Report of the
Presidential Committee
on
Unemployment
1982/83
His Excellency the President,
Hon. Daniel T. arap Moi, C.G.H., M.P.,
State House,
Nairobi.

Your Excellency,

You appointed us on 30th March, 1982, to consider and recommend strategies and practical measures for combating the problem of unemployment in Kenya.

We have now completed the assignment and we take the greatest pleasure in submitting our report which contains our unanimous findings and recommendations.

Throughout our deliberations, we have been greatly and incessantly inspired by Your Excellency's unequalled commitment to the well-being of our country and its people. We have therefore spared no effort in formulating the kind of recommendations which we trust will assist Your Excellency and the Government in the search for a solution to one of the most daunting problems facing our country today.

We wish to thank Your Excellency for the honour and trust that you have placed upon us and to express to Your Excellency our loyalty and highest esteem.

Your Excellency's most obedient servants,

MAINA WANJIGI,
Chairman.

TOM OWUOR,
HON. JUMA BOY, M.P.,
Y. F. O. MASAKHALIA,
J. M. MUTUGI,
A. K. KANDIE,
R. K. MUNGAI,
PROF. P. MBITHI,
Members.

P. M. MUNENE,
Secretary.

(iii)
COMMITTEE ON STRATEGIES FOR COMBATING THE PROBLEM OF UNEMPLOYMENT IN KENYA

When launching the current National Development Plan 1979-83, I highlighted my concern for the improvement in the well-being of our people. On that occasion, I expressed the concern that despite our impressive achievements since independence, our incomes were still very low and the majority of our people were still very poor. In this connection, the theme “alleviation of poverty” was given a dominant position in the formulation of the plan. I also pointed out that we, as a nation, would face challenges in our efforts to achieve an equitable and balanced development of our economy.

One of the challenges we are now facing as a nation is decreasing employment opportunities. This problem emanates basically from lower rates of economic growth experienced since the development plan was launched. The meaning of this is that the nation’s production of goods and services has been growing more slowly in recent years than expected.

The problem of lower rates of economic growth has reflected itself in many ways. One of these is that paid employment opportunities have declined in relation to demand for jobs. This situation is made worse by the fact that our population of school-leavers continues to grow.

Naturally, unemployment is one of the sources of concern for my Government. Indeed, the problem calls for both short- and long-term remedial measures and to help in the formulation of such measures, I have decided to appoint a Committee whose terms of reference will be to develop strategies for combating the problem of unemployment in Kenya.

The Committee will be composed of the following persons and should report to me within three months:

Chairman:
Mr. J. M. Wanjigi.

Members:
Mr. Tom Owuor.
Mr. David Kamau.
Hon. Juma Boy, M.P.
Mr. Y. F. O. Masakhalia.
Mr. J. M. Mutugi.
Mr. A. K. Kandie.
Mr. R. K. Mungai.
Prof. P. Mbithi.

Secretary:
Mr. P. M. Munene.

To help the Committee formulate practical and viable proposals, the public and private sectors will be expected to give all the necessary co-operation.

D. T. ARAP MOI,
President.

30th March, 1982.
PRESIDENTIAL COMMITTEE ON UNEMPLOYMENT

Terms of reference

The broad mandate of the Committee is to develop strategies for combating the problem of unemployment in Kenya. Specifically, the Committee is required to consider and recommend:

1. Measures which will stimulate economic growth in both the public and private sectors.
2. Measures which will disperse employment opportunities to areas of greatest need.
3. Measures which will promote labour-intensive methods of production.
4. Measures which will reduce the growth of the labour force and its migration to urban areas.
5. Measures which will improve the relevance of training and education and assist in the alleviation of the school-leaver problem.
6. Measures which will initiate and expand programmes with high employment content at relatively low cost.
7. Measures which will enhance the contribution of the public and private institutions to employment generation.

The measures proposed by the Committee should be specific with respect to the public, private and the informal employment sectors in both the rural and urban contexts. In addition, the Committee should identify major sectors of employment generation in their order of priority. Taking these sectors into account, the Committee should then devise specific programmes for each of the sectors detailing projects and their projected employment generation.
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PREFACE

Since Kenya attained independence in 1963, the country has enjoyed remarkable continuity in both political leadership and economic development. Our record of achievements in economic and social development over the last two decades has been impressive. The fight against poverty, ignorance and disease has been rewarded in the attainment of a relatively high standard of living unmatched in many other developing countries. These successes, however, have taken place not without strains and stresses in the society. Some of these pressures have reached a scale that they are not only dissipating the successes already achieved, but they present a major obstacle to the achievement of further progress. One of these is the persistent and growing problem of unemployment among a large and increasing majority of our citizens. The social, economic and political consequences of unemployment and the intractability of its causes have now reached an order of magnitude that they threaten the very foundations of our national stability. In the words of His Excellency the President:

“Perhaps the greatest challenge to leadership both in Government and in the private sector is to provide more employment opportunities. Every year we need to provide nearly 250,000 new jobs for the young people who join our labour force. This is not an easy task particularly in time of austerity. Wage employment outside agriculture is small, and the number of new non-agricultural jobs created each year can satisfy only a fraction of the people seeking employment... With a mushrooming population growth, there will be need to answer basic questions of what such a large population would mean to the nation in terms of food supply, employment, housing pressures, etc. This looming problem is a real threat to our future.”

2. The problem of unemployment is neither new nor unique to Kenya. Literally millions of people around the world are without paid work or other opportunities to earn an income. In the industrialized countries which have hitherto enjoyed high levels of employment, the scourge of unemployment has reached levels unprecedented in the post-war period. In the developing countries which are even less able to meet the rising expectations of their people, the problem of unemployment is one of the biggest of our time.

3. Since independence, unemployment in Kenya has been a serious and deteriorating problem both in terms of the numbers involved and in terms of its overall implications for the socio-economic development of the nation and therefore the well-being of the people. Indeed, few problems can be said to pose as much danger to the social fabric of our society as the problem of unemployment. Its causes are complex and deep-rooted just as its conse-

quences are profound and devastating. To the individual, unemployment means a loss of income and therefore deprivation of such basic necessities of life as food, clothing and shelter. It also denies the individual a chance for self-fulfilment and leads to feelings of alienation from society and personal frustration. Beyond its effects on the jobless individual, unemployment is also a problem to the immediate family and community, and to those who must pay the cost of supporting those without work. To the nation as a whole, unemployment entails the heavy burden of providing for the basic needs of a population which is not optimally contributing to the creation of national wealth. It also implies loss in national productivity and output, loss in tax revenues and above all, it leads to social instability and conflict.

4. The Government of Kenya has not been oblivious to the dangers posed by an unmitigated growth in unemployment. Indeed, the fight for increased job opportunities was an integral part of the struggle for independence and, in later years, the expansion of income-earning opportunities has always been a major objective of our development strategy. The first comprehensive study of the unemployment problem in Kenya was carried out in 1970 by a Select Committee of the National Assembly. Two years later, the problem was subjected to further scrutiny by the International Labour Organization’s Employment Mission to Kenya.

5. The reports of these two major studies led to greater concern about unemployment and prompted the Government to re-direct the country’s development strategy towards employment creation. The 1974-78 Development Plan had as its central theme the expansion of employment opportunities through the promotion of rural development. The 1979-83 Plan, while focusing on the provision for basic needs, was similarly emphatic about employment creation. During the two plan periods, significant progress was made in re-directing development efforts towards the rural areas and this contributed substantially to the creation of new employment opportunities. Apart from the effects of such a development strategy, the Government responded more directly to the need for more employment opportunities by entering into tripartite agreements with employers and trade unions whereby employers would agree to increase employment by a certain percentage and the unions would undertake to observe wage freezes.

6. But in spite of these initiatives, the problem of unemployment in Kenya has not only persisted but has in fact deteriorated. The prospects for the foreseeable future are equally gloomy. We believe that it is in the light of this worsening situation that His Excellency the President in his characteristic foresight decided to appoint this Committee to look into what is clearly one of the most daunting problems facing our country today. We laud the President’s wisdom for we believe that any further postponement of the search for solutions to this problem could lead to catastrophic consequences in the future.
7. We were appointed on 30th March, 1982, with a mandate to examine the problem of unemployment in Kenya in general and in particular to consider and recommend measures which would stimulate growth in both the public and private sectors, disperse employment opportunities to areas of greatest need, promote labour-intensive methods of production, reduce the growth of the labour force and its migration to urban areas, improve the relevance of training and education with a view to alleviation of the school-leaver problem, initiate and expand programmes with a high employment content and at low cost and, finally, suggest measures which would enhance the contribution of the public and private institutions to employment generation. From this list of tasks, it became clear to us right from the beginning that we were required to take a deep and comprehensive view of both the causes and possible solutions to the unemployment problem.

8. Our terms of reference embrace many matters of vital importance to the future of this country and throughout our deliberations, we have harboured no illusions regarding the magnitude and complexity of our assignment. Indeed, the causes of unemployment are so broad that to trace them through rapidly leads to an analysis which involves the whole socio-economic structure of the nation and touches on almost every element of development strategy. Apart from the challenge that is implicit in such an analysis, there are other matters that have occupied our minds throughout our work. Firstly, we have been keenly conscious of the tremendous interest, hope and expectation that the appointment of this Committee must have generated not only among the unemployed but the employed as well. We have appreciated all too well the agonies, frustrations and deprivation that unemployment brings in its wake. Yet it has been our unenviable task to suggest remedies to unemployment at a time when the Kenya nation is gripped by unprecedented economic difficulties. As a result of the 1973/74 oil crisis, our economy has reflected a serious balance of payments problem, a sluggish growth in national income and worsening unemployment. The outlook for the foreseeable future shows no signs of quick recovery. This therefore reduces not only the options open to the Government in the fight against unemployment but also the scope of our own recommendations, especially for the short-term.

9. Secondly, and as we shall amplify later in this report, our economy still retains some of the inequalities in incomes, wealth and levels of development that were inherited at independence. After two decades since independence, there are still some disparities in incomes, wealth and job opportunities between different socio-economic groups, geographical regions, urban and rural areas and between specific sectors of the economy. In particular, the levels of income among the poorest sections of the population have remained relatively low. The provision of jobs for the unemployed, while necessary, is by no means a sufficient condition for an equitable distribution of income.
10. Thirdly, the pattern of growth of our economy has been characterized by imbalances in the determination of levels of investment, their location and modes of production. In spite of the Government’s commitment to balanced growth, there has not been a co-ordinated approach to both public and private investments so as to achieve this goal. This has resulted in a pattern of development which has stressed urban growth much to the neglect of rural areas where the majority of our people live. This has in turn resulted in a situation where investment patterns and methods of production are determined by individual investors on the basis of such economic considerations as efficiency and profitability regardless of whether such investments or production methods will serve a social purpose such as employment creation.

11. A fourth factor which has occupied our minds is the realization that even under favourable economic conditions, Kenya’s resource endowment is limited and any unexploited potential will need to be utilized with the greatest efficiency. Our investigations indicate that over the years, a substantial number of public investments have been beset by inefficiencies, mismanagement, and heavy capital losses. Unless urgent measures are taken to reverse this trend, the nation’s capacity to alleviate unemployment will be seriously impaired.

12. Fifthly, unemployment is not just the personal problem of the unemployed individual; it is a national challenge which can only be met through the concerted efforts of all Kenyans. The evidence we have received indicates that although there is general agreement regarding the seriousness of the unemployment problem, most Kenyans do not acknowledge their role and duty in its alleviation. To some of our citizens unemployment is a social problem which only the Government can solve. This is in direct conflict with the national philosophy of mutual social responsibility as articulated in Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya. In our view, any effort to alleviate unemployment must be seen as a joint effort between the society and its members. We have therefore been concerned to point out that the efficacy of any measures we recommend to alleviate unemployment will call for more patriotism and national commitment on the part of every Kenyan.

13. But besides these constraints which we have seen impinging upon our work, we have been greatly heartened by recent Government initiatives aimed at improving the management of public affairs in the country. During the past few years, special task forces have been appointed to review such important institutions as the Civil Service, the parastatal sector, the education sector, etc. The Government has also issued from time to time, sessional papers spelling out policies and structural adjustments aimed at meeting the rapidly changing economic realities. During the life of our own committee, His Excellency the President has enunciated a fundamental economic policy which we feel will go a long way in giving impetus to further growth of the
economy. He has also appointed a Working Party to draw up a Code of Conduct for all Kenyans. If the current momentum of national regeneration is maintained, there is no doubt that the climate necessary for the alleviation of unemployment will have been created and much of what we have sought to highlight in this report will have been fulfilled.

14. Having regard to these considerations, the Committee has gone to great lengths to analyse on sector by sector basis, as explicit in our terms of reference, and to recommend long-term yet flexible and practical programmes which we trust will assist the Government in its efforts to improve the welfare of its citizens.

15. In the light of the prevailing economic situation, we have tried to keep cost considerations always in mind. Our recommendations are therefore made with a view to giving Government some flexibility in the kind of programmes it may initiate to create more employment. We have attempted to draw up a programme mix which includes both small-scale and cost-effective projects which could be implemented with relative ease in the short-term, and more complex undertakings which if the groundwork is laid now will generate more employment opportunities in the longer term.

16. Our recommendations also provide flexibility in the determination of production methods. Whereas the present situation is characterized by capital-intensive undertakings, we have sought to recommend changes in production methods which would generate more employment opportunities without necessarily involving heavy or additional capital expenditures. We have also highlighted the importance of greater use of locally-produced raw materials which are not only cheaper but create employment opportunities in the industrial processing as well as for the producers of those raw materials.

17. As stated elsewhere in this report, the migration of job seekers from rural to urban areas is now a very real and serious problem. We have therefore sought to recommend rural-based programmes which will not only benefit the greatest number of the unemployed/underemployed but will also stem the influx of people to the urban areas.

18. Lastly, our recommendations seek to achieve a more realistic apportionment of responsibility for employment creation between the Government, the citizenry and the private sector. As time is not foreseen when the country can give paid employment to all the citizens who are unemployed, it is the feeling of the Committee that self-employment must continue to assume a significant role in our development process. We have therefore suggested the initiation of programmes which would enable the jobless to go into self-employment by giving them the necessary skills and such other facilities as infrastructure, credit, etc.
19. We now take the opportunity to thank all those who contributed to our work in very many ways. We are particularly indebted to the many who spared time to send in written memoranda, and the numerous others who attended our public hearings. During our travels to the provinces, we were greatly inspired by the enthusiasm with which people gave their views on how the problem of unemployment can be alleviated. The evidence we have received from Government ministers and officials, leaders in business and industry, trade unions, professional and many other social organizations has been overwhelming. If our report appears to have left out some of the suggestions or observations that were put before us, it is because we could not have done justice to the voluminous submissions without multiplying the length of our report many times. However, it should be clear from what we have written how greatly we have been influenced by the perceptions of Kenyans about the single most burning problem facing our country today.
CHAPTER I—THE NATURE OF THE UNEMPLOYMENT PROBLEM

20. Although unemployment is a world-wide problem, there is no universally agreed definition of what precisely constitutes unemployment. In any given country, the nature and characteristics of the problem depend on the structure and stage of development of its economy. In the industrialized countries which provide unemployment relief benefits, the problem is easier to define and to quantify. On the other hand, definition of unemployment in the predominantly agricultural economies is more elusive.

21. In its everyday usage, the term unemployment refers to that situation where a person has no source of income, is able to work and is actively looking for work but cannot get it. However, such a definition leaves a lot of questions unanswered. For instance, it does not explain the status of a person who toils for hours but gets little or no income from his labours. It does not also take account of the person who works for only a few hours a day, a few weeks in a month or a few months in a year. There is also the category of persons who are able to work and are not working but are not actively looking for work either because they are selective about jobs or because they are not aware of job opportunities. Then there is the category of persons who are already earning an income but are actively looking for additional employment so as to enhance their incomes.

22. Given the structure and diversity of Kenya’s economy, the problem of unemployment is all the harder to define. At one extreme are those who are openly unemployed and are actively looking for work. This group includes the school-leavers who migrate from the rural areas in search of white-collar jobs in the urban areas. At the other extreme are those who perform traditional tasks and family obligations without receiving direct remuneration. Between these extremes are those in the rural and urban areas who are fully or partly occupied in some economic activity but whose productivity and incomes are very low.

23. Given such a diversity, the Committee considers that the problem of unemployment is basically one of lack of access to income earning opportunities whether in wage or self-employment. Thus our definition encompasses open unemployment as well as underemployment. Also inherent in the definition is the concept of poverty caused by lack of access to basic services and unacceptably low incomes arising from occupying jobs which fail to allow workers to use their full capacities and skills, or where labour productivity is abnormally low because of restrictive working hours, under-utilization of plant capacities or other economic factors.

7
Labour force and levels of unemployment

24. Arising from the difficulties inherent in trying to define unemployment in precise terms, the determination of the size of the problem has obvious limitations. In Kenya, the labour force is defined as that proportion of the population between the ages of 15 and 59 who are employed and working, plus all those who are seeking work but excluding people who are unable or unwilling to work. Thus students, prisoners, and those not actively looking for employment are all excluded from this definition, as are those over 59 years of age who may in fact be engaged in productive work. On the basis of this definition, the number of unemployed persons is calculated as the difference between the total labour force and the total number of persons considered to be gainfully employed.

25. As will be noted in Table I below, Kenya’s population of productive age (15-59) grew from 5 million in 1969 to 7.7 million in 1981. During the same period, the labour force increased from 3.8 million in 1969 to 6.6 million in 1981. According to Table II, those considered to be in productive employment increased from 5 million in 1976 to about 6.1 million in 1982 of which 1.1 million were employed in the monetary sector, 3.1 million in small-scale agriculture, 0.4 million in pastoralism, 1.2 million in rural non-farm activities and 0.8 million in the urban informal sector. The table shows that the number of unemployed persons as a percentage of the labour force increased from 7.1 per cent in 1976 to about 10.6 per cent in 1982.

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<tr>
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<tr>
<td>Total Population</td>
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<tr>
<td>Working Population (Age Group 15–59)</td>
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<tr>
<td>Labour Force</td>
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<td>Dependency Ratio</td>
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<th>Table II—Employment and Unemployment ('000)</th>
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<tr>
<td>Year</td>
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<tr>
<td>Modern Sector</td>
</tr>
<tr>
<td>Small-Scale Agriculture</td>
</tr>
<tr>
<td>Pastoralists</td>
</tr>
<tr>
<td>Rural Non-Farm</td>
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<td>Urban Informal</td>
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<td>Total Employment</td>
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Source.—Ministry of Economic Planning and Development.
26. Total employment increased at an annual rate of 3.1 per cent between 1976 and 1982. Thus, by the residual method, the number of the unemployed in 1982 was 740,000 compared to 388,000 in 1976. These statistics clearly indicate a need to treat the estimates of unemployment with caution. Indeed, the Committee is of the strong view that whereas the estimations made in Table I may give a crude indication of trends in employment and unemployment, they manifestly obscure the real problem in Kenya—that of underemployment. Therefore in making our recommendations, we have assumed the problem to be of a much bigger scale than is depicted in published statistics.

Some causes of unemployment

27. The Committee has identified the following major causes of unemployment in Kenya, namely, the very rapid growth of the labour force; the inability of the economy to grow at a rate that would create enough jobs for the growing labour force; job selectivity among school-leavers; seasonality of some of the industries; skills imbalance which has resulted in vacancies co-existing with surplus labour; inappropriate technological applications; and, failure of development programmes to focus on areas with the greatest employment creation potential.

Population growth

28. In Chapter IV of this report, we have discussed in considerable detail the implications for employment and unemployment of the country’s high rate of population growth. According to recent fertility surveys, Kenya’s rate of population growth is now estimated to be about 3.8 per cent which is very high by any standards. Apart from its growth in sheer numbers, the structure and distribution of the population is such that by 1979, the number of Kenyans under the age of 15—and therefore outside the labour force—was about 48.5 per cent of the entire population. The effects of such a distribution has been to accentuate the problem of dependency and therefore the trend towards poverty. The growth and distribution of the population is therefore a major element of Kenya’s unemployment problem and will continue to be so for the next 15 years since those who will be seeking work during that period are already born.

29. Apart from the rapid increase in the numbers entering the labour force each year, uncontrolled population growth has also increased the pressure on the carrying capacity of land. According to recent projections by the Institute of Population Studies of the University of Nairobi, for the 20-year period between 1969 and 1989, population density in medium and high potential agricultural lands will increase by 132 per cent in the Rift Valley Province, 120 per cent in Eastern Province, 119 per cent in Coast Province, 112 per cent in Central Province and 106 and 97 per cent in Western and Nyanza provinces respectively. The effects of such a trend will
be to increase the present level of unemployment and underemployment through such factors as the decrease in land per worker, the need to take recourse to land of inferior quality and an increase in fragmented and overcrowded holdings. As the pressure on land becomes more intense, the tendency will be for the unemployed to migrate to urban areas and thus aggravate the level of urban unemployment and the resultant burden of providing basic services.

**Economic growth**

30. The growth in the size of the population and the labour force does not in itself create unemployment. Its significance lies in its effects on the rate at which the economy grows and therefore its capacity to absorb the additional labour. As we have explained in Chapter III of this report, the impressive growth of the economy since independence has not kept pace with the growth in the labour force and this partly accounts for the current level of unemployment. In recent years, the growth of the economy has been adversely affected by a serious balance of payments problem, slower growth in world demand, sluggish foreign investments, high oil prices and low prices for our exports. This situation is expected to continue for the foreseeable future and yet the size of the labour force will continue to grow unabated. The conclusion to be drawn from this reality is simply that until the present economic difficulties are overcome, any reduction in the level of unemployment will not take place and the problem could, in fact, worsen unless innovative and purposeful measures are taken to arrest the situation.

31. The growth of the economy is not determined by the availability of resources alone. The efficiency with which available, even if scarce, resources are utilized has a significant effect on the rate of economic growth. As we have elaborated in Chapters III and XIII, resource use and management in Kenya has not been optimized and this has in turn influenced trends in employment and unemployment. Recent reviews of Government investments reveal that the country has over the years suffered substantial losses due to bad investments. The parastatal sector has been singled out as not having optimized the use of substantial resources that have been put at its disposal. The impact of these losses has been to slow down the rate of economic growth and therefore the capacity of the economy to generate employment opportunities.

32. In recent years, labour productivity has been relatively low and this has affected the output of the economy. While wages have been on the increase, the productivity of labour has been on the decline due to under-utilization of plant capacities, restrictive working hours and a general erosion of the work ethic. An analysis of production variables indicates that during the period 1975-81, labour productivity increased at an average rate of about 2 per cent while the gross national product and labour input increased at an average rate of 5.7 and 3.7 per cent respectively. While the
major part of the country's labour force is in the agricultural sector, the share of agricultural output in the total G.D.P. declined from 37 per cent in 1975 to 33 per cent in 1980. The effect of this low level of productivity has been to slow down the overall rate of economic growth and therefore growth in employment. It is clear therefore that for the economy to enhance its employment generation capacity, Kenyans must become more productive.

Job selectivity

33. The most conspicuous indicator of unemployment in Kenya has been the large number of school-leavers who migrate into the urban areas in search of employment. Their conspicuousness has largely been due to the fact that they are particularly selective about the type of jobs they think they should take up. Job selectivity has created a paradox whereby, on the one hand, the country is acutely short of unskilled labour in such vital sectors as agriculture that it is forced to recruit farm-hands from neighbouring countries whilst on the other hand thousands of unskilled citizens are flocking into the urban areas in search of white-collar jobs. While it is true that unemployment is quite acute among school-leavers, it is undoubtedly aggravated by the negative attitude of our youth towards manual labour. This problem is discussed in greater detail in Chapter V where several solutions have been put forward for consideration.

Seasonal unemployment

34. Another aspect of the unemployment situation in Kenya pertains to the seasonality of jobs. In the agricultural sector, and to some extent in the tourism industry, employment opportunities are available only during certain periods of the year. Thus the jobs available in agriculture tend to increase during harvest time or during the picking seasons of such crops as tea, coffee, etc. The implication of this is that those who engage in these activities become unemployed for the rest of the year and have to look for other opportunities in non-farm activities.

35. Apart from agriculture, there are other sectors of the economy which provide employment only for limited periods. The construction industry, for instance, absorbs labour for specific projects and when these are completed the workers are laid off. Similarly, many manufacturing enterprises employ people on casual basis which means that the jobs so created are not a continuous source of incomes.

Skills imbalance

36. Another important cause of unemployment is the imbalance in the supply of and demand for skills. As we have elaborated in Chapter V of this report, a major weakness in our education system has been its inability to develop people with the skills that are required in the labour market. This
has resulted in a situation where large numbers of school-leavers are unemployed because they do not have the required skills. While Kenya has met with great success in education expansion, the same cannot be said of training. Although the country has a network of training facilities in various fields, the whole effort of increasing the needed skills has been unco-ordinated and therefore has not had a significant impact on the growing demand. Thus many industries cannot expand due to shortage of skills at the professional, technical and artisan levels. In the Government itself, shortage of skills has hampered the implementation of projects which could generate substantial employment opportunities for both the skilled and the unskilled labour. One of the consequences of this imbalance is the importation of expensive expatriate personnel even in skills for which Kenya is well poised to produce.

Technology

37. Kenya is heavily dependent on imported technology which for the most part is highly capital-intensive. Such technology changes so rapidly that it sometimes becomes obsolete before it is fully mastered. The use of capital-intensive methods of production has been justified on the basis that such methods are more favourable to the growth of output and that they generate more savings than labour-intensive methods. It is argued that with the increased savings, the economy would then afford to invest in activities with high employment creation potential.

38. While such arguments may hold true in some economies, they are not always true in the Kenyan situation. Most of the industries in Kenya which use capital-intensive production processes are foreign-owned and therefore a significant portion of their profits are repatriated to foreign countries rather than being ploughed back into the economy. To this extent, opportunities for employment creation are lost both in the short- and in the long-term. The Committee is therefore convinced that the choice of technology and production techniques in Kenya has had a significantly adverse effect on employment creation. The Government must therefore play a leading role in directing the adoption and use of appropriate technologies. One cannot simply accept the pattern of work thrown up by the labour market. Major changes in the development strategy will need to be made if future growth is to improve the living standards of the population. These changes should aim to influence the pattern of both the demand for labour and its supply as well as the choice of technologies.

Rural-urban imbalance

39. The pattern of development in Kenya has in the past been heavily biased towards urban development. Although the various development plans since independence have recognized the importance of directing more attention to rural development, the provision of basic infrastructures which would stimulate the expansion of productive activities and therefore employment...
have not kept pace with the growing labour force. This in turn has resulted in the migration of people to the urban areas in search of employment either in the monetary sector or in the informal sector.

40. The rural-urban imbalance is also reflected in the pattern of income distribution. In view of the urban orientation of development, the incomes of people employed in urban areas have generally been higher than of those in the rural areas, despite the fact that 90 per cent of our people live in the rural areas. This has had the effect of inhibiting the expansion of farm and non-farm activities in which people could engage in gainful employment.

**Outlook**

41. From the foregoing, it is clear that unemployment is a complex and multi-faceted problem which does not lend itself to easy solutions. Indeed, it would be illusory to think that time will ever come when there will be paid work for everyone who wants it. We have shown that many of the causes of unemployment are so deep-seated that no single set of remedial measures could be relied upon to provide solutions within a given time scale. The problem of population growth, for instance, can only be resolved in the long-term. Any measures taken now to reduce the size of the population will take years and even decades before they could have a noticeable impact on the levels of unemployment.

42. We have also shown that the growth of the economy has been and will continue to be influenced by external forces beyond our control. No one can hazard a guess as to when the economy will achieve full recovery and thus be able to generate increased employment opportunities. This in itself is indication enough that the problem of unemployment will continue to be with us at least for the foreseeable future.

43. Given these uncertainties, the people of Kenya must become more appreciative of what unemployment really means and involves. They must become more aggressive and innovative in identifying and seizing every opportunity to enhance their well-being. In the following chapters of this report, we have recommended the various reforms that ought to be instituted so as to facilitate employment creation. We have stressed that Kenyans must become more patriotic and committed to the ideals of their nation. Alleviation of the unemployment problem must be seen as a co-operative effort between the Government and its people. To facilitate such a joint effort, the Committee has gone to great lengths to identify areas in the entire economy where Government could invest in employment generating projects and areas where the people themselves could help in the creation of new opportunities for productive employment.
CHAPTER II—THE NATIONAL PHILOSOPHY AND ITS APPLICATION TO THE PROBLEM OF UNEMPLOYMENT

44. A society does not and cannot grow in a vacuum. A society is organized around a set of values and ideals which together constitute its national philosophy. The Committee believes that any meaningful evaluation of the unemployment problem is an evaluation of growth, equity and development objectives and must therefore be evaluated against our national philosophy of Democratic African Socialism as outlined in the Sessional Paper No. 10 of 1965.

Traditional setting

45. In any society, human needs and aspirations can be viewed as a varying set of priorities arising from—
   (i) a base of physiological needs such as food, shelter, water, air and so forth;
   (ii) safety needs such as protection and a sense of personal security;
   (iii) belonging, affection and love needs involving membership in a group;
   (iv) esteem needs, including a sense of freedom, achievement, attention, importance and dignity; and lastly,
   (v) the need for self-actualization which refers to the human desire for self-fulfilment and of becoming what one potentially is.

46. In the traditional African society, these requirements were achieved by a closely structured system in which societal values, beliefs and attitudes were organized into a comprehensive logic of behavioural expectations and obligations. The society and its members had a mutual and reinforcing responsibility to do their best for each other and hence for the society in the belief that if society prospers, each of its members will also prosper. The society had implicit basic minimum needs such that when individuals went below this minimum, there was cause for public concern and even justification for external interference in the affairs of a family or any constituent group.

47. Every member of the society had a duty to work and this duty was willingly accepted because in the sharing of the society’s benefits, the reciprocal response of society to the individual’s contribution was automatic and universally recognized. Hard work was dignified. It gave people pride and self-respect. Laziness was frowned upon. The society itself had the power and duty to impose sanctions on those who refused to work and rewarded those who contributed to the common endeavour.
Democratic African Socialism

48. On attaining independence in 1963, Kenya adopted "Democratic African Socialism" as her national philosophy which was later defined in the Sessional Paper No. 10 of 1965. In this philosophy, all members of the society have defined roles and obligations and no individual or group is permitted to exert undue influence on the policies of the State. The State, as is enshrined in the Constitution, is seen as representing and safeguarding the rights of all people impartially and without prejudice. This national philosophy of Democratic African Socialism has in turn evolved into a very pragmatic and uniquely Kenyan interpretation—Harambee spirit. So unique and African is Harambee that it has carved for itself a central role in the political, social and economic life of all Kenyans.

Harambee spirit

49. Simultaneous with the adoption of Democratic African Socialism, and as if it were to supply the motive power in line with African traditions, the people of Kenya adopted the motto "Harambee" (Swahili word meaning—let us pull together). This motto embodies the concept of mutual social responsibility extended from the family to the whole nation, stressing all along the need for self-help and self-reliance in a closely inter-dependent society. This Harambee spirit is the corner-stone of our development strategy. It is a phenomenon deeply rooted in our African traditions and yet revolutionary in its impact. It gives a sharp focus to the general philosophy of Democratic African Socialism as outlined by His Excellency the President:

".... There is much in our African heritage especially concern and respect for others, the Harambee spirit, the dedication to integrity and the respect for the family which we must maintain. Indeed, we must strengthen these traditions because they, together with development are the principal means by which we can enhance the moral and material well-being of our children. And it is through our children that we build the future of the nation."

The Nyayo philosophy

50. The Nyayo philosophy epitomizes, into behavioural expectations and guiding ethics, the concepts of Peace, Love and Unity within the framework of African Socialism, emphasizing all along, traditional subordination of self-interest, and the view that selfishness, arrogance and lack of humility are anti-social in the African traditional sense. In the words of the President:

"Leadership in Kenya must both encourage and spring from the roots of our national culture. Political leaders can and should talk about consti-

1 Speech by His Excellency the President on the occasion of installation as President, 4th October, 1978.
tutions and democracy and the rule of law, and development programmes since these are all vital aspects of the kind of independent, purposeful life that we choose to lead here. But when it comes down to realities it will be discerned that our nationhood feeds on the ujamaa spirit that permeates the relationship between the leadership and the people; that spirit that also binds us all into one enormous family. And with this family, the values of human respect and mutual respect have to be based upon those meanings of culture which reflect, not only what each one of us can do but also how we behave . . . ."

51. Consistent with the Nyayo philosophy the problem of unemployment can be seen in the light of four major challenges:

(a) Need for patriotism, peace and unity leading to increased productivity and enhanced labour absorptive capacity.

(b) Positive attitudes to work and self-actualization.

(c) Development of our resources to raise the living standards of the people bearing in mind the need for equity in the distribution of income, wealth and opportunities.

(d) Cultural revival and identity leading to greater self-awareness, creativity and innovativeness.

Each of these themes will appear repeatedly in the body of the report. They will therefore only be dealt with in general in this chapter.

Patriotism, peace and unity

52. Democratic African Socialism, as a political doctrine and as given practical application in the Nyayo philosophy, is a tool to foster the development of nationhood and to bring about a sense of belonging, which is often so lacking particularly in the minds of our young people. While difficult to analyse in the formal and intellectual framework, its goals will and are being steadily achieved by continually searching for pragmatic solutions that combine tradition with modern economic and social concepts or, as the President has repeatedly said, by moving "from the known to the unknown".

53. To this extent, African Socialism is not only politically democratic but socially responsive, adaptable and independent. It rejects communism as well as capitalism and accepts the challenge that the problems of today require new thoughts and new concepts and that dogmatic adherence to century-old isms of Marxism, communism or capitalism is an intellectual legacy which we cannot afford.

1 Speech by His Excellency the President at the University Annual Festival of Arts and Music, 31st, May, 1979.
54. In order to accentuate this philosophy, the Committee recommends that a concerted effort should be made to teach and to popularize the concept of Democratic African Socialism and its application in Kenya. This campaign should be spread from the Kanu Party forums to schools and should be made to permeate the whole fabric of our society.

55. Towards this end, Kanu and the Government should sponsor the publication of relevant publications and pamphlets and generally spearhead the programme by organizing seminars and workshops designed to cultivate the feeling and pride of belonging to and being a Kenyan.

56. In this connection, the Committee has noted that the teaching of civics in schools is restricted only to primary schools and that even there the teaching has tended to be “fact-gathering” rather than philosophical. The Committee recommends that this situation should be corrected and that civics should also be taught in all secondary schools and teacher training colleges and that its teachers should undergo special and periodic courses to ensure that they are conversant not only with the facts but also with the spirit and philosophy underlying the subject.

57. Such a concerted programme should preach against the social evils of nepotism, tribalism, individualism, selfishness and corruption. It should condemn the lust for money and power just for their sake, and instead exalt the higher ideals of peace, love and unity as embodied in our Nyayo philosophy. It is in this light that the Committee welcomes whole-heartedly the appointment by His Excellency the President of the Working Party on the Code of Conduct.

