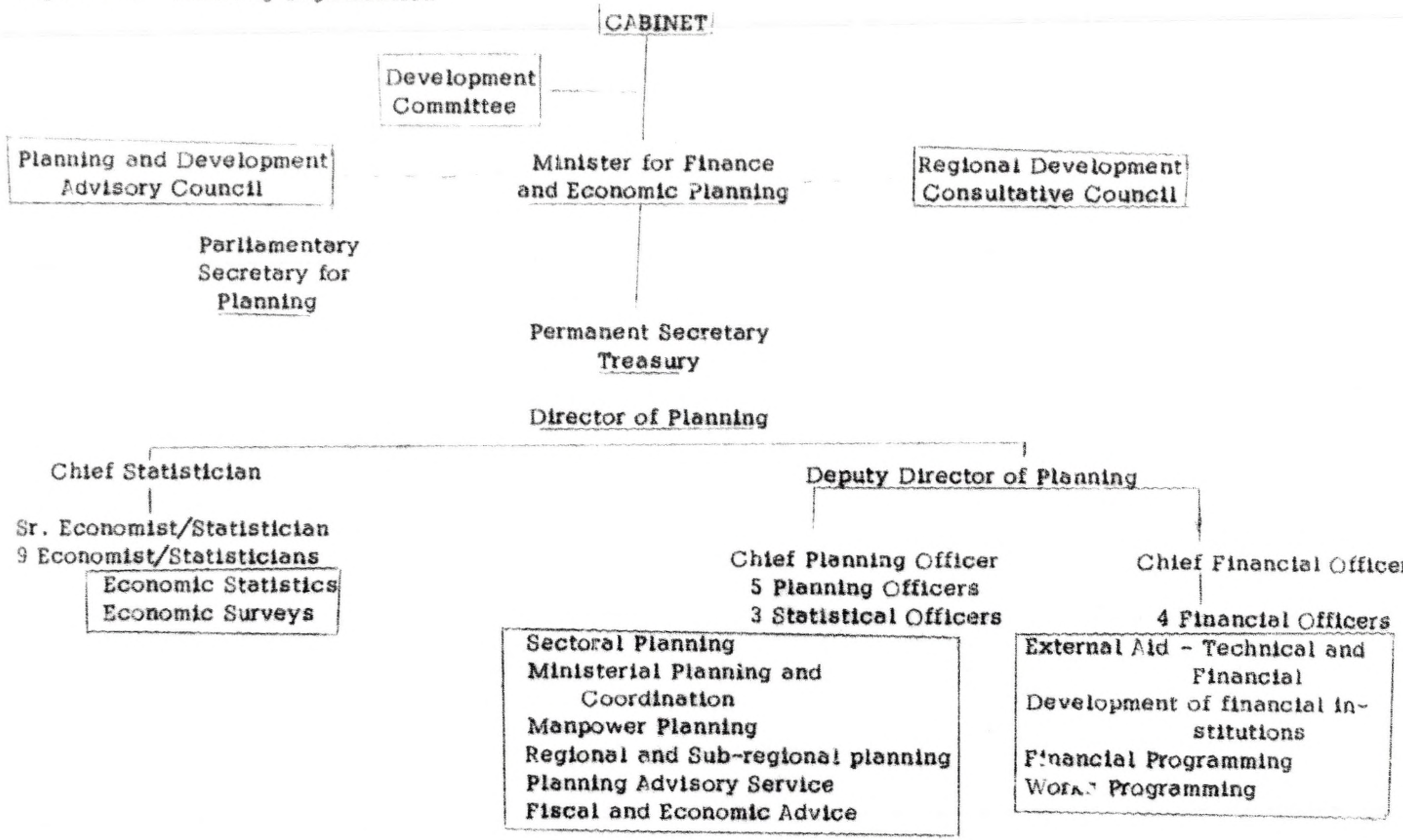
[11] East Africa, Report of the Economic and Fiscal Commission, February 1961, London, HMSO, Cmd. 1279

Figure 3.1 - Planning Organization



Source: Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 9

CHAPTER IV

GROWTH OF THE ECONOMY 1954-62

The discussion of economic growth in the years since World War II can be compared in vigor with that which followed the publication of Smith's inquiry into "The nature and causes of the wealth of nations" in 1776 and to which in the following sixty or seventy years Bentham, Malthus, John Stuart Mill, among others, made their notable contributions. Presently, the new nations of Asia and Africa are in the beginning stages of national development and are concerned, as were those of Western Europe in the late eighteenth and early nineteenth centuries with understanding the processes on which progress depends. Scholars in the more economically advanced countries have joined, and commonly led, the discussion.[1]

Development planning is not a new thing in Kenya. At the end of World War II the East African governments, like those of other British dependencies, prepared ten-year development plans covering the years

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[1]John K. Galbraith, Economic Development, (Cambridge, Mass: Harvard University Press., 1964), p. 37

1946-1955[2]. Financial assistance for the implementation of these plans was provided by the United Kingdom, under the terms of the Colonial Development and Welfare Act. These ten-year plans were revised from time to time during their execution and since 1954 the Kenya Government has adopted successive three-year development programmes, the last of which ended on June 30, 1963.

Since an analysis of economic performance in the recent past can be helpful in assessing and establishing targets for the near future, the author has decided to critically analyze the 1954-62 period because during this period, Kenya underwent through many extraordinary events unlikely to repeat themselves again: political unrest, famines and floods, and the beginning of the transition from a colonial to an independent government. Therefore the working of the 1964-70 development plan will depend on the economic base established during the 1954-62 period.

Population:

The underdeveloped countries, which have recently entered a similar period of demographic transition, are in a far worse position than were the Western Countries at the start of their economic

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[2]The International Bank for Reconstruction and Development, The Economic Development of Kenya, A report of a Mission Organized by the International Bank for Reconstruction and Development at the request of the Governments of Kenya and United Kingdoms (Baltimore: The Johns Hopkins Press, 1963), p. 45

development [3]. In some of these countries, the rate of population growth may continue to increase as a result of a sharp drop in death rates. This is likely to happen in Kenya.

Using 1948 Census as a base, the 1962 Census suggests that the rate of population growth in Kanya is 3 per cent per annum with a tendency of upward growth[4]. This poses two problems: First, the output of the economy must increase by more than 3 per cent per annum if income per capita is to increase at all. Second, expanding population increases the size of the labor force making it hard to reduce existing unemployment.

Per Capita Income and Product:

While gross domestic product at 1962[5] prices increased at a rate of 5.5 per cent, prices, measured by changes in the Nairobi cost of living index, increased by 2.5 per cent per annum. This reveals that the real value of domestic income increased by only 3.0 per cent per annum or by just enough to support the increasing population at the same level of real per capita income. It would be logical to argue that the Nairobi cost of living index overstates the rise in prices which occurred, since it is taken for consumers who buy more imported goods than the population as a whole.

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[3] Paul Alpert, Economic Development, (New York: The Free Press of Glencoe., 1964), p. 91

[4] Kenya., Development Plan of 1964-70, (Nairobi: Government Printer, 1964), p. 10

[5] Kenya, Development Plan of 1964-70, (Nairobi: Government Printer, 1964), p. 11

Conclusion then is that over the eight years the rates of growth have not been uniform. From 1954 to 1958 real gross domestic income grew by at least 3.6 per cent, while the period 1958-62 was characterized by only a 2.2 per cent growth rate.[6] It is probable that real per capita income fell in the latter half of the period, offsetting gains achieved between 1954 and 1958. Same conclusions apply for the monetary sector of the economy. This is clearly illustrated in Table 4.1.

TABLE 4.1 - RATES OF GROWTH IN REAL PER CAPITA INCOME

	Amounts			Annual Rates of Growth, Per Cent		
	1954	1958	1962	54-58	58-62	54-62
Population	6,848	7,709	8,676	3.0	3.0	3.0
Gross Domestic Product (£M)	158.0	208.1	243.3	7.1	3.9	5.5
Nairobi Cost of Living Index (1939 100) " "	253.0	289.0	309.0	3.5	1.7	2.5
Real Domestic Income (£M) (1962 Prices) "	193.0	222.5	243.3	3.6	2.2	3.0
Real Per Capita Income (£M) (1962 Prices)	28.2	28.9	28.0	0.6	-0.8	0.0
Monetary Gross Domestic Product (£M) " " "	112.5	155.5	180.0	8.4	3.7	6.0
Real Monetary Income (£M) (1962 Prices) " "	137.3	166.3	180.0	4.9	2.0	3.5
Real per capita Monetary Income (£M) (1962 Prices) "	20.0	21.6	20.7	1.9	-1.0	0.5

Note: One British Pound Sterling equals 2.8 American dollars.

Source: Kenya Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 11

[6] Ibid.

Sectoral Growth:

Table 4.2[7] below reveals that various industrial sectors of the economy grew at different rates. The Range of Annual rates of growth for 1954-62 extended from -8.5 per cent to 14.3 per cent and the range for 1954-58 from -14.1 to 24.0 per cent.

The table[8] shows that fishing and hunting declined rapidly and banking and insurance grew rapidly in both cases. During this period, five sectors grew rapidly: banking, insurance and real estate; electricity and water; government services; transportation, storage and communications; and services. Similarly, the industries which grew slowly were fishing and hunting; mining and quarrying; construction; wholesale and retail trade; and agriculture.

The four principal sectors of the economy are agriculture, wholesale and retail trade, government services and manufacturing. Tables 4.3; 4.4; and 4.5 show the 1954-62 period rate of growth of agriculture, manufacturing and central government respectively.

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[7]Kenya, Development Plan of 1964-70, (Nairobi: Government Printer, 1964), p. 12

[8]Ibid., p. 12

TABLE 2 - RATES OF CHANGE IN CONTRIBUTIONS TO MONETARY GROSS DOMESTIC PRODUCT BY INDUSTRY

Industry	Contribution to Monetary Gross Domestic Product £ million			Share of Monetary Gross Domestic Product	Annual Rates of Growth Per Cent	
	1954	1958	1962	1962	54-58	54-62
Banking, Insurance and Real Estate	1.38	3.26	4.01	2.2	24.0	14.3
Electricity & Water	1.24	2.36	2.98	1.7	17.4	11.6
Government Services	13.94	20.46	28.02	15.6	10.1	9.1
Transport, Storage & Communications	11.84	17.69	22.21	12.3	10.6	8.2
Services	7.90	13.11	14.21	7.9	13.5	7.6
Forestry	0.55	0.68	0.95	0.5	5.4	7.1
Rents	4.83	7.51	8.39	4.7	11.7	7.1
Manufacturing	14.14	20.52	23.04	12.8	9.8	6.3
Monetary Economy	112.45	155.50	180.01	100.0	8.4	6.0
Livestock	6.37	8.27	9.30	5.2	6.8	4.8
Agriculture	19.82	24.75	28.49	15.8	5.7	4.6
Wholesale & Retail Trade	21.59	26.39	30.02	16.7	4.1	4.2
Construction	6.31	8.38	6.76	3.8	7.3	0.8
Mining & Quarrying	0.89	1.23	0.82	0.5	8.4	-1.0
Fishing & Hunting	1.65	0.90	0.81	0.5	-14.1	-8.5

Source: Ibid., p. 13

Note: 1 British Pound Sterling equals 2.8 American dollars

TABLE 4.3 - RATES OF CHANGE IN GROSS VALUE OF MARKETED AGRICULTURAL AND LIVESTOCK PRODUCE BY PRODUCT AND TYPE OF FARMING

Product or Type of Farming	Values £ million			Share of Gross Value of Marketed Produce Per Cent	Annual Rates of Growth' Per Cent	
	1954	1958	1962	1962	54-58	54-62
Sugar	0.28	0.68	1.17	2.5	24.8	19.6
Pyrethrum	0.62	1.16	2.21	4.7	17.0	17.2
Cattle and Calves for slaughter	2.20	4.04	4.79	10.2	16.4	10.2
Sisal	2.24	2.44	4.52	9.6	2.2	9.2
Coffee	5.46	9.57	9.48	20.3	15.0	7.1
TOTAL	33.31	41.02	46.76	100.0	5.3	4.3
Butterfat	1.32	1.32	1.57	3.4	0.0	2.2
Whole milk	--	2.29	2.50	5.3	--	2.2*
Other	9.30	8.68	8.36	17.9	-1.8	-1.3
Wheat	3.86	2.93	2.14	4.6	-6.7	-7.1
Maize	5.97	3.49	3.33	7.1	-12.6	-7.0
Large Farm Sector	27.30	33.41	36.07	77.1	5.2	3.5
Small Farm Sector	6.01	7.61	10.69	22.9	6.1	7.5

*1958-1962

Note: 1 British Pound Sterling equals 2.8 American dollars

Source: Ibid., p. 14

TABLE 4.4 - RATES OF CHANGE IN NET OUTPUTS BY MANUFACTURING INDUSTRIES

Industry	Net Output £ million			Share of Total Manufacturing Output Per Cent	Annual Rates of Growth Per Cent	
	1954	1957	1961	1961	54-57	54-61
Textiles, Clothing, Footwear and Leather	0.83	1 08	1.64	8.3	9.2	10.4
Beverages and Tobacco	1.90	3.55	3.49	17.6	23.2	9.0
Non-Metallic Products	1.16	1.54	2.11	10.7	9.8	8.9
Meat, Dairy and Canned Products	0.86	0.82	1.51	7.7	-1.6	8.3
Other Food Products	1.43	1.75	2.43	2.43	12.3	7.9
TOTAL	13.15	17.40	19.77	100.0	9.8	6.0
Metals and Associated Industries	2.04	3.75	3.49	17.6	22.6	4.5
Rubber and Chemicals	2.04	2.03	2.40	12.1	-0.2	2.3
Wood, Paper and Printing	2.62	2.70	2.49	12.6	1.0	-0.7
Miscellaneous	0.27	0.18	0.21	1.0	-12.6	-3.5