58. Patriotism will bring national solidarity which will in turn encourage collective effort and accountability and a sense of responsible leadership on the part of all citizens under the spirit of the Nyayo philosophy:

"The Nyayo philosophy is for the attainment of social security, justice, prosperity and hope for the future.... A person’s life on earth is short-lived and all Kenyans should love one another and perpetuate co-operation at all times.""1

"....there is no substitute for hard work, community discipline, practical management of public affairs and the Harambee spirit linking the Government and the people together in all endeavours.""2

59. Patriotism will also bring about a climate of peace and unity which is an important pre-condition for orderly national development and therefore for employment generation. The antithesis of peace and unity is conflict and division. Studies have shown that conflict, whether social, industrial or

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1 Speech by His Excellency the President in Nairobi, 6th November, 1979.
2 Speech by His Excellency the President on the occasion of graduation ceremony, University of Nairobi, 15th December, 1979.
political, is very destructive. At the family and village level, conflict reduces the amount of time available for productive work, undermines co-operation and leads to costly defensive or offensive measures individually or collectively.

60. At the national level, conflict diverts resources to social defence such as the expansion of police, judiciary and prisons. It blocks the flow of resources from outside and also from the Government which could otherwise be available for productive purposes. To this extent, conflict contributes greatly to unemployment.

61. In our estimation, therefore, the problem of unemployment must be evaluated and resolved within the framework of the Nyayo philosophy of peace, love and unity. In the campaign to accentuate this philosophy, the Kanu Party and the Government need to stress the dangerous consequences of conflict and therefore the need to maintain peace and unity. The fundamental objective then should be to create a community and a society that rewards mutual assistance, rather than competition and conflict; a society which favours individual self-fulfilment based on the theory and practice of inter-dependence between individuals, between groups and between races, always allowing for reinforcement of one by the other rather than each engendering conflict and destruction.

Attitude to work and self-fulfilment

62. Whereas work is principally an element in the production process, it is also a means by which people qualify in sharing the goods and services so produced. In this regard, work helps to establish the function and status of man in society.

63. In this connection it is worth noting that people are naturally and impulsively interested in improving their material well-being and that attempts to repress this natural desire often leads to coercive measures and impoverished politics. On the other hand, when this natural desire is given sufficient latitude, growth takes place and everyone benefits, however, unequally in extent or in time. The results of such growth in turn facilitates the creation of a liberal society in which individual rights and liberties are respected.

64. In pursuit of self-fulfilment and self-actualization, Kenyans have developed a very enviable desire for hardwork under the generally accepted adage that “Kenya does not have free things” and that we all have to work and work hard to safeguard our hard-won uhuru. The Committee recommends that this nobility of work for the sake of the larger society must be nurtured more aggressively at home, in schools and even at work. The old dynamism generated at independence should be recaptured and rewarded. One other startling quality of Kenyans is that they are inveterate optimists about their country. When times get tough it is upon these qualities that the nation depends. Government may be effective and purposeful but there is one thing it can never provide that is: the individual’s sense of confidence and hope—and yet this is the most basic element in development.
Development for life

65. It may seem strange if we said that our objective in this report is not development but life. Yet surely this is the issue. Our approach to development—and hence unemployment—will be unorthodox in that it will not aim primarily at economy and efficiency, important as these are. Rather, it will take as its objective the welfare of our people and will recognize that human welfare does not simply depend upon increased cashflows and gross national products.

66. Irrespective of how employment is defined and even when common indicators suggest that an economy is growing, countries which are dominantly agricultural, such as Kenya, record a relentless growth in their numbers of the jobless and the under-employed. As such, mere growth of the present type will continue to be associated with positive unemployment and therefore the case for short-run and long-term relief programmes for the unemployed becomes unassailable. Whereas the major part of development expenditure will continue to be invested in the expansion of capacity, another not insignificant part must be directly devoted to a national works programme structured in such a way that it also creates durable productive assets while expanding the employment base.

Equity

67. Regarding the issue of the distribution of incomes in Kenya—whether one takes distribution between agriculture and industry, between employers and employees, between racial groups or indeed regional distribution—one fundamental issue that the Committee has to emphasize is that a healthy nation must be free from domination by any one grouping, whether tribal, racial, ethnic or religious.

68. This theme will be developed further in the report. Suffice it to say here that the Committee sees equity as a major challenge of the 1980s. No analysis of the unemployment problem can be complete without looking into the share of incomes which different groups of the population receive, as well as the proportion of the population living on or below the margins of real poverty.

69. In another section of this report the Committee argues that it is imperative to initiate a national incomes policy in order to promote a more equitable distribution of incomes, to secure a rapid expansion of employment and thereby raise the living standards of the people in a rapid and yet balanced manner.

Cultural revival and identity

70. People are one of our nation's most under-utilized resources and yet potentially most valuable. Land or capital without people is sterile. Development therefore means a rapid growth of human talents and skills and
opportunities to employ them. This will be discussed further in the chapter on education and training. At this stage, our interest will be restricted to the need for generating a programme of cultural revival and identity, for a man without a cultural identity is incomplete and inconsistent, and by the same token a nation without a culture is woefully hollow. There is need to relate the present and the future to our past. In this way life becomes meaningful and purposeful.

71. In this regard, the Committee welcomes the formation of the African Cultural Society and recommends that this society in conjunction with the Ministry of Culture and Social Services should be mandated to draw up a long-term programme of cultural revival and identity.

Kenya African National Union (KANU)

72. The Committee sees the role of Kanu as basic and critical in the formulation and accentuation of the programme enunciated in this chapter. It is therefore necessary that the party is reinforced with an adequate and high powered administrative machinery at head office and branch level to be able to translate these policies into action programmes. Present political programmes have an election-to-election time horizon that is far too short to solve some of the major problems that our society must grapple with. Our people have the will and the determination but Kanu must show the way.

73. There is a broad and largely unexplored future in Kenya. That future will be moulded by what we and our children do today and tomorrow. We can leave ourselves to the fate of the unattended or we can seize this opportunity to participate in the creation of the next leap forward.
CHAPTER III—ECONOMIC GROWTH AND EMPLOYMENT

74. The foremost economic objective of development policy in our country has been and will remain that of achieving high and growing per capita income which is equitably distributed among the people. The total potential output of goods and services in a nation depends, on the one hand, on its endowment of productive resources including manpower and technical know-how and, on the other, on the extent of effective utilization of these resources in processes of production. A high level of employment of the available labour force is thus an essential ingredient in any development programme which seeks to realize the productive potential to the fullest possible extent. Besides being the crucial factor in realizing potential growth of output, employment is also the most direct and effective mechanism for the distribution of the resulting national output of goods and services. The fuller the employment of a nation’s manpower resources, the more equitable, in general, is the pattern of its income distribution.

75. Even apart from its contribution to the objectives of higher output and more equitable distribution, high and growing employment of the labour force is an independent objective of development policy in its own right. Employment is a basic need, like other basic needs such as food, shelter, education and medical care. Every adult member of society has a basic need for being engaged in some socially useful work, thus enjoying a sense of fruitful and honourable participation in the development process. To the extent that a society fails to provide productive employment to some members of its working population, it denies to those members the satisfaction of this basic need, along with other basic needs such as food, shelter, education and medical care.

76. While high rates of economic growth and high levels of employment are complementary objectives in a long-run perspective, there may, nevertheless, be a conflict between the two in the short-run, especially in the early stages of industrial development. This is so because in the early phase, the bulk of a nation’s investible resources need to be directed towards the building up of infrastructural facilities and heavy industries which are usually highly capital-intensive, yielding little growth in employment. The conflict may be looked at from another angle. If the aim is to maximize the employment potential of a given size of investment, it should be spread out thinly over a large number of labour-intensive projects. This will usually keep labour productivity and per capita income at a low level, resulting in low savings and inadequate surplus for re-investment. An alternative development strategy which chooses projects with a view to maximizing the re-investible surplus...
will, on the other hand, result in low present consumption and generally inequitable distribution of the benefits of development. In view of this conflict, development strategies in the early stages of growth need to aim at a careful mix of technologies, trading off some growth in employment for some quickening of the pace of development.

77. Together with the more conventional objectives of growth and distributional justice, eradication of absolute poverty is now universally recognized as an independent objective of development policy. In order that the creation of more employment helps in achieving this objective, the additional employment has to be generated among communities which are particularly prone to the scourge of absolute poverty, such as small farmers, landless agricultural labourers and pastoralists. If instead the additional employment is generated in urban areas and in large-scale agricultural or industrial enterprises, it is possible that it will serve to raise the standard of living enjoyed by people who are already above the poverty line. It should be noted, however, that there is in Kenya a substantial extent of remittance of urban incomes to the rural areas. There is also evidence that such remittances are income inelastic, implying that earners of lower urban incomes remit higher proportions of their income. Part of the benefits of higher employment and income generated in urban areas will thus trickle down to rural households through this channel. On the whole, the objective of fuller employment is complementary to the objective of eradication of poverty, as is true, in general, for the other objectives of growth and equitable distribution.

**Economic growth since independence**

78. Kenya’s economy has the well-earned reputation of having been a fast growing one since independence, despite some interruption in the period 1973-1975 owing to a staggering four-fold rise in oil prices and the consequent disruption of established trade and financial balances and, more recently, during 1979 and 1980, due to the combined effects of a severe drought, continuing international recession and inflation, and a further sharp rise in oil prices. As Table III indicates, G.D.P. at constant prices has registered an average growth rate of 5.1 per cent over the entire period 1964-1982.

<table>
<thead>
<tr>
<th>Table III—Growth in Selected Economic Indicators, 1964—1982*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth rate</strong></td>
</tr>
<tr>
<td>GDP at constant (1976) prices</td>
</tr>
<tr>
<td>GDP per capita</td>
</tr>
<tr>
<td>GDP in agriculture</td>
</tr>
<tr>
<td>GDP in manufacturing</td>
</tr>
<tr>
<td>GDP in industry</td>
</tr>
<tr>
<td>P.C. Share of Agriculture in Total GDP</td>
</tr>
<tr>
<td>P.C. Share of Gross Capital Formation in GDP (a)</td>
</tr>
<tr>
<td>P.C. Share of Capital Formation financed domestically (b)</td>
</tr>
</tbody>
</table>

*1982 values used are provisional:

(a) Based on values for 1967 to 1981.
(b) Based on values for 1964 to 1981.

*Source: Central Bureau of Statistics.*
With the population growing at an average rate of nearly 3.5 per cent per year over the period, per capita real income has also grown by 1.5 per cent. Agriculture which accounts for more than a third of national income has grown at an average rate of 3.8 per cent, despite the drought which resulted in an absolute fall in agricultural output for two successive years in 1979 and 1980. The growth rate in manufacturing has been considerably faster (at 7.3 per cent) than that of agriculture and the overall Gross Domestic Product, indicating that the country has been achieving steady industrialization, despite occasional interruptions. Even if one takes a broader view of industry (comprising the sectors mining and quarrying, manufacturing, electricity and water, and building and construction), the average growth rate has been a highly satisfactory one of 6.9 per cent. Looking at another indicator of industrialization, one finds that the share of agriculture in total Gross Domestic Product has fallen over the period from a level of 41.1 per cent in 1964 to 32.1 per cent in 1982, an average fall of 1.3 per cent in the percentage share per year.

79. As stated earlier, an important objective of development has been that of improvement in distribution of income and in particular, reduction of absolute poverty in the country. Achievement in this regard cannot be assessed very well due to lack of up-to-date data on the distribution of income and expenditure, but the available information indicates that some progress has occurred. There is also evidence of a significant shrinking of the gap between average rural and average urban incomes, which points to a reduction in the incidence of poverty.

80. It might be of interest to compare Kenya’s development performance over the two decades with that of some other oil-importing developing countries in East and Central Africa and in South Asia. This is done in Table IV, which presents some data taken from the World Development Report 1982, published by the World Bank.

<table>
<thead>
<tr>
<th>Country</th>
<th>Growth Rate of GDP</th>
<th>Per Capita Income</th>
<th>Adult Literacy %</th>
<th>Life Expectancy at Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>6.0</td>
<td>6.5</td>
<td>420</td>
<td>2.7</td>
</tr>
<tr>
<td>Tanzania</td>
<td>6.0</td>
<td>4.9</td>
<td>280</td>
<td>1.9</td>
</tr>
<tr>
<td>Zaire</td>
<td>3.4</td>
<td>0.1</td>
<td>220</td>
<td>0.2</td>
</tr>
<tr>
<td>Malawi</td>
<td>4.9</td>
<td>6.3</td>
<td>230</td>
<td>2.9</td>
</tr>
<tr>
<td>Zambia</td>
<td>5.0</td>
<td>0.7</td>
<td>560</td>
<td>0.2</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>3.7</td>
<td>3.9</td>
<td>130</td>
<td>Neg.</td>
</tr>
<tr>
<td>India</td>
<td>3.4</td>
<td>3.6</td>
<td>240</td>
<td>1.4</td>
</tr>
<tr>
<td>Pakistan</td>
<td>6.7</td>
<td>4.7</td>
<td>300</td>
<td>2.8</td>
</tr>
</tbody>
</table>
81. It is clear from the table that Kenya’s performance has been quite satisfactory in comparison to the other countries shown.

82. For achieving a high growth rate of output, a developing country needs to have a high rate of investment in fixed capital formation. Gross capital formation as a ratio to G.D.P. at constant prices has averaged 22.0 per cent over the period 1967-1981, which is a very high ratio by any standard. This ratio has also shown a very encouraging upward trend over the period, except for some recent indications of decline due to a slump in economic activity and financial difficulties which we discuss below. What is more, a little over two-thirds of this investment has been financed by domestic savings. For the period since 1967, this proportion works out to 67.9 per cent.

83. If one were to break up the entire period 1964 to 1981 into two sub-periods 1964-1972 and 1972-1981, calling them loosely as the two “decades” since independence, one would find a marked deterioration in the average value of most relevant economic indicators between the two periods. This contrast is brought out clearly in Table V which compares the average performance during the two sub-periods. The growth rate of G.D.P. declined, both in the aggregate and in all major components.

<table>
<thead>
<tr>
<th>Table V—Average Growth Rates</th>
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<tbody>
<tr>
<td>GDP at factor cost</td>
</tr>
<tr>
<td>GDP per capita</td>
</tr>
<tr>
<td>GDP Agriculture</td>
</tr>
<tr>
<td>GDP Manufacturing</td>
</tr>
<tr>
<td>GDP Industry</td>
</tr>
<tr>
<td>Average share of Gross Investment in GDP</td>
</tr>
<tr>
<td>Share of Investment financed from domestic savings</td>
</tr>
<tr>
<td>Current Account Deficit as percentage of GDP</td>
</tr>
<tr>
<td>Average Terms of Trade (1976=100)</td>
</tr>
<tr>
<td>End of Period Terms of Trade (1976=100)</td>
</tr>
<tr>
<td>Rate of Inflation in consumer prices</td>
</tr>
<tr>
<td>Exchange Rate (KSh./US$) (end of period)</td>
</tr>
</tbody>
</table>

Source.—Central Bureau of Statistics.

84. Growth in per capita income fell below 1 per cent per year; the current account deficit as a percentage of G.D.P. rose markedly, involving a much smaller financing of investment from domestic sources. Other external trade indicators such as the terms of trade and the exchange rate of the Kenya shilling deteriorated and there was also a substantial rise in the rate of inflation in consumer prices. The only indicator that shows a better performance in the second period is the share of investment in total G.D.P. which has registered a significant increase over the period. Part of this rise may be accounted for by a sharper rise in prices of machineries and capital equipment than in prices of goods and services in general in the latter period. Nevertheless such a high share of gross capital formation in G.D.P. cannot but be interpreted as a sign of a basically healthy state of the economy.
85. As already stated, the marked deterioration in the economic climate in the second period was due primarily to the sudden quadrupling of oil prices and its aftermath in the shape of accelerated inflation and continuing recession in the Western economies. There was also the drought of 1979 which adversely affected agricultural output for two consecutive years. Another adverse factor towards the late seventies was the breaking up of the East African Community leading to a significant loss of markets for Kenyan industries. Apart from these special factors, there was also a more structural explanation of the weakening of growth trends in the latter period. Substantial growth in agricultural production was realized in the earlier period through the opening up of idle arable land and the redistribution of some large-scale farms to small holder farming which recorded large gains in productivity per hectare. Rising farm incomes created demand for manufactures which together with the policy of import substitution industrialization, led to vigorous growth of industries. The Government also participated widely in the growth process by investing extensively in public utilities mainly through parastatal organizations. By the end of the first decade, these beneficial forces on growth had largely been spent. The supply of idle arable land diminished, sub-division of former large estates into small holdings was nearly completed, and industry began to show signs of being inefficient and over-reliant on protection.

86. Even though the performance of the economy in the second decade (1972-1981) has been much poorer than in the first period (1964-72), there were significant differences in year-to-year growth rate and other indicators as will be seen in Table VI. Looking at the rows showing the total and sectoral G.D.P. growth rates, one finds a dip in the two years 1977 and 1978, again a dip for the years 1979 and 1980 and finally a recovery in 1981. The fall in growth rates in 1974-76 was a consequence of the oil price rise and its aftermath, together with a drought which hit agriculture in 1974. The fall in the latter period was due again to drought affecting agricultural products in 1979.

**Table VI—Year-to-Year Percentage Change in Selected Indicators**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP at factor cost</td>
<td>4.3</td>
<td>2.5</td>
<td>2.6</td>
<td>2.4</td>
<td>8.7</td>
<td>6.6</td>
<td>4.1</td>
<td>2.9</td>
<td>4.3</td>
</tr>
<tr>
<td>GDP in Agriculture</td>
<td>3.2</td>
<td>0.5</td>
<td>3.6</td>
<td>1.7</td>
<td>9.6</td>
<td>4.7</td>
<td>0.9</td>
<td>1.3</td>
<td>6.2</td>
</tr>
<tr>
<td>GDP in Manufacturing</td>
<td>14.4</td>
<td>4.6</td>
<td>0.5</td>
<td>-1.0</td>
<td>14.8</td>
<td>13.5</td>
<td>8.0</td>
<td>4.5</td>
<td>5.0</td>
</tr>
<tr>
<td>GDP in Industry</td>
<td>9.8</td>
<td>0.6</td>
<td>0.2</td>
<td>-0.8</td>
<td>13.4</td>
<td>13.0</td>
<td>7.9</td>
<td>4.0</td>
<td>3.4</td>
</tr>
<tr>
<td>Per Capita GDP</td>
<td>0.7</td>
<td>-0.9</td>
<td>-1.0</td>
<td>-0.1</td>
<td>5.0</td>
<td>2.9</td>
<td>-0.6</td>
<td>0.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Current A/c Balance as percent of current price GDP</td>
<td>-3.6</td>
<td>-12.2</td>
<td>-7.6</td>
<td>-2.7</td>
<td>0.7</td>
<td>-14.1</td>
<td>-9.4</td>
<td>-14.9</td>
<td>-12.1</td>
</tr>
<tr>
<td>Terms of Trade (1976=100)</td>
<td>-3.4</td>
<td>-11.8</td>
<td>1.0</td>
<td>15.5</td>
<td>31.5</td>
<td>-19.9</td>
<td>-7.9</td>
<td>-8.2</td>
<td>-18.8</td>
</tr>
<tr>
<td>Rate of Inflation</td>
<td>7.9</td>
<td>18.3</td>
<td>17.5</td>
<td>12.4</td>
<td>12.5</td>
<td>12.6</td>
<td>8.4</td>
<td>12.8</td>
<td>12.6</td>
</tr>
</tbody>
</table>

**Source:** Central Bureau of Statistics.
and 1980 and a second sharp rise in oil prices at the end of 1979. The very good performance which marked the years 1977 and 1978 was due to the unprecedented boom in coffee prices and the associated rise in demand as well as unit price for tea. Rows 5, 6 and 7 show movements which are broadly consistent with the fluctuations in the real growth performance of the economy. The only row that shows fairly steady behaviour is the rate of inflation row, which has been broadly consistent with rates of inflation around the world.

87. Agriculture recovered in 1981, registering a growth of 6.2 per cent over the 1980 level. On the international front, inflation and interest rates are slowly coming down in recent months. However, there is as yet little signs of recovery from unemployment and recession that has afflicted the developed economies for most of the late seventies. The external and internal financial position of the country is difficult at the moment. Government budget deficits are high in relation to G.D.P., the balance of payments are deeply in the red and the foreign exchange reserves of the country are under heavy strain. However, Government policies have been, as in the past, energetically adjusted to the changing economic climate. Far-reaching structural changes as well as changes in short-term economic management methods and principles have recently been announced in documents such as the Budget Speech of June 1982, the Sessional Paper No. 4 of 1982, the report of the Working Party on Government Expenditure (1982) and the public speeches of His Excellency the President. These together with financial and technical assistance from friendly national governments and international agencies will without doubt help us in coping with the present difficulties and in setting the economy back on the course of high and steady growth in a climate of price and exchange-rate stability.

The employment situation: Supply and demand for labour

88. Turning to the situation in respect of employment, it may be noted first that while the supply of labour (the labour force) grows at a fairly steady rate over time, the demand for labour (employment) inevitably fluctuates with fluctuations in economic activity. As already discussed in Chapter I, the labour force in an economy is made up of those members of the population who are able and willing to work. All people who belong to the age group 15 to 59 constitute the working population for our purposes. The 1979-83 Development Plan put the estimated labour force at 85 per cent of the working population, the adjustment taking care of those who are handicapped and hence unable to work, those attending school and those who are not willing to work. It also takes into account those outside the age group 15 to 59 who are actively engaged in some productive work. The estimated labour force in Kenya and estimates of employment and unemployment in some recent years have already been presented in Tables I and II in Chapter I. This information is reproduced in Tables VII and VIII below for convenience of reference.
TABLE VII—LABOUR FORCE IN KENYA (000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>10,943</td>
<td>13,847</td>
<td>15,327</td>
<td>16,514</td>
</tr>
<tr>
<td>Working Population (Age Group 15-59)</td>
<td>5,034</td>
<td>6,439</td>
<td>7,204</td>
<td>7,762</td>
</tr>
<tr>
<td>Labour Force</td>
<td>3,808</td>
<td>5,473</td>
<td>6,123</td>
<td>6,598</td>
</tr>
<tr>
<td>Dependency Ratio</td>
<td>1.17</td>
<td>1.15</td>
<td>1.13</td>
<td>1.13</td>
</tr>
</tbody>
</table>

TABLE VIII—EMPLOYMENT AND UNEMPLOYMENT (000)

<table>
<thead>
<tr>
<th>Year</th>
<th>1976</th>
<th>1982 (estimated)</th>
<th>% Growth</th>
<th>Share of total Employment 1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modern Sector</td>
<td>915</td>
<td>1,126</td>
<td>3.7</td>
<td>18.4</td>
</tr>
<tr>
<td>Small-scale Agriculture</td>
<td>2,665</td>
<td>3,122</td>
<td>2.7</td>
<td>51.1</td>
</tr>
<tr>
<td>Pastoralists</td>
<td>390</td>
<td>457</td>
<td>2.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Rural Non-Farm</td>
<td>990</td>
<td>1,222</td>
<td>3.6</td>
<td>20.0</td>
</tr>
<tr>
<td>Urban Informal</td>
<td>125</td>
<td>181</td>
<td>6.3</td>
<td>3.0</td>
</tr>
<tr>
<td>TOTAL Employment</td>
<td>5,085</td>
<td>6,109</td>
<td>3.1</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Labour Force | 5,473 | 6,849 | 3.8 |
Residual as % of Labour Force | 7.1 | 10.8 |

SOURCE.—Ministry of Economic Planning and Development.

89. The table shows that employment has grown over the six-year period from 1976 to 1982 at an annual rate of 3.1 per cent, which is lower than the growth rate of the population and the labour force over this period. This has meant a growing proportion of the labour force remaining unutilized, as shown by the bottom line (residual as percentage of labour force), which has grown to 10.8 per cent in 1982. It should, however, be noted that in the Kenyan context, there are difficulties in the use of the concept of an unemployed person as one who is without a job and is seeking one. In the rural environment in Kenya as elsewhere in the developing world, most adults are employed in agriculture for at least part of the year and there is little alternative employment for either pay or profit which one might actively seek. Indeed, analysis of average working hours and seasonal variations in employment suggest a high degree of underemployment amongst the rural population. The figures given in Table VIII are therefore estimations of open unemployment and do not, in our view, expose the problem of under-employment among those classified as employed.

Modern sector wage employment

90. Data on wage employment in the monetary sector is available for the entire period, classified both by industries and by public-private sectoral breakdown. Table IX gives the growth rates in wage employment in the modern sector, defined to include formal industry, large farms and public
sector employment over the periods 1976 to 1981. For purposes of comparison the growth rates of relevant sectoral G.D.P.s are also shown in the last column of the table.

<table>
<thead>
<tr>
<th>TABLE IX—GROWTH RATES IN MODERN WAGE EMPLOYMENT AND IN GDP (1976—1981)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Modern Sector Agriculture</td>
</tr>
<tr>
<td>Private Industry and Commerce</td>
</tr>
<tr>
<td>Total Private Sector</td>
</tr>
<tr>
<td>Public Sector</td>
</tr>
<tr>
<td>Total Modern Sector</td>
</tr>
</tbody>
</table>

**Source:** Central Bureau of Statistics.

91. Except for the public sector, the rates of growth in wage employment are consistently lower than the corresponding growth rate of G.D.P. at constant prices. For G.D.P. growth in monetary sector agriculture, we have used an estimate of growth in gross marketed production from large farms at constant 1976 prices. The G.D.P. for the public sector relates to producers of Government services only, thus excluding parastatal bodies and units in which there is majority shareholding by the Government. Nevertheless, the comparison is suggestive of a trend of rising labour productivity in organized enterprises, except, perhaps, for the public sector.

**Labour productivity**

92. Rising labour productivity is generally a consequence of capital-labour ratio, training of workers, managerial capacity, and embodied technological progress. As mentioned before, rising labour productivity helps in raising the rate of capital accumulation which has to be high for a healthy and growing economy. On the other hand, high and rising labour productivity will mean that additional job opportunities created by growth of output will be lower than otherwise.

93. Trends in labour productivity have been estimated for different sectors of the economy over different time periods. As with the case of average or incremental capital-output ratios, the estimates of average labour productivity or output labour ratios vary widely, both being sensitive to changing output mix within sectors, varying production lags and fluctuating rates of capacity utilization. A recent estimate made in the Ministry of Economic Planning and Development gave the following trend rates of change in average labour productivity in monetary sector wage employment, based on data over the period 1968 to 1979.
TABLE X—RATE OF GROWTH OF PRODUCTIVITY

<table>
<thead>
<tr>
<th>Sector</th>
<th>(% per Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry, Fishing</td>
<td>1.1</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>7.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.5</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>0</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>0</td>
</tr>
<tr>
<td>Transport and Communication</td>
<td>3.4</td>
</tr>
<tr>
<td>Trade</td>
<td>0</td>
</tr>
<tr>
<td>Finance</td>
<td>0</td>
</tr>
<tr>
<td>Other Services</td>
<td>2.1</td>
</tr>
<tr>
<td>Government Services</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source.—Central Bureau of Statistics.

94. It will be noticed that four of the G.D.P. sectors show no growth in labour productivity. For three of these, that is, building and construction, trade and finance, the regression exercise actually yielded significant negative growth in productivity, which may have been a consequence of changing output mix in these sectors as well as varying levels of utilization of the output potential. For purposes of projection of employment growth in these sectors, it seems appropriate to assume that labour productivity in these will neither rise nor fall in the medium run.

Output mix within sectors

95. Changes in the output-mix within sectors affect labour productivity trends and hence the employment potential quite significantly. Looking at agriculture, for instance, Table XI gives man-years of employment per hectare in large farms for a number of different crops.

TABLE XI—EMPLOYMENT IN LARGE FARMS (MAN-YEARS PER HECTARE)

<table>
<thead>
<tr>
<th>Crops</th>
<th>Employment</th>
<th>Multiples of employment in Wheat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>0.032</td>
<td>1.0</td>
</tr>
<tr>
<td>Maize</td>
<td>0.159</td>
<td>5.0</td>
</tr>
<tr>
<td>Sugar-cane</td>
<td>0.455</td>
<td>14.2</td>
</tr>
<tr>
<td>Oilseeds</td>
<td>0.555</td>
<td>17.3</td>
</tr>
<tr>
<td>Pineapple</td>
<td>0.681</td>
<td>21.3</td>
</tr>
<tr>
<td>Pyrethrum</td>
<td>0.909</td>
<td>28.4</td>
</tr>
<tr>
<td>Coffee</td>
<td>1.273</td>
<td>39.8</td>
</tr>
<tr>
<td>Potatoes, nut crops</td>
<td>1.364</td>
<td>42.6</td>
</tr>
<tr>
<td>Tea</td>
<td>2.364</td>
<td>73.9</td>
</tr>
</tbody>
</table>

96. It is clear that the total employment potential of a given area under cultivation can be varied greatly by varying the crop-mix. The labour-land ratio in tea in large farms is 74 times as high as that in wheat. If employment
from a given acreage under cultivation is to be maximized, all possible acreage should be put under tea first, next the maximum amount possible of the remainder should be put under potatoes and other root crops, etc. There are two problems, however. First, soil that is now under wheat or maize may not be suitable for conversion into tea or coffee plantations. Secondly, there is the problem of making the structure of output consistent with the pattern of domestic and foreign demand. To put the same point somewhat differently, the crop-mix that maximizes private (or social) revenue may not be the one that maximizes employment. In general, crops which generate lower employment per hectare have high capital-labour ratio and high labour productivity, which compensate for the higher capital cost per unit. Indeed, to the extent that acreage decisions are taken by farms freely in response to market forces, it can be assumed that decisions have been made using the criterion of equalizing at the margin net revenue per hectare for different crops within the limits of crop substitution permitted by soil and climatic conditions. There is thus little possibility of much increase in employment through crop substitution unless there are significant changes in relative crop prices and/or costs of production.

**Small-scale agriculture**

97. Another avenue through which employment in agriculture may be increased is through subdivision of large farms into small holdings. As data in Table XII show, employment per hectare is generally higher for small farms than for large farms. However, there is little difference in employment per hectare for the two major cash crops, tea and coffee. For maize and pyrethrum, small-scale farms have significantly greater employment potential. It is also true that most output of these crops come from small-scale farms. Wheat production on small farms is considerably more labour-intensive, but may be less cost-efficient than production on large farms.

**Table XII—Employment in Large and Small Farms (man-years per hectare)**

<table>
<thead>
<tr>
<th>Crop</th>
<th>Employment in small farms</th>
<th>Ratio to employment in large farms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>0.100</td>
<td>3.1</td>
</tr>
<tr>
<td>Maize</td>
<td>0.421</td>
<td>2.6</td>
</tr>
<tr>
<td>Sugar-cane</td>
<td>0.579</td>
<td>1.3</td>
</tr>
<tr>
<td>Oilsseeds</td>
<td>0.421</td>
<td>0.8</td>
</tr>
<tr>
<td>Pineapple</td>
<td>0.526</td>
<td>0.8</td>
</tr>
<tr>
<td>Pyrethrum</td>
<td>1.474</td>
<td>1.6</td>
</tr>
<tr>
<td>Coffee</td>
<td>1.316</td>
<td>1.0</td>
</tr>
<tr>
<td>Potatoes, nut crops</td>
<td>0.800</td>
<td>0.6</td>
</tr>
<tr>
<td>Tea</td>
<td>2.300</td>
<td>1.0</td>
</tr>
</tbody>
</table>

**Source:** Central Bureau of Statistics.
98. There is another issue in this context. There is a widely known and accepted view that output per hectare is higher in small holdings than in large farms. Some production functions fitted to cross-section data show quite low elasticity of output with respect to the size of holding. To the extent therefore that further subdivision of holdings is possible in crops like maize, sugar-cane and pyrethrum, there will be gain in both output and employment. However, there may be differences in land quality between large and small farms. Also, there is the question of political feasibility of further subdivision.

99. It will be seen from Tables XI and XII that the employment intensity of cash crops like coffee, tea and pyrethrum is much higher than that of food crops like maize and wheat (and also rice, not shown in the tables). To the extent that agricultural growth is biased towards food crops relative to cash crops, the growth of employment will be retarded. However, the merits and advantages of continued emphasis on food crops far outweigh the short-term effects on employment creation. Self-sufficiency in food production is of such economic and political importance that the country must continue to give priority to food crop production.

100. One other point to note in connection with growth in employment in the agricultural sector is that future growth in agricultural output in both cash and food crops will have to come mainly through increase in output per hectare and only to a minor extent through expansion of acreage under crops. This will entail more intensive cultivation in both large and small farms and thus more man-hours of employment per tonnage of output. Prospects for future growth in employment in agriculture are therefore more favourable than would be suggested by the above data on employment per hectare based on past records.

Rural non-farm sector

101. Activities in the rural non-farm sector are those concerned with processing, manufacturing, construction, trade, transportation, etc., carried on in rural areas which are not integral parts of production of crops and livestock. Employment in this sector has been growing at a rate which is higher than the rate for the economy as a whole and has potentialities of even faster growth, given appropriate support in the form of credit and transport facilities and extension services. The advantages of this sector are that these activities are labour-intensive, requiring much lower than average investment per job. Also there are traditional skills which can be further developed with relatively little effort. Being located in rural areas, they will create more jobs for women whose mobility is low. Expansion of this sector will also help in raising rural savings by providing ready investment outlets for them. It is of course true that the growth of this sector will depend to a large extent on the growth of agricultural income and of the formal sector in general. But positive help and inducement will be required for encouraging the growth.
Urban informal sector

102. Workers in the urban informal sector are basically those who have been trying to enter into the much more highly paid urban formal sector employment but have not succeeded yet. It may be that after some time they give up the search and stabilize in whatever informal sector activity they are engaged in. The I.L.O. report on Employment, Incomes and Equality (1972) did draw attention to the fact that the bulk of employment in the urban informal sector is economically efficient and profit-making, though small in scale and limited by simple technologies and lack of links with the formal sector. As Table VIII on employment shows, the estimated employment in this sector has grown fast over the period 1976 to 1982. It is likely that with appropriate Government support, employment in this sector will grow equally fast in the near future.

103. According to estimates made by the I.L.O. average earnings in the urban informal sector are higher than those in rural non-agricultural activities, wage employment on small farms or income in cash or kind from small plots. Thus, for a large proportion of the rural population, migration to urban areas raises income expectation, irrespective of whether one is able to get into the formal sector or has to remain in the informal sector. The substantially higher growth rate of urban informal sector employment may be due to this important fact. It also allows us to conclude that if the rural small-farm and non-farm sector can be actively encouraged and per capita earnings increased significantly in them, the rate of rural to urban migration will come down, which will reduce social costs of urban congestion. The growth rate of population in major urban centres is substantially higher than the country average and is at a level that cannot be sustained indefinitely. The right policy is to plan for substantial growth in employment in the informal sector as a whole, with the rural component growing faster than the urban one, reversing the trend that has been observed in the past.

Employment of women

104. The vast majority of Kenyan women, some 88 per cent of the total, reside in the rural areas and most of them are economically active. Traditionally women still contribute most of the labour required for cultivation of food crops on family holdings and now they also contribute much of the labour in small and medium sized holdings in the production of cash crops. Even when women are not busy with economic activities, they are occupied in household duties, which also contribute to the living standards of the households. It is not useful to maintain the distinction between economic and non-economic activities in this context. Usual estimates of female participation rate in the labour force are thus misleading so far as rural Kenya is concerned.
105. In contrast to the situation in the rural areas, women's representation in modern wage employment in urban areas has always been low. According to one estimate, women constituted 16 per cent of the total wage labour force in 1976. Within the wage labour force, women's representation has traditionally been highest in three subsectors, viz. agriculture and forestry; finance, insurance, real estate and business services; and community, social and other services. Also there is a difference in skill-levels of women workers as between the private and public sectors. In 1976, about 84 per cent of females in wage employment in the private sector were casual and unskilled employees compared with 24 per cent in the public sector.

106. Of the major occupational groups, secretarial service is the only one in which the majority of workers are women. Two other occupational groups, viz. teachers and nurses, have shown a significant trend towards greater female participation in recent years. The 1975 labour enumeration survey showed that women constituted as much as 34 per cent of the workers in these groups. There has been a similar trend towards greater participation of women in the broader occupational groups of professionals and executive and managerial personnel.

107. However, with a high population growth rate, increasing scarcity of land for cultivation, growing migration of women to urban areas and rising rates of participation of women in the educational system, the percentage of unemployed in the modern sector jobseekers has been higher among women than among men. Special policy measures will be required to correct this imbalance.

**Education and employment**

108. Developing economies commonly face a problem of striking an appropriate balance between investment in education and investment in the creation of employment opportunities. In the early years following the attainment of political independence, there is usually an urgent need for rapid expansion of education and training facilities for replacing expatriates in the private sector by local manpower. Private demand for these facilities is also very strong, due to high income differentials enjoyed by the educated and skilled workers on the one hand, and the low private cost of education which is highly subsidized by the state. A common consequence is that very soon the growth in the number of educated young people leaving schools and universities every year outstrips the annual growth in the number of new jobs of the type that is sought by them.

109. Kenya has faced the same situation, with the number of school-leavers each year far exceeding the number of available placements for them. In December 1980, for example, 389,800 students completed primary education, among which an estimated 271,600 failed to get places in secondary education institutions. In the same year, 75,500 Form IV and 5,500 Form VI leavers went to swell the ranks of the educated unemployed.
110. In view of the above, there is a need to reconsider the balance between investment in education and investment in activities which would create jobs directly. In redirecting some investible funds from education to job creation, the sectors to which the funds are to be directed must be chosen with care. Rather than investing them in the creation of relatively unproductive jobs in the Civil Service or in large capital-intensive enterprises in either industry or agriculture, these funds should be directed towards rural infrastructural facilities, small farms, and small-scale industrial and service activities. At the same time, greater efforts must be made to re-orientate school curriculum with a view to providing adequate training and mental preparation to school-leavers for taking up suitable jobs in rural areas.

Summary

111. The growth rate in the estimated labour force has been higher on average than the growth rate in total employment as shown in Table VIII thus increasing the percentage share of the unemployed or underemployed in the labour force. Given the 4 to 5 per cent G.D.P. growth rate in real terms envisaged for the next development plan period, it is not likely that growth in employment in the modern sector can keep pace with the natural growth in the labour force, not to speak of the growth through rural to urban migration. Within the modern sector, employment in the public sector has grown much faster (Table VIII) than in the private sector. However, the rate of growth in employment in the public sector is likely to slow down in view of the declared policy of bringing down the share of Government expenditure in total G.D.P. Correspondingly, there will be greater stress on expansion of the private sector and employment in the private sector should grow faster, especially since capital costs have gone up significantly in the recent past due to higher interest rates and higher import prices. In the chapters that follow, the Committee analyses the potential for employment creation in each of the productive sectors of the economy, drawing up specific recommendations for action as appropriate.
CHAPTER IV—POPULATION GROWTH AND EMPLOYMENT

112. So far in our report, we have made passing references to the correlation between high population growth and the problem of unemployment in Kenya. We have stated that our country has one of the highest population growth rates in the world and that one of the problems that have resulted from this rapid increase in population is the high level of unemployment now prevalent in the country. In this chapter, we make a more detailed analysis of the inherent demographic factors which affect overall economic growth and therefore the capacity of the economy to generate more income-earning opportunities. We begin by reviewing past demographic factors which affect overall economic growth. We then examine some of the major characteristics of the Kenyan population that create obstacles to employment creation.

113. We wish to state at the outset that, contrary to popular belief, population growth per se does not create unemployment and, by the same token, a reduction in the size of the population would not necessarily lead to more employment. Indeed, the human resource is one of the most important assets that a nation must have for its development. In the whole complex of national development, the human being is not only the key instrument and beneficiary of development, he is also its justification and its end. The human resource is therefore the essence of national development and its increase could, in fact, be desirable under certain circumstances.

114. Our concern about population growth and therefore population size in Kenya stems from a number of demographic factors that we see impinging upon the growth of the economy and therefore the scope for generating more employment. Firstly, growth in population implies an increase in the labour force and thus in productive capacity and potential employment. However, it does not follow that, in practice, output and employment would increase proportionately to the increase in the labour force. Labour is only one of the factors of production and its utility therefore depends on a favourable ratio of population to other production factors such as land, capital or technology.

115. Secondly, population size also determines the share of the Gross Domestic Product that goes to consumption. This in turn affects both private and public savings. The latter determines capital formation which in turn affects total production, income, savings and, in the final analysis, employment and unemployment.

116. Thirdly, the structure of Kenya’s population is such that persons under the age of fifteen constitute a very large proportion of the total population. According to the 1979 Population Census, 48.5 per cent of Kenya’s
population were young persons under the age of fifteen and therefore outside the labour force which, as defined in Kenya is composed of persons between the ages of 15 and 59. Similarly, the proportion of persons over the age of 60 years has been on the increase and it is expected to increase even further as health conditions improve. The implication of this structure has been to exacerbate the burden of dependency which in turn lowers living standards and reduces employment creation capability.

117. Kenya's population growth rates have been calculated on the basis of the various population censuses and surveys, the first comprehensive survey having been undertaken in 1948. The results of that survey revealed that the African population was 5.2 million and was growing at the rate of 1.5 per cent per year. It thus projected a population of 6.4 million by 1961. However, fragmentary reports from districts made it obvious that the population was growing faster than the estimated 1.5 per cent and this was confirmed by results of another census carried out in 1962 which gave an inter-censal growth rate of about 3.3 per cent per year. In 1969 another census was undertaken which gave a growth rate of 3.4 per cent per year. The last census which was taken in 1979 showed that the population had increased to 15.3 million and a fertility survey carried out the same year gave the population growth rate at about 3.8 per cent per year.

118. From these statistics, and bearing in mind demographic trends in other countries of the world, Kenya has a very high population growth potential for a country of its size. While the crude birth rate is estimated at 28 per 1,000 population for the world, it is 46 for Africa, 35 for Latin America, 29 for Asia and 15 for Europe and North America. For the various regions of Africa, the crude birth rate ranges from 49 for West Africa to 39 for Southern Africa. Within Eastern Africa, Kenya has the highest birth rate of 52 followed by Malawi with 51 and Rwanda and Ethiopia with 50.

Trends in fertility and mortality

119. From the various demographic inquiries that have been carried out in this country, there is now ample evidence that fertility rates among Kenya's women has been on the increase and this is partly responsible for the country's population size. Analysis of data obtained from the National Demographic Surveys of 1977 and 1978, and the Kenya Fertility Survey and the 1979 population census indicates that Kenya has a total fertility rate of about 8.0. Total fertility is defined as the number of live birth a woman gives birth to by the end of her reproductive life. These inquiries also showed that the fertility rate has been rising up to the late 1960s and has been levelling at around 8.0 during the 1970s.

120. One of the direct results of improvement in health conditions has been a decline in the incidence of childlessness and an increase in the proportion of women with many children. The propensity to have many children
as a form of insurance still persists among many Kenyan families especially those with little or no education. They rationalize that, in line with African tradition, the younger members of the extended family have an obligation to look after the aged and, therefore, having many children assures the parents of a more secure life in old age.

121. Beyond the above factors, perhaps the single most important contributor to Kenya's high population growth rate has been the rapid decline in mortality rates. As can be seen from Table XIII below, infant and child mortality have steadily declined since 1962 and the prospects are that they will decline even further as we attain better health conditions and greater access to education.

**Table XIII—Proportion of Children Dead by Age Group of Mother**

<table>
<thead>
<tr>
<th>Age Group of Mother</th>
<th>1962 Census</th>
<th>1969 Census</th>
<th>1979 Census</th>
<th>1979 as % of 1962</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19</td>
<td>0.146</td>
<td>0.128</td>
<td>0.116</td>
<td>79</td>
</tr>
<tr>
<td>20-24</td>
<td>0.170</td>
<td>0.147</td>
<td>0.125</td>
<td>74</td>
</tr>
<tr>
<td>25-29</td>
<td>0.205</td>
<td>0.174</td>
<td>0.141</td>
<td>69</td>
</tr>
<tr>
<td>30-34</td>
<td>0.238</td>
<td>0.202</td>
<td>0.166</td>
<td>70</td>
</tr>
<tr>
<td>35-39</td>
<td>0.269</td>
<td>0.231</td>
<td>0.185</td>
<td>69</td>
</tr>
<tr>
<td>45-49</td>
<td>0.336</td>
<td>0.304</td>
<td>0.253</td>
<td>75</td>
</tr>
</tbody>
</table>

Source.—Population Studies and Research Institute, University of Nairobi.

122. Our concern about fertility and mortality rates stems from the fact that they affect the age distribution of the population and therefore the patterns of consumption, savings, capital formation and employment. As a consequence of past fertility and mortality trends, Kenya now has a very high proportion of persons under the age of 15. In 1962, this group constituted 45.8 per cent of the total population. In 1979, the figure went up to 48.5 per cent and all indications are that it will increase even more.

**Population growth and economic development**

123. As we stated in Chapter I, this Committee views the problem of unemployment as one of lack of access to income-earning opportunities and, therefore, access to adequate incomes. In any economy, real income per head is inevitably governed by the ratio of population to such other productive factors as land, capital and natural resources. An increase in the ratio of labour to these other productive factors results in a diminution in the average output per unit of labour input and therefore in a corresponding diminution in income per head. In countries like Kenya where production is founded predominantly upon land, continued growth of population exerts great pressure upon output per worker and, ultimately, upon savings and investment.
124. Savings and investment are the two main stages of capital formation which in turn determines the economy's capacity to generate income-earning opportunities. The level of savings in an economy indicates the amount of income that remains after consumption needs have been met and therefore the resources available for productive investments. Thus in two populations of differing size, while the aggregate income may be the same, the larger population will devote a large share of its income to consumption needs and will therefore be characterized by a lower capacity to save than the small one. In Kenya, population size and its rate of growth clearly exert decisive influences on her economy's capacity to save, to invest and, therefore to create more income-earning opportunities.

125. Table XIV below shows the population size for the provinces and the country for the period 1969-1989.

**Table XIV—Total Population by Province and the Country 1969–1989 ('000)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rift Valley</td>
<td>2,210</td>
<td>3,240</td>
<td>47</td>
<td>5,129</td>
<td>58</td>
</tr>
<tr>
<td>Nyanza</td>
<td>2,122</td>
<td>2,644</td>
<td>25</td>
<td>4,175</td>
<td>58</td>
</tr>
<tr>
<td>Eastern</td>
<td>1,907</td>
<td>1,720</td>
<td>43</td>
<td>4,194</td>
<td>54</td>
</tr>
<tr>
<td>Central</td>
<td>1,676</td>
<td>2,346</td>
<td>40</td>
<td>2,551</td>
<td>51</td>
</tr>
<tr>
<td>Western</td>
<td>1,328</td>
<td>1,832</td>
<td>38</td>
<td>2,733</td>
<td>49</td>
</tr>
<tr>
<td>Coast</td>
<td>944</td>
<td>1,343</td>
<td>42</td>
<td>2,065</td>
<td>54</td>
</tr>
<tr>
<td>Nairobi</td>
<td>509</td>
<td>828</td>
<td>63</td>
<td>1,429</td>
<td>73</td>
</tr>
<tr>
<td>North-Eastern</td>
<td>246</td>
<td>374</td>
<td>52</td>
<td>611</td>
<td>63</td>
</tr>
<tr>
<td><strong>Total (Kenya)</strong></td>
<td>10,943</td>
<td>15,327</td>
<td>40</td>
<td>23,887</td>
<td>56</td>
</tr>
</tbody>
</table>

While in 1969 there were three provinces each with a total population of about 2 million, namely, Rift Valley, Nyanza and Eastern, in 1979, the population of one of these provinces (Rift Valley) exceeded 3 million and the population of the remaining two provinces (namely Nyanza and Eastern) exceeded 2.5 million. In 1969, the total population of these three provinces amounted to 6.2 million and by 1979, the figure had risen to 8.6 million. If we add the 1979 population of Central Province to the population of the three provinces, we get a total of about 11 million which slightly exceeds the total population of the whole of Kenya in 1969. Thus the growth in population in ten years is equal to the total population of Western, Coast, Nairobi and North-Eastern provinces combined.

126. Population growth within the provinces themselves between 1969 and 1979 is more staggering: North-Eastern Province's population which is the smallest province in terms of numbers has increased by 52 per cent. This is possibly due to land pressure in other provinces and the movement of
part of their population to this province. The growth of Nairobi by 63 per cent may reflect the rural-urban migration resulting from rural unemployment or under-employment.

127. Overall, the growth rate for the country was about 40 per cent for the ten-year period between 1969 and 1979. According to projections by the Population Studies and Research Institute of the University of Nairobi, the country’s population is projected to reach 20.3 million in 1985 and 24.8 million by the year 1990.

Effects of population growth on the labour force

128. As indicated earlier, population growth implies an increase in the labour force. In 1968, Kenya’s working age population (ages 15-59) was estimated at 5.2 million. By 1979 the figure had risen to 7.2 million, or an increase of 38 per cent in the ten-year period. In 1980, the projected figure was 7.5 million or an increase of about 300,000 in one year.

129. Table XV shows the percentage share of each province to the country’s total labour force and the overall growth for each province and the country for the years 1969, 1979 and 1989. While the overall growth in the country’s labour force between 1979 and 1989 will reach about 50 per cent, the highest overall growth during that period will be in Nairobi. It will be seen also that for the period between 1969 and 1989, the labour force will have more than doubled.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rift Valley</td>
<td>1,082</td>
<td>1,514</td>
<td>2,309</td>
<td>153</td>
<td>213</td>
</tr>
<tr>
<td>Nyanza</td>
<td>994</td>
<td>1,224</td>
<td>1,883</td>
<td>154</td>
<td>189</td>
</tr>
<tr>
<td>Eastern</td>
<td>882</td>
<td>1,229</td>
<td>1,815</td>
<td>148</td>
<td>206</td>
</tr>
<tr>
<td>Central</td>
<td>728</td>
<td>1,003</td>
<td>1,455</td>
<td>145</td>
<td>200</td>
</tr>
<tr>
<td>Western</td>
<td>581</td>
<td>804</td>
<td>1,143</td>
<td>142</td>
<td>197</td>
</tr>
<tr>
<td>Coast</td>
<td>506</td>
<td>692</td>
<td>1,024</td>
<td>148</td>
<td>202</td>
</tr>
<tr>
<td>Nairobi</td>
<td>329</td>
<td>530</td>
<td>884</td>
<td>167</td>
<td>269</td>
</tr>
<tr>
<td>N/Eastern</td>
<td>128</td>
<td>188</td>
<td>294</td>
<td>156</td>
<td>230</td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td><strong>5,229</strong></td>
<td><strong>7,184</strong></td>
<td><strong>10,800</strong></td>
<td><strong>150</strong></td>
<td><strong>207</strong></td>
</tr>
</tbody>
</table>

130. In the preceding paragraphs, we have highlighted the rapid growth in population and, as a result, in the size of the labour force since 1969. As mentioned earlier, these increases have had the effect of exacerbating pressure on land and aggravating the problems of underemployment, disguised unemployment and open unemployment. There is little doubt that most of
this growth is in the agricultural sector as is evident in Table XVI and XVII below which respectively show the changing densities per hectare of medium and high potential agricultural land and arable and permanent cropland per hectare.

131. Against this background of rising numbers, it should be borne in mind that while the major part of the country's labour force is in the agricultural sector, the share of agricultural production of the total Gross Domestic Product was no more than 37 per cent between 1975 and 1977. This figure even dropped to 36 per cent for 1978, to 34 per cent for 1979 and to 33 per cent for 1980. This clearly shows that the agricultural sector suffers from underemployment, disguised unemployment and open employment.

**Table XVI—Population Density—Medium and High Potential Agricultural Land, 1969–1989 by Province**

<table>
<thead>
<tr>
<th>Province</th>
<th>Area medium and high potential land ('000 ha.)</th>
<th>Density per hectare</th>
<th>Density in 1989 taking 1969 = 100</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1969</td>
<td>1979</td>
</tr>
<tr>
<td>Rift Valley</td>
<td>3,148</td>
<td>0.702</td>
<td>1.029</td>
</tr>
<tr>
<td>Nyanza</td>
<td>1,252</td>
<td>1.695</td>
<td>2.104</td>
</tr>
<tr>
<td>Eastern</td>
<td>2,692</td>
<td>0.708</td>
<td>1.009</td>
</tr>
<tr>
<td>Central</td>
<td>924</td>
<td>1.813</td>
<td>2.540</td>
</tr>
<tr>
<td>Western</td>
<td>741</td>
<td>1.792</td>
<td>2.478</td>
</tr>
<tr>
<td>Coast</td>
<td>1,169</td>
<td>0.808</td>
<td>1.145</td>
</tr>
<tr>
<td>Nairobi</td>
<td>16</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>North-Eastern</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

**Table XVII—Population per Arable Land and Permanent Cropland, 1969–1971 and 1979 ('000 ha.)**

<table>
<thead>
<tr>
<th>Category</th>
<th>1969</th>
<th>1979</th>
<th>1989 share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable land</td>
<td>1,625</td>
<td>1,790</td>
<td>10.2</td>
</tr>
<tr>
<td>Permanent crops</td>
<td>445</td>
<td>480</td>
<td>7.9</td>
</tr>
<tr>
<td>Population per total table land and crops per hectare</td>
<td>4.98</td>
<td>6.74</td>
<td>35.3</td>
</tr>
</tbody>
</table>


132. Available information again shows that the share of capital formation in monetary agriculture amounted to no more than 10 per cent of the total capital formation in 1975 but declined to 9 per cent in 1976. However, its share rose to 11 per cent in 1977 but then declined in the subsequent years reaching 7.6 per cent in 1980. Even if we add the rural economy to agriculture in the monetary sector, the share of the two components makes a fairly insignificant share of the total capital formation, considering the much higher
share of the agricultural sector labour force to the total labour force. By comparison with agriculture and the rural economy, capital formation in secondary production was 24 per cent in 1975 rising to 31 per cent in 1976 but declined to 26 per cent in 1980. On the whole, however, investment in that sector was much higher than in the agricultural sector with regard to the tertiary sector.

133. The implications for employment of a scarcity of land have been discussed mainly in the context of a static situation of agricultural overpopulation in rural areas. Further population growth under conditions of population pressure on land will tend to increase the existing levels of underemployment through such factors as the decrease in land per worker, the need to take recourse to land of inferior quality and the increase of fragmented or over-crowded holdings. In the absence of a sufficiently rapid expansion of employment opportunities outside agriculture, underemployment may reach a saturation point and open unemployment might appear and increase rapidly.

134. The deterioration of employment conditions in agriculture due to an increasing pressure of population on the land at present is providing the "push" factor in rural-urban migration. In the absence of sufficient employment opportunities in the urban areas, these migrants will imply the transfer of under-employment from rural to urban areas or the increase of open unemployment in the towns.

135. Apart from its effects on the man-land ratio, the generally high growth rates of the labour force in Kenya tend to worsen the existing imbalance between labour and capital resources, and therefore affects capital formation. Over the years, Kenya has managed to devote a significant portion of its G.D.P. to capital formation. The country's rate of gross capital formation as a ratio of Gross Domestic Product at constant prices has averaged 22 per cent per year over the period 1967-81 which is a very high ratio by any standards. This is indeed a much better performance than many other developing countries. But while Kenya has succeeded in recording such a high rate of economic growth, the same has not been the case in the generation of employment opportunities.

136. From the foregoing, it may be shown that investments aimed at creating employment for an increasing labour force tend to lower the rate of economic progress. Given the capital-labour ratio, the higher the growth of the working population, the larger the volume of investments required to create jobs for the additional workers, or, alternatively stated, given the investment, the more rapid the labour force increases, the lower will be the capital left for raising the capital-labour ratio and thus productivity. Even though this approach may place undue emphasis on capital as a determinant of economic growth and employment, ignoring the many other factors such as the potential contribution of a skilled and well-trained labour force, the
fact remains that when the population is increasing at a faster rate than capital, or than new land can be brought under cultivation, the demand for labour will have a tendency to fall short of supply.

**Dependency ratio**

137. So far in this chapter, we have attempted to show the correlation between rapid population growth and the increase in the size of the labour force. We have also shown the implications for economic growth and employment generation, of a large and growing labour force. A much more important consequence of rapid population growth relates to the size of the population that is dependent and unproductive. Age and age distribution affects the dependency ratio and therefore saving capacity and patterns. The implications of the age distribution for savings manifest themselves through the nature of the population as consumers and as producers. Since consumption needs are associated with the age of the individual, total consumption requirements and the residual of income for saving are inevitably linked to age distribution. Thus a population with a high dependency burden will have a low *per capita* income and a lower saving capacity.

138. Another important consequence of dependency is that it reduces the motivation to produce. This in turn affects output, incomes and therefore the saving capacity and finally, investment.

139. Table XVIII shows the magnitude of the dependency problem in Kenya. The trend between 1969 and 1989 is given for the country and the provinces.

**Table XVIII—Dependency Ratios 1969-1989 for the Provinces and Country**

<table>
<thead>
<tr>
<th>Province</th>
<th>1969</th>
<th>1979</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rift Valley</td>
<td>104</td>
<td>114</td>
<td>122</td>
</tr>
<tr>
<td>Nyanza</td>
<td>113</td>
<td>115</td>
<td>122</td>
</tr>
<tr>
<td>Eastern</td>
<td>116</td>
<td>121</td>
<td>131</td>
</tr>
<tr>
<td>Central</td>
<td>130</td>
<td>134</td>
<td>144</td>
</tr>
<tr>
<td>Western</td>
<td>129</td>
<td>128</td>
<td>139</td>
</tr>
<tr>
<td>Coast</td>
<td>87</td>
<td>108</td>
<td>107</td>
</tr>
<tr>
<td>Nairobi</td>
<td>55</td>
<td>56</td>
<td>62</td>
</tr>
<tr>
<td>North-Eastern</td>
<td>93</td>
<td>99</td>
<td>108</td>
</tr>
<tr>
<td><strong>Total Kenya</strong></td>
<td>109</td>
<td>133</td>
<td>121</td>
</tr>
</tbody>
</table>


140. Table XIX shows dependency ratios for some selected regions of the world.
TABLE XIX—Dependency Ratios for Some Selected Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Dependency Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>72</td>
</tr>
<tr>
<td>Africa</td>
<td>89</td>
</tr>
<tr>
<td>North Africa</td>
<td>89</td>
</tr>
<tr>
<td>Western Africa</td>
<td>92</td>
</tr>
<tr>
<td>Eastern Africa</td>
<td>89</td>
</tr>
<tr>
<td>Europe</td>
<td>56</td>
</tr>
<tr>
<td>North America</td>
<td>56</td>
</tr>
<tr>
<td>Latin America</td>
<td>85</td>
</tr>
<tr>
<td>Asia</td>
<td>72</td>
</tr>
<tr>
<td>USSR</td>
<td>54</td>
</tr>
<tr>
<td>Oceania</td>
<td>64</td>
</tr>
</tbody>
</table>

**Source:** Population Reference Bureau, 1980
World Population Data Sheet.

141. It must also be noted that in attempting to estimate the effects of the dependency ratios on levels of income, it would be necessary to take into account that membership in the labour force does not necessarily imply actual employment for the person concerned. The issue of economic growth, population growth, income and employment are inextricably intertwined and cannot be discussed in isolation as will be shown elsewhere in this and other chapters of the report.

142. As can be seen in Table XVIII, in 1969, both Coast and Nairobi provinces were net gainers of migrants which is one factor that depressed the dependency ratio. Another factor leading in the same direction was the relatively lower proportion of the population under age 15 in relation to the labour force. In fact looking at the 1969 figures one can tell that fertility was highest in Central and Western provinces and lowest in Coast, Nairobi and North-Eastern provinces. Even the figures for 1969 are quite high by any world or African standards, judging from similar figures given in Table XIX above. So, while in 1969 the dependency ratio ranged from 55 for Nairobi (which as mentioned earlier attracts most of the migrants who are usually in the working age and this depresses the dependency ratio) to 130 for Central, in 1979 it ranged from 56 for Nairobi to 134 for Central Province. For 1989, the dependency ratio will rise to 121 for the country as a whole. For Central Province, it will reach 144 followed by Western with 139, Eastern 131 and Rift Valley and Nyanza 122. The relatively low dependency ratios for Coast 107 (by Kenyan standards but certainly not by any country in the world) is also on account of the fact that Coast Province has always been a net gainer of migrants of working age.

143. The highest dependency ratio given in Table XIX is for Western Africa which is 92. This means 100 members of the labour force support 92 dependants. In Europe, and North America, the figure is 56 while in Asia,
100 members of the labour force support only 72 dependants. This means that in Kenya where the dependency burden is highest (100 members of the labour force support 121 dependants), a major portion of the G.N.P. goes to consumption, leaving little for savings and investment with far-reaching ramifications for employment and unemployment.

Conclusion

144. We have shown in this chapter that the present unemployment problem is closely related to past demographic trends in the country and thus the options for a solution of the problem in the short run are limited. Indeed, it is a fact that the magnitude of the unemployment problem will continue to increase, judging from the projected labour force figures. In this respect, it must be realized that entrants into the labour force during the next 15 years are already born and therefore there is little that can be done to alter its size. However, the uncontrolled growth of the population is a matter that must be addressed by the present generation to reduce its severity to future generations.

145. In conclusion, this Committee views the management of Kenya’s population growth as perhaps the most daunting challenge that the country will have to face for decades to come. It is no longer a choice between accelerated economic growth or family planning; the two are mutually supportive and must be promoted to ameliorate the adverse effects a large population has on the economy as we have shown in this chapter. Throughout our report, we have sought to recommend measures which will stimulate overall economic growth and thus create opportunities for the jobless to engage in gainful employment. We are deeply conscious, all the same, of the fact that the benefits that could accrue from such measures could easily be dissipated by an unmitigated growth in the population size. We therefore endorse the current efforts being made to reduce family sizes and hence the dependency burden. We urge that the family planning programme be turned into a mass campaign so that every parent in Kenya knows the implications for family welfare of large family sizes. Elsewhere in our report, we have recommended that this campaign be extended to the younger members of our population through parental counselling and sex education.

146. The Committee notes that the Government has recently appointed a National Population Council to address itself to various matters touching upon the problem of population growth. This is a very positive decision and we trust that it will mark the beginning of a national movement to resolve a matter which, as we have shown, is at the heart of the unemployment problem.
CHAPTER V—EDUCATION AND TRAINING

Introduction

147. The primary goal of education in any society is to harness and develop the talents and human potentialities of every individual so that he can fulfil his moral, intellectual and material needs and also contribute to the general well-being, survival and development of that society. Thus education, in all its facets, is a life-long process through which an individual acquires knowledge and skills that enable him to understand and adapt to an ever-changing physical and social environment and ultimately to realize his optimal worth.

148. In everyday usage in Kenya, the process of acquisition of knowledge is termed education while the acquisition of skills for particular career is termed training. Thus, education and training are not only essential components of socio-economic development of our society, but they are also essential components in individual development and in enhancement of the productivity of individual Kenyans. Education and training are therefore directly related to the problem of unemployment in as much as the processes themselves do create direct employment for teachers, trainers, librarians, printers, booksellers, producers and suppliers of school equipment, publishers, and others in the service sector. They are also related since education and training are concerned with developing and imparting knowledge, skills, and attitudes necessary for entry into wage or self-employment.

149. Education also relates to employment and unemployment in terms of its claims on the exchequer. Education commands a very prominent position among the services funded by the Government. According to the 1979/83 Development Plan, recurrent expenditure on education accounted for 28.8 per cent of the national budget between 1973-1978 and was proposed to absorb 25.6 per cent of the national budget between 1978 and 1983. This compared with Agriculture 6.7 per cent, Commerce and Industry 0.4 per cent and Health 8.6 per cent highlights the need to ensure that we maximize the returns to the nation and individual families from such expenditure on education. The amount of financial resources allocated to education inevitably affects the financial ability of the Government to make alternative investments which may generate more direct employment opportunities. The well accepted assumption is that investment in knowledge and skill development far outweighs in employment and social impact, the foregone alternative investments.

150. We therefore devote this chapter to a brief analysis of the main features of the education system as it has evolved since independence and the impact it has had on the problems of employment and unemployment.
Historical background

151. Before independence, education and training (hereafter referred to as education), in this country was designed to meet the needs of the colonial régime. These needs were in turn determined by the structure of a highly segregated colonial social system whereby all managerial, administrative and supervisory jobs were reserved for Europeans and Asians respectively while the Africans were primarily relegated to the villages to engage in subsistence agriculture or take up unskilled or semi-skilled jobs in settler plantations or in urban centres.

152. Because the bulk of the African population was not expected or allowed to play any significant role in the economic life of the country, there was no mass education for them. We note from the Kenya Education Commission Report of 1964 that during the ten years before independence, the amount of capital invested in European and Asian education whose combined population was only 3 per cent of the total, was much more than what was allocated for African education. In the area of training, the colonial authorities tried as much as possible to balance the supply and demand for skilled African labour with the result that the few who went through the education system were quickly absorbed in employment. Attitudes began to form then that anybody who had any type of education or skill would automatically be absorbed in wage employment. As we shall elaborate later in this chapter, these attitudes have persisted to this day and have had very serious implications for the demand for education and the employment of school-leavers.

153. On the eve of independence, the Kenya Government was faced with two major problems to which education was assigned the responsibility of solving. The first and more immediate was the need to provide competent Kenyans who could take over from the departing colonial administrators. This was achieved within a relatively short period through a crash programme of localization and training. The second and perhaps more challenging was the long-term problem of devising a system of education which would address itself to the complex political, social and economic needs of an emergent nation.

154. The goals of education in an independent Kenya were first articulated by KANU in its 1963 Manifesto:

"The first aim of education will be to produce good citizens inspired with the desire to serve their fellow men. The democracy we shall create is more than a set of laws and institutions. It will depend upon the understanding participation by all the people in the democratic process. The next aim will be to set our young people's feet on a path of instruction which will correspond with the requirements of the new nation and meet their desire for careers."
Soon after this pronouncement, a high powered Commission of Inquiry was appointed in December, 1963 to review the existing system and advise the Government on the formulation and implementation of new national policies for education. Since then, the aims of our education system have been re-stated in several Government documents, first in the Sessional Paper No. 10 of 1965 and subsequently in the various Development Plans and in reports of specific education commissions. In all these documents, the recurrent theme has consistently been that education would be the principal means by which Kenya would seek to disperse knowledge and develop skills necessary in a modernizing economy. Prominent among such commissions are the 1964 Kenya Education Commission Report, the Ndegwa Commission Report, 1971, the I.L.O. Report 1972, the Wamalwa Report on Training 1982, the Gachathi Report 1976, the Working Party on the Financing of Higher Education 1982, the Working Party on Second University 1982 and the Report of the University Grants Committee, 1981.

155. At independence, Kenya was acutely short of skilled manpower and lacked adequate facilities for education and training. The first priority was therefore placed, and rightly so, in the expansion of schools and student enrolments. Table XIX below shows that from 1963 to 1981, the number of school establishments have increased tremendously while enrolments in primary, secondary and university establishments have risen phenomenally. There is no doubt then that in sheer quantitative terms, expansion in education since independence has indeed been a success story.

**Table XX—School Expansion and Enrolment, 1963–81***

<table>
<thead>
<tr>
<th>Level</th>
<th>1963</th>
<th>1981*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Schools</td>
<td>Enrolment</td>
</tr>
<tr>
<td>Primary</td>
<td>6,058</td>
<td>936,000</td>
</tr>
<tr>
<td>Secondary</td>
<td>151</td>
<td>35,000</td>
</tr>
<tr>
<td>University</td>
<td>1</td>
<td>—</td>
</tr>
</tbody>
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*Provisional.


156. This expansion in education has been necessitated by a growing demand resulting from a high population growth rate and the unprecedented enthusiasm of the Kenya people in establishing education facilities on self-help basis. On its part, the Government has invested heavily in education: today, investment in education and training together account for about 41 per cent of the Gross Domestic Product, making it the largest budgetary allocation to a single government service.
157. In the view of this Committee, there can be no doubt that since independence, progress towards realizing general education goals has been spectacular. Apart from growth in enrolment figures and progress towards universal primary education is the fact that enrolment of school-age children has risen from less than 50 per cent in 1963 to 90.5 per cent in 1982. Secondary school enrolment has increased over thirteen times since 1963. Indeed, taken together, increases in primary and secondary school enrolment suggest a very definite rise in the level of literacy and numeracy. The growth in general education is also reflected in institutional growth in the form of expansion of both public and private national catchment schools which have enhanced national integration and the growth of a conscious educated elite which cuts across ethnic and other parochial interests, to project a truly national character. The other institutional growth has been the upsurge of the Harambee movement and its heavy investment in education. In 1978, the Harambee movement accounted for 60 per cent of the secondary schools and 50 per cent of the enrolment and has enhanced community control in investments in primary school buildings, furniture and maintenance.

158. These achievements have naturally given rise to a number of problems. For example, the success of the Harambee self-help effort in education and training has tended to explode enrolment figures and also oblige Government to take over as many Harambee streams as possible thus escalating public expenditure in education. Expanded enrolment has also meant expanded numbers of school-leavers. Indeed, the expanded enrolment figures in secondary and primary schools have tended to complicate the planning and implementation of teacher training programmes and increased the number of untrained teachers.

159. In the course of our deliberations, it has come out clearly that the phenomenal expansion in facilities, enrolments and expenditure on education has largely been at the expense of quality in terms of content, relevance and capacity to respond to the changing needs of society. Whereas the initial aims of education were to equip the citizens with knowledge, skills and attitudes conducive to productivity and self-reliance, these objectives have been eclipsed by a new system of values and attitudes which far from depicting the ideal citizen, is now widely held responsible for our society's apparent inability to cope with the strains and stresses of modernization, and for the serious problem of unemployment now prevalent in the country.