Source: Ibid., p. 14

Note: 1 British Pound Sterling equals 2.8 American dollars

TABLE 4.5 - RATES OF CHANGE IN CENTRAL GOVERNMENT EXPENDITURE BY TYPE

Type of Expenditure	Amounts £ million			Share of Total Government Expenditure Per Cent	Annual Rates of Growth Per Cent	
	54-55	58-59	62-63*	62-63	54-59	54-63
Agriculture, Forestry and Game	5.15	5.73	13.49	22.9	2.7	12.8
Financial Obligations	3.72	5.79	9.52	16.2	11.7	12.5
Transport	2.21	2.68	4.77	8.2	4.9	10.1
Education	4.27	6.30	8.70	14.8	10.2	9.3
TOTAL (excluding emergency)	29.72	42.28	58.83	100.0	9.2	9.2
General Services	7.96	12.76	14.25	24.2	12.5	7.6
Health	2.03	2.75	3.26	5.5	7.9	6.1
Other	4.38	6.27	4.84	8.2	9.4	1.3

*Estimates

Source: Ibid., p. 15

Note: 1 British Pound Sterling equals 2.8 American dollars

Employment:

Colonial labor policy[9] angered every African soul, particularly the politicians (Members of Kenya African National Union) who criticized capitalism and asked in its political program for a system where private and public enterprise share the field with a limited form of planning over both. Kanu[10] argued strongly against private enterprise describing it as a "doctrine which made paupers out of the workers".[11]

During 1954-62 period, population grew at 3 per cent per annum, whereas employment grew at an average annual rate of only 0.8 per cent.[12] From Table 4.6 below, it is also clear that unemployment of labor was greater in 1962 than in 1954. Exceptional case is that in transport and communications, employment grew faster than population. On the extreme side, employment fell sharply in mining and quarrying and in building and construction.

From Table 4.7, it is also clear that despite slow rate of growth in employment, the wage bill increased more rapidly because wages advanced so sharply. Over the period, an average annual earnings of Africans increased at 7.7 per cent per annum, greater increase in the public service and in private industry and commerce than in agriculture and forestry.

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[9] Marion W. Forrester, Kenya Today, (S-Gravenhage: Mouton and Co., 1962), II, 63

[10] Kenya African National Union, the ruling party in Kenya.

[11] London Times, op. cit.

[12] Kenya, Development Plan of 1964-70, (Nairobi: Government Printer, 1964), p. 17

TABLE 4.6 - RATES OF CHANGE IN REPORTED EMPLOYMENT BY MAJOR SECTOR

Sector	Employment Thousands			Share of Total Employment Per Cent	Annual Rates of Growth Per Cent	
	1954	1958	1962	1962	54-58	54-62
Transport and Communications	9.8	14.0	16.0	2.8	9.3	6.3
Public Services	148.4	157.7	168.5	29.0	1.5	1.6
Agriculture & Forestry	*223.1*	*249.5*	*245.5*	*42.2*	*2.8*	*1.2*
Wholesale & Retail Trade	33.5	36.4	36.7	6.3	2.1	1.1
TOTAL EMPLOYMENT	544.4	593.2	581.3	100.0	2.2	0.8
Electricity and Water	2.0	2.5	2.1	0.4	5.7	0.6
Manufacturing	50.0	55.6	51.4	8.8	2.7	0.3
Other Services (including Domestic)	49.3	50.2	45.0	7.7	0.5	-1.1
Mining and Quarrying	5.7	6.4	3.5	0.6	2.9	-5.9
Building and Construction	22.6	20.9	12.6	2.2	-1.9	-7.0

Source: Ibid., p. 16

Note: 1 British Pound Sterling equals 2.8 American dollars

TABLE 4.7 - RATES OF CHANGE IN AVERAGE ANNUAL EARNINGS OF AFRICAN EMPLOYEES

	Average Earnings £ per annum			Annual Rates of Growth Per Cent	
	1954	1958	1962	54-48	54-62
Public Services	59.8	90.9	120.8	11.1	9.2
Private Industry and Commerce	59.3	82.8	109.8	8.7	8.0
ALL EMPLOYMENT	44.2	62.8	80.2	9.2	7.7
Agriculture and Forestry	25.4	34.9	39.2	8.3	5.6

Source: Ibid., I. 16

Balance of Trade:

Although the balance of trade was favorable during 1954-62 period,[13] the terms of trade deteriorated slowly in the last years. From Table 4.8, it is clear that total exports (including exports to Tanzania and Uganda) as a percentage of monetary gross domestic product rose from 23.2 in 1954 to 30.7 in 1962, while total imports (including those from Tanzania and Uganda) fell from 56.2 per cent to 38.7 per cent. This indicates a reduction in overall trade deficit from 33.0 per cent of monetary output to 8.0 per cent which was a good improvement.

[13] Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 17

Also the terms of trade[14] was relatively stable over the last three years, but declined in 1962. Coffee prices were the major factor over the period in lowering prices.

TABLE 4.8 - TRENDS IN KENYA'S EXTERNAL AND INTERTERRITORIAL TRADE

	Amounts £ million		Annual Rate of Change Per Cent	Amounts as Per Cent of Monetary Gross Domestic Product	
	1954	1962	54-62	1954	1962
External Trade					
Domestic Exports	20.26	37.91	8.1	18.0	21.1
Retained Imports	57.82	62.26	0.9	51.4	34.6
Trade Balance	-37.56	-24.35		33.4	13.5
Interterritorial Trade					
Exports	5.81	17.32	14.7	5.2	9.6
Imports	5.32	7.34	4.1	4.7	4.1
Trade Balance	0.49	9.90		0.5	5.5
Total Trade					
Domestic Exports	26.07	55.23	9.9	23.2	30.7
Retained Imports	63.14	69.60	1.3	56.2	38.7
Trade Balance	-37.07	-14.37		33.0	8.0

Source: Ibid., p. 18

Note: 1 British Pound Sterling equals 2.8 American dollars

[14] Table 4.9

TABLE 4.9 - KENYA'S TERMS OF TRADE

Year	Import Price Index	Export Price Index	Terms of Trade
1954	100	100	100
1955	98	95	97
1956	108	94	87
1957	110	92	84
1958	102	85	83
1959	107	88	82
1960	110	88	80
1961	100	82	82
1962	104	82	79

Source: Ibid., p. 19

Capital Formation:

Over the period under review, large scale farming experienced uncertainty in 1959[15] during which capital formation declined in that Sector. The rest of the private sector responded more favorably, though less than its peak in 1956. Investment in new capital assets by the Common Services Organization showed a continuous fall over the period, whereas capital expenditures by government showed signs of stability. Also it may be that in physical quantities capital formation in all classes was less in 1962 than in 1954.

Evidences indicate that production techniques for the country as a whole tended to become more capital intensive over this period. The facts

[15] Ibid.

available show that gross capital formation amounted to £324 million from 1954 to 1961[16]. Table 4.10 demonstrates clearly capital formation during 1954-62 period.

[16] Ibid., pp. 19-22

TABLE 4.10 - GROSS CAPITAL FORMATION AT MARKET PRICES BY TYPE OF ASSET AND SECTOR

Asset/Sector	Value £ million									Share of Aggregate Gross Capital Formation at Market Prices Per Cent	Annual Rates of Growth Per Cent	
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1954-1962	54-58	54-62
Construction and Works	9.75	9.92	7.74	11.47	10.15	10.22	9.90	9.21	11.30	25.1	1.0	1.9
Machinery and Other Equipment	6.11	7.99	10.37	9.18	7.18	7.41	7.56	7.59	7.02	19.7	4.1	1.7
TOTAL	35.27	43.81	45.68	45.62	40.01	40.33	41.41	31.89	33.28	100.0	3.2	-1.4
Transport Equipment	8.42	11.71	9.40	9.12	8.52	8.38	10.72	6.21	7.02	22.3	0.3	-2.3
Non-Residential Buildings	5.09	6.79	8.29	7.85	7.05	7.07	6.42	4.41	3.54	15.9	8.5	-4.4
Residential Builaings	5.90	7.40	9.88	8.01	7.11	7.23	6.81	4.47	3.89	17.0	4.8	-5.1
Government	8.57	9.80	10.27	10.94	9.61	10.47	12.33	12.39	11.20	26.8	3.0	3.4
Private, Other	14.14	20.43	25.91	25.91	20.97	20.97	21.57	12.87	16.62	49.6	10.4	2.1
Large Farm Sector	4.39	4.41	4.84	5.51	5.71	5.71	5.43	4.56	3.45	12.3	6.8	-4.0
E.A.C.S.O. (Trading Services	8.16	9.17	4.66	5.50	3.73	3.17	2.08	2.07	2 02	11.3	-17.8	-16.0

Source: Ibid., p. 20

CHAPTER V

CONDITIONS FOR GROWTH

Scarcely two centuries ago most of the countries that are today highly developed were undeveloped to at least the same degree as the countries of Latin America, Asia, and even Africa today. Underdevelopment, reflected in low and stagnant levels of productivity and therefore of consumption, particularly of foodstuffs, as well as in lack of hygiene and mass illiteracy, has been until recently the common lot of all mankind.

Economic development is a complex historical process, in which economic and noneconomic factors are closely interwoven. It can be defined by its major objective: the exploitation of all productive resources by a country in order to expand real income.[1] A broader definition of development given in a recent United Nations Publication[2] emphasizes that development concerns not only man's material needs, but also the improvement of the social conditions of his life. Development is there-

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[1] Paul Alpert, Economic Development, (New York: The Free Press of Glencoe, 1964), p. 1

[2] United Nations, The United Nations Development Decade, Proposals for Action, Report by the Secretary General (New York, May, 1962), p. 4 U.N. No. E/3613

fore not only economic growth, but growth plus change: social, cultural, and institutional, as well as economic.

In this Chapter, the author wishes to treat the word "growth" to mean economic development and continue to mention its prerequisites in general and in particular for Kenya.

An essential condition for any development is flexibility of civilization, as well as a structure of society and economy open to the possibility of change, especially of technical and economic innovation. Institutional obstacles to change, such as a rigid social structure featured by an inflexible system of caste organization, prevent any development so long as they are effectively enforced. Flexibility of civilization also implies some leeway for speculative thought, so essential for scientific and technical progress.

A major positive condition for economic development is a civilization assigning high priority in its scale of values to material well-being and possessions. In the equation, happiness equals possessions divided by desires,[3] which in terms of material values only may be considered a very rough measurement of human satisfaction, incentives for economic progress are strengthened if desire for more possessions leads to an increased effort to obtain more.

After World War II the underdeveloped countries began a drive for economic development which became an important part of the struggle

[3]Eugene Staley, The Future of Underdeveloped Countries, (New York: Harper & Brothers, 1954), p. 20

for political independence. The dual major goals[4] that the people of these underdeveloped countries hope to reach are: an increase in wealth; reflected in an expansion of their personal consumption of necessities and luxuries, and an increase in power.

Now that political transition in Kenya is over, the major task for the Government in planning for economic growth is to mobilize and utilize the available resources for growth. The Government must therefore devise policies stimulating demand for Kenya's products, both at home and abroad. Decisions must also be made on the composition of demand: Consumption versus Investment, Domestic versus Imported Goods and individual wants versus collective social needs. Other decisions to be made should touch organizing production both to exploit available markets and to conserve scarce resources while employing less scarce ones: equitable distribution of income and tax structure; and finally fiscal and monetary policies.[5]

Resources for Growth:

Population is a resource factor which can either encourage or discourage economic growth depending on other factors too, for example, natural resources, land available, human skills, stage of the particular country's industrial development, etc.

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[4]Paul Alpert. Economic Development, (New York: The Free Press of Glencoe, 1964), p. 8

[5]Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 23

The 1962 Census[6] revealed that Kenya had a problem of dependent population (51 per cent of population is under 16 years old) and at the same time many adults were unemployed.

Kenya's population is growing at the rate of 3 per cent per annum and some indicators suggest that the rate of growth itself is increasing; and by 1970 Kenya should have a population of approximately 11 million or over. Such a rapid population growth magnifies the employment problem, as the economy must grow fast enough to absorb nearly 50,000 new workers each year.[7] To help in an effort to obtain the full employment target, the Government expects unions and employers to promote stability and discipline among workers and itself will promote a wage policy designed to reduce unemployment and at the same time ensure an equitable wage for employed ones.

During the planning period, the high rate of population growth will burden the economy because the demand for skilled labor and high level manpower is likely to grow faster than the supply. For example, in 1961 the Hunter Report[8] estimates that there were 35,696 people employed in Kenya in high level capacities such as professional men, technologists, senior and junior administrators; and presuming a normal

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[6] Ibid.,

[7] Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 24

[8] Ibid.,

rate of growth; it is expected by 1971 over 81,000 highly trained people will be needed. To meet this requirement, Kenya's educational system should be directed to train approximately 60,000 people over the planning period.

TABLE 5.1 - PRELIMINARY ESTIMATES OF MID-YEAR POPULATIONS - KENYA AND ITS REGIONS
1962-1970
(thousands)

Year	Region								
	Coast	Eastern	Central	Rift	Nyanza	Western	Nairobi	North-Eastern	Kenya
1962	737.8	1,550.5	1,317.7	1,742.6	1,626.8	1,009.9	342.0	267.0	8,595.0
1963	760.3	1,599.3	1,348.0	1,798.4	1,678.0	1,043.2	360.8	264.9	8,852.9
1964	783.9	1,650.5	1,379.7	1,856.8	1,731.7	1,078.2	380.7	261.4	9,122.9
1965	808.6	1,704.2	1,412.8	1,916.1	1,788.0	1,114.8	401.6	257.6	9,405.7
1966	834.4	1,760.4	1,447.4	1,982.3	1,847.0	1,153.3	423.7	253.4	9,701.9
1967	861.6	1,819.4	1,483.6	2,049.7	1,908.9	1,193.7	447.0	248.5	10,012.4
1968	890.0	1,881.2	1,521.4	2,120.5	1,973.8	1,236.0	471.6	243.3	10,337.8
1969	919.8	1,946.1	1,561.0	2,194.7	2,041.9	1,280.5	497.5	237.5	10,679.0
1970	951.1	2,014.2	1,602.4	2,272.6	2,113.4	1,327.2	524.9	230.9	11,036.7

Source: Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 25

Land is Kenya's most important resource and its intensive and productive utilization is necessary for successful economic development. Of over 140 million acres of land in Kenya, only about 26 million acres receive enough rainfall and are otherwise suited to intensive livestock and crop production or mixed farming and plantation industries. With utilization of land potentials recognized, the only principal avenues for increasing agricultural production, once the various present recovery schemes have been completed, must be the intensification of land use and rising productivity.

Natural resources are also a potential factor for economic growth. Kenya's natural resources include its forests and fisheries which are still untapped sources of wealth. It is the Government intention[9] over this planning period to see that these resources are exploited to their full economic potential whilc at the same time undertaking measures for resource conservation in order to prevent waste and ensure maximum inheritance of resources by future generations.

Capital is another scarce resource in Kenya. It is agreed that adequate provision of foreign development capital by such methods as private investment and public loans and grants can be a major and sometimes perhaps a decisive factor, in stimulating the take-off of the undeveloped countries into a stage of self-sustaining growth. Nevertheless, there is a general consensus that a healthy and stable economic development cannot be based exclusively, or even mainly, on an influx of

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[9] Ibid.

foreign capital.[10] Economic development should be based on resources generated by the domestic economy, and foreign capital however important, should only be a supplement to domestic resources.

To avoid too much dependence on overseas supplies, the Government and related organizations have the task of providing vast amounts of overhead capitals, such as schools, roads, rail, airport and seaport expansions, agricultural training facilities, etc. These activities may have the effect of increasing the public share of capital formation, but at the same time are expected to stimulate an expanded flow of private capital to Kenya. The Government also plans to manage its own revenues and recurrent expenditures in such a way as to finance an increasing proportion of development expenditure through tax collections and local borrowing.

Foreign exchange is another one of the Kenya's limited resources to be conserved. It is obtainable through exports of goods and services, tourist expenditures in Kenya and the inflow from abroad of long-term capital.

Over the planning period, the Government intends to expand all these sources, and will also ensure that its foreign exchange is used to further economic development.

An important resource inherited from the past is the established

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[10] Paul Alpert, Economic Department, (New York: The Free Press of Glencoe, 1964), pp. 132-133

ways of organizing economic activities.[11] Among such institutions in Kenya are a substantial private sector, a coordinated common market, trading services of the East African Common Services Organization, the East African Currency Board, Agricultural Marketing Boards and recognized roles of the Government. All these institutions will be carefully reviewed over the planning period. And African participation in them will be increased. In conserving resources, the government will be particularly concerned to conserve those in short supply and to make full and productive use of those currently in excess supply.

Generating a growing demand:

In Chapter four, the author pointed out that during the 1954-62 period Kenya's terms of trade deteriorated and reached its lowest level in 1962. Under this development plan it is the Government's responsibility to stimulate a more rapid expansion of sales opportunities as well as of production for sale.

The Kenya Government must therefore endeavor not only to increase her export sales, but also to diversify them to a greater extent, reducing, for example, the present heavy relative dependence on coffee exports. This very greater diversification should also be sought among the countries to which Kenya's products are sold, so that Kenya's economy becomes less responsive to isolated recessions in particular countries.

The Government has many specific programmes for generating a

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[11] Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 27

larger demand for private industrial, commercial and agricultural capital. These programmes will be discussed in details in later Chapters.

TABLE 5.2 - PRINCIPAL KENYA EXPORTS BY VALUE
1963
(£ million)

Export	To Uganda and Tanganyika	To Rest of the World	Total
Coffee, not roasted	--	11.0	11.0
Sisal	--	7.5	7.5
Tea	0.4	5.7	6.1
Meat and Meat Preparations	0.3	2.6	2.9
Cereals, unmilled (including maize)	1.0	1.6	2.6
Pyrethrum extract	--	2.5	2.5
Cigarettes	1.9	--	1.9
Clothing	1.4	--	1.4
Soda Ash	--	1.2	1.2
Footwear	1.2	--	1.2
Hides, skins and furskins, undressed	--	1.2	1.2
Plates and sheets, coated (iron)	1.0	--	1.0
Soaps and cleansing preparations	1.0	--	1.0
All other items	11.6	10.5	22.1
TOTAL	19.8	43.8	63.6

Source: Ibid., p. 30

Note: 1 British Pound Sterling equals 2.8 American dollars.

TABLE 5.3 - VISIBLE BALANCES OF TRADE WITH KENYA'S LARGEST SUPPLIERS 1963

Country	Direct Exports and Re-Exports £1,000	Net Im-ports £1,000	Visible Balance £1,000	Visible Balance as Per Cent of Net Imports
Iran	166	4,819	-4,653	-96.5
Japan	1,684	7,856	-6,172	-78.5
France	984	2,310	-1,326	-57.6
Belgium-Luxemburg	660	1,326	-666	-50.3
United Kingdom	12,032	22,665	-10,633	-46.9
United States	3,169	4,000	-831	-20.8
Italy	1,927	2,330	-403	-17.2
Commonwealth countries except U.K.	9,097	10,865	-1,768	-16.2
Sweden	957	1,038	-81	-7.8
Netherlands	2,117	1,951	166	8.5
West Germany	6,846	4,970	1,876	37.4
All Others, External	11,339	9,558	1,781	18.6
TOTAL	50,978	73,688	-22,710	-30.8

Source: Ibid., p. 30

Note: 1 British Pound Sterling equals 2.8 American dollars.

The Composition of Demand:

During this six-year (1964-70) plan,[12] Government economic planners are faced with three important choices to make relating to the composition of demand: a, how to increase peoples' savings and channel them into proper investment projects, b, how to deflect consumer and business demand from imported to domestic goods and services, and c, how to make a distinction between satisfying collective needs and individual wants.

In providing answers to all these three decision-making choices, the government intends to develop programmes and appropriate institutions designed to nurture the savings habit among the people of Kenya, particularly the National Provident Fund Programme.[13] Various financial institutions will be used to channel these savings in the economy, increasing domestic income and foreign exchange which will be conserved for the imports of items most crucial to economic growth, particularly capital goods. The government also intends to satisfy collective needs in areas like universal education, a comprehensive health programme, the development of cooperatives, a National Provident Fund and the extension of basic services as quickly as resources and growth permit.

The Composition of Output:

During this planning period (1964-70), the government has decided that increases in agricultural output will be intended primarily

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[12] Ibid.,

[13] A Kind of Social Security System.

for export markets, and that increases in manufacturing output will be directed towards meeting domestic demands mostly through import substitution. Under this plan, development in agriculture will tend to increase Kenya's foreign exchange, while the development of domestic industries will help in conserving foreign exchange for those goods which are most crucially needed.

The Distribution of Income:

From Table 5.4, one can see income distribution among taxpayers by race in 1962. It reveals substantial inequality, especially among races, and also by income group within each race. Aware of this inequality, the Government in its development plan is helping to change this pattern of income distribution in the direction of greater equity. This will be accomplished by its programmes for increasing employment, promoting greater African participation in industry, commerce and agriculture, and developing education.

Similar income inequalities exist among regions as shown in Table 5.5. To correct this regional inequality, the government in its development plan is assisting poor regions in developing their health, education and training facilities in order to equip the people with the ability, knowledge and skills needed to effectively use the resources available to them. Furthermore, the government is making capital grants and loans to poorer regions on more liberal terms.

TABLE 5.4 - PERCENTAGE OF TAXPAYERS IN EACH INCOME GROUP BY RACE
1962

Income Group	Africans	Arabs and Somalis	Asians	Europeans
Under £120	91.4	86.0	11.0	1.5
£120 - £159	4.7	7.2	4.3	3.2
£160 - £199	1.7	1.9	3.3	0.6
£200 - £399	1.7	2.0	13.0	2.5
£400 and over	0.5	2.9	68.4	92.2
TOTAL	100.0	100.0	100.0	100.0

Source: Ibid., p. 34

Note: 1 British Pound Sterling equals 2.8 American dollars.

TABLE 5.5 - PER CAPITA MONETARY GROSS DOMESTIC PRODUCT BY PROVINCE*
1962

Province	Monetary Product 1,000	Population (thousands)	Per Capita Monetary Product
Nairobi E.P.D.	79,494	315	253
Coast	28,224	728	39
Rift Valley	23,691	1,049	23
Central	23,404	1,925	12
Nyanza	17,885	3,013	6
Southern	5,481	1,014	5
Northern	1,834	590	3
TOTAL	180,013	8,634	21
Total excluding Nairobi and Mombasa	76,618	8,139	9

Source: Ibid., p. 35
*Old Provinces
Note: 1 British Pound Sterling equals 2.8 American dollars.

Fiscal and Monetary Policies to Promote Growth:

Recognizing the fact that the principal purpose of fiscal and monetary policies in a developing country is to promote rapid economic development in both private and public sectors, the Government's revenues, expenditures and debts are to be handled with view of their impact upon the economy as a whole throughout the planning period.

Under this plan,[14] taxes and tax incentives are carefully planned to stimulate the use of labor and economize the use of capital; to augment the inflow of foreign capital; to encourage exports and influence production through incentives; to generate increased savings and deflect consumer demands towards domestic products; to provide incentives for import-substitution as well as export industries; and to ensure a more equitable distribution of income by taxing the wealthy more heavily than the poor.

Government expenditures are annually designed to provide the infrastructure which can attract private capital; to establish and expand needed social services; to increase educational facilities; to create and develop desirable economic institutions; and to guarantee the security its citizens need in performing their economic functions well.[15]

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[14] Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 36

[15] Ibid.,

CHAPTER VI

PRIVATE SECTOR

A. Role of Private Investment

The classical economists considered the entrepreneur essentially in relation to risk and profit. To them, he bears an unlimited risk, which justifies the possibility of an unlimited profit.[1]

Joseph A. Schumpeter stressed that the primary importance of the entrepreneur lies in his introduction of innovations. It is these, even more than the increase in resources, that are, he believed, the key to economic development, since development consists essentially of employing existing resources in new ways.[2] For Schumpeter, entrepreneurship always involves some creative change which may involve any aspect or phase of economic activity. It may be primarily either cost-reducing or demand creating via opening new markets.[3] Schumpeter believes that in a private-enterprise economy the supply of entrepreneurs depends on the rate of profit and on the social climate.

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[1]Paul Alpert, Economic Development, (New York: The Free Press of Glencoe., 1964), p. 157

[2]Joseph A. Schumpeter, The Theory of Economic Development, (Cambridge, Mass.: Harvard University Press, p949), p. 68

[3]Joseph A. Schumpeter, Business Cycles, Part 1 (New York: McGraw Hill Book Company, 1939), p. 87

Before he discusses the role of private investment in Kenya with particular emphasis on the development plan 1964-70, the author would like to say a little about the following: economic advantages and disadvantages of private industrial development, how to encourage it; and how to help it.

<u>Economic Advantages of Private Industrial Development:</u>

Private industrial development if possible on a reasonable basis, generally offers the prospect of maximum economic gain to a developing country. Though seeking to increase their private profit, private businessmen generally increase the national economic profit from the investment at the same time. Generally and especially in the long-run, private business tends to gain most by seeking the utmost in efficiency reflected in either low-cost production or maximum output for a given amount of input. This is because private investors have a unity of purpose - to maximize its profitability.

Second, the inherent tendency of private investors to maximize their risks and seek out the best possible profit opportunities is a valuable advantage to the economy as well as to the investors.

Third, successful private industrial projects have a further feature of inherent advantage to the economy - their dynamic tendency to reinvestment and expansion.

Fourth and last, it is a means whereby a tremendous amount of human energy, enthusiasm, and ambition can be harnessed for economic purposes.[4]

Its economic disadvantages:

A major complaint is that it creates *monopoly* and thus enables profiteer charge prices which have no reasonable relationship to costs.

Second, private industry is often accused of being a means by which a greater inequality of the national income is created, or increased, if it already exists.