160. A major weakness in the education system has been its incapacity and inflexibility to adjust to the changing aspirations of individual Kenyans and the needs of the labour market in terms of new skills, new technologies and proper attitudes to work. This has resulted in the paradoxical situation where acute shortages of manpower and massive unemployment exist side by side. One example of this is the increasing number of school-leavers who, though
educated, are unemployed either because they lack the specific skills required for wage employment or for self-employment—or because the school-leavers themselves are selective about the type of jobs they think they have been prepared for.

161. In our view, one of the factors contributing to this situation is the type and quality of education being imparted in our schools. The subjects taught at primary and secondary levels are heavily biased towards intellectualization and very little is being done to develop adaptive skills. Ironically, the colonial system of education provided for the teaching of practical skills which school-leavers could apply immediately after leaving school. Although an attempt has been made in the recent past to introduce such subjects as agriculture in a few schools, the actual content and delivery of the subjects has largely remained at the theoretical level.

162. Parallel to this is the attitude that has developed among education administrators, employers and society in general of linking paper qualifications with jobs. This is evidenced by the fact that the formal qualifications being demanded by employers is rising rapidly when in fact such employers are able to absorb only a small fraction of the school-leavers with such qualifications. This notwithstanding, it has continued to be assumed that academic education will automatically lead to wage employment. The efforts of our schools are therefore being directed to the passing of examinations instead of developing skills that can lead to self-employment for the majority of school-leavers who do not enter into wage employment.

163. Where attempts have been made to impart practical skills, the pattern of skills development has been fraught with imbalances in terms of the numbers required in the labour market, level of skills, etc. A situation has emerged whereby in some fields, there is an over-supply of skills which are not a priority need of the economy while those that are acutely in short supply are not being developed. Similarly, it is not uncommon to find more attention being paid to the production of certain professional cadres while little is done to develop the supportive technical/auxiliary personnel without whom the professionals may not be fully productive.

164. One important reason for this is the fact that our country does not have a coherent policy on manpower planning, development and utilization. To the extent that it is expected to develop employable skills, the education system can be said to be operating in a vacuum in the sense that there are no set or projected priorities in manpower requirements which the system should aspire to produce.

165. Besides its failure to equip the students with practical skills, our education system has failed in another vital aspect—the teaching of national values and national philosophy. In recent years, there have been indications that commitment to the high ideals of patriotism, self-reliance and mutual
social responsibility has been eroded. This in our view is partly due to the failure of the education system, over the years, sustain and reinforce the spirit of nationalism that prevailed at independence. As a result, our young people are growing up without knowledge of the philosophical foundations of their own country, their rights, duties and obligations in society. They therefore go through the school system assuming that the Government has an obligation to give them employment even when opportunities exist for self-employment.

166. As a consequence of this omission and the gradual breakdown in traditional African values, life in some of our schools is characterized by indifference and a general feeling of alienation. Outside the classroom and school, the youth have developed serious job selectivity with a strong orientation towards white collar urban-based jobs as opposed to rural-based income earning activities. The overall effect of job preference has been to accelerate the process of rural to urban migration. The migration process has in fact become selective. The majority of rural to urban migrants tend to be those under 30 years old and have education up to or above Std. 7, whereas rural migrants (to settlement schemes, or in search of rural wage employment) have tended to be those above 40 years and have less than Std. 7 education.

167. The problems mentioned above have been aggravated by the fact that the quality of teachers has been on the decline. Education administrators have tended to concentrate too much on raising examination pass rates much to the neglect of the quality of teachers. We have been told that lack of discipline and commitment is a widespread problem among the teachers which in turn affects discipline among their pupils. While we acknowledge that training of teachers is a costly and time consuming exercise, we cannot over-emphasize the damage that indisciplined teachers can cause to the nation.

168. It is clear from these few examples that the education system is not optimizing its goals and there is need for reforms to bring it in line with the overall national aspirations. Our recommendations in this chapter are made in this spirit and we trust that their implementation will result in a more positive correlation between education and national development so that it becomes the principle vehicle for preparing people for gainful employment and for creating an environment of peace, discipline and hard work under which even more employment opportunities can be created.

**Education development**

169. In the preceding section of this chapter, we outlined the problems which have become concomitant to the existing structure and content of education. Specifically, we noted the increasing problems of school-leavers, rural to urban migration, job selectivity, the dominance of an academic orientation and problems in personality development. We are convinced that
education development must emphasize training for self-employment. In this context, the Committee endorses the recent decision to start the 8-4-4 system where at each level, there will be an emphasis on practical skill development and a deliberate exposure to practical problems of our communities and nation.

170. In the view of the Committee, education development will also need to focus education and training to meet the needs of current manpower shortages. We have been informed that planning for training should roughly follow “the skill pyramid”, i.e. 1:5:30; one professional to five technicians to 30 craftsmen and semi-skilled workers. Estimates of current manpower indicate serious shortages at the technicians and craftsmen level. We believe that it is possible to expand such training starting with existing facilities which are not being used optimally, such as the Railway School, Bandari College, institutes of science and technology, Post Office Training School and many educational institutions such as the University where there are no evening classes or correspondence courses.

171. The Committee recommends that in the implementation of the 8-4-4 system, the following should form an integral part of the strategy:

(i) With the elimination of the Certificate of Primary Education, the new testing system should aim at identifying different talents rather than the present examination which tests academic merit only. Such testing methods would aim at developing academic progressions, skill appreciation, originality and creativity and general personality and attitude development.

(ii) The 8-4-4 system should be justified on the basis of a significant increase in the proportion of curriculum devoted to pre-vocational subjects: from a modest proportion in the early primary education to a heavy bias in content in the last two years of primary education; thus in effect making the 8th year meaningfully terminal to those who do not progress up the academic ladder.

(iii) Secondary education to be comprehensive and divided into two main streams i.e. academic and trade. The Ministry of Higher Education should convert the present 14 technical high schools into technical and trade schools to link up with institutes of technology, the polytechnics and professional schools, and qualitatively improve the content of the academic stream to be consistent with the implementation of a national service scheme as a pre-university entrance requirement, and a relevant academic education.

Pre-school education

172. Numerous reports have been written by Government-appointed committees and researchers in the field of primary and higher education and recommendations made on how to improve its quality. Regrettably, little effort
appears to have been directed to the development of pre-school education. Indeed, there does not seem to exist in this country a clear policy on the place or status of pre-school education within the national education framework. Until recently, pre-school education has been viewed as part of the general welfare services which the Government supports indirectly outside the network of formal development programmes and certainly outside the formal education system. Thus the efforts that have been made in the past to promote pre-school education have taken the form of play groups, nursery schools and day-care centres variously established and operated by local authorities, parent associations, religious organizations and by private individuals.

173. The importance of pre-school socialization and care cannot be overemphasized. The physical and mental foundations of every human being are laid during the pre-school age and any serious disability suffered at that stage can persist throughout one’s life. It is medically known that the full development of brain cells terminates at about the time the child reaches school-going age. It is also known that by the time a child reaches the age of six, it will have developed certain attitudes and patterns of behaviour which will determine, to a very large extent, its subsequent development in school and in society. The quality of care, guidance and socialization given to the child at this critical stage is therefore of utmost importance.

174. For quite a number of years now, there has been a growing recognition among Kenyans of the importance of pre-school education and the social demand for it has been on the increase. Statistics indicate that there are over 2.3 million children in Kenya aged between three and six years. Out of these, slightly over 400,000 are enrolled in about 8,000 pre-school institutions. The remaining 1.9 million children, eligible for admission to nursery schools, are prevented from joining by a number of factors, among which are the high fees charged, lack of an organized curriculum and inadequate facilities. Because of the shortage of pre-school facilities, many families especially those in the urban areas are having to pay a fortune to get their children in nursery schools. A fee per child ranges from KSh. 27 per term in the rural areas to KSh. 1,800 per term in the urban areas.

175. The role of the Government in the development of pre-school education has in the past been confined to giving professional advice to teachers in day-care centres, carrying out periodic inspection of existing institutions and more recently the Government is training pre-school teachers. Beginning July 1980, the responsibility for Government services relating to nursery schools and day-care centres have been transferred from the Ministry of Culture and Social Services to the Ministry of Basic Education. This is a step in the right direction and this Committee endorses the change. However, we feel that pre-school education is of such importance to the society that the Government ought to be seen to play a much larger role in its promotion than has been the case in the past. The Committee therefore recommends
that the Government should formally adopt pre-school education into the Ministry of Basic Education, as an integral part of life-long education and formulate the necessary policy guidelines to ensure that every Kenyan child below the school-going age is given access to pre-school education and care.

176. As already mentioned, the existing pre-school facilities are established by any organization or private individual with funds to invest. Indeed many of them, especially those in the urban areas are operated for profit. In the absence of centralized planning and control, the content of education varies from school to school. Some nursery schools have been known to teach subjects that appropriately should be taught in primary school. This leads to frustration on the part of the children when they eventually enrol into Standard 1. In order to correct this situation, the Committee recommends that the Government should design a national syllabus to be used in pre-school institutions throughout the country.

177. At present the responsibility for the care and socialization of children below the school-going age is generally assumed to rest with the parents and the immediate community. Yet the social and economic situation of most Kenyan families today does not allow parents to play fully their role in the education of their children as was possible in the traditional African society. Parents in the rural areas spend most of their time in shambas and in market centres trading in their produce and wares. They return home tired and unable to give effective attention to their children. In some families, husbands have migrated to the urban areas leaving their wives to play the parental role alone. In the urban areas, both parents are likely to be in work-places far away from their children, who, in the event, are left in the care of inexperienced baby-sitters. The situation of single parents in urban areas is even more pathetic.

178. In view of this, the Committee feels that the kind of pre-school education that the Government ought to introduce countrywide should embrace the process of socialization in its widest sense. While we acknowledge that parents and the community will—and must—continue to play a role in moulding the character of young children, the society as such must show the way in the form of the institutionalized socialization that the Committee has recommended. We feel that in view of the mounting pressures to abandon tradition in favour of modern civilization, parents on their own cannot stem the current degeneration of traditional values and therefore a centralized effort by the society is necessary. The Committee therefore recommends that syllabi for pre-school institutions should have as its basic goal the inculcation of traditional African values of discipline, love for one's parents and community, mutual self-help, social obligations and the inter-dependence of members of a given community and between communities. Specifically, we recommend that children at this age should be taught traditional songs, dances
and folklore, histories of their communities (short story-telling) and their communities' vernacular. Indeed we recommend that vernacular should be taught as a subject in nursery and the first three years of primary education except in urban areas where the vernacular should be Kiswahili. This will help the children to discern the traditional bond between their communities and their land, cattle, etc. Vernacular will help them appreciate their cultural heritage by knowing names of trees, animals, etc., which will in turn help restore the relationship between the children and their environment.

179. Parallel to this, the Committee considers that this is the age at which simple expressions of nationalism and patriotism could be introduced. Children must know that they are not only members of a family or community but also of the wider national entity—Kenya. We therefore recommend that children in pre-school institutions should be taught about the national flag, emblems, the National Anthem, etc.

180. Elsewhere in this chapter we have stated that the physical development of a child is most critical at the pre-school-going age. The Committee is of the view, therefore, that besides imparting socio-cultural education, there is need to pay attention to the physical well-being of children at this age. Medical services on the most part have been organized to play a curative—not preventive—role. Yet a lot of medical problems, especially those related to children are preventable. Preventing those diseases which affect children's health could therefore greatly reduce the amount of financial resources currently being spent on health services. It would also have the added advantage of raising children who, because of their comparatively good health, would have a greater capacity to work. The Committee therefore recommends that pre-school institutions should be used as centres where preventive medical care is provided. This could be by way of immunization, teaching of simple hygienic practices or providing cheap nutritional supplements such as milk, vitamins, etc. The Committee further endorses the school feeding programme not only because of its nutritional effects but also its influence on enrolment among the poor and its direct income generation for farmers and those servicing the programme.

181. In order for the proposed pre-school education programme to succeed, the quality of teachers will be of the greatest importance. Currently, there is no uniformity in the quality of education dispensed in nursery schools and day-care centres, in the methodology used in the classroom or even in the recruitment and training of teachers. The Committee therefore recommends that in addition to introducing a standardized syllabi for all pre-school institutions, the Government should design a national programme for the training of teachers for this level of education. The Committee feels that besides being trained in modern teaching methods, a teacher in a pre-primary institution should be a mature person with a sound knowledge of elementary health care, some child psychology and equally important, a person with knowledge and commitment to African traditional values and cultural heritage.
182. In recommending the establishment of a national pre-school education programme, the Committee has been motivated by its importance in terms of preparing—at that critical stage—of the kind of citizens the country will need in the future, to wit, physical and mentally healthy, culturally and socially knowledgeable and, therefore citizens who will be effective instruments of national development. However, the Committee has equally been mindful that the implementation of this programme could generate direct employment opportunities for a very large number of people.

183. Currently, the 8,000 pre-school institutions in existence employ about 2,300 teachers. If the accepted teacher/pupil ratio of 1:25 were to be enforced, this would absorb about 14,500 more teachers to cater for the 402,000 children already enrolled in these institutions. In the longer term—and assuming a teacher/pupil ratio of 1:50—well over 40,000 teachers would be required to cater for the two million children who are currently eligible for admission to nursery schools.

184. The Committee realizes that the establishment of nursery schools to cater for all the eligible children would be an expensive undertaking. While re-affirming the recommendation we have made in paragraph 175, we feel that the Government would be wise to introduce pre-school education through a gradual process which accommodates the available financial and other resources. The Committee accordingly recommends that in the short-term, the Government should consider establishing nursery schools in the precincts of all the existing and proposed primary schools. This would allow for the sharing of facilities and also make it possible for parents to contribute to their establishment on self-help basis.

**Primary education**

185. It has been stated by many philosophers and policy-makers that education is a basic human need. In line with this, the KANU Party stated in its 1963 Manifesto that one of its major objectives would be to ensure that every child in Kenya had a minimum of seven years of free education. Since the Government policy pronouncements have repeatedly emphasized that in addition to making primary education universally accessible to Kenyan children, its goal would be to impart in them, adaptive knowledge, attitudes and skills so that they can eventually contribute to the development of society in keeping with our tradition of mutual social responsibility.

186. The objective of providing free universal primary education was gradually implemented and completed between 1974 and 1980. During the same period, the Government also introduced the school milk programme in all the primary schools in the country. These programmes, together with the high rate of population growth, have resulted in a phenomenal growth in primary school enrolments to the extent that by the beginning of 1982, there were over 4.1 million children in our primary schools. While this
quantitative growth in enrolments is itself a notable achievement, the concomitant problem of jobless primary school-leavers is acute. According to available statistics, approximately 389,900 students completed Standard 7 in December, 1980. Of these, perhaps 112,600 found places in Form I in Government, Government-aided and Harambee schools. This left 271,600 to seek other training opportunities or enter the labour market. The problem is already large and its magnitude is likely to get worse in the next several years.

187. Previous committees appointed to review the education system have identified some of the major causes of this problem and have recommended various reforms which the Government has accepted and incorporated in the various development plans. Their implementation, however, has either not been done or the effects have been negligible.

188. One point that has been made time and again is that the problem of unemployment among school-leavers—the majority of whom are primary school leavers—has largely been occasioned by the irrelevance of the school syllabi to real life situations. It has therefore been suggested that the school curricula be modified so as to include those basic subjects which will assist pupils to progress intellectually into the type of professions required in the economy (science, mathematics) and those pre-vocational subjects which would facilitate self-employment for the majority of pupils who terminate their formal schooling at Standard 7 (woodwork, home science etc.).

189. Past attempts by Government to introduce such reforms have had little or no effect. For instance, attempts to teach agriculture in primary schools has failed because the subject is not “examinable” at the C.P.E. level. In an education system that is heavily motivated towards the passing of examinations, the teachers as well as the pupils tend to down-grade the importance of any subject which will not enhance the examination pass rate however important it may be to the individual pupil or to the country as a whole. Even where the teachers are committed to the teaching of the subject, the content and method of instruction are too theoretical to be of practical value to the pupil after he leaves school.
190. This Committee shares the view that primary school curricula should be re-structured so as to incorporate pre-vocational subjects which would enhance the employability of those pupils who do not continue with formal education. Even for those who go on to secondary schools, we feel that certain subjects are equally important to them and should be incorporated into the examination system. The Committee therefore endorses the need to reform primary school curricula and recommends that:

(a) Primary education should continue to aim at the highest levels of academic excellence by teaching those subjects which will lead to professions required in the economy and which will help our people to adjust to the rapid changing technological innovations. Such subjects should include mathematics, elementary chemistry, physics and biology, agriculture, geography, health science and social science.

(b) Primary education should be made a terminal form of education by introducing pre-vocational subjects which would assist those who do not go to secondary schools to enter into further vocational training or engage in self-employment. Such subjects should include carpentry, metalwork, masonry, home science, basket-making, tailoring, typing, book-keeping, etc.

191. In the preceding section dealing with pre-school education, the Committee has expressed the need to bring our children closer to their socio-cultural environment and thus enhance their adaptability and sense of belonging by teaching them African traditions, arts and music. In order to reinforce those efforts and ensure that what is taught at the nursery school level is fully internalized by the children as they grow older, the Committee recommends that primary school syllabus should include such subjects as civics, African arts and crafts, traditional dancing and music, religion, ethics, history and spatial cultural geography.

192. In Chapter IV of this report, we discussed at length the implications of uncontrolled population growth and the obstacles it presents to national economic development. We also indicated the measures that this country must take in order to reduce the negative aspects of population growth. One of those measures relates to birth-control through a sustained programme of sex education. Children reach puberty when they are in primary schools and we therefore feel that this is the stage at which sex education should be introduced. It has been argued that lack of knowledge about sex and reproduction has been one of the causes of pregnancies among school girls. In order that the school system is seen to play a crucial role in the solution of the population problem, the Committee recommends that sex education be incorporated in the primary school curricula, and of course in the curriculum for primary teachers training colleges.

193. Another matter that has been brought to our attention relates to teaching methodologies and the use of appropriate teaching aids. We have been told that besides the theoretical nature of the subjects being taught
in primary schools, teachers do not encourage learning by observation and experimentation. In the view of this Committee, undue emphasis on "book work" is undesirable in that it alienates the children from their environment and tends to reinforce the negative attitude that the goal of schooling is the passing of examinations. Observation and experimentation, on the other hand, stimulates the inquisitiveness of the children and a desire to unravel mysteries. In the long run, children develop a yearning to do things for themselves and this to us is the beginning of positive attitudes towards self-employment, manual work and creativity. This Committee therefore recommends that the methods of instruction in primary school should strike a more realistic balance between book learning and empirical observation and experimentation.

194. Closely related to teaching methodologies is the choice of teaching aids. Currently, teaching aids are centrally assembled and distributed. Some of the objects are therefore unfamiliar to children in different parts of the country. In order to ease the learning process, the Committee recommends that teaching aids should as far as possible be based on local products and local environment which children are familiar with.

195. Elsewhere in this Chapter we have stated that indiscipline in schools has been a common occurrence in recent years. One of the reasons for this is that most schools do not encourage extra-curricula activities which develop a sense of responsibility and self-reliance in the children. The Committee is of the view that properly organized extra-curricula activities are important in the formation of a wholesome individual. We therefore recommend that schools should be required to introduce obligatory extra-curricula activities which help to mould the character of pupils at this crucial stage. Such extra-curricula activities should include systematic and guided exposure to the environment surrounding the school, including actual involvement in community projects. Indeed school terms and holidays should be mapped on a regional basis so that children are on holidays during peak agricultural labour demand periods. Within the school time-table extra-curricula activities should include physical education, boy scouting, athletics, drama clubs, young farmers clubs, wildlife clubs, etc. It should also introduce community projects in areas near the schools such as soil conservation projects, tree planting projects, bush clearing etc. The school calendar should not be universal across the country and should be mapped on a regional basis so that school holidays coincide with labour demand peaks in the agricultural calendar.

Secondary education

196. As already indicated, the country has witnessed tremendous expansion in primary education since independence. This has in turn generated a large demand for secondary school facilities for those who successfully
complete their primary education. To meet this demand the joint efforts of the Government and the people have resulted in a major, albeit inadequate, expansion of secondary schools.

197. At the beginning of the 1974-78 plan period, the Government slowed down the rates of expansion of aided schools due to the swelling numbers of secondary school-leavers who were not being absorbed in employment. Lack of sufficient places in Form I in Government-aided secondary schools prompted the public, to build more secondary schools on self-help basis. By 1980, out of a total secondary school enrolment of over 419,000, 191,000 were in Government maintained schools, 97,000 in Government aided schools and 131,000 were in unaided schools.

198. In spite of this rapid expansion, existing secondary school facilities are far from adequate to meet the growing demand. As the pressures for more places in Form I continue to increase so will the construction and expansion of Harambee schools. This will in turn increase the number of school-leavers who aspire for university education or to get employed.

199. According to Government statistics, the number of secondary school-leavers who miss the chance to go to university has been on the increase. In 1979 alone, 81,000 "O" and "A" level students registered as unemployed representing 31 per cent of registered job-seekers in urban areas.

200. Some of the main factors contributing to unemployment among secondary school-leavers include the poor quality of education that they get—which in turn makes them perform poorly in examinations. We have been told that although all secondary schools use a centrally prepared syllabus, the performance differs with the best results being achieved in Government-maintained schools. The above figures indicate that the majority of the secondary school population are in assisted and unaided schools, mainly in the Harambee schools. The performance in these schools is, on the whole, poorer than that of Government-aided schools. This is mainly due to their high proportion of unqualified teachers, poor educational facilities and a low teacher/student ratio.

201. From the point of view of this Committee, poor quality education and therefore poor performance in examinations reduces the student’s chances of being admitted to the university or of gaining employment in the modern sector where examination passes are decisive. The Committee therefore recommends that, as funds become available, every effort should be made to ensure that these performance gaps are reduced to the minimum. This will ensure that all the students with potential to continue with academic education have a chance to compete for university places, and those who drop out have equal chances to compete for jobs.

202. Another factor which affects the employability of secondary school-leavers is the type of subjects they are taught in schools. Information given to us indicates that in spite of efforts to introduce subjects which would
enable school-leavers to engage in gainful employment if they do not proceed to university, secondary school graduates are still very ill-equipped for either wage or self-employment.

203. Recommendations for change in the content of secondary education were made by the National Committee on Education Objectives and Policies in 1976. Since then, steps have been taken to localize the curriculum to make it more relevant to the needs of the student and those of the society. With a view to instilling an appreciation for manual work and to impart some basic skills required in a wide range of rural-based activities, such subjects as agriculture, commerce, industrial arts, home economics, etc. have been incorporated in the secondary school curriculum. At present, 130 schools are offering agriculture, 35 are offering business education while home economics is offered in 106 “O” and “A” level schools.

204. Our own analysis of these efforts indicates that they have not been successful in enhancing the chances for employment among the secondary school-leavers. Firstly, we have been told that there is hardly enough practical knowledge imparted during the courses and therefore students come out with a general appreciation of the subjects but with no skills that can be readily applied. Secondly, previous knowledge or experience acquired in a subject like typewriting does not necessarily give students any advantage when they enrol in full-time secretarial training with beginners. Thirdly, experience has shown that employers tend to base their selection on the best aggregate points scored in examinations, with English Language and Mathematics being considered as the most important qualifying subjects. Employment surveys indicate that despite the academic and technical education offered at secondary level, the educated are over-represented among those seeking work in the modern sector but greatly under-represented among the self-employed.

205. The Committee considers that while it is necessary to introduce practical or vocational subjects at the secondary school level, the usefulness of the skills and knowledge acquired, and its applicability depends largely on the methods of instruction, teaching aids used and the nature of the examinations. It has been stated that students are not tested on the practical aspects of the subject but on theoretical appreciation. For those who do not continue with their academic studies, this reduces their adaptability to the socio-economic environment. The Committee therefore recommends that methods of instruction and course content should be open-ended to facilitate further learning for those who enrol into post-secondary training institutions or the university. At the same time, those who terminate their formal education at this level should be able to utilize their skills productively

206. Another effort that has been made to develop practical and employable skills has taken the form of technical secondary schools. The experience of the 14 secondary schools which were started to offer students a basic
general education with a technical bias so that they could be more employable illustrated that general academic education and specific skills training produces a graduate who is neither an academician nor a technician. Our investigations indicate that contrary to expectations, the majority of the graduates from technical high schools are unemployed.

207. The National Committee of Education Objectives and Policies recommended that the existing technical secondary schools be converted into post-secondary technical institutions where training would be such as to enable the students to engage in employment straight after finishing their courses. This Committee endorses this recommendation and recommends that it be implemented. We further recommend that arrangements be made so that the students in these institutions are enabled to sit for Government Trade Tests upon graduation.

Attitudes

208. In our review of primary school education, we stated that the emphasis on academic education and on the passing of examinations has tended to relegate the importance of attitudes and character training in our schools. This problem is even more pronounced in the secondary schools. The failure to enrich school education with character training has resulted into major problems; first, it has tended to aggravate indiscipline in the schools themselves and, secondly, it has reinforced such negative attitudes as refusal to do manual work and the resultant influx into urban areas in search of white-collar jobs. The Committee therefore recommends that character training started at the primary school level should be extended and intensified at the secondary school level.

University education

209. University education in Kenya dates back to 1963 when the University of East Africa was established to cater for Kenya, Uganda and Tanzania. Prior to that, Kenya's needs for higher technical manpower were met by the then Royal Technical College which was established under the aegis of the colonial authorities in 1951 and by Makerere University College which was a constituent College of the University of London. The University of Nairobi came into being in 1970 and took Kenyatta University College under its wings as its constituent college.

210. The main objectives of the University is to produce high-level manpower for the economy and to provide a home for both basic research and research related to the nation's needs. These objectives are relevant to the work of this Committee in the sense that their realization would contribute significantly to economic growth and therefore to employment generation. A review of university education is also justified in the sense that its capacity to absorb secondary school graduates determines the number of those graduates who are not admitted and therefore forced to enter the labour market in search of employment.
211. Since its inception, the University of Nairobi has witnessed a major expansion both in enrolments and in its physical facilities. The growth, however, has not kept pace with the very large number of secondary school-leavers seeking to enter the university each year. As shown in Table XXI below, the number of candidates aspiring and are qualified to join the university has been on the increase while admissions have been more or less static.

**Table XXII—University Admissions**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Applications Received</th>
<th>Candidates with Minimum Entry Requirements</th>
<th>Total Admitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978/79</td>
<td>5,477</td>
<td>3,796</td>
<td>2,565</td>
</tr>
<tr>
<td>1979/80</td>
<td>5,776</td>
<td>3,701</td>
<td>2,692</td>
</tr>
<tr>
<td>1980/81</td>
<td>7,738</td>
<td>4,161</td>
<td>2,518</td>
</tr>
<tr>
<td>1981/82</td>
<td>9,298</td>
<td>4,416</td>
<td>2,598</td>
</tr>
</tbody>
</table>

Source.—Registrar, University of Nairobi.

212. Despite these limitations, the university has over the years diversified its training programmes and it now caters for many of the more important professions. While undergraduate and post-graduate programmes have expanded, the number of courses offered has also increased as will be seen from the table below.

**Table XXIII—University of Nairobi Enrolment, 1980/81**

<table>
<thead>
<tr>
<th>A.—Undergraduate</th>
<th>1980/81 Enrolments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>363</td>
</tr>
<tr>
<td>Architecture and Design</td>
<td>221</td>
</tr>
<tr>
<td>Building Economics and Land Economics</td>
<td>140</td>
</tr>
<tr>
<td>Art</td>
<td>1,411</td>
</tr>
<tr>
<td>Commerce</td>
<td>539</td>
</tr>
<tr>
<td>Engineering</td>
<td>528</td>
</tr>
<tr>
<td>Law</td>
<td>234</td>
</tr>
<tr>
<td>Medicine</td>
<td>571</td>
</tr>
<tr>
<td>Veterinary Science</td>
<td>325</td>
</tr>
<tr>
<td>Dental Surgery</td>
<td>82</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,378</strong></td>
</tr>
</tbody>
</table>
213. In spite of the very major contribution that the university has made to the economic growth of the nation through the production of high-level manpower, the economy is still critically short of certain skills upon which crucial development programmes depend. In order to meet these shortages, the Government has recently decided to establish a second university which will not only increase the number of secondary school-leavers who have access to university education, it will also introduce training in areas that have hitherto not been catered for. The Committee welcomes the decision for we believe that it will have a positive impact on overall economic growth.

214. The future tasks of the university will depend on the amount of resources available to it and the efficiency with which they are utilized. Its effectiveness will also depend on the degree of co-ordination between it, the Government and the society in general. In this regard, the Committee notes that His Excellency the President has recently appointed a committee to look into the organization, teaching, research and other related activities of the university. The recommendations of this committee, together with those that were made by the National Committee on Education Objectives and Policies (1976) and those of the Working Party on the second university (1982) will go a long way in turning the university into an effective instrument of national development.

Special education
215. The right to education for all the nation's children should include provision of special education for the handicapped. The absence of any mention of special education is conspicuous in the Education Act or any other legislation. This omission is a definite constraint to planning and development of special education facilities in the country.

216. The Committee notes that whereas a special education unit exists within the Ministry of Basic Education, its efficiency and effectiveness is hindered by lack of trained personnel. Figures from the ministry indicate that the various section of Special Education Unit are unrepresented both
at provincial and district levels. Planning for training in specific areas is constrained by the lack of reliable data to indicate the percentage of the population that falls in this category and what percentage of these are of school-going age and what their handicaps are. It is understood that the ideal teacher/pupil ratio varies from 1:8:12 depending on the severity of the handicap. In the absence of relevant data therefore, it is difficult to state for certain the number of teachers and supporting staff that would be required for each specific area.

217. The Committee was made to understand that availability of employment for the handicapped is limited due to several factors. One is the general attitude in both public and private organizations and their failure to recognize that people with disabilities, if provided with suitable facilities can make a contribution to the society. The Government, through the relevant institutions should encourage employers to provide employment and training opportunities for handicapped persons. We recommend that this should be enforced by legislation or requirement for ministries, parastatal organizations and private employers to recruit a certain percentage of their labour force from among the handicapped with relevant training. The Government should give some form of incentives to employers to engage the handicapped.

218. We further recommend that the Government should pass legislation requiring building contractors to include basic facilities for the physically handicapped in any future commercial and industrial buildings. This move will facilitate employment of the handicapped. For those who cannot fit into employment, the Government should finance construction of more sheltered workshops whose administration should work towards enabling as many handicapped people as possible to enter self-employment. The Committee notes that the N.C.E.O.P. Report of 1976 bears specific recommendations on the improvement of special education in the country. We endorse these recommendations and recommend their speedy implementation.

Adult education

219. This area of activities includes the existing adult literacy programmes, agricultural extension, trade and business extension, farmer training services, family planning education, family welfare education services, community development, etc. Adult education aims at the improvement of skills and exposure of those in self-employment and will also include other extension services in industry and commerce. The ultimate purpose of adult education is to improve productivity and earnings and provide continuing education.

220. Most of these programmes except adult literacy programmes are treated separately in the relevant sectoral chapter within this report. Thus with respect to adult literacy programmes, the Committee welcomes the special focus on the illiterate population and the stated government goal of eradicating illiteracy by the year 2000. In our discussion on the role of mass
media in employment generation we lay particular emphasis on the role of the radio, local newspapers, and specialized booklets. The success of the adult literacy programmes is essential for the success of the development programme especially the technical follow-up of radio messages and other forms of verbal communication.

221. The Committee notes the enrolment in literacy classes has been accelerated from 35,000 in 1978 to a projected 200,000 by 1980 and to 1 million by the end of 1983. One of the major weaknesses of an expanded literacy programme is the lack of simple reading materials which if available to all students and graduates of the programme would sustain literacy. Currently the loss of literacy once achieved is very high and the Committee recommends the development of literacy materials and printing programmes jointly run by the Department of Adult Education, Kenya Institute of Education and the Jomo Kenyatta Foundation.

Training

222. Training is that process which bridges formal education and the needs of employment and occupation. It equips individuals with specific skills, attitudes and work habits which enhance their productive output and job satisfaction. Thus while educational institutions currently do have some training content, most primary and academic secondary schools are normally seen as fulfilling the need of formal education. There are thus many specialized institutions which train in certain skills, outside formal schools.

223. Training institutions have been divided into four basic categories as outlined in the table below which also indicates existing capacity.

<table>
<thead>
<tr>
<th>TABLE XXIV—NETWORK OF TRAINING INSTITUTIONS AND CAPACITY (1978)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>BASIC NEEDS—</td>
</tr>
<tr>
<td>University Education</td>
</tr>
<tr>
<td>Teacher Training</td>
</tr>
<tr>
<td>Health Manpower Training</td>
</tr>
<tr>
<td>Family Planning</td>
</tr>
<tr>
<td>Nutrition Training</td>
</tr>
<tr>
<td>Educational Rehabilitation and Handicapped Schools</td>
</tr>
<tr>
<td>Literacy and Adult Education</td>
</tr>
<tr>
<td>Family Life Training</td>
</tr>
<tr>
<td>Water Training</td>
</tr>
<tr>
<td>Sector</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>PRIMARY EDUCATION—Agriculture Manpower and Extension</td>
</tr>
<tr>
<td>Co-operative Education</td>
</tr>
<tr>
<td>Forestry Training and Extension</td>
</tr>
<tr>
<td>Training in Export Crops</td>
</tr>
<tr>
<td>INDUSTRIAL, COMMERCIAL AND VOCATIONAL—Modern/Public Sector</td>
</tr>
<tr>
<td>Private Company operated</td>
</tr>
<tr>
<td>Private or Commercial Sector Quasi-Governmental and Parastatal Corporation</td>
</tr>
<tr>
<td>Tourist Section</td>
</tr>
<tr>
<td>EDUCATIONAL—Government Assisted</td>
</tr>
<tr>
<td>Voluntary Organization</td>
</tr>
<tr>
<td>PFP/etc.</td>
</tr>
<tr>
<td>OTHER GOVERNMENT SERVICES—Pre-service and In-service Training</td>
</tr>
</tbody>
</table>

**Source:** Development Plan 1979-1983, p. 485.

224. The table indicates that there is extreme diversity in the types and enrolment of the national training institutions. There are over 2,000 institutions and of these, 700 are operated by more than 400 government and non-government agencies. The Committee believes that all these institutions have a common logic which is different from those offering formal education and could be grouped together for co-ordination purposes. Significant economies of scale could be achieved if the following activities were co-ordinated:

—Skill demand and supply analysis, planning and co-ordination of skill development and utilization.
—Curriculum development and development of teaching aids.
—Use of workshop, laboratories and practical training facilities.
—Field placement and collaboration with employers so that they can offer physical facilities during training on industry-by-industry basis rather than by school.
—Systematization of students training allowances, living conditions and career grading. Currently, disparities in allowances and living conditions have led to complaints and riots especially when they are inversely related to level of training.

—Development of teamwork among trainees at different levels of training and specialization.

225. In the view of the Committee, the above functions will need the co-operation of public and private sector institutions and we therefore recommend that an agency be created, preferably a manpower commission supported by legislation to give it executive powers, to perform those functions.