Third, private industrialists in most underdeveloped countries tend to operate too much on the follow-the-leader principle.

Fourth, a possibility of conflict of private projects with the national priorities for economic development.

Fifth, private industrial development in many underdeveloped countries has a tendency to be of short-sighted selfishness. And also it is feared that it may lead again to the creation of concentrated centers of private and perhaps foreign powers. Furthermore, private industrialists may prefer the status quo and thus inhibit any changes necessary for economic development.

Last, if private industries depend on foreign financing, foreign exchange resources will be drained for remittance of dividends, fees and repatriation of capital.[5]

How to encourage private investment in industry:

In economic literature, economists do emphasize the fact that

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[4]Murray D. Bryce, Industrial Development, (New York: McGraw-Hill Book Company, Inc., 1960), pp. 51-55

[5]Ibid., pp. 57-60

domestic capital formation is essential for economic development. To increase the rate of capital formation growth, the Government must give private investors some concessions:[6] they include allowing various tax and customs-duty exemptions, giving protection against competition, making direct subsidies, avoiding excessive taxation, making financing available, and giving a variety of guarantees, assurances, and services.

How to help private industry:

The most important thing a government can do to help private industry is to allow it freedom to make its own decision on economic grounds and to carry out the policies it considered commercially sound.[7] Some controls, such as labor and anti-monopoly laws, are necessary to protect the public interest, and some other restrictions, such as foreign exchange controls, are required at times.

The relations between the Government and private businessmen should be made clear and acceptable to both particularly on the areas of foreign exchange procedures and imported goods for an industry.

Finally the Government can do much to help private industry by providing a variety of assisting services, for example, market research; incentive wage systems, management and supervisory training; needed technical assistance, etc.

Having taken a general survey of the role of private industrial

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[6]Ibid., p. 75

[7]Ibid., pp. 92-95

development in general, it is now time to look at Kenya in particular and pay special attention to the development plan for the period 1964-70.

During the colonial administration much private capital was applied to European agriculture without similar means of directing private capital in African Agriculture until the inception of the Kenya Ten Years Development Programme,[8] 1946-1955. Under this programme, the African Land Development Organization (ALDEV)[9] was formed. More on this programme will be discussed in the next Chapter.

Habitually, the urban worker also makes some investments in the traditional economy. The great majority of Africans, however detribalized, maintain close links with the areas of their origin. Statistical evidence from income expenditure study done in 1957 by Mrs. Marion W. Forester[10] for her Doctoral dissertation reveals the average family income (expressed as a percentage) which is saved and invested in capital formation.

According to the study, in the fifth (highest) income group (3.1% of the sample), the average family invests 8 per cent and disinvests 1 per cent per annum of its money wages, making a net investment in the traditional area of 7 per cent.

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[8]Marion Wallace Forrestor, Kenya Today, ('S-Gravenhage: Mouton & Co., 1962), II, 63.

[9]African Land Development in Kenya, (England: Her Majesty's Printers, Thanet Press), p. 2

[10]Marion W. Forrester, Kenya Today, ('S-Gravenhage: Mouton and Company, 1962),II pp. 75-76

In the fourth income group (6.9 per cent of the sample), the average family invests 12.5 per cent in its farm and disinvests 2.39 per cent, making a net investment of 10.15 per cent of its money wages per annum.

In the third group (17.3 per cent of the sample), the average family invests 9.2 per cent in the farm and disinvests 7.69 per cent, making a net investment of 1.51 per cent of its money wages per annum.

In the second group (38.6 per cent of the sample), the average family invests 4.99 per cent, disinvests 4.37 per cent, making a net investment of 0.62 per cent of its money wages per annum.

However, in the first group, the lowest income group (34.1 per cent of the sample), one finds the balance of investment and disinvestment in the traditional sector has shifted so that this group dis-saves from its farms to the extent of putting 1.66 per cent into the farm and taking 5.91 per cent out. The net dis-saving is 4.25 per cent. So much for the role of private investment in the Colonial Kenya.

The new Independent Kenya, from the time of independence (1963), has recognized that a healthy private sector is a vital factor in speeding up the country's economic growth. With this in view, the Government in its development plan (1964-70), is providing safeguards and cooperation to private industries in order to stimulate their expansion. The government is developing needed Social Services and complementary facilities for the foundations for growth in the private sector. Private capital is being encouraged to stimulate growth in farming, manufacturing, tourism and other fields.[11] However, close cooperation and coordination is and will continue to be the main factor between government and the private sector.

Security of investment:

The Kenya Government is fully aware that private industry needs a stable and favorable political climate in which to grow. This awareness is manifested in the constitution of Kenya which provides for the protection of property. Under its present development plan (1964-70), the Government tries to establish and maintain a working relationship between investors and the Government itself based on mutual interest.

Specific Inducements

At the beginning of this Chapter, the author mentioned various inducements which the Government of any developing country can apply to encourage private investment in industry. Kenya too has decided and is using them equally to both new and existing firms.

Such inducements[12] include tax incentives (low tax on company income - currently 37.5 per cent); and investment allowance of 20 per cent of the costs of new industrial buildings, machinery and fixed equipment to both new investors and existing firms.

There are also two forms of protection[13] offered to new industries.

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[11]Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 38

[12]Ibid., p. 39

[13]Ibid.,

First, the three East African countries have maintained a common system of industrial licensing with the aim of avoiding disorderly development and uneconomic competition in scheduled industries. Second, tariff protection is available against imported articles.

In special particular cases the Government occasionally initiates feasibility surveys designed to attract investors. This has been done, for example, to promote the pulp and paper industry, which has a direct bearing relationship to Kenya's extensive forest plantation programme.

Financial participation:

Demonstrating its willingness to aid private industries, the government's part is handled through the Development Finance Company[14] of Kenya. The subscribers are: the Commonwealth Development Corporation, the West German Development Company and the industrial Development Corporation - which is a statutory corporation controlled by the Kenya government. The Development Finance Company is prepared to invest in a wide range of industry including agriculture, manufacturing, tourism, etc.

Industrial priorities:

In allocating priorities under this development plan (1964-70), proposed industries are ranked on the capacity to which they meet the following criteria:[15]

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[14]Formed in 1963 with an initial capital of £1.5 million.

[15]Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), pp. 40-41

1. Significant export or import substitution potential;
2. Contribution of the greatest possible value added within Kenya to ensure a substantial increase in gross domestic product;
3. High labor-capital ratio - to relieve the serious labor surplus problem and recognize the capacity of capital in Kenya;
4. Production of investment goods - to enable Kenya to approach self-sustaining growth; and
5. Contribution to the diversification of the economy - to broaden the base for growth.

NB Most important of all factors in allocating industrial priorities will be the efficiency of the proposed industry.

B. African Participation

In the past, African participation in the nation's economy has been meagre. The reasons being that in the first place, many of the economic opportunities were not made available to Africans. Secondly, many Africans lacked the education, experience, resources and incentives to take full advantage of the limited opportunities open to them.

In order to correct this imbalance, the government in the course of its planning period (1964-70), is trying to see that adequate economic opportunities are made available and open to Africans, and secondly, Africans have the necessary education, resources and training to develop those opportunities.

Stimulation of African participation will ensure full utilization of the nation's limited source of high-level manpower. It will also increase domestic demand for goods and services, hence broaden the base of the economy. Finally, more African participation in the money economy will aid in stabilizing political situation and will eventually ease government efforts to acquire national unity.

The government has already designed some policies of promoting greater African participation in the economy.[16] These policies include

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[16] Ibid., p. 42

efforts to eliminate discrimination wherever it exists; stimulation of a rapidly and continually growing economy which will absorb more and more Africans into meaningful economic activity; ensuring that all citizens have the educational and financial resources to exploit available opportunities; and encouraging cooperative ownership.

Greater African participation in agriculture has been government's preoccupation since the Swynnerton plan[17] was initiated. This plan, aimed at increasing the productivity of African smallholders, has worked through land consolidation followed by farm planning and the introduction of suitable cash crops. Recently land has been transferred to Africans through the Settlement Schemes.

In the fields of Commerce and Small Scale Industry, government-owned corporation, -- the industrial Development Corporation - advises Africans on business opportunities, and at the same time, it grants loans to African traders and industrialists.

To give the African consumers a share in the distributive system, a chain of people's shops (Maduka ya Wananchi) are now being established, to be managed by a national trading company which in turn is a

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[17] A plan to intensify the Development of African Agriculture in Kenya, compiled by R. J. M. Swynnerton, Colony and Protectorate of Kenya, Nairobi, 1954. At that time land in Kenya was administered under ordinances recognizing various African and non-African settlement areas. Since then racial restrictions to landholding have been abolished, although a distinction between the "Scheduled" and "non-scheduled" areas still remains in legislation.

creature of the industrial Development Corporation. The government is also encouraging greater African participation in housing cooperatives.

CHAPTER VII

PUBLIC SECTOR

A. Agriculture and Livestock

Until recently, Agricultural promotion has been neglected in most underdeveloped countries. This is a great mistake. Agricultural improvements in developing countries have two advantages:[1] First, they are the most important way of increasing the supply of final products before the major development projects are ready to do so. This is because the traditional techniques of production used in most developing countries are primitive and inefficient, so that the returns from improvements will be high. Also the supply of consumers' goods can be increased without costly investments and in a short time. Second, Agriculture is naturally labor intense.

The proper objectives[2] of agricultural promotion in developing countries are therefore two: Success in export markets and a better home food supply. Putting it specifically, if planners wish to force the pace of industrialization and urbanization, they must arrange that (1) villages

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[1] Ursula K Hicks, Development Finance, (Oxford: Oxford University Press: 1965), p. 23

[2] Ibid., p. 24

produce more foods, (2) villagers have less to eat per capita, and (3) extra food is made available to urban families at what amounts to subsidized prices.[3]

Kenya government has been preoccupied with agricultural development programmes since 1940's. Under the Kenya Ten Year Development Plan, 1946-1955, the African Land Development Organization (ALDEV)[4] which was set up for "Reconditioning of African Areas and African Settlement" had as its objectives land utilization and settlement and emphasis, as the title implies, upon the settlement of new areas. Of the 78 major schemes[5] initiated by (ALDEV), only twelve were considered successful by late 1950's.

In the 1950's the emphasis in programs to aid agriculture shifted from remedying problems of over-population and over-stocking to emphasis upon programs attacking the "misuse of land" by the ignorant man or woman with the hoe. The New Betterment Program of 1954[6] called for the use of machinery, primarily for reconditioning the bad lands by terracing and dam construction, reserving manual labor for grass planting, etc.

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[3] Stephen Enke, Economics for Development, (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1963), p. 145.

[4] African Land Development in Kenya, (England: Her Majesty's Printers, Thanet Press), p. 2

[5] Marion W. Forrester, Kenya Today, ('S Gravenhage: Mouton & Co., 1962), II, p. 72

[6] Ibid.,

On January 1, 1954 the ALDEV'S 3 million pound sterling allocation for the ten years gave way to a 3 1/2 year development plan called the Swynnerton Plan.[7] This plan provided for land consolidation, native titles to holdings, and training of Africans as agricultural inspectors. It was the period of Mau Mau rebellion, and as a result of this emergency, the Kenya government as a security measure compelled the Kikuyu people to live in villages cultivating their land under strict supervision. The Swynnerton Plan took advantage of emergency and pushed through land consolidation.

During 1959-60, also under the Swynnerton Plan, land rights were registered for Kikuyu farmers. This enabled landowners to receive documentation of ownership in the form of title of land which they could use as a collateral for obtaining credit.

In 1960, the International Bank for Reconstruction and Development[8] gave a loan of 5.6 million pounds to be used in African Agriculture for the 1960-63. This also was administered under the Swynnerton plan. The 1960-63 Program covered the following areas:[9] the establishment of settled communities of African farmers on individually allocated land; assisting the farmers in organizing their farms for efficient production of

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[7]Swynnerton was the then Secretary of Agriculture in Kenya.

[8]International Bank for Reconstruction and Development, Press Release No. 634, May 27, 1956.

[9]Marion W. Forrester, Kenya Today, ('S Gravenhage: Mouton & Co., 1962), II, p. 74

subsistence and export crops and cattle; provisions of adequate marketing facilities to farmers; helping him modernize his farms through expanded services, schools, demonstration farms, extension of farm loans, cash crops; establishment of [illegible] of milk cattle and improvement of beef cattle; expansion of cooperatives for marketing and processing; and lastly the building of feeder roads in African agricultural areas. This kind of analysis of Kenya's agricultural economic development during the 1946-63 period, forms the base upon which the success of the 1964-70 plan will depend.

The success of Kenya's economic growth for the 1964-70 period will be borne by the agricultural sector. In 1962 agricultural and livestock production accounted for 39 per cent of gross domestic product and 89 per cent of exports. Furthermore, approximately 1.5 million families in Kenya derive their livelihood mainly from the land.[10]

Thus rapid economic growth for the 1964-70 period can be achieved only if agricultural sector expands rapidly, and this requires that agricultural development be accorded highest priority in allocating resources during the planning period.

In order to increase the national farm income, the government is undertaking measures to increase farming acreage, widen the range of types of agricultural production and increase the productivity of both land and farm labor. The government tries to direct production towards both

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[10] Kenya, Development Plan 1964-70 (Nairobi: Government Printer, 1964), p. 45

what is required for local consumption and what can be exported at reasonable prices. Also control over imports of agricultural products is being rigorously enforced, so that Kenya can become, as far as possible, self-sufficient in those products which it can produce.