226. The Committee further endorses the recommendation of the Working Party on second university for the setting up of a council on post-secondary training and higher education and recommends that it be implemented at an early date.

Teachers

227. Of particular concern to this Committee is the availability of qualified teachers at all levels of the education process. For the education system to produce the desired effects of laying the foundation of an ideal citizen, providing functional type of education and producing high- and middle-level manpower for the economy, the teachers must be conversant with the socio-economic demands of education at their professional level.

228. Teachers, especially at the lower levels of education, which is the development stage must understand the cultural values of the nation which they are required to cultivate into the minds of the children. As the values change with time due to social and economic development, periodic evaluation is necessary in order to identify and rectify faulty developments. Teachers and schools, in co-ordination with the parents and the ruling party should be the key agents for continuous reinforcement of desired values and attitudes. This important role of teachers puts them in a strategic position of influence in society and, therefore, considering the large portion of time they spend with the child from the early stages of education through to the university, it is crucial that the fundamental objective of teacher training should be to produce dignified and knowledgeable individuals who will be emulated by the child.

229. In the course of its work, the Committee was made aware of the general deterioration in the teaching profession. Both the morale and the discipline of the teacher has declined and this, it has been claimed, has been due to lack of incentives in the teaching profession. We have been told that a substantial number of teachers, especially those in primary schools, are untrained. These are recruited directly from secondary schools and on recruitment they do not go through any form of induction. This practice creates
a major problem within the education system in that these teachers fail to provide quality education which is a main objective of the Government. Secondly, there is lack of in-service training, seminars or study tours which should serve as a forum for the teachers to update themselves with new teaching techniques and up-to-date information regarding the teaching profession and the nation in general.

230. It is considered important to provide this facility especially for teachers already in the service. The Committee has been made to understand that two thirds of the content of teacher training programmes deal mainly with academic aspects of the profession while one third is on methodology. The Committee recommends that the syllabuses of the various teacher training programmes should be reviewed. The duration of the courses should be shortened with the greater part of the training dealing with the development of professional skills of teaching rather than mere extension of formal courses already covered in an earlier academic programme before joining teaching training colleges.

231. It is evident that lack of promotional opportunities within the profession has demoralized the teachers with the result that the teacher turnover from the profession is high. Those who stay on engage in private business activities which consume most of their teaching time. We learned from both ministries of education that they are in the process of preparing a scheme of service which will cover all professional personnel in the education field, that is, teachers, education officers, school inspectors, etc. The Committee urges that the scheme of service should be completed soon and circulated to enlighten those concerned of their prospects.

232. Inspection and proper management of schools are an important aspect of the education system in that regular inspection and efficient management from the district education officer will ensure that schools are well equipped and that the right syllabuses are being taught in schools and that the teachers are using the right teaching methods. The Committee notes with concern that for the total number of primary and secondary schools that exists, there are too few assistant education officers placed at divisional level to cope with the task of inspection of schools and teachers. Even where adequate numbers have been provided for inspection work as is the case with primary education where it has been agreed that an assistant education officer in the inspectorate should be in charge of 25-30 schools, there have been financial and other constraints that have hindered inspection work. Coupled with inadequate supply of school equipment, the problems mentioned above have affected the quality of education being provided in the schools.

233. This Committee notes that exhaustive analysis of the important role of the teacher has already been carried out and recommendations on improvement have been made by the N.C.E.O.P. in their 1976 report. This Committee stresses the importance and urgency on the part of the Government to implement recommendations contained in that report.
National students service scheme

234. The Committee notes that the Government has been concerned with the general lack of discipline and proper attitudes among the nation’s youth. This development has been manifested in various ways such as schools strikes, increased rate of delinquency among primary school children and, more so, the increased rate of crime and hooliganism among youth in the country. The Committee acknowledges that this is partly as a result of the gradual breakdown of traditional ways of living and traditional mechanism of social security and control. At the same time, there has been a general lack of a unified sense of purpose and direction in the present society. This relation of society to the students has created frustration, aimlessness and a sense of insecurity among them, as a result of which there exists a degree of misunderstanding between them and the authorities.

235. There has been in existence, since 1964, the National Youth Service which is an organization set up as a voluntary work and training programme for youth. The Service, which is founded on an Act of Parliament is classified as a disciplined force under the Kenya Constitution. Initially the service was established to assimilate the militant youth who had been actively engaged in pre-independence nationalist struggle and who, after independence, required re-orientation to lead normal working lives. Today, the Service is open to youth volunteers and recruitment is done from among primary and secondary school-leavers, the preferred age-group being 18-22 years. The Service has several social and economic benefits.

236. First, it provides facilities for work and skills training for school-leavers and therefore serves to relieve unemployment in the country. Secondly, the service undertakes project work in aid of national development especially in remote areas where private contractors would hesitate to send their personnel. Thirdly, the programme creates a pool of trained and disciplined manpower with skills such as mechanics, drivers, plant operators, typists, security guards. It is understood that the service offers courses in 25 trades and occupations. An important aspect of this programme is that a substantial number of ex-servicemen and women do join the Armed Forces, Police and Prisons.

237. The Committee views this as an important aspect of the programme and recommends that the Government should inject more funds into the National Youth Service to enable it to train leadership personnel with a view to expanding the carrying capacity of the Service. This should be done so that in future, recruitment into the uniformed forces should be done primarily from the National Youth Service. This approach although costly on the face of it, has long-term benefits. It will reduce the period and cost of training in the respective uniformed forces in view of the previous training recruits will have gone through. The discipline aspect of the Service at an early age will promote the quality and productivity of the type of personnel
that will be recruited into the police force etc. Fourthly, the programme creates a national spirit where youth from diverse ethnic backgrounds work side by side for at least two years.

238. Although no specific educational qualification is set, the Committee was informed that the level of recruitment has risen and almost 50 per cent of recruits are secondary school-leavers. Currently, the service is 5,045 service-men/women strong and is expected to rise to 7,000 by the end of the current financial year. Besides the National Youth Service, there exists all types of youth development programmes run by both public and private agencies. It is envisaged that with the creation of the manpower commission that we have recommended in paragraph 225, co-ordination of training for youth at post-primary and post-secondary levels will be properly planned according to the manpower needs of the economy.

239. Notwithstanding the above comments and recommendations, it is the Committee's view that while the National Youth Service caters for the cadres mentioned above, there is need for the Government to form a National Students Service Scheme which will be confined to secondary school graduates who have been selected to undergo various types of training programmes in government training institutions as well as those selected to study at the university here or abroad. It is recommended that the main objectives of the National Students Service Scheme will be to introduce the students to the actual social and economic set-up of their country and to prepare them for their eventual participation in all socio-economic activities. The scheme will therefore basically aim at civic and character training. It will provide a forum for the development of good fellowship and spirit of co-operation among Kenyan youth. At the same time, the scheme will be a linkage between formal education and the real life situation under which the majority of them will live and work, serving the people.

240. It is recommended that on establishment of the proposed scheme, it will be mandatory that such candidates will be required to give one year of national service prior to the training in the respective institutions. The first six months of the programme should dwell on the psychological aspect of training that will deliberately create deeper understanding and appreciation of the national ethic and aspirations, and the need for total commitment to national security and development, an element that is lacking among students today. During the second half of the programme, students will physically be involved in development projects such as afforestation, construction of rural access roads etc. at community and national levels. Such participation will develop appreciation of the dignity of manual work and rural life.

241. It is anticipated that such a programme, if implemented, would accommodate over 5,000 students annually, the number being for post-secondary training and for undergraduate studies.
CHAPTER VI—EMPLOYMENT AND LABOUR MARKET POLICIES

242. The greater part of our Report concentrates on the long-term policies and strategies which will have a direct impact on the economy's overall capacity to generate more income-earning opportunities. In this Chapter, we highlight in greater detail and specificity those Government policies which influence the functioning of the labour market and therefore affect the patterns of employment and unemployment. In this regard, we have examined Government policies relating to the matching of labour supply with the demand for it through the operations of the Government employment services; industrial relations; the Kenyanization of personnel in the private sector; Government short-term unemployment relief programmes; labour output and productivity; and, policies relating to the structure of incentives within the labour market.

243. Various policies and strategies for increasing productive employment have received prominence in the various development plans since independence. The 1964-70 Development Plan emphasized rapid economic growth and Africanization as a means of increasing employment. Whereas Africanization proceeded rapidly in the public sector, there was very little achievement in the private sector and it is during this period that the Kenyanization of Personnel Bureau was established for the purpose of speeding up Kenyanization in the sector. Growth in employment, however, fell below the rate of overall economic growth despite the short-term unemployment relief programme of 1964.

244. Whereas the 1970-74 Development Plan laid emphasis on overall growth, it was an employment creating programme in itself. It shifted emphasis from urban to rural development as a means of uplifting living standards in areas where the majority of the people live. During the plan period, the second unemployment relief programme was effected. The 1974-78 Plan emphasized policies aimed at increasing labour intensity in private sector firms, re-structuring of the education system by stressing on technical and vocational training and skill acquisition. The current 1979-83 Plan has in turn shifted emphasis to the provision of basic needs.

Government employment services

245. Beyond the broad objectives outlined in the development plan, the Government has pursued specific policies relating to the matching of people and skills with jobs through the provision of labour market information and employment services. In a country like Kenya where there is an abundance of unskilled but training labour, noticeable shortages and at times misalloca-
tion of skills, an effective system of manpower utilization is an absolute necessity. Such a system should aim at—

(a) offering an efficient free service to employers and job-seekers so that the best qualified job-seeker is given the job;

(b) influencing the occupational and geographical distribution of skills and ensuring their effective and efficient utilization;

(c) offering career guidance and counselling to new entrants into the labour market, as well as to those wishing to change careers;

(d) collecting and analysing employment market information for use by planners and decision-makers.

246. These services are provided through a network of employment exchanges located mainly in the urban areas where employment is concentrated. The exchanges are largely concerned with registration of job-seekers and vacancies as well as with placement work. The impact of the services however, has been limited mainly because most employers and job-seekers do not make full use of the exchanges. In the majority of cases, employers only approach labour exchanges in respect of casual or temporary labour while the job-seekers—particularly the well-educated and skilled ones—hardly register themselves at these exchanges.

247. Considerable thought has been given in the past to making it compulsory for employers to recruit their labour, particularly the unskilled, from employment exchanges. This has resulted from accusations of nepotism in the filling of vacancies. The main problem has, however, been that existing exchanges are not easily accessible particularly to rural employers and therefore, compulsory registration would be difficult to enforce in the absence of labour exchanges in all parts of the country. An added problem has been that before the scheme could be enforced, it would require the establishment of an efficient employment service staffed by people who have sound knowledge of labour placement procedures and who have high standards of integrity.

248. While the Committee acknowledges the advantages which would accrue from compulsory use of the employment exchanges, we do not consider that the existing Government machinery is sufficiently equipped to implement such a programme. Moreover, introducing an element of compulsion would be in contravention of the International Labour Organization Convention No. 88 which Kenya has ratified. It is the view of the Committee, therefore, that the use of labour exchanges by employers should continue to be voluntary. We however recommend that in order to encourage employers to make greater use of employment exchanges, the Government should strengthen and improve its employment service machinery. We further recommend that a sub-committee of the Tripartite Labour Advisory Board be established to monitor and continually advise the Government on the voluntary use of employment exchanges by employers in the private sector.
The Committee notes that currently the public sector, which is the largest wage employer in the country, does not make use of Government employment services. This clearly leaves Government institutions open to accusations of nepotism. The Committee therefore recommends that while the Public Service Commission should continue to recruit skilled and professional personnel for the public service, all recruitment in respect of unskilled and semi-skilled personnel should be done through the employment exchanges.

As already noted, the use of employment exchanges by employers and job-seekers is voluntary and therefore labour exchanges can only place job-seekers in vacancies that have been notified by employers. In the past, however, very few employers made such notifications. In recognition of this anomaly, the Government in Legal Notice No. 156 of 1977 made it mandatory for all employers to report vacancies so that the Government could have a clear picture of the labour supply and demand situation. It was also intended to provide the labour exchanges with an opportunity to act quickly in filling vacancies. Available evidence indicates that this legal requirement is not being observed by employers. This has had the effect of frustrating not only the officials who register people without vacancies with which to match them, but also the job-seekers who register but have no hope of obtaining jobs. The Committee therefore recommends that the Government should take steps to ensure that this legal requirement is rigorously enforced.

In the absence of widespread use of labour exchanges, the most commonly used method by which a job-seeker can hope to obtain employment is through a friend or relative. As will be noted in Table XXV below, the next most popular method is "other method", which includes the private employment agencies which are operated on commercial basis. The conclusion to be drawn from this data is clearly that dissemination of labour market information such as availability of jobs is grossly inadequate. It is particularly interesting to note that the mass media plays a relatively insignificant role in disseminating labour market information. In Chapter XI, we have recommended extensive use of the mass media for dissemination of information about employment. We reiterate here that in the filling of vacancies, employers should as much as possible use the mass media for advertising jobs.

The operations of private employment agencies have in the past been accused of exploiting the unemployment problem to make a profit. Such accusations cannot be dismissed and there is clearly a need to guard against possible exploitation of job-seekers. The Committee notes, however, that the Employment Agents Licensing Act which has recently been enacted is intended to control and regulate the operations of these agencies.

**Industrial relations**

Industrial relations play an important role in the maintenance of economic stability and therefore in creating an atmosphere conducive to the generation of income-earning opportunities. In Kenya, we have a sophisticated industrial relations system which has functioned very successfully
**Table XXV—Methods Used by Male Immigrants in Eight Towns in Obtaining their First Job (percentages)**

<table>
<thead>
<tr>
<th>Method Used</th>
<th>Nairobi</th>
<th>Mombasa</th>
<th>Kisumu</th>
<th>Nakuru</th>
<th>Eldoret</th>
<th>Thika</th>
<th>Nanyuki</th>
<th>Nyeri</th>
<th>All eight Towns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friend or relative</td>
<td>35·3</td>
<td>33·5</td>
<td>50·4</td>
<td>38·8</td>
<td>34·6</td>
<td>30·9</td>
<td>48·0</td>
<td>42·2</td>
<td>37·6</td>
</tr>
<tr>
<td>Newspaper</td>
<td>6·4</td>
<td>5·9</td>
<td>10·8</td>
<td>1·5</td>
<td>1·9</td>
<td>6·2</td>
<td>6·0</td>
<td>3·6</td>
<td>6·0</td>
</tr>
<tr>
<td>Employment Exchange</td>
<td>4·8</td>
<td>4·3</td>
<td>8·5</td>
<td>3·0</td>
<td>1·9</td>
<td>33·3</td>
<td>8·0</td>
<td>2·4</td>
<td>7·0</td>
</tr>
<tr>
<td>Radio</td>
<td>0·3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heard of Job and applied</td>
<td>15·2</td>
<td>21·6</td>
<td>10·8</td>
<td>4·5</td>
<td>3·9</td>
<td>9·9</td>
<td></td>
<td>7·2</td>
<td>13·3</td>
</tr>
<tr>
<td>Other methods</td>
<td>18·2</td>
<td>19·7</td>
<td>9·3</td>
<td>16·4</td>
<td>17·3</td>
<td>13·5</td>
<td>34·0</td>
<td>32·5</td>
<td>18·8</td>
</tr>
<tr>
<td>Started own business</td>
<td>5·1</td>
<td>3·2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2·0</td>
<td>4·9</td>
</tr>
<tr>
<td>Still unemployed</td>
<td>14·1</td>
<td>11·8</td>
<td>9·3</td>
<td>32·8</td>
<td>40·0</td>
<td>6·2</td>
<td>2·0</td>
<td>7·2</td>
<td>13·8</td>
</tr>
<tr>
<td>No response</td>
<td>0·6</td>
<td></td>
<td></td>
<td>1·5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0·4</td>
</tr>
</tbody>
</table>

Source.—Henry Rempel: Labour migration into urban centres and urban unemployment in Kenya.
since independence. Government policies relating to industrial relations have been geared to evolving a voluntary system of settling disputes whereby the interests of both the workers and employers, as well as the larger interests of society are protected. The apex of the system is the Industrial Court which acts as the final arbiter in all industrial disputes.

254. The future growth of the economy and therefore in employment opportunities will continue to be influenced by the extent to which we maintain industrial peace. This in turn will continue to depend on co-operation between the Government and the workers’ and employers’ organizations. It will also depend on the effective performance of the Industrial Court in settling trade disputes as they arise.

255. Table XXVI below indicates that the number of disputes reported to the Minister for Labour has been on the increase. The number of strikes on the other hand has shown a steady decrease from 1965 which is reflected in the number of man-days lost. Cases going to the Industrial Court as well as court awards have however, been consistent. The area which deserves attention, therefore, is in hastening the process of resolving the increasing number of reported trade disputes. One way of doing this is to strengthen the Industrial Court. The Committee recommends that there be established a network of labour tribunals to deal with some of the simpler cases now going before the Industrial Court. These tribunals, which should be chaired by magistrates, would deal with such matters as dismissals while the Industrial Court would concentrate on the more complicated disputes such as those relating to collective agreements, etc. In the event of a party to a trade dispute becoming aggrieved by the decision of a labour tribunal, such a party should then be free to lodge an appeal with the Industrial Court, subject to prior approval by the Minister for Labour.

256. Another way by which the settlement of industrial disputes could be expedited would be to ensure that before disputes are reported to the Minister for Labour, all the available machineries for dispute settlement, including the use of labour offices, have been exhausted. The Committee therefore recommends that the powers of labour officers be extended to make it mandatory for employers and unions to make full use of the labour officers prior to reporting disputes to the minister. In this way, delays in resolving reported disputes will be minimized.

Labour output

257. The rates at which labour output grows is central to two of the major issues facing the country today, namely, inflation and the need for creation of productive employment. The society's demands on the economy for consumption and investment as well as for employment are continually rising. The size of these claims is very large relative to the capacity of the economy. In the view of the Committee, the level of output in Kenya is still
low, bearing in mind the rising expectations. Apart from the persistence of inflation, this low level of output could be attributed to the apparent deterioration of our people's attitudes towards productivity and the erosion of the "work ethic". This calls for a change of attitude to work especially by the youth.

Table XXVI—Processing of Trade Disputes

<table>
<thead>
<tr>
<th>Year</th>
<th>Disputes Reported</th>
<th>Strikes</th>
<th>Man-Days Lost</th>
<th>Disputes Registered by Industrial Court</th>
<th>Number of Awards*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>—</td>
<td>200</td>
<td>345.8</td>
<td>65</td>
<td>58</td>
</tr>
<tr>
<td>1966</td>
<td>—</td>
<td>155</td>
<td>177.6</td>
<td>89</td>
<td>95</td>
</tr>
<tr>
<td>1967</td>
<td>—</td>
<td>138</td>
<td>109.1</td>
<td>49</td>
<td>78</td>
</tr>
<tr>
<td>1968</td>
<td>339</td>
<td>93</td>
<td>47.9</td>
<td>50</td>
<td>55</td>
</tr>
<tr>
<td>1969</td>
<td>352</td>
<td>124</td>
<td>87.5</td>
<td>51</td>
<td>56</td>
</tr>
<tr>
<td>1970</td>
<td>242</td>
<td>84</td>
<td>32.1</td>
<td>43</td>
<td>58</td>
</tr>
<tr>
<td>1971</td>
<td>246</td>
<td>74</td>
<td>32.6</td>
<td>32</td>
<td>41</td>
</tr>
<tr>
<td>1972</td>
<td>446</td>
<td>94</td>
<td>42.4</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>1973</td>
<td>529</td>
<td>84</td>
<td>42.2</td>
<td>60</td>
<td>62</td>
</tr>
<tr>
<td>1974</td>
<td>671</td>
<td>71</td>
<td>15.9</td>
<td>78</td>
<td>93</td>
</tr>
<tr>
<td>1975</td>
<td>641</td>
<td>26</td>
<td>8.7</td>
<td>84</td>
<td>76</td>
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<td>1976</td>
<td>662</td>
<td>44</td>
<td>26.2</td>
<td>94</td>
<td>77</td>
</tr>
<tr>
<td>1977</td>
<td>547</td>
<td>45</td>
<td>9.2</td>
<td>54</td>
<td>50</td>
</tr>
<tr>
<td>1978</td>
<td>652</td>
<td>46</td>
<td>20.3</td>
<td>67</td>
<td>40</td>
</tr>
<tr>
<td>1979</td>
<td>811</td>
<td>54</td>
<td>33.1</td>
<td>85</td>
<td>60</td>
</tr>
<tr>
<td>1980</td>
<td>839</td>
<td>81</td>
<td>32.4</td>
<td>68</td>
<td>53</td>
</tr>
<tr>
<td>1981</td>
<td>927</td>
<td>74</td>
<td>40.2</td>
<td>64</td>
<td>53</td>
</tr>
<tr>
<td>1982</td>
<td>1,017</td>
<td>100</td>
<td>20.8</td>
<td>131</td>
<td>39</td>
</tr>
</tbody>
</table>

Source.—Ministry of Labour Annual Reports.

*Includes disputes carried forward from previous years.

258. Together with the low level of productivity, output has also not grown at a pace that reflects optimal use of available production capacity. One sure way of increasing output and therefore generate more employment opportunities is to encourage industries to make full use of available capacity and facilities by re-structuring their working hours. Hours of work range from 39 hours per week for the Civil Service to 50 hours per week in the building industry and 52 hours in the hotel industry. Hours of work for the majority of other industries are below 48 hours per week. Within the agricultural sector, the plantation sub-sector, which is very well unionized, the average working hours are 46 per week. In the small-scale agriculture (tea, coffee and food production) where there is no trade union participation, the working hours are not standardized and are on average 5 hours per day or under 40 hours per week. There is a worse problem here in that apart from their employees, the small-scale farmers themselves—a majority of whom are old people—are not likely to sustain the required production of food and cash crops.
259. The Committee therefore recommends that the Government should, in conjunction with the co-operative societies and trade unions, strengthen the organization of farmers and workers to be able to rationalize working hours with a view to increasing output of both cash and food crops. We further recommend that the Government, through the co-operative movement, should encourage the employment of casual labour in factories where farmers are currently required to provide free labour. In this way, additional employment would be created for the many jobless people in the rural areas.

260. We received overwhelming evidence in the provinces to the effect that unless something is done to interest the youth in agriculture, Kenya would be faced, before long, with acute shortages of both food and cash crops. Small-scale coffee growers have a peculiar problem in certain areas whereby they spend a certain number of days giving free labour in their co-operative societies to dry coffee beans. This job, if given to casual workers would, besides creating new jobs, release farmers to work not only on the improvement of their coffee, but would also enable them to concentrate on food production.

261. In the industrial sector, re-structuring of working hours with a view to increasing output could result in substantial increases in employment opportunities. The Committee has received persuasive evidence to the effect that a second or third shift, for instance, would double or treble output and employment with the minimum of additional expenditure by the industries affected. The Committee therefore recommends that subject to favourable market conditions, industries be encouraged to adopt multiple shifts in their operations so as to increase their output and at the same time contribute to the alleviation of unemployment. In order for the industries to implement such a programme, we recommend that the Government should ensure availability of security, street lights, transport services, spare parts and any other incentives to make the programme attractive. We further recommend that the next development plan should take stock of idle capacity in both public and private sectors and propose programmes aimed at optimizing their utilization and thus increase output and employment.

262. Apart from the civil service, most of the industrial and commercial enterprises operate on the basis of a five-day week. The Committee has received strong representations to the effect that the civil service should also adopt a five-day week. Arguments in favour of this have included the fact that the majority of civil servants do not do any productive work on Saturdays and that a five-day week would enable them to have a longer week-end which hopefully would be utilized by some of them in some productive work in the rural areas.

263. It has also been argued that working hours lost on Saturdays could be recovered by extending working hours between Mondays and Fridays. While appreciating the arguments put forward for and against a five-day working
week, the Committee has taken note of the fact that the public service exists to serve members of the public and that their services should accordingly be available as and when required by the public. However, the Committee is convinced that introduction of a five-day working week would in practice increase output and productivity provided that the strict disciplinary control that we have recommended in Chapter XIII is rigorously enforced. Accordingly, the Committee considers that time is opportune for Kenya to adopt officially a five-day working week.

Kenyanization

264. One of the policies which the Government has pursued in regulating the labour market is that of Kenyanization. The Kenyanization programme, which is currently the responsibility of the Immigration Department, is basically aimed at increasing employment opportunities for Kenyans through the replacement of non-citizens. It is implemented through the issuance of work permits, one condition being that only persons with special skills currently not available in the local labour market are allowed to enter and work in Kenya for a specific period of time. Available statistics indicate that by the end of 1981, the percentage of Kenyanization in the private sector had reached 95 per cent. The remaining 5 per cent of the jobs held by non-citizens represented top management, shareholder directors, professionals and official representatives of foreign investors. There is also a sizeable number of non-citizens employed particularly in sisal and tea estates, mainly in jobs which the Kenyans are not interested in.

265. As at July, 1982, the total number of non-citizens working in Kenya was 14,192, out of which 1,810 were in the public sector and 12,382 in the private sector. Although their relative share in the total wage employment is small, the Committee believes that their impact on the economy is considerable. Those in top management positions make decisions with significant ramifications. The foreign exchange resources that are used for their remuneration is also substantial. The Committee therefore recommends that the Government should continue to enforce the Kenyanization programme with all the means at its disposal.

266. The Committee notes that the Immigration Department normally negotiates with employers to determine the categories of personnel who should be Kenyanized. Employers are then expected to have training programmes for the development of local counterpart personnel. The Committee has further noted that the decision as to whether a work permit should or should not be issued solely rests with the Immigration Department. In our view, there is need for involving other interested ministries whose contribution would go a long way in ensuring efficiency and fairness in the issuing of work permits. The Committee therefore recommends that an inter-ministerial committee should be set up charged with the responsibility of laying down
the guidelines to be followed in issuing work permits. The guidelines should include the laying down of quotas for specific industries. The ministry responsible for immigration matters would provide the secretariat for the committee. We further recommend that in carrying out its work, the committee should maintain very close consultations with the firms involved so that the Kenyanization programme is carried out smoothly and without adverse effects on the economy.

267. In order to hasten Kenyanization, the Committee recommends that the Government should consider increasing the fees charged for work permits.

Unemployment relief programme

268. One of the methods through which the Government has sought to relieve the unemployment problem in the past has been through tripartite agreements whereby employers are required to increase their labour force by a certain percentage while trade unions undertake to observe a wage freeze.

269. Although these programmes have succeeded in generating some additional jobs, they have tended to raise expectations beyond what they can fulfil. It has also been noted that the greater percentage of employment created through these programmes has been in the urban areas. This has had the negative effect of encouraging rural-urban migration. So long as employers feel that these agreements may be abruptly announced at any time, they tend not to increase their permanent labour on a sustained basis.

270. The Committee is convinced that the current economic situation in the country is such that the economy cannot sustain tripartite agreements as an unemployment relief programme. The Committee therefore recommends that the Government should move away from the use of tripartite agreement and instead concentrate on those measures which do not jeopardize the prospects for sustained growth of employment opportunities.

271. Government policies relating to incentives and conditions of work and especially those relating to wages and incomes have a direct impact on the functioning of the labour market and therefore on employment and unemployment. Of particular interest to the Committee are those Government policies which influence the fixing of wages and the machineries used for the purpose.

272. There are two distinct methods of wage-fixing in the private sector. The first one is whereby collective bargaining agreements are subjected to scrutiny by the Ministry of Labour before they are registered by the Industrial Court. The court registers these agreements subject to their being in line with the wage guidelines. The second system is the wages council orders whereby employers and trade unions negotiate under a Government-appointed
independent chairman. The agreed proposals are then gazetted by the Minister for Labour. Besides these, there is a general order covering small-scale employers in urban areas and an agricultural order covering general agriculture other than plantations which are covered by collective agreements. In order to rationalize these industrial wages council orders with the collective agreements it is recommended that the minimum wage regulation orders be vetted by the Industrial Court before publication by the minister.

Wage guidelines

273. Wage guidelines which were first introduced in 1973 have been one of the principal policy instruments to influence the determination of wages. These guidelines have been modified from time to time to take into account changing economic circumstances. For the last two years the guidelines have directed that increases in overall wage compensation should not exceed, on average, one half of cost of living increases. This limit has recently been raised to 75 per cent with instructions to favour those being paid lower wages. In doing so, employment objectives have been accorded high priority while at the same time ensuring improved terms and conditions of employment for those already employed. Where redundancies are threatened, the guidelines advise in favour of maintaining existing employment levels. The Committee notes that the Government and indeed the employers and workers organizations have systematically continued to review wage levels and other terms and conditions of employment on the basis of the wage guidelines and the Employment Act, 1976.

274. An analysis of performance for the period 1975-1981 shows that minimum wages and their periodic adjustments particularly in the private sector have been kept below the average rate of inflation to facilitate competitive advantage of our domestic production in the export markets and to ensure appropriate conditions for the creation of more wage employment opportunities. The average rate of increase in minimum wages is estimated at 8.3 per cent per annum as compared to an inflation rate of 12.3 per cent during that period. As far as possible, the general wage compensation negotiated by trade unions and employers organizations have also been kept within the limitations of the wage guidelines. In this regard, the Committee endorses the Government's view that the guidelines should continue in their present form until our competitiveness in export markets is more firmly established. As and when international and domestic inflationary pressures subside, the wage guidelines could be further relaxed.

Mode of wage payment

275. It has been suggested to us that the present practice of paying wages on monthly basis has certain disadvantages which affect not only the productivity of workers but also their general welfare. It has been argued, for
instance, that the growing inflationary pressures make it difficult for families to live within their means if they have to budget their wage-incomes over a period of four weeks. This therefore affects their welfare, morale and therefore their productivity.

276. The Committee has evaluated this proposal and we believe that payment of wages at more frequent intervals merits consideration. Apart from reducing the financial pressures being faced by the workers and their families—and therefore uplifting their morale and productivity—a shorter wage-payment period would increase money circulation which in itself would have a positive impact on the economy and therefore on employment creation. Currently, wages and salaries are largely paid on monthly basis except in some private sector firms where workers are paid wages in advance fortnightly. The public sector invariably pays on monthly basis. The Committee therefore recommends that the Government, in consultation with the workers and employers' organizations should adopt the system of paying wages on fortnightly basis for both the public and private sectors. Indeed, the aim should be to eventually pay wages on a weekly basis as is the practice in many countries of the world.

Housing and house allowance

277. The Employment Act, 1976, requires that every employer provides, at his own expense, reasonable housing accommodation for all his workers at or near the place of employment or pays them house allowance, in addition to wages so as to enable the employees acquire reasonable housing accommodation. The Act also allows the payment to a worker a consolidated wage with an element of house allowance included. In practice, employers find it cheaper to pay house allowance instead of building houses for their employees. As the Government and local authorities are now unable to meet the growing demand for workers houses, it is imperative for employers (including Government as an employer) to be concerned with their workers' housing. This also applies to plantations, where labour shortages are also partly attributable to lack of suitable houses for workers.

278. In order to stabilize labour in both urban areas and in plantations and as a means of increasing contentment among the workers and thereby increasing output, it is recommended that all large employers, including Government, should, as a matter of policy, be required to provide housing for the majority of their staff. In this direction, the Government should work out a plan for the financing of such housing development through the existing housing finance institutions as well as the Housing Development Bank whose creation we have recommended in Chapter X of this Report.
One-man-one-job

279. Some representations have been made to the Committee to the effect that one way of reducing unemployment would be for the Government to adopt the policy of one-man-one-job. It has been argued that in a country with such a serious unemployment problem as Kenya, it is inequitable that one person should be allowed to hold more than one job. While the Committee acknowledges that there are indeed people who hold more than one job, we do not consider that the full implications of the policy of one-man-one-job are widely appreciated. For instance, some of the people who hold more than one job do so because they have special skills or expertise that are in short supply in the economy. To this extent, the removal of such persons from the additional jobs would not necessarily lead to additional jobs. Indeed, it could well have an adverse effect on the economy. It should be realized here that unemployment is most serious among persons without specific skills and therefore creation of vacancies in fields which require specialized skills would not reduce unemployment where it is most acute.

280. It is also not realized that some of the people who hold extra jobs do so without necessarily receiving double salaries as such. For instance, the holding of directorship by civil servants in firms or undertakings in which the Government has an interest is intended to protect those interests and is therefore desirable. In any case, such civil servants are not remunerated for holding those directorships. Another example would be of those people who hold multiple jobs on purely voluntary basis and with no remuneration. On the whole the Committee does not therefore feel that there exists defensible grounds for recommending the concept of one-man-one-job. However, we would wish to stress that appointment of people to jobs should be based strictly on merit, that is, jobs should be given according to ability and professionalism.

281. Another issue which has been brought to our attention is whether an individual should be allowed to have more than one source of income. In the view of this Committee, such a policy would not only be extremely difficult to enforce, it would be both unrealistic and undesirable. The levels of income in Kenya are such that many people especially those in the low-income groups, would greatly suffer if they were not allowed to supplement their incomes by engaging in diverse activities. A good example is that of an urban worker who supplements his income through working on his small holding in the rural areas. There is also the case of the urban worker who repatriates a portion of his wage income to his family in the rural areas. In the view of the Committee, a policy of one-man-one-income could in fact aggravate the level of poverty in our country and we therefore discount the suggestion.

82
Retirement age

282. The Committee received representations to the effect that compulsory retirement should be reduced from the age of 55 to 50 and that voluntary retirement be reduced from the age of 50 to 45. It was argued that by so doing, additional avenues for employment creation would immediately be created. The merits and demerits of this proposal are discussed in detail in Chapter XIII of our Report.

“No vacancy” notices

283. The Committee has noted with disapproval the tendency by many employers to post permanent notices outside their premises or doors warning job-seekers that there are no vacancies. These notices do not, in our view, serve any useful purpose, other than to demoralize job-seekers. They also appear anti-social. We accordingly recommend that “Hakuna Kazi” notices should be removed and discouraged in future.

Casuals

284. The Employment Act defines a casual employee and not the job. He is defined as that worker whose employment provides for his payment at the end of the day and who is not engaged for a period longer than 24 hours at a time. This provision, in our view, has been abused in that a substantial number of employees remain on the payroll for months or years and are still treated as casuals. In majority of cases, they are paid at the end of the month. In view of the apparent unfair labour practice inherent in the use of casual employees, we recommend that appropriate action be taken by the Government to stop the misuse of this category of employees. If this recommendation is implemented, the Government should ensure that matters relating to the declaration of redundancies are processed expeditiously.
CHAPTER VII—EMPLOYMENT IN AGRICULTURE

285. Relative to other sectors of the economy, agriculture has been and still remains the leading sector in the terms of contribution to G.D.P., employment and export earnings. It contributes over 30 per cent of the G.D.P. and provides employment to an estimated 3 million Kenyans representing 51 per cent of the total working population. The purpose of this Chapter is to analyze the component parts that comprise the sector and to recommend short- and long-term measures that should be taken to make the sector even more labour absorptive than at present.