Production for export means that Kenya must meet the requirements of world markets in terms of quality and price. To satisfy these requirements, the Kenya government will continue to pursue an agricultural economy characterized by high yields and low costs.

Land classification:

Agricultural land in Kenya can be classified into four broad categories:[11] High, medium and low potential and nomadic pastoral lands. The high potential areas, 80 per cent of which are in areas of African small holdings, promise the greatest return on investment and are receiving first priority in allocating funds and staff for development. The large scale farms,[12] many of which are not on high potential land, are to be maintained and increased. Pastoral areas are also receiving greater attention than in the past.

Marketing:

The discovery and development of markets is a foundation for the success of an agricultural development plan. The government's policy is

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[11] Ibid.,

[12] These areas have, in the past, produced the major part of Kenya's exportable surplus and they form the backbone of the agricultural economy.

to let marketing of most of the major export crops remain in the hands of the statutory boards. It also tries to use cooperative societies in marketing, particularly for those crops produced on small holdings.

Research:

Research is undertaken by the government with the aim of maintaining and increasing productivity of the land both for crops and livestock. About 204,000 pounds[13] is estimated to be spent over the planning period on cash crops research in support of the development plan and to bring research station facilities to efficient levels. Veterinary research to improve diagnostic facilities and provide a library and training is to be provided under the plan.

Education:

Trained agricultural and veterinary staff on extension work and research is still in great demand. To meet these personnel, training of all cadres up to and including diploma level is undertaken in Kenya at Egerton and Siriba Colleges and the Embu Training Centre; graduate training is undertaken at the University of East Africa and, for the time being, post graduate experience is largely obtained overseas. Farmers' training centres have been established in major districts to provide courses on locally applicable aspects of crop and stock production. These centres are used to show the farmer improvements in techniques and at the same time to obtain the education of the field extension staff as new information becomes available from local and worldwide research.

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[13]Ibid., p. 47

Agricultural credit:

Farmers' need for agricultural credit is met through Agricultural Finance Corporation established by the government solely for this purpose. Commercial institutions also provide much of the credit needed by the farmers. It is estimated that the corporation will require £6.2 million pounds[14] for loans over the period, including £500,000 pounds for special ranching loans.

Production targets:

Over the period 1954-62, marketed produce grew from £33.3 million to £46.8 million, an annual rate of growth of 4.3 per cent. Three-quarters of this value was from cash crops, the balance from livestock and its products. For the 1964-70 period, the government plans to increase production through cash crops and livestock developments, irrigation and land reclamation schemes. These developments are expected to result in crop and livestock production of £79.3 million by 1970, an increase of £32.5 million over 1962. This represents a growth rate of 6.8 per cent per year, assuming prices remain constant. Table 7.1 sets out production figures by crop for 1954 and 1962 and the targets for 1970.[15]

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[14] 1.0 million will be provided by the British Government; 2.0 million to be generated internally and the remainder to be provided by the Government.

[15] Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 49

TABLE 7.1 - ESTIMATES OF MARKETED AGRICULTURAL AND LIVESTOCK PRODUCE
(Return to Producers)
£1,000

Item	1954	1962	1970
Coffee	5,460	9,480	16,870
Tea	2,060	6,690	10,920
Sisal	2,240	4,520	8,500
Cattle and Calves for slaughter	2,200	4,790	5,150
Dairy products	3,910	5,300	6,920
Sugar	280	1,170	3,970
Cotton	790	460	4,460
Maize	5,970	3,330	3,900
Pyrethrum	620	2,210	3,000
Wheat	3,860	2,140	2,710
Wool	220	370	1,480
Rice	--	310	1,110
Other	5,700	5,980	10,260
TOTAL	33,310	46,760	79,250

Source: Ibid.,

Note: 1 British Pound Sterling equals 2.8 American dollars.

Agriculture:

Coffee: Coffee is Kenya's most important cash crop and export commodity, with an annual value of more than £10 million, although this is a little less than 2 per cent of world coffee output. All coffee grown in Kenya is Arabica, with the exception of 200 acres of Robusta in Nyanza Province. 1962 production was about 37,000 tons and it is estimated that a total exportable surplus of 70,000 tons by 1970 will be possible.[16] To maximize export income, Kenya must produce coffee of high quality. The ad valorem export tax will stimulate higher quality production by reducing the profitability of low quality coffee. The coffee Board of Kenya also is maintaining research to improve quality and reduce production costs.

Tea:

Unlike coffee, there are no large stocks overhanging and threatening the world's tea market. Kenya's output of 30 million pounds accounts for about 2 or 3 per cent of world production. Tea plantings have been increased greatly over the past decade in Kenya, however, and the industry now ranks with sisal as the second earner of export income.

In 1961, the Special Crops Development Authority was established and charged with the responsibility for the development of smallholder tea cultivation. In 1962, the total tea acreage in Kenya of 51,000 acres

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[16] Ibid.

produced 36.2 million pounds of made tea worth £6.7 million. There were only 1,572 acres of tea on smallholdings. Under the present plan, a scheme for the development of a further 10,935 acres, together with factories to process the tea will be completed this year (1966) at a cost of £2 million. The programme is administered by the Kenya Tea Development Authority, which supervises growers at every stage of development. These factories, established by individual companies, are managed by private tea companies, and can be bought by the growers out of their tea earnings after factory debts are redeemed. Finance is provided by the Commonwealth Development Corporation, West Germany, private tea companies and the Kenya government. An extension of the programme to provide for the planting of an additional 14,400 acres of smallholder tea began in 1963/64.[17] The cost of this extension, including factories, is estimated at £2.7 million and is being financed by the International Development Association, Commonwealth Development Corporation and private tea companies.

During the 1964/70 period, £1.11 million will be spent on tea planting and £1.53 million on factories for both the original planting programme and the extension.

Sisal

In 1961 the sisal industry had become, with tea, second in Kenya

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[17] Planting took place in the following areas: Kiambu, Murango, Ngeri, Kirinyaga, Embu, Meru, Kericho, Kisii, Nandi, Kakamega, Bungoma and Elgeo.

in respect of export earnings, its contribution of £4.2 million was nearly 13 per cent of the total. In that year, Kenya produced a little more than 10 per cent of the world's total production; but this added to Tanganyika's 40 per cent gives half the world market to East African sisal.[18]

Under the present plan, the government is encouraging small-holder sisal schemes based on private nucleus estates and locally owned factories. An expension of 20,000 acres is planned by 1970.

Pyrethrum

Kenya supplies about three-quarters of world production and is an efficient producer. Production is licensed by the Pyrethrum Board which pursued a vigorous policy of product research, promotion and market development.[19] The value of the exported product reached a record level of £3.2 million in 1962; of this the growers received £2.2 million. With the approval of the governments, the Pyrethrum Boards of Kenya and Tanzania, Mitchell Cotts and Cooper Macdougall are to finance a programme of research for expansion. It is expected that this will result in an increase of about 50 per cent in exportable production by 1970. Research aimed at producing higher yields of pyrethrum per acre will continue to receive a high priority.

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[18] The International Bank for Reconstruction and Development, The Economic Development of Kenya, A Report of a Mission by the International Bank for Reconstruction and Development at the request of the Governments of Kenya and the U.K. (Baltimore: The Johns Hopkins Press, 1963), pp. 123-25

[19] Ibid., p. 125

Cotton

Cotton makes a larger contribution to the cash income of small-holders in the Nyanza and the Coast Provinces, amounting to more than 500,000 in recent years. Kenya cotton falls in the medium staple range. The Cotton Board fixes a price to growers, and tries to avoid payments from the price assistance fund unless some exceptional circumstances warrant it. Under the present plan, it is expected that by 1970 production will be worth £4.5 million, a nine-fold increase over the 1962 production. Presently, there are indications that world demand for Kenya's staple is still expanding and trade with Eastern Countries offers a potential new market.[20]

Sugar

Kenya's requirements of sugar have been met partly from local production and supplies from Uganda and partly by importing from overseas. In 1962, there were two sugar factories in Kenya, and additional two are under construction in Nyanza region with a capacity of 90,000 tons. These factories are financed by private investment at a cost of some £4 million and will provide employment for about 8,500 persons when completed.

Production in 1963 was 40,000 tons and is expected to rise to a level of 170,000 tons by 1970, representing an increase in farm income

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[20]Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 51

of about £2.6 million. The demand for sugar in Kenya was estimated at about 100,000 tons in 1963 and it is expected to be 171,000 tons by 1970.[21]

Rice

The 1963 rice consumption in Kenya was about 11,000 tons while production was 9,000 tons. The major part of local production was grown on the Mwee Tebere Irrigation Scheme of 5,400 acres. By 1970 this scheme is to be extended further by 7,000 acres. Yatta Irrigation Scheme is also earmarked to be cropped with rice on the same pattern as Mwee Tebere. A rice mill on the Mwea Scheme is on the government plan.

Maize

Maize is the basic food crop of Kenya. Its real importance is therefore not reflected in the value of the marketed crop; by far the highest proportion is consumed on the farm or, at least, locally without being reflected in statistics. In 1963, production was 15 million bags, but only 1.5 million bags were handled by maize marketing board, the balance was retained by growers for their own use. Much is being done to improve the quality of Kenya maize which is of poor standard.

A maize pilot project is to be established in central region and the special Western Kenya Maize Pilot Project will continue up to the end of 1966/67.[22]

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[21] Even by 1970, Kenya will still have to depend on overseas supply of sugar for her domestic consumption.

[22] Ibid., p. 53

Wheat

The wheat industry has been developed as a strategic import-saving industry within East Africa. Kenya's wheat is not exported outside the Customs Union. The milling industries of Tanzania and Uganda, as well as Kenya depend on Kenya wheat.

In 1964, 1.54 million bags of wheat was consumed in East Africa and Kenya supplied 1.3 million bags. By 1970 consumption is expected to rise to 1.8 million bags of which Kenya will be able to supply 1.5 million bags.

The government is at hand to make sure that the wheat industry is not endangered by dumping in any form by large wheat producing countries. It is also encouraging cooperative systems among small scale farmers.

By 1970 East Africa will have a total milling capacity of 2.1 million bags of flour against an estimated demand for flour of 1.3 million bags by 1970.[22]

Other Crops

The government is fostering the development of other cash crops which are capable of increasing farm income. A variety of these can be developed by extension staff without any capital expenditure.

Livestock

With the aid of the United Nations Special Funds, a livestock

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[22]Ibid., I. 53

plan has been sponsored for East Africa to develop this sector of the agricultural industry.

Dairy

This industry is under the control of the Kenya Dairy Board,[23] which has statutory powers. The marketing of milk is largely in the hands of the Kenya Cooperative Creameries. To achieve economic processing, it is planned to increase the milk manufacturing capacity of existing creameries in suitable high production areas, develop primary processing plants and also develop cream production in the remote areas for butter and ghee manufacture. The Kenya Dairy Board organizes marketing so that areas within cheap transport range of creameries will generally supply whole milk only. Cream supplies will steadily be drawn from further and further areas as dairy farming develops and communications improve. This will call for a capital expansion programme of £325,000.

Besides the Dairy Board and cooperative creameries projects,

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[23]The Kenya Dairy Board was formed in 1959 following the collapse of the world market for dairy products. Its duty was to stabilize the industry, as it appeared possible that the low prices realized for exported produce would lead to a collapse of the voluntary cooperative principle and to a scramble for the more lucrative local market. The Board appointed the Kenya Creameries Cooperative, Ltd. as its agent in handling, processing and selling dairy products.

the government is establishing the following schemes:[24] Rural dairies; Mariakari Milk Scheme; Artificial Insemination; National Sahiwal Stud; and Liver Fluke and Worm Control. This indeed will require additional staff of veterinary surgeons and agricultural officers.

Beef

Since 1957 the growth of the export trade in meat and meat preparation has increased due both to expanding activities of the Kenya Meat Commission and to the development of mixed farming and ranching. In the past, the Kenya Meat Commission has received a greater portion of the beef animals for processing from the large scale farms which are currently being bought for settlement schemes. This means that the Commission will have a shortage of cattle. To correct this expected deficit, the government has established a Range Management Division in the Ministry of Agriculture to promote the development of ranching land. The government is also trying to overcome disease problems which presently bar Kenya beef from European markets.

Hides and Skins

In 1963 the exported hides and skins was worth £1.6 million depending largely on several factors.[25] It is expected that this value

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[24] Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 56

[25] Preparation of the primary product, the skill of the man flaying the slaughtered animal and the speed with which the processes are carried out.

will rise to £2.0 million by 1970. The government is currently undertaking in conjunction with local authorities and health services a scheme for improved slaughtering facilities. The scheme will centralize slaughtering in districts which are not served by main abittoirs; centralize meat inspection services which will assist health authorities and result in skilled slaughtermen dealing with the removal of the hides; and provide an opportunity for preserving hides and skins by salting at centralized units, which will increase their value.

Sheep

Between 1954 and 1960 the sheep population rose by 13 per cent. Wool production in Kenya is mainly on large scale farms, though recently there has been an increase in the number of wool sheep kept in other areas. It is estimated that there will be 1.5 million head of sheep by 1970, an increase of about one million head.