286. The labour absorption capacity of agriculture is related to many factors. These include land use patterns, land tenure, crop and livestock mixes, access to markets, etc. The sub-division of large farms into smaller holdings, the introduction of cash crops, more intensive husbandry techniques and irrigation are all factors that greatly influence the carrying capacity of land. We shall analyze each of the factors in greater detail in the succeeding paragraphs, under the guiding philosophy:

“Everything grows from agriculture. Look after agriculture and economic and industrial growth will take care of themselves”.

Land policy

287. The total land area in Kenya, some 575,000 sq. km. and 8,000 sq. km. of open water, comprises some of the most complex ranges of ecological and climatic conditions. Of the total land area, some 8,000 sq. km. has no agricultural value and no more than 18 per cent of the total land area (106,000 sq. km.) can be classified as high to medium potential. Some 300,000 sq. km. (52 per cent) have moderate rangeland potential, 53,000 sq. km. is marginal and the remaining 20 per cent can only sustain nomadic life. If these figures are analyzed in relation to population growth patterns over the last two decades, they show a startling decline in the amount of good land per capita (0.88 ha. in 1970 to 0.36 ha. in 2000), thus making clear the urgent need for a long-term land policy which will facilitate perspective planning.

288. The problem of evolving productive farming systems is further complicated by such other factors as tribal influences on the distribution and usage of land among the people, squatters, and “acceptees” who farm the land of their neighbours to which they do not have title. The Committee feels that this matter is crucial and therefore recommends that a Land Commission be appointed to study and advise Government on how

1 (World Bank Report 1982)
to evolve a long-term land policy consistent with our long-term national goals. The kind of issues that such a commission would handle will include land use planning to help resolve such paradoxes as the existence of highly productive, but idle, land while population pressures are forcing more and more people into marginal areas in search of a livelihood. Such a commission will also advise Government on such important issues as the squatter settlement problem at the Coast which has remained unresolved for a long time. The attention of this Committee has also been drawn to the excessive sub-division of holdings in the high potential areas which has progressively resulted in the creation of a large number of totally uneconomic units. If allowed to continue, such a pattern which is principally based on inheritance practices, could turn these highly productive areas into rural slums. Should there be a minimum as well as a maximum land ceiling? These and other questions require a detailed investigation and hence our recommendation.

Irrigation and drainage

289. Irrigation and drainage have great potential for expansion in Kenya. Irrigation and reclamation potential is estimated to be about 1,200,000 hectares of which only 5 per cent has been developed. The Committee has been unimpressed with the arguments presented to it to the effect that large-scale irrigation is so expensive and that it should not be undertaken. We feel that this conclusion is short-sighted and largely influenced by present monetary constraints. In the long-term it must surely be in our interests to exploit fully our irrigation and reclamation potential. There is only one earth and one Kenya whose boundaries are completely inelastic.

290. The development of, say 400,000 ha. which is only one third of Kenya’s potential would in turn generate full-time employment potential for nearly 1.3 million people between now and the year 2000. The cost of this programme would be in the region of £1,400 million. This is a large capital programme but in the long-term the country has no alternative. At this rate, the increased value-added would be £180 million p.a. We therefore recommend that a long-term programme of large and small irrigation and drainage schemes should be initiated and that relevant institutions such as the National Irrigation Board (NIB) should be strengthened to undertake the consultancy and planning functions which are now being contracted out to foreign firms at great cost to the country.

Land productivity

291. The labour absorption capacity of land is closely related to the intensity with which it is farmed. This, in turn depends on the yields per hectare per year, labour-intensive crop and livestock mixes, research, extension and input levels. Different cropping patterns can have a very substantial impact on production and employment. In the section that follows, a detailed analysis
of each commodity will be undertaken to identify its employment creation potential. Suffice it to say that there are serious limitations such as land quantity, products demand, seasonal labour constraints and inadequate supporting services.

**Land ceiling**

292. One of the major arguments that have been put forward frequently not only to induce greater exploitation of land but also to effect a certain measure of equitable distribution of wealth is land ceiling. The argument for the proposal is that the smaller the land unit per family, the more intensively they would be able to exploit it, and hence the more the people the available land will be able to accommodate. *We have considered this proposal particularly in the light of the very positive results we have achieved in the smallholder and settlement programmes. We are of the view that, although it is impracticable to impose a land ceiling due to the vast differences in the land potential in different parts of the country, the Government should continue to encourage controlled and organized sub-division of large farms in the high potential areas and we so recommend.*

293. Great care must be taken, however, to ensure that sufficient land is maintained in its large-scale state to ensure the production of such crops as wheat, barley and seed maize, which do not lend themselves well to small-scale farming. Furthermore, sub-division of marginal rangelands must be discouraged at all costs, as such practices do not provide any reasonable livelihood to the allottees, yet they seriously affect our ability to produce beef.

**Land tax**

294. Some form of a land tax has been proposed to us as a means of encouraging greater intensity in the use of land and thereby generating a higher rate of employment per hectare. Such a land tax, it is argued, would also bring about a more equitable distribution of land and hence a more equitable income distribution. It would also discourage those people who buy and/or hold land for speculative purposes. We have considered all these arguments for the proposal, but we feel that there are too many practical problems to make the programme successful. Any meaningful tax has to be related to the potential of the land, which itself is notoriously difficult to assess, in addition, the administrative problems involved would be enormous. We therefore do not consider this as a workable proposal at this juncture.

**Soil and water conservation**

295. In a country short of productive land such as Kenya, soil conservation assumes a vital role in the management of this basic resource. Besides its direct impact on the creation of jobs, through the Rural Works Programme, soil conservation is essential if we are to prevent any further erosion and ecological deterioration such as we have witnessed in various parts of the country.
over the last 20 years. In this regard, we note with satisfaction the inspiring leadership that the President has given the country and also the good work that the Permanent Commission on Soil Conservation is doing this direction. In order to supplement the impressive efforts that are being made by self-help groups all over the country we recommend that the National Youth Service should train and station special soil conservation units all over the country to give technical guidance in consultation with the relevant ministries. This will avoid the dangers of dams or gabions being washed away because of faulty planning or design. We further recommend that the Government should strengthen its support for these schemes by subsidizing supply of tools and equipment to self-help conservation groups, for which the Government will find ready assistance from aid agencies and environmentalists.

Extension services

296. A view was expressed to the Committee that there are too many ministries and organizations attempting to serve the farmer. Although to a large extent these efforts have been successful they have often led to confusion, contradiction and/or duplication. We therefore recommend that services to the farmer should as much as possible, be co-ordinated under one agency and/or ministry. Obvious cases which should be rectified immediately are those of livestock and crop extension services in the field. In addition, we recommend that all field officers should wear uniforms so that they are easily identifiable by the farmers.

297. We also recommend that as much as possible Junior Agricultural Assistants should be recruited and trained within their home areas. This will make them less expensive and more effective, because they would have no language or cultural barriers. The ineffectiveness of the field officers also stems from their inability to update themselves regarding new drugs and chemicals being introduced into the market, and on the new techniques being invented to assist the farmers. Embarrassing cases are now prevalent where farmers know more than their "advisers". This situation seriously undermines the confidence and credibility of such officers. We therefore recommend that all ranks of field officers should be exposed to a co-ordinated programme of field courses and workshops and that relevant ministries, private sector and agricultural researchers should be invited to address such workshops.

298. Elsewhere in this report we have commented on the use of radio and television as a medium of education. Nowhere is this more relevant than in agriculture. We therefore recommend that greater efforts should be made to use mass media for agricultural extension services.

Credit

299. The availability of credit has an immediate bearing on the ability of farmers to adopt new technologies or farming practices. Although there are many institutions and programmes which provide credit, only a small
percentage of small-holders have access to it. Of some 1.2 million small-holders probably fewer than 200,000 enjoy any credit facilities, and even then, the few who have access to credit, are among the top 20 per cent in terms of farm size. Agricultural credit programmes in Kenya have been grossly imbalanced in favour of settlement schemes and large-scale farms. A concerted programme is therefore needed not only to expand the use of credit but also to initiate structural and policy changes to make credit more readily available to a larger number of small holders. Less rigid adherence to land as collateral and related measures of credit-worthiness may need to be reviewed with this objective in mind as would the requirement for elaborate records and financial accounts which the farmers cannot keep.

300. Instead, we recommend that the Agricultural Finance Corporation (A.F.C.) and other lending institutions should use local commercial banks to open up credit guarantee schemes administered by the local banks, with the help of local leaders, the latter being more capable of assessing the credit-worthiness of the individual. In this manner, the banks will be able to advise more closely on the financial integrity of the loanee and also be able to monitor the performance of the accounts on a more regular basis as opposed to the present practice in which defaulters are identified far too late. During the years it has been in existence, the A.F.C. has performed a very useful role, but it has often been unable to extend its facilities far enough due to the very narrow capital base from which it operates. In order to alleviate this situation, it is desirable to make A.F.C., a self-sustaining financial institution which can raise its own funds direct from the public and use such funds with flexibility generally enjoyed by other banking institutions. It is therefore our recommendation that the A.F.C. should be reconstituted into an Agricultural Development Bank with the initial capital coming from Government and the commercial banks.

301. One other related problem that was brought to the attention of the Committee was the high interest rates of agricultural credit. More often than not, credit is not related to the purpose for which it is advanced, whether short-term or long-term. The practice in most parts of the world however has been to avail the farming industry softer credit particularly when such credit is utilized for long-term programmes such as water development and infrastructural development. We therefore, recommend that credit to agriculture should be differentiated from that of industry and commerce and it should be more closely related to its purpose whether short- or long-term.

302. The Committee was severally requested to recommend the re-introduction of the Guaranteed Minimum Return (G.M.R.) as a short-term credit and insurance scheme through which seasonal inputs could be financed. The present seasonal credit scheme, although welcome, does not insure the farmer against the vagaries of the weather and other risks to which farming
is prone. We are sympathetic with this view and we therefore recommend that immediate measures should be taken to devise a broadly-based agricultural insurance programme to cover not only crops but also livestock. In working out this programme, the insurance industry should be directly involved, as this programme could be very usefully tied up with the general awareness of life insurance in the rural areas.

Marketing

303. Agricultural marketing systems in Kenya are very well developed in some respects, and not so well in others. Deeper analysis of this aspect will be made within the commodity review. All that we wish to underline here is that as agriculture develops, marketing becomes increasingly vital. In this regard, an efficient marketing system can act as a major encouragement to agricultural development that is responsive to the needs of the farmers as well as those of the consumers.

304. Marketing systems vary from commodity to commodity, but in general, there is a high degree of centralized control which has been extended right from the colonial days. As a result, Kenya has a network of marketing boards and statutory authorities dealing with all kinds of agricultural products. Some of these have done well, but others have failed. We will argue in subsequent paragraphs for a relaxation of controls particularly with regard to domestic marketing of staple foods, but in general we are persuaded that the abolition of some of these boards as is advocated in some circles could be disastrous. Consequently, we accept the view that Government must continue to play a leading role in the price-fixing mechanisms in order to shield small holders from unscrupulous middlemen.

Employment potential by enterprises

305. In this part of the chapter we shall examine in greater detail the employment potential of the more important agricultural enterprises. We then identify measures that should be taken to exploit their potential for increased employment.

Maize

306. Maize is Kenya’s staple food and also the most important crop in terms of acreage, employment and output values. Almost all small-holders grow maize, mainly for subsistence although with the improvement in husbandry an increasing amount of it is now finding its way into the market. Yields vary considerably depending on climatic conditions but the Committee is of the view that a much greater effort needs to be put into maize production. The technology for high-yielding hybrid varieties has already been developed, and the climate is ideal in most areas for a much larger industry. As such we recommend that Kenya should aim to be not only self-sufficient
in maize but also to be a major exporter of maize and that production, storage and pricing policies should be developed with this objective in mind.

307. Besides maize being the staple crop it is also the main crop by which small-holders can easily enter the monetary economy. We therefore, recommend that once the requirements of national strategic reserves have been satisfied, the marketing of maize from one district to another or from province to province should be allowed, provided, always, that the Government through the National Cereals and Produce Board would guarantee a floor price at which it will step in to support the market. We are aware that this is a major departure from the present marketing system, but we are convinced that given a genuine attempt it will work to the benefit of the industry and the country as a whole. The present situation in which coffee areas register embarrassing maize shortages while farmers in such areas as Bungoma cannot sell their maize is unacceptable.

308. One basic programme in the maize industry is that of producing, bulking and distributing seed maize. Kenya is well ahead of many developing countries in the production of hybrid and synthetic maize seeds and it is important that control and development of this fundamental programme is retained in the hands of the Agricultural Development Corporation (A.D.C.) and that the A.D.C. should in turn be empowered to retain sufficient acreages as national farms for this programme and we so recommend.

Wheat

309. Wheat has become an important dietary requirement, both for urban and rural populations. Although the labour absorption capacity of the crop is low, we recognize its economic importance and its secondary uses such as baking from which a substantial number of Kenyans derive their employment. More important is the cost the nation would have to incur if it imported all its domestic requirements of wheat flour. In view of this, we must emphasize that the country should strive towards attaining self-sufficiency in wheat supplies. But the export potential for this crop should not be ignored. Over 400,000 hectares of land suitable for wheat lie idle and unexploited in the Rift Valley, except for only about 7,000 hectares which are at present farmed using contractor system. We therefore, recommend that a long-term strategy should be devised to bring all this land into production.

Coffee

310. Coffee has been and will remain Kenya’s most important cash crop for a long time to come, as well as being the single most important source of direct and indirect employment in the agricultural sector. In the small

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Table XXVII gives an indication of the challenge facing the nation, i.e. the rates of growth necessary to attain self-sufficiency in some of the important food crops.
holder sector alone some 300,000 growers are involved in producing just over 55 per cent of the total production. Of major concern to this Committee, however is the fact that total production is falling and that this trend is more pronounced in the small holder sector. Yields in the early sixties were of the order of 800-1,000 kg. per hectare with the yields from small holdings being consistently higher than in plantations. Since then, however, yields particularly in the small-holder areas have fallen drastically and now average 400-500 kg. per hectare. Some of the reasons for this drop are that disease control has become very expensive, fertilizers are either unavailable in time or expensive and the cost of labour has become paradoxically high since the 1977-78 coffee boom. In addition, access to credit for the small farmers to support such beneficial programmes as irrigation is not always easy. Wastage of coffee in the factories is also high, either because the factory capacity is inadequate or ill-equipped to handle a large volume of the crop.

311. To find solutions to all these problems requires a much deeper appraisal than we are able to offer in this short review, but we are persuaded to make the following recommendations to ameliorate the situation:

(a) The Government should initiate programmes to manufacture locally, some of the major chemicals, such as those used in the control of Coffee Berry Disease (C.B.D.). This would not only save millions of pounds in foreign exchange that are now spent to import the fungicide, but it would also make these essential chemicals more readily available and hopefully cheaper. This would also generate employment.

(b) A programme of improving the capacity and efficiency of coffee factories should be initiated. In all cases the possibility of supplying them with electricity under the Rural Electrification Scheme should be aggressively pursued. This will also make the programme of rural electrification less costly.

(c) Rural housing schemes, not only on large estates, but also on small holdings should be encouraged by the provision of soft loans, etc. Contrary to popular belief, hired labour is no longer confined to large estates, but also in the small holder sector, and is increasingly becoming scarce and the provision of housing becomes a major inducement.

312. It will be noted that although Kenya is a major coffee producer, we are still importing manufactured coffee for local consumption. This is clearly unacceptable and the Committee therefore recommends that measures should be taken to encourage the manufacture of coffee locally, not only to satisfy our domestic needs but also to export to neighbouring countries. This will require that we produce limited quantities of robusta coffee to be blended with arabica coffee. Fortunately, Western Province is ideally suited for this crop and we therefore recommend that a programme should be initiated to exploit this potential.
TABLE XXVII—DOMESTIC REQUIREMENTS OF THE MAIN FOODSTUFFS IN 1983 AND 1989 AND THE RATES OF GROWTH OF PRODUCTION NECESSARY TO ACHIEVE SELF-SUFFICIENCY

<table>
<thead>
<tr>
<th></th>
<th>Estimated Production (000 Tons)</th>
<th>Estimated Domestic Requirement (000 Tons)</th>
<th>Annual Production Growth Rate required for Self-Sufficiency (Per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. 1980 Production as base</td>
<td>1,620</td>
<td>2,777</td>
<td>3,514</td>
</tr>
<tr>
<td>2. 1976 Production as base</td>
<td>(2,264)</td>
<td>2,777</td>
<td>3,514</td>
</tr>
<tr>
<td>3. Mean of 1976 and 1980 Production base</td>
<td>(1,942)</td>
<td>2,777</td>
<td>3,514</td>
</tr>
<tr>
<td>Wheat Flour</td>
<td>142</td>
<td>292</td>
<td>493</td>
</tr>
<tr>
<td>Sorghum/Millet</td>
<td>369</td>
<td>445</td>
<td>563</td>
</tr>
<tr>
<td>Rice</td>
<td>23</td>
<td>66</td>
<td>90</td>
</tr>
<tr>
<td>Beans</td>
<td>140</td>
<td>253</td>
<td>344</td>
</tr>
<tr>
<td>Potatoes</td>
<td>450</td>
<td>655</td>
<td>828</td>
</tr>
<tr>
<td>Sugar</td>
<td>4,402</td>
<td>342</td>
<td>571</td>
</tr>
</tbody>
</table>

Source.—Sessional Paper No. 4 of 1981 on National Food Policy.

Tea

313. Like coffee, tea is not only a major source of export earnings for this country, but also an important source of employment. With the completion of the present planting programme by the Kenya Tea Development Authority (K.T.D.A.) the total area under tea in the small holder K.T.D.A. programme will be some 55,000 hectares involving 150,000 growers. The estates tea acreage is approximately half that of the small-holder sector despite the fact that the smallholder tea programme was started in the late 1950s. In many ways, this programme is a real success story and Kenya has a great deal to be proud of. What is of concern however is that our potential is 600,000 hectares, and that we have barely exploited 10 per cent of that potential. In view of this, and bearing in mind the very high labour absorption capacity of the tea industry we make the following recommendations:

(a) In view of the fact that field production presents no major problems, an accelerated planting programme should be embarked upon such that by the year 2000, an additional 100,000 hectares will have been planted.

(b) In order to popularize this programme, one of the major constraints, that is, shortage of working capital will need to be resolved. A great deal of tea goes unplucked or abandoned either because the grower cannot engage enough people or because he may not have liquid funds.
to pay them. The present payment system by the K.T.D.A. is heavily weighted towards a generous bonus payment at the end of the crop. This is understandable but it may not be conducive to maximizing on yields and total output by more frequent and regular plucking. Interim payments should bear closer relationship to the operational costs of the farmer.

(c) As in the case of coffee, any subsidized rural housing programme will go a long way to attract labour on a permanent basis.

(d) If the above recommendations are accepted, an accelerated programme of factory construction will logically follow. This in itself will be a major source of employment, but even more important, it will help to open up large areas of our country which are now idle and unproductive.

Sugar-cane

314. Kenya's sugar industry is relatively young. In 1963 we produced only 500,000 tons of cane, but this has been steadily increasing to the extent that in 1981 we produced a total of 3,582,000 metric tonnes of cane. This has meant that Kenya has turned from a net importer of sugar to a net exporter although in times of drought this situation has sometimes been reversed. The industry employs directly about 5,300 people half of whom are on a casual basis. As we have said in relation to other plantation industries, sugar companies should be assisted to build permanent housing estates for most of their labour so that they can attract more of their workers to stay permanently.

315. Despite this very commendable growth, the industry has not been without problems. Yields are low particularly in the Kano areas, and at the Coast, thus resulting in comparatively poor returns per acre. This situation has often forced the Government to push the price up to ensure a reasonable return to the farmer, although these price adjustments have often come too late. As a result, some of the farmers are now discouraged about the crop, and may drop it altogether. This calls for both short-term and long-term measures to arrest the situation. In the short-run, we recommend that any price adjustments considered for sugar should deliberately take into account the comparable returns from maize, as any switch from sugar would be to maize and vice versa. In the long run, we recommend that possibilities of growing sugar-cane under irrigation should be seriously investigated not only for areas around Lake Victoria but also in the Tana River basin. One argument against enhanced sugar production is that excess sugar would have to be exported at low export prices, but the potential earnings of foreign exchange while putting these idle lands into productive use far outweighs this argument.

Cotton

316. The cotton industry in Kenya has a very chequered history. Since it was introduced in 1904, total production has been unimpressive. Yields have been low and therefore acceptance of the crop by the farmer has been mixed.
Although varieties are now available which can yield up to 1,000 kg. per hectare, average yields are now around 250 kg. per hectare, which are very low by any standard. There are many reasons for this sad state of the industry. The payouts to the farmers have been low and often long delayed. This has been necessitated by the very long chain of institutions between the farmer and the eventual buyer of cotton. We therefore recommend that all cotton ginneries should be owned and operated by cotton co-operative societies and that the crop should continue to belong to these co-operatives until it is sold. The present system whereby the Cotton Lint and Seed Marketing Board literally takes ownership of the crop after ginning is indefensible. We therefore recommend that the Cotton Lint and Seed Marketing Board should be reconstituted so that it becomes a farmer's board. At present no co-operatives are represented in the board, and yet they are the main producers.

317. In order to boost production we recommend that large-scale growing of cotton under mechanization should be encouraged in parts such as Taita-Taveta where suitable land is available in large tracts. Although the major operations of breaking the land, spraying and weeding will need to be done mechanically, these cotton schemes would create a large number of employment opportunities, both on the estates and in the textile industry. At present Kenya is a net importer of cotton and we feel that this situation can and must be reversed.

318. One particular programme we wish to comment on is the very successful scheme of growing cotton under irrigation that has been undertaken in Hola in Lower Tana. We recommend that future schemes should seek to utilize irrigation as much as possible in order to increase yields and returns to the farmer. This would also enable the farmer to plan his cropping system such that the high labour requirements of cotton are not compromised by labour needs for food crops.

Pyrethrum

319. Pyrethrum is one of the few export crops for which Kenya is a major world producer. Unfortunately due to an erratic supply pattern many of the big world users have switched to synthetic substitutes despite their health hazards. This has in turn forced the Pyrethrum Board to hold large unsold stocks at great expense. It has therefore meant that the farmer has not been paid in time. This in turn has forced many of them to neglect the crop. Hence the vicious circle. We therefore recommend that the Board should seek a soft loan to support a minimum level of strategic stocks which in turn will enable the board to guarantee regular supplies to the end-users and at the same time be able to pay the farmers more promptly. The holding of strategic stocks is now a widely accepted concept in the case of coffee, tea and sugar, and there is no reason why it should not be extended to cover pyrethrum.
Horticulture

320. The horticulture industry in Kenya has expanded spectacularly since 1964. It had increased almost sixfold in volume and value between 1968 and 1972 to an estimated 7,856 tons valued at K£833,600.

**Table XXVIII—Exports of Fresh Horticultural Produce, 1968–74**

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (Metric Tons)</th>
<th>Value (K£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>1,476</td>
<td>156,481</td>
</tr>
<tr>
<td>1969</td>
<td>2,519</td>
<td>267,026</td>
</tr>
<tr>
<td>1970</td>
<td>3,224</td>
<td>342,088</td>
</tr>
<tr>
<td>1971</td>
<td>5,123</td>
<td>543,600</td>
</tr>
<tr>
<td>1972</td>
<td>7,856</td>
<td>833,600</td>
</tr>
<tr>
<td>1973*</td>
<td>10,158</td>
<td>1,478,553</td>
</tr>
<tr>
<td>1974*</td>
<td>11,335</td>
<td>1,692,475</td>
</tr>
</tbody>
</table>

*In 1973 a separate valuation was introduced for cut flowers. The 1973 and 1974 value figures are therefore not comparable with previous years.

*Source:* *Agricultural Development in Kenya*Edited by Judith Heyer.

Exports are mainly to Western Europe, with pineapples making up 32 per cent and french beans 8 per cent of the total volume. Prospects for further expansion are very good and all steps must be taken to realize this potential. A wealth of studies already exists to support it and fully exploited horticulture could be one of the most important sources of employment as well as a major foreign exchange earner. *In this regard we recommend that the Horticultural Crops Development Authority (H.C.D.A.) should be reorganized to make it more developmental in character as opposed to its present regulatory role. At present the H.C.D.A. has neither the staff nor the budget for a major development such as we envisage.*

**Tree crops**

321. There is a large unexploited potential for tree crops in Kenya particularly at the Coast. Unfortunately, past attempts to improve agriculture at the Coast have tended to duplicate up-country agriculture. As such the vast potential that exists at the Coast for tree-crops such as cloves, rubber, cashews, nuts and coconut have been either unrealized or halfheartedly harnessed. Wild rubber trees can be seen growing all along the Coastal strip and yet we import large quantities of rubber to support our tyre and shoe manufacturing industries. Across the sea, cloves are a major foreign exchange earner for Zanzibar. The Committee is convinced that we can produce these crops in Kenya and save ourselves large outlays of foreign exchange and at the same
time generate employment opportunities for our people. We therefore recommend that Mtwapa Agricultural Research Institute should be reorganized to undertake a tree crop research and be fully staffed and equipped to pioneer this development. The end-users of some of the raw materials such as rubber, should be invited to participate in the development of these ventures.

Dairy Farming

322. Although there is a scarcity of statistics on the livestock industry, it is estimated that out of a national herd of 10.2 million animals, 8.5 million are of an unimproved stock, while 1.13 million and 0.6 million represent improved dairy and beef stock respectively. In order to up-grade this large and unproductive stock, the Artificial Insemination (A.I.) programme will need to be boosted even more aggressively than has happened so far. In this regard, we recommend that, while Government programmes are expanded, the possibility of contracting out to private firms and individuals should be investigated in order to ensure the widest possible A.I. cover.

323. As a result of the fast dwindling land available in the high potential areas for the up-keep of animals on a free-run basis, the Committee has noted with concern the growing habit of grazing potentially very productive animals on the roadside. This in turn has resulted not only in loss of production per animal but also loss of valuable animals due to tick-borne diseases. We therefore recommend that in the high potential areas, a crash zero-grazing programme should be introduced supported by financial and manpower resources. To many Africans this will not be a new programme since they are already familiar with it in the fattening of goats and sheep. This scheme will not only release the available land for other crops; it will also ensure that the farmer keeps only those animals that are productive and can yield him a good return. Although there is a definite limit to the productivity one can achieve from an acre of land, this is not the case with the number of stock one can keep on a holding. The evolution of new technology in livestock management makes our choices limitless. Over 80 per cent of farmers in West Germany own an average of 20 acres, and yet they maintain their high standard of living from earnings from livestock and livestock products.

324. In order to cushion the farmer against the high risk of loss of precious dairy animals the Committee recommends the introduction of a national livestock insurance scheme. This scheme should be drawn up in conjunction with the other Crop Insurance programme referred to in Chapter XI and the relevant corporations should be requested to assist in its promotion and premium collections. In addition to the constraints we have already referred to, the marketing of milk is a major problem. Access roads to major producing areas are poor and cooling facilities are often non-existent. As a result large quantities of milk go to waste, making dairying uneconomical particular-
ly to the small-scale farmers. This has led to a situation whereby demand (particularly since the introduction of the School Milk Programme) has outstripped supply. Consequently the country has been forced not only to import milk powder, but also to experience frequent shortages of butter, cheese and other milk-related products. This makes the programme of Rural Access Roads (referred to in Chapter X on Building and Construction) even more important. In the same connection, we recommend that the programme of installing simple cooling facilities should be re-introduced.

**Beef**

325. Roughly 80 per cent of Kenya is classified as low-rainfall rangeland which is occupied by pastoral and nomadic people. These people maintain large herds of Zebu cattle. The carrying capacity of this area is very low, but impressive programmes have been undertaken to improve water availability, disease control and accessibility. Hopefully, these programmes will lead to better husbandry and improved land management, failing which there is a real danger that these areas could quickly turn into deserts. In order to pioneer a controlled long-term development programme, we recommend that financial and manpower resources of the Agricultural Development Corporation (A.D.C.) should be greatly enhanced so that it could take over the development of ranching schemes on State and Trust lands particularly in marginal areas at the Coast and Eastern provinces. At present these masses of land are idle and unproductive because the local people cannot marshall sufficient funds to develop them let alone the manpower that would be required. In the case of trust lands the A.D.C. may deem it appropriate to promote joint ownership of these ranches with local authorities or group ranching companies, provided that overall control is retained by A.D.C. In the case of Garissa and similar areas, we recommend that the A.D.C. establishes local abattoirs to slaughter the animals which are presently walked many miles to major slaughter houses. Once the A.D.C. has been established firmly as the main agency for ranch development, we recommend that it should also take over the marketing of cattle, from the Livestock Marketing Division of the Ministry of Livestock Development. This will facilitate better market coordination not only within range areas, but also within, and to the high potential areas which need a large number of immatures for fattening. In are idle and unproductive because the local people cannot marshall sufficient auction centres throughout the country, and we therefore recommend that the A.D.C. should be requested to develop this system to cover, not only beef animals but also dairy cattle. At present a great deal of time is lost by small scale farmers looking for dairy cattle to purchase, while at the same time, some of the farmers who may have cattle to dispose of are unable to locate prospective buyers.

326. Both domestic and foreign demand for beef is very high and is expected to grow rapidly. In fact there are fears already that we may soon be unable to supply our own domestic requirements unless the sub-division
of ranches is stopped, and unless some of the measures proposed herein are undertaken. We are impressed by the measures being undertaken to improve the performance of the Kenya Meat Commission (K.M.C.) but more needs to be done if we are going to be able to save the beef industry.

Pigs and Poultry

327. Pig and poultry industries in Kenya have undergone a sad history. This Committee is not capable to undertake an in-depth analysis of the causes of the dismal performance of these two industries. We therefore recommend that these industries should be taken much more seriously than has been the case in the past and that a Working Party should be established to study and advise the Government on the industries. These are the kinds of enterprises that small-scale farmers can engage in with minimum capital requirements, but the lack of an organized marketing system and high costs of feeds have made it impossible for many farmers to remain in these industries.

328. In order to produce feeds at a relatively low cost we recommend that such crops as cassava which are grown extensively all over the country should be used as the basic dry matter for feedstuff manufacture and the programmes should be initiated initially at the Coast to support a feed manufacturing plant. The present reliance on maize and wheat by-products makes the prices of feeds exorbitant. We are unable to comment exhaustively on the management of Uplands Bacon Factory but in our view this should be one of the companies from which the Government may wish to divest. In that eventuality, we recommend that shares should first be offered to pig farmers and pig co-operative societies, as we believe that they will be more determined to operate Uplands Factory at a profit than has hitherto been the case.

Co-operative development

329. We have thought it best to discuss the co-operative movement under this chapter in view of its close relationship with the sector. The number of co-operatives in the country has risen from 900 in 1973 to 2,300 in 1980 incorporating a total membership of 1,400,000. Their turnover has also risen from K£30 million to K£95 million over the same period. These figures clearly indicate the very crucial role that the co-operative movement plays in the development of the country. The products they handle range from coffee, pyrethrum, milk and cotton, although some of the national co-operatives are multi-purpose in nature. These include the Kenya Farmers Association, the Kenya Planters Co-operative Union (for coffee) and the Kenya Co-operative Creameries (for milk). Most of the primary societies are principally concerned with marketing a range of products, although most tend to concentrate on just one product. In addition to collecting, processing
and transporting, most of them perform other functions such as the supply of farm inputs and the provision of seasonal credit. To support the primary societies, there are District Co-operative Unions and the Kenya National Federation of Co-operatives (K.N.F.C.) at the national level.

330. In view of the crucial role that the co-operatives must continue to play in economic development we feel they must be greatly strengthened both at the primary as well as the national level. In particular we recommend that at the national level the KNFC should be strengthened to provide centralized services such as auditing, credit and saving facilities, the procurement and distribution of farm inputs, and where possible, the manufacture of such basic inputs as feedstuffs, etc. Although specialized societies and unions will still continue to look after the interests of their members, we view the KNFC as the natural agency for investment at the national level through which the co-operative movement should be able to play a major role in commerce and industry.

331. The present efforts by the Commissioner of Co-operatives to improve the working of the societies while highly commendable, we feel that for his efforts to be long-lasting, it is prudent to strengthen the KNFC. In this regard we recommend that legislation should be enacted to strengthen the role and the powers of the KNFC and that before the KNFC acquires capable staff of its own at the top, the Government should second its own staff to man the executive positions. We see the co-operative movement playing the very important role of inter-agency and inter-ministerial co-ordination, both at the farm as well as the national level and therefore adequate steps should be taken to guide the development of the co-operative movement in that direction. The rewards will be many and the costs minimal.

332. In terms of mobilizing rural domestic savings the co-operative movement has emerged as the most important agency. It is because of this, that the Co-operative Bank was established in 1968, with the specific objective of mobilizing financial resources of the co-operative movement and of course to provide credit for development activities within the movement. This Committee is aware, however, that plans are underway for the bank to extend its services to the general public. When these plans are implemented, the bank will be able to enlarge its working capital base considerably, and thereby its operations. But to the extent that the majority of the co-operative societies are in the rural areas, this Committee is of the view that the bank's operations must be rural-oriented and rural-based. We therefore recommend that the bank should initiate an expansion programme to cover all districts from which it derives its main activities and support.
CHAPTER VIII—EMPLOYMENT IN FORESTRY, FISHERIES AND MINING

333. A country’s prospects for rapid economic development greatly depends on her natural resource endowment and the extent to which it is exploited. Indeed, the whole process of national development is basically one of harnessing, exploiting and managing natural resources to create wealth for the nation and employment opportunities for the people. In this chapter, we review the growth potential, and therefore the employment creation capacity of three important components of Kenya’s natural resource endowment, namely, forestry, fisheries and mining.

334. Although the direct contribution of these resources to the Gross Domestic Product is relatively small, they contribute substantially to the growth of other sectors of the economy through the supply of vital inputs. Forest resources, for instance, supply inputs to the construction, manufacturing, chemical and paper industries and provide for a major share of the country’s demand for domestic fuel. Proper management of forests also contributes to soil conservation, protection of water catchments and to the reclamation of low potential lands. Fishery resources on the other hand provide an important source of animal protein. They also help reduce pressure on land by diverting people to productive activities away from land. Above all, the process of exploitation and management of both forest and fishery resources provide substantial employment opportunities for the people involved in their extraction, harvesting, processing, marketing and conservation. The extent to which these activities can be improved and expanded is therefore of direct interest to this Committee.

Forest resources

335. The development and exploitation of forest resources has been a major objective of the Government since independence. The broad policies relating to forestry development have aimed at increasing the country’s vegetative cover so as to protect the soils and catchment areas. The Government has also sought to increase the land area under forests so as to meet the growing demand for wood both as a source of domestic fuel and as an input in the various industrial processes.

336. According to the 1979-83 Development Plan, the total gazetted forest area in Kenya is 1.67 million hectares, which represents about 2.5 per cent of Kenya’s total land area. Of the total area under forest, 0.9 million hectares are under forests maintained by the local authorities and about 134,000 hec-
tareas represent forests in privately-owned lands. Out of the 1.67 million hectares under forests, 1.5 million hectares are covered by indigenous forests while the remaining 0.1 million hectares are plantation forests.