Pigs

This industry is based mainly on the larger farms, few of which produce pigs on a very large scale. Pig exports, valued at £ 300,000 in 1962, is expected to reach £500,000 by 1970. The greatest problem lies in the field of nutrition and husbandry.

Poultry and Eggs

Kenya has uniform temperatures in most parts of the country. This makes it possible for poultry to be kept in low-cost housing and eggs to be produced under proper management throughout the year.

Further advantage is that the majority of the poultry feedstuffs are grown locally. Over the planning period, the government estimates that the industry could produce over £1 million worth of eggs per annum by 1970. Part of the production could be exported, particularly in the Persian Gulf area.

Animal industry

The animal industry products section has been expanded and is fostering increased production of animal proteins. The expansion has been financed by the New Zealand Freedom From Hunger Committee, which is contributing £ 45,000 and is considering further contributions.[26]

Irrigation

Large scale irrigation schemes represent one of the most promising methods of relieving population pressures. Their impact on agricultural development has resulted into the establishment of a National Irrigation Board under the Ministry of Agriculture to control all major irrigation projects. These schemes will be based on sound economic principles so that both operating costs and the servicing of loans for development can be covered by revenues which will be related to the extra production obtained. The schemes [27] earmarked for development are: Mwee Tebere; Tana River; Yala Swamp; Kano Plains; Yatta; Per Kerra; and Keno-Turkwell.

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[26]Ibid., p. 60

[27]Ibid.

Land Reclamation

The semi-arid areas (areas with less than 30" annual rainfall) in Kenya has a fifth of Kenya's population. Government efforts, under this plan, is to introduce better management practices which will eliminate denudation and increase the future potential of the area. Other projects include Masai Rehabilitation, Tsetse Clearance and settlement schemes on unoccupied land.

TABLE 7.2 - ESTIMATED EXPENDITURE--AGRICULTURE AND LIVESTOCK

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	Total
Agricultural Credit	£	£	£	£	£	£	£
Agricultural Fin. Corp.							
Internal	250,000	250,000	300,000	400,000	400,000	400,000	2,000,000
New Capital	700,000	700,000	700,000	700,000	700,000	700,000	4,200,000
Land Bank--Land Purchase	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	6,000,000
Total Credit	1,950,000	1,950,000	2,000,000	2,100,000	2,100,000	2,100,000	12,200,000
Agriculture							
Research	73,000	42,000	26,000	21,000	21,000	21,000	204,000
Improved Planting Materials	24,600	24,600	24,600	24,600	24,600	24,600	147,600
Farmers' Tr. Centres and Egerton College	60,000	35,000	35,000	35,000	35,000	35,000	235,000
Fert. Demonstra.	7,200	5,000	5,000	14,400	10,000	10,000	51,600
Ext. Staff--Capital	15,200	1,600	1,600	2,400	15,200	1,600	37,600
Tea Development--							
Field Planting	375,800	289,300	252,500	127,700	65,300	--	1,110,600(1)
Staff Housing	20,000	20,000	20,000	--	--	--	60,000
Factories	360,000	120,000	300,000	450,000	300,000	--	1,530,000(2)
Roads	150,000	250,000	230,000	--	--	--	630,000
Total Agriculture	1,085,800	787,500	894,700	675,100	471,100	92,200	4,006,400

Source: Ibid., p. 65

TABLE 7.2 - ESTIMATED EXPENDITURE--AGRICULTURE AND LIVESTOCK

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	Total
	£	£	£	£	£	£	£
Livestock							
Lab. Imp. (Kabete)	40,500	10,000	10,000	10,000	10,000	10,000	90,500
Kabete Tr. Ins.	87,500	300	1,300	1,300	1,300	--	91,700(3)
Livestock Cen.	21,300	--	--	--	--	--	21,300
Ngong School	25,000	--	--	--	--	--	25,000
Information	7,800	1,200	1,500	--	--	--	10,500
Ext. Staff	141,500	37,000	25,000	35,400	21,400	13,000	273,300
Kenya Cooperative Creameries	95,000	130,000	100,000	--	--	--	325,000(4)
Rural Dairies	17,000	17,000	17,000	17,000	17,000	17,000	102,000
Art. Insem.	35,700	21,600	21,600	3,000	3,000	3,000	87,900
Nat. Sahiwal Std.	39,600	22,500	40,500	--	--	--	102,600
Liv. Fluke Con.	9,000	7,000	--	--	--	--	16,000
Stock Routes	7,000	6,000	6,000	6,300	6,300	6,300	37,900
Kenya Meat Com.	--	--	--	--	300,000	380,000	680,000(4)
Rural Tan. Cen.	8,000	1,000	1,000	2,500	1,200	1,300	15,000
Imp. Slaughtering Facilities	6,000	9,000	11,000	13,000	16,000	21,000	76,000
Sheep Worm Eradication	1,500	--	--	--	--	--	1,500
An. Prod. Sec.	15,000	15,000	8,500	--	--	--	38,500
Beekeeping	5,000	3,200	3,200	--	--	--	11,400
Total Livestock	562,400	280,800	246,600	88,500	376,200	451,600	2,006,100

Source: Ibid., p. 66

TABLE 7.2 - ESTIMATED EXPENDITURE--AGRICULTURE AND LIVESTOCK

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	Total
	£	£	£	£	£	£	£
Irrigation							
Mwea Tebere	118,000	118,000	136,000	100,000	100,000	--	572,000
Tana River	177,000	103,000	--	500,000	1,500,000	1,500,000	3,780,000(5)
Yala Swamp	150,000	103,000	71,000	--	500,000	1,000,000	1,824,000(6)
Kano Plains	--	25,000	25,000	--	--	500,000	550,000
Taveta	35,000	35,000	--	--	--	--	70,000
Yatta	--	--	--	132,000	--	--	132,000
Perkerra	24,000	--	--	100,000	100,000	100,000	324,000
Kerio-Turkwell Val	65,000	--	--	100,000	100,000	100,000	365,000
Total Irrigation	569,000	384,000	232,000	932,000	2,300,000	3,200,000	7,617,000
Land Reclamation							
Turkana Stock Mkt.	--	--	--	--	20,000	20,000	40,000
Range Mgt. Sec.	8,000	--	--	--	--	--	8,000
Masai Rehab.	--	80,000	80,000	47,000	--	--	207,000
Tsetse Research	24,000	24,000	24,000	--	--	--	72,000
Rural Dev.	250,000	250,000	250,000	250,000	250,000	250,000	1,500,000
Total Land Reclamation	282,000	354,000	354,000	297,000	270,000	270,000	1,827,000
Total	4,449,200	3,756,300	3,727,300	4,092,600	5,517,300	6,113,800	27,656,500

Source: Ibid., p. 67

Notes--

(1) Only 1.0 million of this to pass through Government Development Estimates, balance to be lent direct to K.T.D.A.

(2) Only 175,000 of this to pass through Development Estimates.

(3) Of this, 21,700, representing the capital portion of the U.S. Special Fund contribution, will be included in the Development Estimates.

(4) Not to pass through Development Estimates.

(5) Of this, 194,000, representing the U.S. Special Fund contribution to the Tana River Survey, will not be included in the Development Estimates.

(6) Of this, 197,000, representing the U.S. Special Fund contribution to the Bunyala pilot project, will not be included in the Development Estimates.

B. Lands

Land Consolitation

Consolidation of fragmented land holdings has been going on since the inception of the Swynnerton Plan[28] in 1955. Modern methods of farming, which are the basis for increased productivity cannot be applied to fragmented farms and there would be no point in incurring heavy capital expenditure on such farms. Once a holding has been consolidated into a compact unit, the farmer, with the aid of the extension service and the provision of credit, can begin to improve his farm, modernize his methods and increase his productivity. Furthermore, once a farm is consolidated and the smallholder's title registered, he can use his land as collateral to negotiate credit from commercial sources.

By the end of June 1963, approximately 2.75 million acres had been consolidated, and it is estimated that additional 900,000 acres will be consolidated during the planning period.*

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[28] Forrester, op. cit., p. 73

*Table 7.3 shows an estimated expenditure on land consolidation over the planning period. About 5,000 per annum is being provided to maintain the office and staff of the Recorder of Titles at Mombasa for the period 1964/69.

TABLE 7.3 - ESTIMATED EXPENDITURE -- LAND CONSOLIDATION

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	Total
	£	£	£	£	£	£	£
Consolidation	250,000	250,000	250,000	250,000	250,000	250,000	1,500,000
Surveys	163,000	163,000	163,000	163,000	163,000	163,000	978,000
Total	413,000	413,000	413,000	413,000	413,000	413,000	2,478,000
Less Fees	75,000	75,000	75,000	75,000	75,000	75,000	450,000
Total	338,000	338,000	338,000	338,000	338,000	338,000	2,028,000
Recorder of Titles							
Mombasa	5,000	5,000	5,000	5,000	5,000	--	25,000
Total	343,000	343,000	343,000	343,000	343,000	338,000	2,053,000

Source: Ibid , p. 69

Note: 1 British Pound Sterling equals 2.8 American dollars.

Land Settlement

After World War II a European Settlement Board was set up to assist people, with initial emphasis on ex-servicemen, who wished to settle on the land. These new arrivals were settled either as assisted owners[29] or as tenant farmers on farms of sizes appropriate to their individual means.[30]

In 1960 the Kenya Government introduced settlement schemes whereby Africans seeking to farm in the scheduled areas could be financed to purchase the land and to develop it. The three types of schemes introduced were:[31]

a. Assisted owner scheme for experienced farmers with substantial capital;

b. Smallholder settlement scheme for experienced farmers with some capital; (the target under the Swynnerton Plan in the nonscheduled acres).

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[29]The settler purchased the land and the Board granted him long-term loans for developing it.

[30]Board purchased the land, leased it to the settler and granted loans for permanent improvements, the settler himself stocking the farm and providing the working capital.

[31]The Economic Development of Kenya, op. cit. p. 83

c. Smallholder settlement scheme for Africans with limited capital and agricultural knowledge.

In all three schemes settlers make a down payment of 10 per cent of the price of the land, and the cost of permanent improvements and permanent crops.

Through land settlement in the former scheduled acres,[32] the Government is promoting the rapid and orderly transfer of ownership of European-owned farms to Africans. This is done in a way intended to increase the development of these areas to absorb a greater number of persons in productive, commercial agriculture. The settlement process begins with the purchase of firms, particularly in those regions where the existing population is short of land, which are surveyed and divided.

Layouts and farm budgets are planned for the new units and settlers are provided with development loans and extension and advisory services on an intensive scale. Village and trading sites, roads of access to all holdings and, water supplies are constructed. Besides individual holdings, cooperatives are organized on each scheme to market settlers' produce, perform the mechanical operations which are necessary at peak periods and are beyond the settlers' available labor resources. This combination of cooperative farming with individual holdings gives promise of maximum productivity.

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[32] The U.K. Government announced, in July 1962, a major expansion of the high-density settlement scheme to settle annually 200,000 acres of mixed farming land over a 5-year period (1962-67).

Settlement schemes[33] are divided into low density schemes and high density schemes. The former is limited to land which is at present under-developed and to settlers having agricultural experience and a certain amount of their own capital. The latter is limited to landless and unemployed persons. The settlement schemes are expected to yield considerable increases in both production and employment, approximately 50 per cent increase over the planning period. The total cost for land settlement will be £25 million, of which £13 million is to be spent during 1964-70. Table 7.4 shows the 1964-70 period planned expenditure.

[33]Development plan 1964-70, op. cit., p. 69

TABLE 7.4 - ESTIMATED EXPENDITURE--LAND SETTLEMENT

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	Total
	£	£	£	£	£	£	£
Low Density							
Land Purchase	600,000	273,000	--	--	--	--	873,000
Loan	538,000	638,000	452,000	214,000	--	--	1,842,000
Other	264,000	264,000	151,000	32,000	--	--	711,000
Total	1,402,000	1,175,000	603,000	246,000	--	--	3,426,000
High Density							
Land Purchase	2,673,000	755,000	--	--	--	--	3,428,000
Loans	1,712,000	1,290,000	575,000	172,000	--	--	3,749,000
Other Costs	1,189,000	761,000	394,000	137,000	--	--	2,481,000
Total	5,574,000	2,806,000	969,000	309,000	--	--	9,658,000
Total - All Schemes	6,976,000	3,981,000	1,572,000	555,000	--	--	13,084,000

Source: Ibid., p. 71

Note: 1 British Pound Sterling equals 2.8 American dollars.

C. Natural Resources

Water Supplies

The Government has established a Department of Water Development within the Ministry of Natural Resources. This unites, for the first time, the policy making and works executing organization under the same ministry. One of the basic goals of the Department is to place as much water development as possible on a commercial basis. These water development projects are divided into: township supplies; sub-economic rural projects; economic rural projects; and water resources surveys and ancillaries. The total costs over the planning period will be 5,555,000.[34]

Forests

Forestry is important for Kenya's economy for two reasons: protection of its game, "soil" and water catchments and the production of timber and its products, which would otherwise have to be imported. Capital funds available for forestry are being devoted to growing productive plantations, and a minimum target of 350,000 acres soft wood plantations has

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[34] Op. cit., pp. 71-73.

been adopted. The estimated total costs on forests over the planning period is £3.2 million.[35]

Mines and Geology

Presently no major deposits of such minerals as iron ore, coal, etc. has been discovered except oil. Oil can serve as a prime mover for a rapidly expanding economy. In 1962 Kenya's mineral production reached a value of £5 million per annum, but the potential is estimated to be far greater. The slowness of mineral development in Kenya is due to two factors: the lack of venture capital for intensive exploration and, the lack of basic industry to provide a local demand. During the planning period, projects are undertaken to prove and develop promising deposits which have been indicated by the geological survey. These intensive efforts are to encourage private prospectors to further explore and develop Kenya's mineral deposits. Emphasis is on Nyanza Survey (gold fields); contract drilling; and technical assistance from overseas. The Government expects to spend about £263,374 for the 1964-70 period.[36]

Fisheries

Under the present plan, the Government is guiding and assisting the development of commercial fisheries, both marine and inland, to a stage of optimum production as fast as available resources and expanded Markets will allow. In developing fisheries, market and transportation

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[35] Op. cit., pp. 71-73

[36] Development Plan 1964-70, op. cit., pp. 75-77

facilities should be developed too.

Kenya's fisheries can be divided into: inland; coastal inshore; and deep sea. In developing inland fisheries, Lake Rudolf is receiving a high priority than other inland fisheries. Under the six year planning period, efforts are being directed towards improving coastal inshore fisheries; coastal deep sea fisheries; marketing facilities; Malindi Harbour; and Market development. Supporting total costs is estimated to be £250,500.[37]

D. Commerce and Industry

The potential for industrial development in Kenya is limited at the outset by the country's presently known natural resources. Another limiting factor is the composition of Kenya's human resources.[38]

Recognizing these limitations, the Government has established Development Finance Company as its agent for financial participation in major industrial ventures.

The Company's role is to stimulate the flow of private investment by providing loans or share capital to fill marginal gaps in private project finance. Though the Company's primary emphasis is on large industrial, agricultural and mining ventures, it also considers investment in other projects, such as hotels, housing estates or fisheries if they promise to be profitable. Besides profitability, the relation of a proposed project to the development needs of the country is of importance in investment decisions. It also finances preliminary studies of promising ventures.

The Government plans, over the planning period, to promote small scale industry and commerce under African ownership and management by a threefold approach: First, it encourages African-owned manufacturing

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[38] The enterprise, capital and skill for manufacturing.

organizations by providing training in management and technical skills, an advisory service and loans. Second, it improves the channels of distribution to African consumers and promotes outlets for African manufacturers. Third, Africans are encouraged to enter larger scale ventures as they gain the knowledge and experience required to manage them.

The Development Finance Company of Kenya and Industrial Development Corporation provide industrial loans for large and small scale industry respectively. Traders' loans for African traders is provided by the corporation solely.

With the assistance from Japan, the Government has established small industry research and training centre to provide the necessary training for successful African managers and entrepreneurs. Also a chain of "people's shops" (Maduka ya Wananchi) are currently being established to provide low prices to African consumers through a streamlined distributive system and also to provide outlets for the manufacturers of African industrialists. Cooperative movement is highly encouraged by the Government to expand and diversify its activities.[39]

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[39] Ibid., pp. 80-83

E. Tourism and Wildlife

In Kenya Tourism is an important foreign exchange earner and, at the same time, it helps stimulate domestic income and employment in related industries by creating a considerable and lucrative internal market for Kenya's agricultural produce. It also helps to fill airlines' capacity, creating the conditions for expanded air service to Nairobi.[40]

Kenya's main natural attractions for the tourist provide a good base for the development of tourist services. Starting with the East African's natural attractions and political stability and using intensive publicity, it is possible to attain 15 per cent annual rate of tourist expansion. To continue this annual growth rate, the Government is constructing game lodges and tourist roads, and it expects that private industry will expand its services as well. It is estimated that if annual growth rate is maintained at 15 per cent, the numbers of visitors will triple by 1970 and Kenya's net return from tourism will be £12 million per year in foreign exchange as compared to £ 4 million in 1962.

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[40]The International Bank for Reconstruction and Development, The Economic Development of Kenya, A Report of a Mission by the International Bank for Reconstruction and Development at the request of the Government of Kenya and the U.S. (Baltimore: The Johns Hopkins Press, 1963), p. 170

The Government's tourist policy aims at increasing the volume of middle-income tourists as well as the upper-income tourists (the luxury trade) for the purpose of photographing wildlife, and hunting and photographing safari respectively.

The Government will continue its policy of hunting safari as a high-priced exclusive venture. It will also continue to seek cooperation from both international airlines and shipping lines in attracting tourists.

To accommodate tourists, Government comprehensive tourist amenities program has been prepared. The program concentrates on tourist infrastructure: roads; water supplies; look out points; and lodge accommodation in the parks and reserves.

Virtually all tourist income may be regarded as being indirectly derived from its wildlife. This forces the government to pursue a policy of protecting wildlife from diminishing by increasing the number and areas of the sanctuaries. It is also trying to protect wildlife from poaching. Presently every possible means is being employed to educate all Kenyans to the importance of tourism and the necessity of maintaining wildlife to encourage it.

TABLE 7.5 - ESTIMATED EXPENDITURE--TOURISM

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	Total
	£	£	£	£	£	£	£
Lodges							
Tasvo Park							
Uhuru	60,000	--	--	--	--	--	60,000
Kitani	--	20,000	--	--	--	--	20,000
Aruba	--	--	20,000	--	--	--	20,000
Murka	--	--	40,000	--	--	--	40,000
Mara-Keekorok	25,000	--	--	--	--	--	25,000
Amboseli	--	--	--	--	20,000	--	20,000
Ngong Hills	--	30,000	20,000	--	--	--	50,000
Aberdares							
Treetops	8,000	--	--	--	--	--	8,000
Fishing Lodge	--	15,000	--	--	--	--	15,000
Northern Circuits							
Marsabit	--	--	10,000	--	--	--	10,000
Maralal	--	--	--	40,000	--	--	40,000
Tambach	--	--	--	--	40,000	--	40,000
South Horr	--	--	--	--	--	30,000	30,000
Dormitories	3,000	3,000	3,000	3,000	--	--	12,000
Total Lodges	96,000	68,000	93,000	43,000	60,000	30,000	390,000

Source: Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 90

Note: One British Pound Sterling equals 2.8 American dollars.

Roads	£	£	£	£	£	£	£
Mara	20,000	12,000	10,000	--	--	--	42,000
Amboseli	4,000	9,000	--	--	--	--	13,000
Amboseli/Tsavo	6,000	6,000	--	--	--	--	12,000
Tsavo	22,000	10,000	18,000	5,000	--	--	55,000
Meru Reserve	2,000	5,000	3,000	--	--	--	10,000
Mount Kenya	--	--	2,000	2,000	--	--	4,000
Lake Nakuru	--	--	3,000	3,000	--	--	6,000
Aberdares Road	10,000	20,000	--	--	--	--	30,000
Nairobi Park	20,000	40,000	30,000	--	--	--	90,000
Marsabit	--	--	4,000	--	--	--	4,000
Ngong Lodge	--	10,000	--	--	--	--	10,000
Samburu Reserve	--	10,000	10,000	--	--	--	20,000
Northern Roads	--	--	--	80,000	80,000	80,000	240,000
Total Roads	84,000	122,000	80,000	90,000	80,000	80,000	536,000

Source: Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964, p. 90

Note: One British Pound Sterling equals 2.8 American dollars.

National Parks	£	£	£	£	£	£	£
Machinery	15,000	20,000	--	--	--	--	35,000
Aircraft	5,000	--	--	--	--	--	5,000
Total	20,000	20,000	--	--	--	--	40,000
Zoological Centre*	10,000	6,000	6,000	6,000	6.000	6,000	40,000
Total National Parks	30,000	26,000	6,000	6,000	6,000	6,000	80,000
Total Tourism	200,000	210,000	173,000	133,000	140,000	110,000	966,000

*To be undertaken only if special finance can be arranged -- excluded from final total.

Source: Kenya, Development Plan 1964-70, (Nairobi: Government Printer, 1964), p. 90

Note: One British Pound Sterling equals 2.8 American dollars.

F. Basic Services

In Kenya the principal transportation facility provided and maintained by the Kenya Government is the network of roads. Airports are also nationally owned and maintained. Railways, harbors, telecommunications, postal services and some aviation and related services are all provided and maintained under the East African Common Services Organization (EACSO).[41]

Roads

To enable communications to keep pace with general development in Kenya, all types of roads (trunk and secondary) are being developed with the aid of a world Bank loan. During 1964-70 period, trunk roads will receive greater emphasis, at the same time consideration is given to agricultural potential of the areas being served. The Nairobi-Mombasa road is receiving special attention because of its high priority on economic and national interest ground.[42]

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[41] IBRD *Report* (Baltimore: The Johns Hopkins Press, 1963), op. cit., p. 180

[42] To finance Nairobi-Mombasa road expected cost of 2.6 million, the Government has employed a U.N. toll road expert to advise on the feasibility of financing trunk roads from toll road revenues.

Roads and road traffic will continue to be the responsibility of the Government, supervised by the Kenya Road Authority, although some responsibility for road maintenance and construction will rest with local authorities.

Airports

Civil aviation will continue to be important for Kenya's economy in three or more ways: First, international airlines provide major assistance in attracting tourist to East Africa; second, the availability of frequent air services will also be vital to the needs of commerce, to meet the travelling requirements of business community and to provide for the transport of many types of cargo for which speed of delivery is essential; third, good air communications will also help in making Kenya an attractive centre for meetings of international organizations.[43]

While the Ministry of Works and Communications of Kenya is responsible for all improvements and works decisions required at national airports in Kenya, for their financial programming and for construction, the Directorate of Civil Aviation (a branch of EACSO) is in charge of their operations (plus those in Uganda and Tanzania). The airlines have a natural interest in the condition and operating of airports, and as a result, there is a need for constant coordination between East African Airways Corporation, the Directorate of Civil Aviation and the Kenya Government.

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[43] Development Plan 1964-70, op. cit., p. 93

Nairobi Airport is now one of the most modern on African routes, and during 1964-70 period, three major schemes[44] are planned:

a. Extension of the taxiway to the loop on the runway and later to the end of the runway to reduce time spent by aircraft on the runway itself and so increase the number of aircraft which can be handled per hour.

b. Phased extensions to the terminal buildings will be undertaken with the object of tripling the present passenger capacity.

c. Construction of a new aircraft parking apron for domestic and cargo services.

Besides Nairobi Airport, other airports earmarked for improvements are: Malindi, Mombasa, Kisumu, and Kitale.

Railways and Harbors

The East African Railways and Harbors Administration (EARH) is a "self-contained" entity of the East African common services organization. It operates railway services; inland waterways services, road haulage services; and harbor services. It is operated as a unified enterprise under a single general management. To meet development needs in the three countries, East African Railways and Harbors plans to spend £7.6 million in Kenya for the 1964-70 period. Also it plans to spend £20

[44]Ibid.

million on rolling stock and other equipment benefiting all three countries, about a third of it benefiting Kenya.

The main development at Mombasa harbor is going to be the completion of berths 13 and 14. Another development is the purchase of two new wagon ferries to replace the old conventional cargo ships on Lake Victorie. In addition, various works at yards and depots, new staff quarters and signalling improvement will be carried out on sections of the rail system in Kenya.

Posts and Telecommunications

This is another "self-contained" entity of the East African Common Services Organization. During the 1964-70 period, £2.11 million is expected to be spent on works in Kenya for the strengthening and expansion of the telecommunications system and £197,000 for new post office and administrative buildings.[45]

Power

Electricity is supplied by the East African Power and Lighting Company, Ltd. (EAPL) and its associated company, the Kenya Power Company, Ltd. (KPC). Both companies operate under exclusive 50-year bulk suppli licenses granted by the government. The EAPL is responsible for the generation, transmission and distribution of electricity in Kenya with the exception of the generation and transmission of bulk

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[45] Ibid., pp. 95-96

supplies to the Nairobi Area which is the function of the Kenya Power Company.[46]

For the 1964-70 development period, the only proved natural source of cheap electric power in Kenya is the hydro-electric potential of the Tana River.[47] Long-range plans have been made for a three-stage development at Seven Forks which will result in a generating capacity of 240 megawatts.

Information and Broadcasting

Kenya Broadcasting Corporation which controls radio and television has been recently changed to the "Voice of Kenya" heard all over Africa. Television has been extended to Mombasa and another network is under construction at Timboroa which, when completed, will serve Western Kenya.

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[46]The Economic Development of Kenya, op. cit., p. 176

[47]Development Plan 1964-70, op. cit., p. 96

G. Social Services

Education

The contribution of education to expanding knowledge as basis for economic growth is widely recognized. The future development of Kenya will require an increasing supply of trained manpower, and a large range of specialized skills. Education and agriculture will continue to receive the highest priority throughout the planning period 1964-70. The educational objectives under this plan are:[48]

a. to provide universal primary education;

b. to ensure enough places at the secondary and higher levels to educate those with recognized abilities; and

c. to organize the educational system to meet the manpower needs of the country.

To meet these objectives, the Government's expansive programmes emphasize primary education; secondary education; technical secondary education; teachers' training; vocational training for women; University college Nairobi, and student loans.

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[48] Ibid., p. 101

Health

It has been proven that there is a direct relation between the health of a population and its productivity. Over this planning period, the Government will continue to pay particular attention to the expansion of hospitals; health centres; medical education; supporting staff training; research; and nutrition education.