337. As these statistics indicate, the total land area under forest represents only about 2.5 per cent of the country’s total land area. This clearly shows that if this country is to achieve the stated objectives of conserving its environment and meeting the demand for forest products, the programme of afforestation must be intensified and expanded on a much larger scale than has been the case in the past. It should be realized that Kenya’s high potential lands constitute only 20 per cent of the total land area while 80 per cent is arid and semi-arid lands. Given the rapid growth of our population, the carrying capacity of high potential lands is fast dwindling and the alternative will be for people to move into the arid and semi-arid areas. The effects of the growing population will also reflect themselves in increased demand for wood, especially for domestic fuel needs. In recent years, forest resources have been seriously depleted through the uncontrolled felling of trees, without replenishment measures being taken. These two factors together dictate the urgent need to increase the country’s vegetative cover and the adoption of more efficient methods of forest resource utilization. These activities will in themselves generate substantial employment opportunities.

Afforestation of catchment areas

338. We have stated that one of the objectives of the afforestation programme has been to protect the country’s catchment areas. Available evidence indicates, however, that the catchment protection role of forest lands has been seriously compromised in recent years. As a result of population pressure on the high potential lands, illegal settlements in catchment areas has not only led to the destruction of vegetation in these areas but also accentuated the problem of soil erosion.

339. Having regard to the importance of protecting catchment areas for conservation purposes and increasing the supply of forest products, the Committee recommends that the Government should launch a specific programme aimed at expanding the afforestation of all catchment areas as well as improving their management. In this connection, we suggest that the Government should identify and gazette all the areas that qualify for afforestation as catchment areas. Such areas should include hilltops, river valleys as well as lands under private ownership. The afforestation of catchment areas will not only improve environmental conservation but will also increase the supply of wood for both industrial and domestic use. Above all, the programme will generate substantial employment opportunities in the rural areas.

Agro-forestry

340. The objective of increasing the country’s vegetative cover implies that a balance must be struck between the competing demand for land for afforestation and for agriculture. Such a balance is all the more necessary in a country
like Kenya which has very limited high-potential lands to support the rapidly growing population. In the view of this Committee, these conflicting demands could be harmonized through the adoption of agro-forestry which allows trees to co-exist with agricultural crops. The advantages of agro-forestry lie in the fact that it allows optimal use of land and enhances soil protection while at the same time increasing much needed forest products in the high potential agricultural lands.

341. High-potential areas have increasingly become prone to soil degradation due to increased cultivation. Areas that were in the past left fallow have increasingly been put under cultivation and the result has been to reduce the quality of the soil with its adverse consequences on agricultural productivity, incomes and employment.

342. Agro-forestry is also justified in the light of the growing demand for wood as a source of domestic fuel and traditional building material. According to the 1974-78 Development Plan, the total domestic consumption of forest products was estimated to be 12 million cubic metres of roundlog equivalent in 1970. Approximately 92 per cent of this consumption was for woodfuel and only 5 per cent was for industrial purposes. Given the rapid growth of the population and the slow rate of development of forests, the demand for both fuelwood and building poles will undoubtedly become even more acute in the future. This then underscores the need for the country to optimize the planting of trees in all the suitable areas.

343. The Committee therefore recommends that the Government should launch an agro-forestry programme aimed at increasing the planting of trees in all the high-potential agricultural areas. Under this programme, the farmers should be required to plant trees along homestead fences, access roads, river valleys, trunk roads and in school and hospital compounds. With the identification of appropriate tree species, farmers should also be encouraged to mix trees with their crops. We therefore recommend that research be carried out to determine the type of trees that can co-exist with agricultural crops.

344. Current efforts in the afforestation of high-potential lands is clearly inadequate. Under the Rural Afforestation Extension Scheme, 154 nurseries have been established in various parts of the country. In addition, there are about 192 nurseries operated by locational chiefs. In the view of this Committee, the demand for wood dictates that the afforestation programme should not continue to be seen as a Government responsibility. Rather, efforts should be made to increase community participation under the guidance of the Government. We therefore recommend that agro-forestry should increasingly be community-based so as to assure its success. In this connection, such groups as women's groups, schools, etc., should become involved in the afforestation effort.
345. Aggressive implementation of afforestation in the rural areas holds very great potential for employment creation. Apart from the tree planting work itself, employment potential lies in the gathering of seeds, the maintenance of tree nurseries, etc. For instance, if each of the assistant chiefs in the country were to establish a tree nursery in his area of jurisdiction, and assuming that each nursery would employ three persons on full-time basis, this would result in 12,000 new employment opportunities. Similarly, if all the schools in the country, that is 12,000 primary schools and 2,100 secondary schools were to establish their own tree nurseries, this would generate well over 42,000 full-time jobs.

**Plantation forests**

346. As noted earlier, plantation forests account for a relatively small share of forestry development in Kenya. Out of the total 1.67 million hectares, the plantations accounted for only 174,300 hectares in 1981. By and large, plantation forests have been established to cater for specific industrial needs such as pulp and paper, saw-milling, etc. The size of the plantations and the tree species used have therefore been determined by the peculiar requirements of a given industry. Existing plantation forests are mainly meant to meet the demand for the paper manufacturing industry at Webuye in Western Kenya, and for saw-mills which make plywood, fibreboard and chipboards. In view of this limited demand, most of the existing plantations are producing exotic softwoods which can only grow under specified climatic conditions.

347. In the view of this Committee, plantation forestry in Kenya is relatively underdeveloped in spite of the great potential that exist for its expansion. We consider that if the country is to increase employment opportunities in the rural areas, one way of achieving this objective is to increase the land under plantation forests. This can be achieved through diversification of the types of trees to be planted and the encouragement of wider use of wood products. Apart from the increased job opportunities that would be created through plantation forest expansion, the country can generate substantial foreign exchange earnings through the export of a wide range of forest products. It would also enable the country to make productive use of the arid and semi-arid areas which are now lying idle. The Committee therefore recommends that the Government should draw up a plantation forest development programme aimed at increasing the number of plantations through the use of diverse tree species. To facilitate the implementation of the programme, we recommend that research be carried out to identify the types of trees which could be planted in the various ecological zones. In particular, we suggest the wide use of those species that would do well in arid and semi-arid lands. This would not only help restore the ecological balance in those areas but would increase the country's stock of wood products.
348. Currently, there are many users of forest products who rely on the existing forests which, as we have stated, are not sufficient to meet the growing demand. Such users include the East African Power and Lighting Company and the Kenya Posts and Telecommunications Corporation, both of whom require posts for their transmission lines, and the various industries which use wood products in their manufacturing processes. One way in which such industrial demands could be met would be to encourage the users to establish their own forest plantations. We therefore recommend that under the plantation forest development programme that we have recommended, the Government should set aside land on which industries should be required to establish plantation forests to meet their needs. Apart from the existing consumers such as the power and telecommunications industries, we foresee wide use of wood by a whole range of other industries which would wish to switch to wood as a source of fuel. These include not only the urban-based industries but also those which process agricultural products in the rural areas. The implementation of the plantation forest development programme would result in an increased supply of wood for the various uses and on this basis, the Government would be justified to require the various industries which use oil or electricity to switch to wood as a source of power. We therefore recommend that as the supply of wood in the country increases, all the industries that can technically switch to wood as a source of power be made to do so.

349. In order for the plantation programme to be effective, we recommend that the Government should draw up a plan to construct forest roads within the plantations and between the plantations and the rest of the country's road network. This will facilitate the haulage of timber and at the same time create additional employment opportunities both for those who will be involved in their construction and those who will be maintaining them.

Exploitation of forest products

350. In the preceding paragraphs, we have identified some of the measures that the Government could take in order to increase employment opportunities through the expansion and diversification of afforestation programmes. Apart from these, the Committee sees equally great possibilities of increasing job opportunities through more efficient exploitation of forest resources. Currently, the Government plays a minimal role in the exploitation of forest resources. As a result, most of the activities related to the harvesting of wood such as logging, saw-milling and marketing are carried out by private enterprises and entrepreneurs with little co-ordination by the Government. Because of this lack of co-ordination, the present harvesting processes are highly inefficient. Logging is often destructive and wasteful and recoveries from saw-milling are barely 35 per cent and therefore the resultant loss to the economy is colossal.
351. Having regard to the great potential for employment creation that exists in the forestry sector, this Committee is of the strong view that the Government must now become more involved in all aspects of forestry development through greater promotion of afforestation programmes and through participation in the whole process of conserving, harvesting, processing and marketing of forest products. This is the only way the Government will be able to regulate and control the forestry sector with a view to maximizing its benefits to the economy.

352. Currently, the Forest Department of the Ministry of Environment and Natural Resources is the only agency through which the Government intervenes in forestry development. The department is largely concerned with policy and regulatory matters and does not participate in the exploitation activities. Being an agency within the Civil Service, the department suffers obvious limitations.

353. Given the vital importance of forestry development in terms of its protection of the country's ecology and in terms of the value of its products, the Committee believes that the country would reap substantial benefits if the Government were to be involved more directly in the exploitation of forest resources. But in view of the apparent lack of proper organization and co-ordination of forestry development and exploitation activities, there is need to have an overall co-ordinating body for the sector. Such a body would not only play a regulatory role but would be expected to provide leadership in the initiation of many of the activities we have recommended in this section of our report. It would be expected to examine and supervise the current methods of exploitation of forests and to initiate and co-ordinate research on areas that call for it in the general promotion of forestry development. At present, this is a gap to which most of the development constraints facing the sector could be attributed.

354. In view of the limitation inherent in the operations of the Forest Department, the Committee does not consider that the department would be well suited to undertake the tasks we have recommended. **We therefore recommend that there be established a Forest Products Authority which would operate as a parastatal body. We envisage that such a body, which should be established under an Act of Parliament, would fill the wide gap now existing in the exploitation of forest resources. The opportunity costs being incurred by the economy due to the absence of such a body are colossal. The large amounts of waste, the unsupervised afforestation and exploitation programmes and, most importantly, the non-initiation of potentially viable new areas of activity within the sector are important enough to justify its creation. The Committee foresees that the authority will actively engage in the exploitation and marketing of forest products on commercial basis and will therefore be self-financing. Apart from its implementation of activities which will create additional employment opportunities, the authority would have the potential**
to earn substantial foreign exchange resources for the country. By effectively regulating the market for forest products, the authority will lead to better use and management of these important resources. Some of the areas in which the authority would play a crucial role are discussed below.

Licensing

355. As already indicated, the present management and exploitation of forest products is unco-ordinated and most of the activities in the sector are carried out by private entrepreneurs, many of them non-Kenyans. The role of Government is largely to license the various enterprises in the sector. In the view of this Committee, there is need to review the licensing system so as to ensure that the exploitation of forests is done efficiently and for the good of the economy. We, therefore, recommend that the present licensing system be reviewed so as to bring it in line with the strategy for forest exploitation recommended in this chapter.

Saw-milling

356. Logging and saw-milling are two main methods of harvesting and processing forest products. By and large, these activities are carried out by private entrepreneurs licensed by the Government for the purpose. According to the 1979-83 Development Plan, saw-milling is currently being done by sixty saw-millers who hold long-term licences to operate in Government forests. In addition, about 300 short-term licences have been issued to saw-millers to operate in both Government and county council forests. In spite of the licensing requirement which is intended to control the felling of trees in Government forests, the evidence given to this Committee indicates that law enforcement has not been such as to prevent illegal felling of trees. As a result, there has been indiscriminate harvesting of trees with the consequent loss to the economy. The Committee therefore recommends that the Government should strengthen its law enforcement machinery so that it can protect the forests more effectively.

357. Available evidence indicates that a substantial number of saw-millers are non-Kenyans. We believe that job opportunities could be greatly increased if there was a deliberate Government policy to increase the number of Kenyans involved in these activities. We therefore recommend that through the licensing system, the Government should adopt as a basic objective the Kenyanization of logging and saw-milling activities. We have been told that most of the saw-mills in Kenya are old-fashioned and therefore inefficient. Because of the wide use of outmoded machinery, the current rate of recovery in saw-milling is only 35 per cent and therefore a large amount of the nation's wood resources go to waste. We therefore recommend that one of the priority tasks of the Forest Products Authority should be to modernize saw-milling and logging operations through the introduction of appropriate technology. Such modernization would generate substantial employment opportunities. At the current rate of recovery of 35 per cent, saw-milling has been
able to provide jobs to about 8,900 people. Thus, if the recovery rate could be doubled to 70 per cent, about 17,000 new jobs would be created, not to mention the enhanced earnings from the industry.

358. Another factor which contributes to inefficiency and wastage in saw-milling operations, is the fact that most saw-milling units are small and uneconomic. Although there are few large-scale and well managed saw-milling enterprises, the majority of the small saw-mills are badly managed due to insufficient technical resources and management expertise. We therefore recommend that in order to ensure the viability of logging and saw-milling operations, the Forest Products Authority should organize them into units large enough to enjoy economies of scale.

359. The sawdust resulting from saw-milling is an important by-product that is presently discarded and goes to waste. In view of the potential inherent in the dust as a fuel, this is an area that calls for immediate attention. There is the possibility of briquetting sawdust to make cubes of fuel which would enhance the supply of woodfuel. Other than for this purpose, sawdust could be compacted to make softboard to be used in the building industry. Since the technology is already available, we recommend that the Kenya Industrial Estates in conjunction with the Forest Products Authority should initiate briquetting plants located side-by-side with saw-mills. This will not only generate substantial employment opportunities, but it will also help meet the growing demand for domestic fuel.

360. Apart from the many benefits which would accrue from better and more efficient logging and saw-milling operations, the Committee believes that employment opportunities in the forestry sector could be greatly increased through initiation of new wood industries.

361. The absence of high-level wood technology to go into the manufacture of some items like toys, sports equipment, shoes, boat bodies, etc., forces the country to spend substantial amounts of foreign exchange for their importation. If well developed, such technological competence would allow the country not only to entirely replace these imported components, but also produce goods for the international market. We view such a development as highly promising in employment generation.

362. The current pattern and mode of exploitation of forestry products not only leads to direct timber waste, but also to a complete loss of some wood products that are of substantial market value to the country. Such products include turpentine, which is discarded and yet the country imports substantial amounts of it for the paint industry. This product could be obtained by tapping pines which can produce enough resin to meet national requirements. Production could also be stepped up by injecting hormones to catalyse yields. Kenya currently imports 76 tons of turpentine and 818 tons of resin at a cost of KSh. 15 million in foreign exchange. This could be saved by producing these commodities locally and also provide
employment. About 20 per cent of Kenya’s tree plantation is of pine species with the pine area covering about 30,000 hectares. One hectare of pine produces one ton of gumresin which implies that if this potential is tapped, 30,000 tons of resin could be produced both for the local market and for export. Foreign exchange earnings on this would be substantial.

363. A tree by the name “Cinchona” which grows in the Kenya highlands is a very valuable resource as its bark contains more than 20 alkaloids of which quinine is one of the most important. Quinine itself in the form of sulphate or hydrochloride could be put to various uses such as an antimalarial drug, flavouring agent in soft drink industry and cardiac depressant. The small quantity of bark produced in the country (Kenya exported 500 to 600 tons of “Cinchona” bark to U.K. and Belgium in 1980) is capable of earning KSh. 30 million annually besides generating employment and income for all categories of people. Any extra production of bark and chemicals could be exported, again improving the foreign exchange position. The plant “Cinchona” is small and can be cultivated like any agricultural crop. Its employment potential and income generating capacity for the rural community is substantial.

364. Many wood products could provide for dietary requirements of people and livestock. There are many known species of trees which can produce essential nutritional products for the people and fodder for livestock. The development of such species and the extraction of their by-products would clearly increase job opportunities in the country. The importance of such trees is further underscored by the fact that the population is expanding so rapidly that all the high-potential land is fast becoming exhausted. People will therefore have to move with their livestock to dry areas where only these types of trees can survive. In dry spells for example, people in dry areas of Kenya rely heavily on varieties of acacias whose pods are cut for livestock.

365. There are certainly many other wood industries that could be initiated but due to the technology required for their development, they have not been started but would be important to the country. But if started, they could give example to potential entrepreneurs who would take over the business. Guidance as to the initiation of such industries is necessary. We recommend that Government takes lead where they have not been started before and where potential entrepreneurs are reluctant due to the risk element. Research and promotion of such industries will have a definite impact on employment in Kenya.

366. There is an apparent absence of control and monitoring of the harvesting of wood by the paper manufacturing plant at Webuye. Initially, the planned capacity assumed a supply of wood to this mill for ten years. In its endeavour to achieve full capacity, the logging programme by the factory is being conducted at a faster rate than initially envisaged. There
is therefore the danger of exhausting the supply not only to this mill but even for any others that might emerge. In this respect, we envisaged that the Forest Products Authority will monitor and supervise the felling programme not only of the Webuye factory but also of other factories in the future. Most importantly, it will also provide an avenue for Government to have an effective collaboration programme with the private sector on what to be planted, where and by whom. There is also an apparent need to see such private mills contribute effectively to the national afforestation programme.

 Fisheries

367. Compared to many countries of the world, Kenya is not endowed with abundant natural resources. This therefore dictates that whatever resources that nature has bestowed upon the country should be exploited to the maximum. One such resource is fisheries. Kenya has well over 10,000 sq. km. of lakes and 3,200 km. of rivers and numerous streams. The country also has 640 km. of marine coast which was recently enhanced by the declaration of the 200-mile Exclusive Economic Zone. In addition, there are several thousand fishponds and dams dispersed all over the country. All these waters contain considerable fish resources which if optimally exploited, could benefit the country by increasing the supply of protein to the population and earning substantial foreign exchange through the export of fish. The processes of rearing, conserving, harvesting, processing and marketing of fish would in themselves create additional employment opportunities.

368. Although it has all along been Government policy to guide and assist the development of fish resources, indications are that very little progress has been made in this direction. Indeed, the harvesting of fish in this country is largely done by small-scale fishermen who operate on lakesides, along rivers and streams, and at the coast. The Government has had no direct involvement in fishing activities and although it has been its aim to provide extension, research and development services to the fishing community, this has not had a significant impact on overall fishery development in the country. Apart from the lack of strong Government support to the industry, fishery development has been hindered by such constraints as lack of access to credit by fishermen, the use of outmoded fishing gear and vessels, and difficulties in the transportation, storage and marketing of fish.

369. In this section of our Report, we explore the possibilities of expanding and intensifying the development and exploitation of fishery resources so as to optimize their contribution to national wealth and to employment creation. An expanded fisheries development programme would benefit the country through increased availability of fish as a source of protein for the population. In chapter VII of this Report, we have indicated that the present demand for meat is soon outstripping the supply and the country must therefore seek the country has, consumption of fish in Kenya remains relatively low. The per capital intake of 3.5 kg. compares unfavourably with the average intake
of 10 kg. in the eastern Africa region. Any increase in the supply of fish would therefore improve the diets of the people and hence their good health and productivity.

370. Increased harvest of fish resources would also benefit the country by earning foreign exchange. There are many countries of the world who thrive on the export of fish and fish products. In view of Kenya’s limited participation in the export trade, fishery development provides a new area in which the country could diversify its export products.

371. Apart from its direct benefits to the economy, fisheries development would generate substantial job opportunities in various activities related to the harvesting, processing and distribution of fish and fish products. Indeed, this Committee has been particularly keen to assess the additional employment opportunities which would be created through increasing the number of people engaged in actual fishing and the many others who would find jobs in the distribution and marketing of fish. We have also identified great scope for employment creation in the many industries that would be established, for fish processing and canning, boat-making and servicing, the manufacture of fishing gear and tackle, etc.

372. Available statistics indicate that Kenya has not optimized the exploitation of her fish resources potential. According to the 1979-83 Development Plan, the country’s lakes, rivers and the marine coast have a potential annual yield of about 150,000 metric tons. In spite of this estimated potential, the total catch in 1981 was about 58,000 metric tons of which nearly 70 per cent was harvested in Lake Victoria alone. This clearly indicates that the country’s fish resources that lie in the marine coast and possibly in the many other lakes, rivers and dams is largely untapped. Indeed, it is the strong view of this Committee that the stated potential of 150,000 metric tons is a gross underestimation of what Kenya can finally harvest from her waters if a more aggressive fish resources exploitation programme was launched. In the first place, we do not believe the country has undertaken sufficient research to establish accurately the fishery potential in all our waters. Secondly, we suspect that the estimated potential reflects the harvesting of species currently known to exist in these waters and may not have taken account of the many others that could be introduced in the future.

373. Given the unsatisfactory state of fishery development in Kenya, the Committee strongly feels that the Government should now step in to develop this vital resource. Government intervention in fishery development should be such that it not only regulates the fishery industry, it also participates in the actual exploitation. In our view, the current institutional arrangements for regulating the fisheries sector would not be well suited to implement the kind of fisheries development programme that we have in mind. We therefore recommend the establishment of Fisheries Development Authority to oversee the exploitation of the country’s fishery resources. The functions of the
authority would not only be to rationalize fishery development through regulation and extension, it would also actively engage in fishery exploitation on commercial basis. In this regard it would be involved in the collection, processing and marketing of fish and fish products. It would not only assist in infrastructural development but would also provide credit to fishermen.

374. We envisage that the authority will be self-financing and will not therefore entail the drawing of funds from the exchequer. Indeed, we expect that, in addition to opening up the largely untapped fishery resources sector, it will be profit-making and therefore self-financing. The structural organization of the authority should be modelled along the lines of such other parastatal bodies as the Kenya Tea Development Authority.

375. Once the authority is established, we recommend that the present role of the Fisheries Department be reviewed. Currently, the department is responsible for overall policy direction and guidance of fishery development. It is also involved in a limited way in research and extension services. The Committee considers that in order for the fisheries exploitation programme recommended in this chapter to be effective, research activities will need to be intensified. Apart from the research activities of the Fisheries Department, research on marine fishery resources is carried out by the Kenya Marine and Fisheries Research Institute. Since the institute is well placed in terms of manpower and other resources, we recommend that all fisheries research in the country be entrusted to it.

376. In paragraph 368 we indicated some of the constraints that have hindered fishery development in the country. In the following paragraph of this section, we propose measures which should be taken in order to exploit the employment creating potential in the fisheries sector.

Lake fishing

377. As already mentioned, Kenya is endowed with sizeable expanses of natural water lakes. Indeed, a large proportion of annual fishlandings in the country are obtained from lakes: Lake Victoria leads as the single most important source where presently, 38,000 metric tons of fish are obtained annually. According to estimates by the Department of Fisheries, Lake Victoria has the potential to produce 50,000 metric tons annually. In terms of employment, if this potential is fully exploited, the current number of full-time and part-time fishermen of 19,500 would increase by at least 24 per cent to 23,180.

378. The development of lake fishing has been hampered by a number of constraints. First, the fishermen use traditional canoes which can only operate in shallow waters possibly up to 10 km. from the shore. These canoes are small in size which means that they can carry only a limited amount of fish. In addition, the canoes depend largely on wind for propulsion. Since the canoes are seldom equipped with cold-storage facilities or ice, the
fish often gets spoiled even before it reaches the landing beach. This alone contributes not only to losses in income but also discourages people who would otherwise venture into fishing as a business.

379. In view of the possibilities that exist for employment creation in small-scale fishing operations the Committee recommends that the Government should encourage the establishment of boat-making industries in all important fishing areas. Such industries would design suitable but inexpensive boats which fishermen could afford. The boats could be fitted with motors so as to increase their speeds and safety, and with cold storage facilities for preserving the catch. This would also create new job opportunities for the many people who would be involved in the boat-making industry. There are possibilities that such boats could be manufactured using locally produced raw materials. This in turn could generate substantial employment opportunities for those who would be producing those raw materials.

380. Another constraint that has hampered lake fishery development has been lack of storage facilities and suitable landing sites along the shores. Once fish has been landed, lack of cold storage facilities requires that the catch be marketed immediately to avoid spoilage. This problem is in turn aggravated by lack of adequate and appropriate transportation which means that the fish can only be marketed in nearby markets. When finally delivered to the outlying markets, the price of fish becomes relatively prohibitive which in turn curbs consumption. This partly explains why fish has not caught on as a source of protein among communities living far away from the lakes.

381. The marketing of fish in Lake Victoria is done by fishing co-operative societies. However, these societies are not strong enough to provide adequate and effective supportive services required by their members. Indeed, estimates show that the societies are only able to market 15 per cent of the total catch, the rest going to private traders who themselves are equally constrained by transportation and marketing problems. The Committee therefore, recommends that through the Fisheries Development Authority, the Government should establish fish collection centres in strategic places along the lakesides. Such centres should have facilities to collect fish from scattered landing sites and should be appropriately equipped for cold storage. In the case of Lake Victoria, we recommend the establishment of two major fish collection centres at Kisumu and Homa Bay. We also recommend that as a medium-term measure, these two centres be equipped with facilities for processing and canning fish.

382. We stated earlier that one of the problems facing fishermen is lack of access to credit. Given that most of the people in the rural areas who would wish to engage in fishing are not wealthy enough to afford the equipment required in these activities, the provision of credit on easy terms is called for. Currently, the Government extends limited credit facilities under the Fisherman’s Loan Scheme. Available information indicates, however, that
this programme has not had a noticeable impact on fishery development in the sense that the funds set aside for this purpose have been limited and have therefore benefited only a small number of fishermen. The Committee therefore recommends that the Government should establish a more comprehensive credit scheme to enable them to participate viably in fishing.

383. The marketing of fish is beset by lack of road links between fish landing sites and the markets. The Committee therefore recommends that the Government should construct “fish roads” in all the high potential fishing areas in order to boost fish production and marketing. Apart from the benefits they would bring to fishermen, such feeder roads could be used for many other purposes and thus stimulate the overall growth of the surrounding areas.

384. Apart from the sale of fish in fresh form, some of our fishermen have been able to market their catch in dried form. This has particularly been the case around Lake Turkana. In recent years, however, our traditional markets for dried fish have diminished. This therefore calls for diversification of processing methods so that the country’s output of fish is used optimally. In this regard, there are possibilities of making fish-meal which would not only reduce the waste now being experienced but would save on foreign exchange. In 1976, the country imported 3,400 tons of fish and fish products at a cost of K.Sh. 18 million. Such expenditure could be saved if the country could meet its requirements from local sources. We therefore recommend that there be established a fish-meal processing plant at a suitable site in the country.

Fish farming

385. Despite the introduction of fish farming in Kenya about 25 years ago, it is still largely under-developed. Most ponds are limited to Western and Nyanza Provinces, growing mainly tilapia for home consumption. According to the Department of Fisheries this type of farming covers an area of 3,000 hectares producing 500 metric tons annually. With the present plans to increase the current hectarage to 10,000 it is expected that 30,000 persons will be employed fully, producing 50,000 metric tons. In view of what is being currently produced, it is unlikely that this optimal target can be attained without first removing the existing constraints facing fish farming in Kenya.

386. Most of the original 9,000 fish-farming ponds have been abandoned. This has mainly been due to absence of adequate field back-up in the form of extension services. This in turn has been due to lack of trained extension staff. Presently, the ratio of extension staff to fish-farmers is 1:120. This ratio might appear quite adequate, but in terms of effectiveness the case is not so. First, the ponds are scattered over wide distances making it difficult for the extension staff to reach farmers who need their skilled services.
Most willing farmers who were distributed with fingerlings free of charge and were eager to go into fish-farming were discouraged when they were not provided with the necessary back-up extension advice.

387. In view of the great demand for fisheries extension staff, there is need to increase training facilities for such personnel. We have been told that there are plans to establish a fish farming development centre in Western Kenya. While we welcome this initiative, we consider that the future demand for extension staff will be much greater than can be met by the proposed centre. We therefore recommend that training facilities for the extension staff be increased. In this connection, we suggest that the Ramogi Institute of Technology in Nyanza Province and Mtwapa in the Coast Province be used as new training centres for the fisheries extension staff.

388. Future development of fisheries will greatly depend on the extent to which we encourage and train our people to venture into fishing. At present, fishing is carried out by the few individuals who have learnt the trade through apprenticeship. In our opinion, this kind of training cannot contribute to the expanded fishery development being suggested in this report. Indeed, we believe that the perpetuation of such an apprenticeship system greatly limits the entry into fishing of many Kenyans who would otherwise be gainfully employed in the industry. We therefore recommend that the Government should launch a crash training programme under which the thousands of jobless primary school-leavers would be trained to become fishermen. Such training would include swimming, handling of boats and fishing gear, etc. In order to ensure that those who obtain such training get into viable fishing operations, we recommend that they be given loans for the purchase of boats, fishing gear, etc. This should be done through the Fisheries Development Authority.

389. In the section of our report dealing with water resources and their contribution to employment, we have made various recommendations regarding the harnessing and optimal utilization of water resources. In particular, we have recommended the establishment of multi-purpose dams along our rivers. From the point of view of fishery development, availability of dams in many parts of the country will encourage fish farming with its attendant benefits of providing cheap sources of protein and increasing employment opportunities. We therefore recommend that under the auspices of the Fisheries Development Authority, the Government should ensure the stocking of these dams with appropriate fish species.

Marine fisheries

390. Records show marine fisheries production stood at 4,600 metric tons in 1978 which was an 8 per cent improvement over the previous catch of 4,300 metric tonnes in 1977. This figure excludes some 4,500 metric tonnes from deep sea fishing that was landed at Mombasa. A bulk of this catch was landed by small-scale fishermen using some 200 small sailing crafts. Such low land-
ing figures are not in any way reflective of the actual potential of the country in both inshore and the deep sea. Little is known about the nation's marine fisheries resources. Available statistics therefore give a gross underestimation of actual potential noting that the country has 640 km. of coastline and the 200-mile exclusive economic zone. We are convinced that the country's future in fisheries development largely lies in this area.

391. The growth in employment within the fisheries subsector has a positive correlation with the size of catch. This does not only imply growth in the number of fishermen but also in the number of those involved in other fishery related activities such as net-manufacturing, boat-building, fish-trading and transportation. From the fore-going, measures that directly improve the level of catch will equally influence the capacity of the industry to absorb even more people.

392. It is the view of the Committee that the antiquated nature of the present fishing gear, especially the boats (dug-out) along the Southern Coast need to be modified. Apart from the fact that these canoes are unable to permit deep sea fishing, they are wasteful of wood which is now becoming scarce. The canoe builders use one whole tree-trunk to make one boat thereby leading to depletion of precious trees along the Coast. This is a major constraint which requires that the whole boat-building industry be rationalized. We therefore recommend the development of a boat-making industry to meet the specific needs of marine fishing. This will have the prime advantage of having boats built with the strength necessary to enable them to go into all-season fishing. We also foresee such a boat-building industry as having significant employment generating potential. Further to this recommendation, the existing boats along the North Coast (Mombasa) should be modified so that they can carry a simple diesel engine. What is required for this type of vessel is a rehabilitation programme to equip them with power.

Mining

393. The mining industry in Kenya is relatively undeveloped. Compared with the neighbouring countries of Uganda, Tanzania, Zambia and Zimbabwe, the mining industry in Kenya has had a very unexciting history, to the extent that many people have come to believe that Kenya is basically an agricultural country with little or no mining potential. In this chapter, we intend to argue that it is in the interest of the nation to correct this bias, and that the development of our considerable and largely untapped mineral resources could form a very important base for future industrial growth as well as provide a very useful alternative for employment. To develop this potential massive investment is required, because mineral development is a capital-intensive industry. However, we are not unmindful of the less glamorous, and yet very important mineral projects which may not require millions of pounds to undertake but which are highly labour-intensive and lucrative.
Policy

394. The development of the mining industry in any nation is multidisciplinary. In the broadest sense, mining includes phases or activities preceding and subsequent to the actual extraction and processing of minerals. Lack of adequate development in any of the phases could seriously hamper development of the entire industry.

395. In general the first phase consists of the compilation of geological maps as a fundamental and continuous process. This entails the building up of an inventory of all mineral resources in the country. This will in turn guide the geologists in the selection of suitable areas for exploration. Having identified suitable areas for exploration, there comes the question of negotiating and concluding highly technical exploration, and later on, extraction contracts with international companies. This is a highly complex matter which often determines the extent to which any mineral discoveries would benefit the country and its people. Badly negotiated contracts could mean that mineral wealth, once mined, would be siphoned out to the international market with little or no developmental effect on the local people apart from providing a source of cheap labour. This issue is discussed later in the section of the report which stresses the need to ensure that our professionals are well trained and experienced to handle these complex issues in the interests of the nation.

396. At present there are fairly good geological maps covering most of the country. Many areas with base metals potential in Western and the Coastal Kenya have been studied in detail including ground geochemistry and geophysics. Rift Valley areas with geothermal potential have been subjected to infra-red and air magnetic surveys.

Mineral potential

397. According to the Mines and Geological Department’s “Minerals of Kenya, 1970” Kenya has a substantial mineral resources potential. These range from agate to asbestos; barytes to chromite, diatomite to gypsum, radioactive and rare earth minerals to wollastonite, vermicullite and iron ore. However, the major potential at present lies in the area of industrial (non-metallic) minerals. Several of these are being mined for local as well as export markets including soda ash from Lake Magadi, fluorspar from Kerio Valley, and diatomite from Karaiandusi. Others include gypsum and limestone which are raw material inputs for the cement industry, graphite for pencil manufacture, salt, carbon dioxide and kaolin which are all produced in significant amounts for local consumption.

398. While these industrial minerals may not contribute significantly to G.D.P. they are important substitutes to imported raw material inputs, thus conserving precious foreign exchange. Furthermore, they create rural-oriented industries upon which many people depend for employment and other income-earning opportunities.
399. Kenya’s mineral production has been relatively small, but it has grown steadily from a total of some K£31.9 million in 1978 to almost double that figure in 1981. This production has been mainly concentrated on non-metallics and construction materials, although efforts are being made not only to expand this base, but also to diversify.

400. There is, for example, a major demand for other types of Kenya minerals both locally and overseas. Kenyan gemstones have made a good impact in Europe and the Far East, where gemstones such as green garnets (tsavorites), the blue sapphire, the rubies, rhodolite garnets and several other stones find a ready market. The major constraints in the exploitation of these gemstones is firstly the lack of trained personnel to classify and evaluate the raw materials mined; and secondly the inadequacy of appropriate machinery and equipment. We therefore recommend that the training programme for mining technicians now being offered at the Kenya Polytechnic should be greatly expanded to take in more trainees and that once training these graduates should be assisted financially to set up their mining operations under the National Mining Corporation as recommended further in this chapter.

Management of mineral resources

401. Arising out of our conviction that Kenya’s mineral resources are far greater than presently appreciated, the Committee feels strongly that major changes are required if we are to fully exploit this resources. It will be appreciated, for example that while we have known potential for sheet glass manufacture, based on glass sands in Malindi, the country spends a great deal of foreign exchange importing sheet glass in its finished form. The development of our mineral resources has been unco-ordinated, having been largely dependent on private entrepreneurs and the so-called “foot-geologists”.

402. To rectify this situation the Committee recommends the establishment of a National Mining Corporation which will not only co-ordinate the exploitation and management of this important resource; but also negotiate for equity participation if and whenever a viable deposit has been discovered. In addition it will assist the small African entrepreneurs with technical and financial support so that they could exploit more efficiently the gemstones and ornamental stones that do not lend themselves to large-scale operations.