Housing

The United Nations has sent a housing expert to Kenya to advise the Government on the scope of a country-wide need. The Government has two policies to adopt towards housing. First, the cost of housing per person is to be reduced substantially; second, tenant-purchase schemes, under which prospective owners are expected to pay an initial contribution towards building costs. This will be channelled through the Government's housing schemes.[49]

Community Development

The Government's policy here is to involve people in planning for their own development. This is being accomplished through self-help, a pyramid of voluntary, unpaid community development committees are being established at the local, regional and national levels. Presently both adult education and social work schooling is under way.

Other programmes under social services will include the establish-

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[49]Ibid., pp. 111-112

ment of the National Youth Service where young men are moulded for future leadership, and the creation of the National Provident[50] Fund in 1965.

[50] Social Security System.

H. Security and Defence

In promoting economic and social development, it is important that law and order must be maintained by the Government. For this reason, Kenya has decided to expand and improve security and defence institutions: police force, prisons, approved schools, and the army.

In addition, some miscellaneous government development expenditure during the plan will amount to approximately £80,623.

TABLE 7.6 - PUBLIC SECTOR EXPENDITURE
(£1,000's)

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	Total	Per Cent	Total Govt. only	Per Cent
Agriculture										
Ag. Fin. Corp./										
Land Bank	1,950	1,950	2,000	2,100	2,100	2,100	12,200	9.2	10,200	12.7
Agriculture	1,086	787	895	675	471	92	4,006	3.0	2,540	3.2
Livestock	562	281	246	89	376	452	2,006	1.5	1,001	1.2
Irrigation	569	384	232	932	2,300	3,200	7,617	5.8	7,617	9.4
Land Recl.	282	354	354	297	270	270	1,827	1.4	1,827	2.3
Total Agriculture	4,449	3,756	3,727	4,093	5,517	6,114	27,656	20.9	23,185	28.8
Lands										
Land Con.	418	418	418	418	418	413	2,503	1.9	2,503	3.1
Land Set.	6,976	3,981	1,572	555	--	--	13,084	9.9	13,084	16.2
Govt. lands	25	25	25	25	25	25	150	0.1	150	0.2
Total Lands	7,419	4,424	2,015	998	443	438	15,737	11.9	15,737	19.5
Natural Resources										
Water Sup.	360	855	995	1,110	1,125	1,110	5,555	4.2	5,555	6.9
Forests	515	515	525	535	545	565	3,200	2.4	3,200	4.0
Mines & Geol.	134	83	46	--	--	--	263	0.2	263	0.3
Fisheries	10	16	8	120	88	8	250	0.2	250	0.3
Total Natural Resources	1,019	1,469	1,574	1,765	1,758	1,683	9,268	7.0	9,268	11.5

Source: Ibid., p. 121

Note: 1 British Pound Sterling equals 2.8 American dollars.

Commerce and Industry										
Major Industry	750	750	750	750	750	750	4,500	3.4	--	--
Small Industry and Commerce	108	106	116	102	99	92	623	0.5	277	0.3
Total Commerce and Industry	858	856	866	852	849	842	5,123	3.9	277	0.3

Source: Ibid., p. 121

Note: 1 British Pound Sterling equals 2.8 American dollars.

TABLE 7.6 - PUBLIC SECTOR EXPENDITURE
(£1000's)

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	Total	Per Cent	Total Govt. only	Per Cent
Tourism										
Total	200	210	173	133	140	110	966	0.7	966	1.2
Basic Services										
Roads	1,115	1,385	1,395	1,425	755	745	6,820	5.2	5,120	6.4
Airports	25	59	65	330	330	405	1,214	1.0	1,214	1.5
Rys. & Harbours	2,050	2,550	2,850	2,450	2,100	2,200	14,200	10.7	--	--
Posts and Telecommunications	478	400	653	282	234	263	2,310	1.7	--	--
Power	1,000	3,400	6,500	4,400	4,000	1,200	20,500	15.5	--	--
Information & Broadcasting	10	80	170	200	203	20	683	0.5	683	0.9
Other Bldgs.	523	335	280	435	465	415	2,453	1.9	2,453	3.0
Local Auth.	700	1,000	1,000	1,100	1,100	1,100	6,000	4.5	6,000	7.4
Total Basic Services	5,901	9,209	12,913	10,622	9,187	6,348	54,180	41.0	15,470	19.2
Social Services										
Education	959	1,199	2,113	1,900	1,807	1,805	9,783	7.4	6,300	7.8
Health	300	550	650	815	815	815	3,945	3.0	3,845	4.8
Housing	410	410	410	410	410	410	2,460	1.9	2,460	3.1
Community Development	60	40	40	40	40	40	260	0.2	260	0.3
National Youth service	35	10	10	10	10	10	85	--	85	0.1
Total Social Services	1,764	2,209	3,223	3,175	3,082	3,080	16,533	12.5	12,950	16.1

Security and Defence										
Police	150	150	150	.50	150	150	900	0.7	900	1.1
Prisons	60	100	102	108	105	85	560	0.4	560	0.7
Approved Schools	7	30	33	29	33	8	140	0.1	140	0.2
Army	150	180	235	235	210	160	1,170	0.9	1,170	1.4
PUBLIC SECTOR EXPENDITURE	21,977	22,593	25,011	22,160	21,474	19,018	132,233	100.0	80,623	100.0

Source: Ibid., p. 122

Note: 1 British Pound Sterling equals 2.8 American dollars.

TABLE 7.6 - PUBLIC SECTOR EXPENDITURE (£ 1,000's)

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	Total	Per Cent	Total Govt. only	Per Cent
Public Sector Expenditure (B/FD.)	21,977	22,593	25,011	22,160	21,474	19,018	132,233	100.0	80,623	100.0
Less: Transfer Payments	4,373	2,128	1,100	1,100	1,100	1,100	10,901	8.2	10,901	13.5
Public Sector Investment	17,604	20,465	23,911	21,060	20,374	17,918	121,332	91.8	69,722	86.5
Less: Public non-Government Bodies Investment	5,476	8,389	13,031	9,975	8,761	5,978	51,610	39.0	--	--
Government investment	12,128	12,076	10,880	11,085	11,613	11,940	69,722			
Less: Investment on Settlement	3,703	2,953	1,572	555	--	--	8,783			
Government Investment excluding Settlement	8,425	9,123	9,308	10,530	11,613	11,940	60,939			
Add: Settlement and Transfer Payments	8,076	5,081	2,672	1,655	1,100	1,100	19,684			
GOVERNMENT DEVELOPMENT EXPENDITURE	16,501	14,204	11,980	12,185	12,713	13,040	80,623			

Source: Ibid., p. 123

CONCLUSIONS AND DISCUSSIONS

There are some factors which make it difficult to estimate exactly the impact of this plan on the economy and the people of Kenya. Besides the shortages of staff, time and date; many procedures for implementing the plan are tentative and untested. The plan is here analyzed in terms of its likely impact on the living standards and employment of Kenyans and in terms of its feasibility with regard to capital formation, foreign exchange and manpower skills. Also the author will analyze some favorable and unfavorable factors to the plan's feasibility.

Growth in Families and Family Incomes

With the present rate of population growth of 3 per cent per annum maintained, the projection is that by 1970 Kenya will have a population of eleven million comprised of 1.8 million families.[1] On the average each family should have an annual income of nearly 200 pounds sterling, which is £30 higher than 1962 level. To provide for the additional 400,000 families and at the same time to raise average family income by £30, the economy must generate total income of £364 million in 1970, an increase of £121 million or 50% over the 1962 level. It is also projected that by 1970 a larger proportion of economic activity will be

[1]An increase of additional 400,000 families over the 1962 level.

channelled through markets and exchanged for money than was the case in 1962, reflecting a higher degree of specialization in the economy.[2]

Growth of the Monetary Sector

Although the plan is chiefly concerned with the development of the monetary sector, many of its programmes, particularly the agricultural programme, should raise productivity and living standards in the traditional sector as well. It is projected that by 1970 the monetary sector of the economy should comprise 77 per cent of all economic activity.

Agriculture still will continue to be the main sector of the monetary economy during the 1964-70 period, but its anticipated rate of growth is dependent on two most crucial assumptions - that the necessary private investment will be forthcoming and that export prices of main agricultural crops will not decline over the period.

Value added in manufacturing should grow at a greater rate over the period, this rate is heavily dependent on the investment of private funds and the growth of interterritorial demand.

In the area of services, hotel, restaurant and recreational group will expand with the projected increase in travel and tourism. This will assist greatly in the much needed foreign exchange.

Public and Private Capital Formation

Some of the growth expected in 1970 can be attained by utilizing the excess capacity that existed in the economy in 1962, particularly in

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[2]Ibid., p. 129

the manufacturing, construction and trade sectors. This means that the capital formation required over the 1964-70 period is somewhat less than would be needed if the economy were operating at full capacity.

Planners project that by 1970, gross capital formation will be £66 million, of which approximately £20 million [3] will be for replacement. The public share of capital formation will be larger over the 1964-70 planning period than it has been in the past.

Balance of payments

Exports are expected to increase substantially over the 1964-70 period because of the planned expansion of agriculture. At the same time, imports will also increase by an even larger amount despite the substitution of domestically produced goods for many goods now imported. This effect is due mainly to the high rate of economic growth itself - in particular, to the large amount of capital goods that must be imported if that growth is to be realized. In all, the adjusted trade balance, which includes interterritorial trade, is likely to show a considerably larger deficit than in 1962.

Employment

In Chapter four, the author analyzed the growth of the economy during the 1954-62 period, and showed that employment rose at the low rate of 0.8 per cent per annum. By 1970, employment, according to

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[3] Ibid., p. 131

planners' projection should increase at the rate of 2.8 percent[4] which means that unemployment, by then, may be a less significant problem than it was in 1962.

High level manpower

One of the crucial limiting factors to economic growth is a highly trained and educated manpower. This shortage is tentative as supplies of high level manpower will be generated through experience and on-the-job training as the plan is executed. The plan also requires an increase in the planned number of high school graduates and the hiring and retention of substantial number of overseas experts. To retain these expatriates, the people of Kenya will have to show a favorable and friendly attitude to them. Also it will not be an easy task speeding up the number of high school graduates because of present shortage of qualified teachers and facilities, particularly for teaching laboratory sciences. However, agriculture will continue to be the main source for industrial workers in future. National Youth Service efforts will also weld young men into harmonious units for development projects.

Favorable factors to the plan

Since the land question was the key issue for political independent movement, the independent Kenya government in the development plan 1964-70 has given first priority to Agriculture. African hunger for land during the Colonial Administration is now being satisfied through land

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[4]Ibid., p. 135

settlement schemes. Farmers settled under these schemes attend training centre classes to learn better farming and livestock methods.

Kenya is also lucky to have had leaders of charismatic personality like Kenyatta and Mboya. It is known that economic development needs a stable political situation so that the business community is not scared from making new investment projects. This political stability in Kenya has won confidence of the foreign private investors. Presently, it is hard to predict what will happen after President Kenyatta.

During the Colonial Period, entrepreneural spirit among Africans was lacking because they had no capital, management skills and even opportunities. Now that the new Kenya Government stands ready to provide funds, management training and advice to prospective African businessmen and business managers, there is a surge of small and large scale business enterprises.

Unlike her neighbor Uganda, Kenya had no rigid class of "status quo" power group. Lack of this group made the transformation from colonialism to nationalism less severe on people's socio-economic status.

Another important factor favoring the plan's feasibility is the careful application of monetary and fiscal policies by the planners to keep the balance of payments and domestic economy in harmony while the plan is being executed.

Unfavorable factors to the plan

Since 1946, the Kenya Government has had several development plans. Like the previous one, the 1964-70 plan is experiencing some difficulties in its execution. The most important obstacle is the present lack of private and public research. This is understandable because Kenya like any underdeveloped country has no necessary human skills, capital and natural resources required for extensive research projects.

Age distribution is another limiting factor to the plan. Approximately 51 per cent of the population is under 16 years of age, and the burden on today's wage earners is great. Though the planners have projected that by 1970 unemployment will not be a very serious problem, the author still believes that, given Kenya's present population rate of growth of 3 per cent per annum, unemployment will still be a problem by then.

Tribal allegiance should be a thing of the past if economic development is to be achieved effectively. Tribal favoritism if practiced in civil service and in other areas destroys efficiency and the loss is on the whole economy.

RECOMMENDATIONS

If the plan is to be a success, the Kenya government has to battle with some of the obvious problems in developing countries; corruption and inefficiency in civil service; great importance of nonmonetary transactions on self-sufficient farms; primitive accounting methods; widespread illiteracy; and many others.

Students returning from abroad should objectively accept conditions at home as they are. Recently President Kenyatta has been getting a little impatient with some legislators, who as students, had studied economics abroad and now as legislators, do not seem aware of the various set of realities at home - particularly the crucial need for more personal saving.

In the author's opinion, the overall plan is ambitious, but it can be achieved only if governmental authorities, farmers, businessmen and labor cooperate. Further requirement will be that regional and local authority officers and elected members of all governmental units must take an active part in explaining and interpreting the plan to the people in their districts and in obtaining their cooperation in its implementation. To put it mildly, all the people of Kenya will have to roll up their sleeves in a spirit of self-help to create the true fruits of UHURE (freedom). This is what is meant by "HARAMBEE" (Let's pull together).

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