403. In addition to the establishment of a National Mining Corporation, we recommend that courses should be mounted both here and overseas to train the necessary manpower at professional and sub-professional levels. In view of the changing technology in this industry it will be important to ensure that such personnel are also exposed to operational mining enterprises in other countries so that they can gain the necessary confidence and experience.
404. In the absence of qualified gemologists for small-scale gemstone mining, a great deal of value of mined gemstones is lost during trading. In addition, mining operations are poor and the evaluation of mineral prospects is often incomplete. Hence our recommendation for an accelerated training programme at the Kenya Polytechnic.

Marketing

405. After mineral production is completed, the next important step is the marketing of the products. Marketing can be in local or foreign markets depending on type and quality. In the past when major mining ventures have been undertaken (e.g. copper in Macalder Mines, gold in Kakamega, kyanite at Musko, etc.) each company has sold its products either to its parent company overseas or through them to international buyers.

406. The same system is indeed still applied by the large mining companies such as fluorite from Kerio Valley, soda ash, from Lake Magadi, etc. Most of the small-scale mines producing a variety of other products (e.g. gemstones of different types, limestone whitting, varmuculite, lime, gypsum, etc.) have slowly established their local and/or foreign markets.

407. There are no standard specifications set by the department in charge of mineral marketing and production. Hence each mining company has to agree agree on quality control with the end-buyers. The biggest problem area has been the price setting for most small-scale miners particularly the gemstone miners. They lack qualified personnel (gemologists) to price their stones and lack information on price and specifications to guide them. It is hoped that the National Mining Corporation would be able to offer assistance in this highly technical area.

408. As will be readily appreciated, in the case of large mining companies who market solely through their own parent companies overseas, the dangers of "transfer pricing" are very real. Here again it is hoped that the National Mining Corporation would play a leading role to ensure that national interests are safeguarded.

Legislation

409. In order to overcome the major constraints hindering the inflow of investment capital in this sector, we are glad to note that action is already being taken to formulate an Act of Parliament on mineral investment promotion. We have been told that the Mining Act of 1934 still contains provisions which are inappropriate for present-day Kenya. The Committee therefore recommends that opportunity should be taken at this time to review the whole Act with a view to widening its scope so that the ministry responsible will have the powers to negotiate suitable exploration and exploitation contracts and offer the necessary incentives.

410. If the development of the mining industry is thus co-ordinated, the Committee sees a great future in it and through it a whole new opportunity for employment creation.
CHAPTER IX—EMPLOYMENT IN MANUFACTURING

411. In development economics, growth of industrial production is one of the prime movers in the process of national development. The percentage share of GDP originating from the industrial sector can often be used as a simple index of the stage of development and level of per capita income attained in a country. The World Development Report 1982 of the World Bank shows that in low-income countries of the world, excluding China and India, the weighted share of GDP originating from the industrial sector in 1980 was 17 per cent, as compared to 37 per cent for high-income industrial market economies. Comparable figures are: Kenya (in 1979) 21; Pakistan, 25; India, 26; Bangladesh and Tanzania, 13; while for Zambia and Zimbabwe with a considerably high mining base, the figure was much higher at 39 per cent.

412. Within the industrial sector, manufacturing is usually the most dynamic subsector, providing the main thrust for growth and development, both directly through its own growth and indirectly through forward and backward linkage effects on growth of other sectors of the economy. Along with growth of income, growth in employment especially in wage employment is therefore particularly dependent on the pattern of growth of the manufacturing sector. If the industries which experience growth are mainly those which depend on domestically produced raw materials and capital goods, the multiplier effect will obviously be higher than if they are mainly those that depend on imported supplies of materials and capital goods. The type of industrialization that a country plans for therefore needs to be geared properly to its resource endowment and technological base. This will ensure, on the supply side, high values of the income and employment multipliers, and on the demand side, greater comparative advantage of the country’s products in international trade.

413. The pattern of industrial development that Kenya has experienced so far has not been properly geared to the country’s resources base. Calculations based on the 1976 Input-Output Table, for example, show that for every K£100 of value added in the manufacturing sector, there has to be imports of industrial supplies of K£99.8. This means that approximately 50 per cent of the value of a Kenya manufactured product is imported while 50 per cent represents local inputs. This situation is a reflection of the import-substituting strategy of industrialization that has been followed in the early years after independence. While fairly rapid growth of industries has been secured, the type of industries developed have been mostly those of import substitution which tend to concentrate on the final stages of manufacturing, relying heavily on importation of semi-processed and capital goods. This has resulted
in the reduction in the importation of consumer goods to only 6.5 per cent of total imports by 1981. It is clear that there is little scope for sustained industrial growth through the strategy of import substitution. Therefore the pattern of industrial investment needs to be re-oriented towards export promotion and the development of appropriate capital and intermediate goods locally.

Employment and output in manufacturing

414. The following two tables indicate the growth of GDP in industry and in the manufacturing sector in Kenya over the period 1964 to 1981. For purposes of comparison, growth rates for some other sectors are also presented and the period covered has been broken down into two sub-periods, namely 1964-72 and 1972-81.

**Table XXXI—GDP in Constant (1976) Prices Average (Percentage Growth Rates)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>1964–81</th>
<th>1964–72</th>
<th>1972–81</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry*</td>
<td>7·1</td>
<td>8·8</td>
<td>5·6</td>
</tr>
<tr>
<td>of which Manufacturing</td>
<td>7·5</td>
<td>7·9</td>
<td>7·0</td>
</tr>
<tr>
<td>Agriculture†</td>
<td>3·8</td>
<td>4·7</td>
<td>3·0</td>
</tr>
<tr>
<td>Others</td>
<td>6·0</td>
<td>7·0</td>
<td>5·1</td>
</tr>
<tr>
<td>Overall GDP:</td>
<td>5·2</td>
<td>6·2</td>
<td>4·3</td>
</tr>
</tbody>
</table>

**Notes.**—*Comprising the sectors Mining and Quarrying; Manufacturing; Building and Construction; and Electricity and Water.
†Comprising the sector Agriculture; Forestry; and Fishing.

**Table XXXII—Percentage Shares of Sectors**

<table>
<thead>
<tr>
<th></th>
<th>1964</th>
<th>1972</th>
<th>1981</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry in Total GDP</td>
<td>13·3</td>
<td>16·2</td>
<td>18·2</td>
</tr>
<tr>
<td>Manufacturing in Total GDP</td>
<td>9·1</td>
<td>10·4</td>
<td>13·1</td>
</tr>
<tr>
<td>Manufacturing in Industry</td>
<td>68·4</td>
<td>64·2</td>
<td>72·6</td>
</tr>
</tbody>
</table>

**Source.**—Ministry of Economic Planning and Development.

415. It will be seen from Table XXXI that the manufacturing sector has grown consistently at a higher rate than the rest of the economy, which has resulted in a rising share of industry and manufacturing in total GDP. These rates of growth and trend changes are quite creditable, particularly if we compare them with the performance in some other oil-importing developing countries of Africa and South Asia. However, it is also true that the record is not as good as would have been desirable for the most dynamic sectors of the economy in the early stages of industrialization, especially in view of the fact that population and labour force have been growing at a fairly rapid pace.
416. Turning to trends in employment, Table XXXIII gives data on wage employment in the manufacturing sector for the period 1972 to 1981. Data prior to 1972 have not been shown because the 1972 and later data are based on a revised industrial classification which are not comparable with pre-1972 data. The table also gives the constant (1976) price GDP at factor cost in the manufacturing sector for the corresponding years. Columns (iv) and (v) of the Table show the year-to-year percentage changes in GDP and employment respectively. In column (vi), we present the percentage changes in average labour productivity implied by the growth rates in columns (iv) and (v).

417. Both GDP and employment growth rates have fluctuated widely from one year to the next, including one year of negative growth (decline) for each. The column of growth in average labour productivity also shows wide fluctuations. These fluctuations are related to such factors as lags between employment and output for different industries and categories of workers, aggregate labour intensity due to changing composition of output and degrees of utilization of capital and labour in response to varying strengths of demand and/or other constraints on production. For the period as a whole, the average growth rates in GDP and employment are close to each other and the implied growth rate in labour productivity is fairly low at 1.1 per cent per year. It follows that a higher rate of growth of wage employment in the manufacturing sector could have been achieved only if the growth of output of the sector were higher.

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP K£Million</th>
<th>Wage Employment ('000')</th>
<th>Year-to-Year Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>GDP</td>
</tr>
<tr>
<td>1972</td>
<td>118-24</td>
<td>84-804</td>
<td></td>
</tr>
<tr>
<td>1973</td>
<td>135-31</td>
<td>94-453</td>
<td>14-44</td>
</tr>
<tr>
<td>1974</td>
<td>141-56</td>
<td>101-332</td>
<td>0-62</td>
</tr>
<tr>
<td>1975</td>
<td>142-32</td>
<td>100-731</td>
<td>0-54</td>
</tr>
<tr>
<td>1976</td>
<td>140-86</td>
<td>108-776</td>
<td>-1-03</td>
</tr>
<tr>
<td>1977</td>
<td>161-74</td>
<td>117-949</td>
<td>14-82</td>
</tr>
<tr>
<td>1978</td>
<td>183-68</td>
<td>130-100</td>
<td>13-57</td>
</tr>
<tr>
<td>1979</td>
<td>196-51</td>
<td>138-400</td>
<td>6-99</td>
</tr>
<tr>
<td>1980</td>
<td>207-56</td>
<td>141-300</td>
<td>6-52</td>
</tr>
<tr>
<td>1981</td>
<td>217-97</td>
<td>146-400</td>
<td>5-01</td>
</tr>
<tr>
<td>Average 1972-81</td>
<td></td>
<td></td>
<td>7-45</td>
</tr>
</tbody>
</table>

Source.—Ministry of Economic Planning and Development.

*Note.—Table X in Chapter III gives a growth rate of labour productivity in the manufacturing sector of 1.5 per cent. The difference is due partly to the difference in period covered and partly to the difference in method of estimation.
418. Rapid growth of output in the manufacturing sector is usually a target of development policy in general and industrial policy in particular. The main constraints in this regard, however, have been the slow growth in the demand for the products of the manufacturing sector, inadequate supply of essential inputs and low rates of return to capital. Given the fact that national income in Kenya is not likely to grow in the short-term at rates much higher than 4 to 5 per cent per year, a significantly higher growth of output of the manufacturing sector will come up against a demand constraint unless exports of manufactured products can be stepped up appreciably. *We therefore recommend that the Government should vigorously pursue the policy of export promotion in order to realize both the expansion in the demand for Kenyan manufactured goods and a strong industrial development base.*

**Export promotion policies**

419. As mentioned earlier, the need for reorientating Kenyan industries towards export markets has been recognized for quite some years now. A whole range of policy measures designed to secure such re-orientation are in various stages of discussion, decision and implementation. A well-known measure is the Export Compensation Scheme which was abolished in June, 1982 and re-introduced in September, 1982 with improved provisions. Another measure is the successive and substantial downward adjustment of the exchange rate during 1981 and 1982. In addition to the measures being implemented, *we recommend tariff rationalization with a view to reducing duties on items which are essential inputs for export production; giving preference to exporters in the allocation of import licences; introducing export credit insurance and financial guarantee scheme, supplying indigenous materials to domestic exporters at international prices, etc.*

420. One further point to note in the context of growth of exports of manufactures is that while there are potentialities of growth of exports to European, Asian, Arabian and American markets, these exports will suffer from the disadvantage of high transport costs. The natural markets for our exports are in the neighbouring African countries such as Tanzania, Uganda, Sudan, Somalia, Ethiopia, Ruanda, Burundi, Zaire, Zambia and Zimbabwe. The economic value to the region of open borders and an effectively functioning preferential trade area is enormous. *We recommend that the determined efforts being made to secure healthy and stable trade relations with eastern and southern African countries be maintained.*

421. On constraints of supply of raw materials and intermediate goods, foreign exchange shortages have in the recent past often held up the importation of essential supplies and hence a fall in industrial production. There are two ways of averting this type of constraint. First, as we have recommended above, the manufacturing sector should be made to export more
and earn the necessary foreign exchange to finance its own import requirements. At present, the manufacturing sector is a heavy net user of foreign exchange. Calculations based on 1981 export figures show that the net use of foreign exchange resources by the industrial sector was of the order of K£560 million; its use of imports being of the order of K£760 million, while its contribution to exports was about K£200 million.

422. While it is unrealistic to expect that the manufacturing sector can be fully self-servicing with regard to foreign exchange, its net drain of foreign exchange resources can certainly be reduced through vigorous export promotion efforts. As a second means of averting constraints on the supply of inputs, we recommend that the Government should pursue policies which encourage the establishment of industries which use local materials. We further recommend that the already existing industries should be made to develop locally produced raw materials. As pointed out before, growth of production and exports of products which depend on domestic resources will increase the value of the employment multiplier effect through greater backward linkage. The forward linkage effect will also be strong if Kenya can carve out a significant share of the international transportation, banking and insurance business arising out of the larger exports. The combined effect on employment will be much larger than the direct employment generated in the manufacturing sector itself.

Labour content in manufacturing

423. While analyzing growth, we look at growth of output and growth of average labour productivity. However, the absolute size of employment for any given output depends on the absolute value of labour productivity. The inverse of average labour productivity may be regarded as the average labour intensity of output, a concept that is used quite commonly in the context of employment generation. One rough indicator of the importance of labour input in a production process is the share of wages in total value added. For Kenya's manufacturing sector, this share for some years works out as follows:

Table XXXIV—Percentage Share of Wages in Value Added in Manufacturing

<table>
<thead>
<tr>
<th>Year</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>39</td>
</tr>
<tr>
<td>1977</td>
<td>36</td>
</tr>
<tr>
<td>1978</td>
<td>39</td>
</tr>
<tr>
<td>1979</td>
<td>36</td>
</tr>
</tbody>
</table>
424. These shares are undoubtedly very low. Comparable figures for many developing as well as developed countries would be well above 50 per cent. Since wages in formal manufacturing sector in Kenya cannot be regarded as unusually low, the above low shares generally point to low employment per unit of output or value-added.

425. The labour-intensity of output varies widely between industries in the manufacturing sector. The 1977 Census of Industrial Production data show that value-added per person engaged ranges from KSh358 in the clothing industry to KSh4,128 in beverages and tobacco industry. Table XXXV gives a ranking of the 25 industry groups covered by the census data according to increasing value-added per person engaged or decreasing labour-intensity. The table also gives the total number of persons engaged in 1977 in each industry. The last column shows the rank of the industries on the basis of total number of persons engaged. The correlation between the two sets of ranks (labour intensity and number of persons engaged) is positive (0.54), indicating that industries which are relatively more labour-intensive tend also to be large employers of labour.

**Table XXXV—Value-Added Per Person Engaged in Manufacturing, 1977**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Value Added per person (KSh per Year)</th>
<th>Total No. of persons engaged</th>
<th>Rank on the Basis of No. of persons engaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Clothing Industry</td>
<td>358</td>
<td>12,663</td>
<td>4</td>
</tr>
<tr>
<td>2. Petroleum and Other Chemicals</td>
<td>375</td>
<td>5,063</td>
<td>13</td>
</tr>
<tr>
<td>3. Grain Mill Products</td>
<td>431</td>
<td>10,129</td>
<td>5</td>
</tr>
<tr>
<td>4. Transport Equipment</td>
<td>493</td>
<td>23,189</td>
<td>1</td>
</tr>
<tr>
<td>5. Bakery Products</td>
<td>493</td>
<td>3,580</td>
<td>19</td>
</tr>
<tr>
<td>6. Furniture and Fixtures</td>
<td>541</td>
<td>6,933</td>
<td>9</td>
</tr>
<tr>
<td>7. Wood and Cork Products</td>
<td>595</td>
<td>8,782</td>
<td>6</td>
</tr>
<tr>
<td>8. Leather Products and Footwear</td>
<td>683</td>
<td>4,084</td>
<td>16</td>
</tr>
<tr>
<td>9. Textiles</td>
<td>745</td>
<td>15,403</td>
<td>3</td>
</tr>
<tr>
<td>10. Meat and Dairy Products</td>
<td>910</td>
<td>5,340</td>
<td>12</td>
</tr>
<tr>
<td>11. Pottery and Glass Products</td>
<td>1,094</td>
<td>989</td>
<td>25</td>
</tr>
<tr>
<td>12. Canned Vegetables, Fish and Oils and Fats</td>
<td>1,199</td>
<td>7,899</td>
<td>8</td>
</tr>
<tr>
<td>13. Electrical Machinery</td>
<td>1,236</td>
<td>5,434</td>
<td>11</td>
</tr>
<tr>
<td>14. Miscellaneous Food</td>
<td>1,964</td>
<td>18,721</td>
<td>2</td>
</tr>
<tr>
<td>15. Printing and Publishing</td>
<td>2,056</td>
<td>4,328</td>
<td>14</td>
</tr>
<tr>
<td>17. Paper and Paper Products</td>
<td>2,417</td>
<td>3,654</td>
<td>18</td>
</tr>
<tr>
<td>18. Metal Products</td>
<td>2,532</td>
<td>8,042</td>
<td>7</td>
</tr>
<tr>
<td>19. Non-electrical Machinery</td>
<td>2,562</td>
<td>1,015</td>
<td>24</td>
</tr>
<tr>
<td>20. Plastic Products</td>
<td>2,643</td>
<td>1,476</td>
<td>22</td>
</tr>
<tr>
<td>21. Sugar and Confectionery</td>
<td>2,732</td>
<td>4,055</td>
<td>17</td>
</tr>
<tr>
<td>22. Rubber Products</td>
<td>3,285</td>
<td>1,863</td>
<td>20</td>
</tr>
<tr>
<td>23. Industrial Chemicals</td>
<td>3,912</td>
<td>1,744</td>
<td>21</td>
</tr>
<tr>
<td>24. Beverages and Tobacco</td>
<td>4,128</td>
<td>6,056</td>
<td>10</td>
</tr>
<tr>
<td>25. Miscellaneous Manufactures</td>
<td>22,508</td>
<td>1,244</td>
<td>23</td>
</tr>
</tbody>
</table>

Growth of labour-intensive industries

426. There is a wide range of variation in the labour-intensity of production in different manufacturing industries. The employment effect of a given growth in the output of manufactures may be increased by encouraging those industries which are relatively more labour-intensive. Almost by definition, these are also industries which require less investment in fixed capital per unit of output. In order to ensure that the growth of the manufacturing sector is biased towards these industries, policies are required—

(i) to achieve relatively greater growth in demand for the products of these industries; and

(ii) to increase the return to capital in labour-intensive production processes.

The former set would be policies involving pricing and tax-subsidy measures, especially for products meant for exports, together with an effective international marketing strategy. Fortunately, many of the products that have been identified by K.E.T.A. and other researchers in the area as having high export potential are labour-intensive in character. Policies that would raise the return to capital in labour-intensive lines of production (compared to capital-intensive ones) are policies such as high real interest rates, high rates of duty on imported capital goods, an undervalued rather than overvalued domestic currency, employment allowance and training levy on capital goods, together with somewhat low real wages to reflect the relative abundance of labour supply.

427. Until recently, the policy-frame confronting domestic manufacturers was exactly the reverse of this, with low interest rates, low duties on imported capital goods, overvalued currency, investment allowances, high minimum wages and training levies charged on employers of labour. As a result, the size of wage employment in the manufacturing sector has been small relative to the size of output of the sector. Although the Government has all along encouraged the use of labour-intensive methods of industrial production, available evidence indicates that this policy has not had the desired impact. We therefore recommend that the Government should now vigorously implement these policies so as to increase employment in the sector.

428. Inducing industries to change their existing techniques towards greater use of labour, as opposed to favouring those industries which already use relatively more labour-intensive techniques, is likely to be a longer term effect of the same set of policy measures which aim at reducing the cost of labour relative to cost of capital. Such an effect will be possible only if the existing technology permits some substitution of labour for capital, that is, there is a positive elasticity of substitution between labour and capital. This proviso is likely to be fulfilled in most industries, given an appropriately generalized definition of capital and given an appropriate length of the period of adjustment.
Small-scale industries and units

429. There is at present no clear distinction between small-scale industries and industries in the informal sector. The identification criterion may involve one or more of several factors, such as capital investment, volume of annual sales, number of persons employed, etc. A practical criterion that is currently used is to classify all industries employing less than 50 persons as small-scale ones. As explained in Chapter XII, activities of informal sector units are carried on in the open or in temporary structures, they employ little or no capital and receive no institutional credit.

430. The data on output for the manufacturing sector presented in Table XXXIII above include contributions from the small-scale sector. The form in which the data are organized in the Statistical Abstract does not make it possible to extract information on employment in the small-scale sector separately. However, we can obtain information on value-added by the small-scale sector at current prices. This information for some recent years is presented in Table XXXVI below:

**Table XXXVI—Value-Added by Large and Small Industries Units**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All Firms and Establishments</td>
<td>184·5</td>
<td>229·1</td>
<td>243·0</td>
<td>288·5</td>
</tr>
<tr>
<td>Large-scale Firms and Establishments</td>
<td>167·9</td>
<td>196·4</td>
<td>214·6</td>
<td>261·6</td>
</tr>
<tr>
<td>Small-scale Firms and Establishments</td>
<td>16·6</td>
<td>32·7</td>
<td>28·4</td>
<td>26·9</td>
</tr>
<tr>
<td>GDP Deflator for Manufacturing: (1976=1·00)</td>
<td>1·00</td>
<td>1·09</td>
<td>1·16</td>
<td>1·24</td>
</tr>
<tr>
<td>Value-added by Small-scale firms at constant 1976 prices</td>
<td>16·6</td>
<td>30·0</td>
<td>24·5</td>
<td>21·7</td>
</tr>
</tbody>
</table>

Source.—Ministry of Economic Planning and Development.

**Table XXXVII—Employment in Small-Scale Industry**

<table>
<thead>
<tr>
<th>Period</th>
<th>No. of Establishments</th>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963—66</td>
<td>1,730</td>
<td>14,852</td>
</tr>
<tr>
<td>1966—70</td>
<td>1,694</td>
<td>17,056</td>
</tr>
<tr>
<td>1970—74</td>
<td>3,198</td>
<td>18,061</td>
</tr>
<tr>
<td>1974—78</td>
<td>2,954</td>
<td>17,169</td>
</tr>
<tr>
<td>1978—80</td>
<td>1,653</td>
<td>15,808</td>
</tr>
</tbody>
</table>

431. In a recent study in the Ministry of Industry, the above data on trends in employment in the small-scale sector were presented. According to information in Table XXXVI, there has been a decline in the size of the small-scale sector, both in terms of the number of units and the number of persons...
employed. One plausible reason for this may be that with the number of persons employed increasing over time to 50 and beyond, the larger and growing firms drop out of the group, thus reducing the size of the sector.

432. Our view is that the small-scale industrial sector holds great potential for employment generation if properly developed. Encouragement of industrial production on small-scale can be achieved through tax incentives, credit facilities, common production services, and reservation of areas of production especially, for example, in the weaving industry. In the clothing industry in which Kenya is still a net importer, we recommend that a large number of small-scale units equipped to undertake specialized design-oriented jobs be established. The leather products and footwear industry is another example where production is labour-intensive and export prospects are good. We recommended that the K.I.E. fruitfully should commit its resources to accomplish the development of the required skill and productive capacity in this industry. We also recommend that the Government should promote the development of production of handicrafts through training, designing and common production facilities to encourage crafts based on domestically available raw materials such as clay and minerals, metals and leather. Design development facilities are important because in handicrafts, design matters most. Existing crafts based on wood and sisal like engraving, lacquer turning, and hand-made carpets, should be diversified and production of new items like toys, musical instruments, be encouraged through the same process.

Specific measures for particular industries

433. Apart from the general measures we have recommended for the existing industries, we believe that employment level in the manufacturing sector could be raised substantially through encouragement of new lines of production in specific industries. We therefore recommend the following additional measures:

a) Increasing capacity utilization where productive capacity is underutilized. One example is the sugar industry in which capacity utilization may be improved through raising the prices of both sugar-cane and refined sugar. In the grain milling industry, there is underutilized capacity for the production of food items such as pasta, vermicelli, macaroni and spaghetti. The soft variety of wheat grown in Kenya is not suitable for the production of these items. Efforts have to be made to grow the appropriate variety of wheat; meanwhile, imports of wheat may be permitted or arranged to enable the industry to improve capacity utilization.

(b) Expansion of productive capacity where prospects for export marketing or import substitution exist. Examples are production of starch from maize and cassava, expansion of poultry-feed industry and manufacture of dairy products, production of vegetable oil from sunflower and
groundnut whose output can be expanded. Kenya produces annually 1.3 million hides and 5 million skins. With this size of production, there are considerable prospects for further development of the tanning industry, which will call for restructuring of import duty and export compensation rates and the provision of training facilities both at home and abroad. Similarly, there is scope for the establishment of another plant for biscuit-making designed exclusively for exports, in particular to countries of the Middle East.

(c) Development of new products through measures such as technical advice, training and credit facilities and Research and Development information. A range of new products may be developed to utilize excess molasses and bagasse. Similar potential exists for development of banana powder and starch, orange oil, papain, etc., in the vegetable and fruit canning industry. A plant can be set up for production of hop extract locally for the beverage industry. One of the existing plants in the textiles industry may be assisted in developing a project for the production of polyester chips locally.

(d) Kenyanization of distributive and foreign trade is important, since experience of other countries shows that entrepreneurship emerges from commerce. In Kenya, commerce is controlled by foreigners or Kenyans of foreign origin and it is primarily because of this situation that entrepreneurship has not emerged on an adequate scale. Import trade has a quick return on investment and helps to develop contracts with sources of know-how abroad which is needed for conceiving projects and undertaking risks. It is thus proposed that the import trade should be reserved for Kenyans, as far as practicable.

(e) Development of a class of professional managers in Kenya, who can grow into successful entrepreneurs, is not yet in sight. Regulatory provisions exist to oblige employers to recruit a Kenyan professional as understudy along with expatriate managers. This should be enforced more rigidly. Also, management training institutions in consultation with Kenya Association of Manufacturers should run short-term courses on management.

434. In summary, the manufacturing sector is the most dynamic sector of production in all developing economies. In Kenya the manufacturing sector has recorded the highest average annual growth rate over the period since independence. Because of the backward and forward linkage effects on the development of other sectors of the economy, its total contribution to G.D.P. and employment is much larger than what is generated within the sector itself.

435. In this chapter, we have discussed the many measures that should be taken to accelerate the growth of output and employment in the manufacturing sector—general measures that affect groups and sub-groups of
industries, and particular measures designed for specific industries. Many of these measures have already been adopted or are under active consideration. A vigorous and determined pursuit of these measures is sure to bring about rapid growth of the manufacturing sector with a desired bias towards labour-intensive export-oriented industries, thereby yielding a high rate of growth in employment.
CHAPTER X—EMPLOYMENT IN THE BUILDING AND CONSTRUCTION INDUSTRY

436. The building and construction industry is one of the major sectors of the economy both in terms of its contribution to capital formation and its share of the total Gross Domestic Product. The sector can be divided into two broad sub-sectors, namely, the housing sub-sector which covers the development of residential as well as commercial buildings, and the construction sub-sector which embraces public works such as road, dam and water supply construction. These two sub-sectors reflect a three-tier segmentation pattern consisting of a few but large-scale foreign contractors who dominate in the major construction and civil engineering projects; the medium-sized construction firms which undertake less complex projects; and, the small-scale contractors, the majority of whom are the up-coming African contractors.

437. This sector is important in many respects. Firstly, it facilitates the establishment of vital infrastructural facilities such as roads and buildings which in turn stimulate growth in many other sectors such as agriculture, commerce and other services. Indeed, many important economic activities such as those related to the production of building and construction materials heavily depend on the buoyancy of this sector. Secondly, the sector embraces a very wide range of activities in which substantial job opportunities could be created for both skilled and unskilled labour.

438. The past performance of this sector has been impressive as is clearly evidenced by the number of roads, buildings and other public works that have been undertaken in both the rural and urban areas since independence. In terms of employment, we have noted that although all our development plans have emphasized the use of labour-intensive methods in this sector, most of the activities continue to be capital-intensive. This has no doubt inhibited the creation of employment opportunities in the various projects. Employment creation in the industry has also suffered due to a rapid rise in recent years of the cost of land as well as building and construction materials. Table XXXVIII below indicates the growth of wage employment in this sector between 1968 and 1981.

439. During the life of this Committee, Kenya has faced a severe economic recession which has resulted in many lay-offs, redundancies and, in a number of cases, total closure of firms especially those in the building and construction sector. As the state of the economy is expected to continue to suffer from these recessionary pressures for the foreseeable future, it will take time before the building and construction industries can recover adequately to be able to increase their employment capacities. This means that the recommendations
we have made in this chapter should be regarded as measures that will provide jobs on a long-term basis. This is particularly the case with the private sector portion of the industry. With regard to public works undertaken by the Government, we have recommended measures which could be implemented in the short-term and which indeed, could contribute to the process of economic recovery.

TABLE XXXIII—WAGE EMPLOYMENT IN THE BUILDING AND CONSTRUCTION INDUSTRY IN '000s

<table>
<thead>
<tr>
<th>Year</th>
<th>Private</th>
<th>Public</th>
<th>Total Private and Public Sector</th>
<th>Total All Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>% of total (all industries)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1968</td>
<td>18.1</td>
<td>31.9</td>
<td>5.3</td>
<td>606.4</td>
</tr>
<tr>
<td>1969</td>
<td>16.3</td>
<td>28.9</td>
<td>4.6</td>
<td>627.2</td>
</tr>
<tr>
<td>1970</td>
<td>17.0</td>
<td>30.8</td>
<td>4.8</td>
<td>644.5</td>
</tr>
<tr>
<td>1971</td>
<td>21.0</td>
<td>34.8</td>
<td>5.0</td>
<td>691.2</td>
</tr>
<tr>
<td>1972</td>
<td>23.5</td>
<td>37.2</td>
<td>5.2</td>
<td>719.8</td>
</tr>
<tr>
<td>1973</td>
<td>23.7</td>
<td>41.2</td>
<td>5.4</td>
<td>761.4</td>
</tr>
<tr>
<td>1974</td>
<td>29.3</td>
<td>44.4</td>
<td>5.4</td>
<td>826.3</td>
</tr>
<tr>
<td>1975</td>
<td>24.6</td>
<td>40.5</td>
<td>4.9</td>
<td>819.0</td>
</tr>
<tr>
<td>1976</td>
<td>30.1</td>
<td>47.1</td>
<td>5.5</td>
<td>851.5</td>
</tr>
<tr>
<td>1977</td>
<td>29.6</td>
<td>48.9</td>
<td>5.4</td>
<td>902.3</td>
</tr>
<tr>
<td>1978</td>
<td>28.6</td>
<td>55.3</td>
<td>6.1</td>
<td>911.1</td>
</tr>
<tr>
<td>1979</td>
<td>32.5</td>
<td>61.3</td>
<td>6.3</td>
<td>972.4</td>
</tr>
<tr>
<td>1980</td>
<td>31.5</td>
<td>63.2</td>
<td>6.3</td>
<td>1,005.8</td>
</tr>
<tr>
<td>1981*</td>
<td>32.6</td>
<td>61.4</td>
<td>6.0</td>
<td>1,024.3</td>
</tr>
</tbody>
</table>

Average Annual Rate of Increase

% +6.9 +7.1 +7.0 — +4.1

SOURCE.—Central Bureau of Statistics—Compiled on the basis of data from:
1Employment and earnings in the modern sector (various years).
*Provisional.

Housing

440. The Government’s long-term objective in housing development has been to promote intensified construction of both residential and non-residential buildings so as to meet the people’s basic need for shelter, schools and hospitals, and to stimulate the growth of other sectors of the economy through provision of industrial commercial and office buildings. Equally important has been the aim of the Government that building works should serve as a major source of employment opportunities.

441. The task of increasing the country’s housing stock has been shared between the Government, the private sector housing developers and the people through Harambee. In 1976, the Government’s contribution to capital formation in residential and non-residential buildings construction was about 16 per cent and 62 per cent respectively.
442. In the 1979-83 Development Plan, it was estimated that during the plan period, 90,000 new housing units would be required annually in the rural areas while a further 125,000 would be needed to replace those which are beyond repair. It was also estimated that the demand in urban areas would be 290,000 units, bringing the total demand for the five-year period to 1,075,000 housing units. Given the slow rate of economic development that the country has gone through during the plan period, these requirements have obviously not been met and whatever has been achieved has been dissipated by the rapid growth of the population.

Table XXXIX—Reported Completion on New Private and Public Buildings in Main Towns, 1977—1981

<table>
<thead>
<tr>
<th>Total for Year</th>
<th>Number of Buildings</th>
<th>Estimated Cost K£million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Residential</td>
<td>Non-Residential</td>
</tr>
<tr>
<td>1977</td>
<td>1,290</td>
<td>199</td>
</tr>
<tr>
<td>1978</td>
<td>1,798</td>
<td>165</td>
</tr>
<tr>
<td>1979</td>
<td>2,937</td>
<td>108</td>
</tr>
<tr>
<td>1980</td>
<td>1,946</td>
<td>132</td>
</tr>
<tr>
<td>Returns</td>
<td>1,437</td>
<td>65</td>
</tr>
<tr>
<td>Received to Date*</td>
<td>1,549</td>
<td>75</td>
</tr>
</tbody>
</table>

Source—Central Bureau of Statistics—compiled on the basis of data provided in the economic survey, 1982—Tables 12.6 and 12.7.
*Excludes the value of extensions but includes the value of extension in public buildings.
**Provisional and incomplete. The late receipt of returns add significantly to the year’s total. 1980 figures for comparison only.

443. The capacity of the Government to promote housing development has been constrained by lack of finances as well as by institutional weaknesses. Currently, the three main agencies through which the Government promotes housing are the National Housing Corporation (N.H.C.), the Housing Finance Company of Kenya (H.F.C.K.) and the National Construction Corporation (N.C.C.). The National Housing Corporation is charged with the role of promoting housing development in both the urban and rural areas. Past experience indicates, however, that the corporation has been hampered by lack of adequate finances and qualified personnel. On the other hand, the operations of the Housing Finance Company of Kenya have been constrained by the slow and expensive rate of output of houses and by the problem of getting lenders to provide sufficient finance for mortgage facilities.
444. Available statistics indicate that reported building completions accounted for about 37 per cent of the value of approved plans in 1978 and 1979 while in 1980 and in 1981, the proportion was 38 per cent. Table XXXIX gives the number and value of reported completion of new private and public buildings.

445. In the light of the difficulties indicated above, the Committee is convinced that there is an urgent need to review the country's housing policies. The demand for housing is already great and given the high rate of population growth, it will become more acute in the future. Since time is not foreseen when the thrust of housing development will depend entirely on Government-generated finances, one possible solution would be to introduce a measure of flexibility in the housing finance market so that besides Government, more people and institutions can participate in housing development.

446. As already indicated, the institutions currently involved in housing development are not meeting their objectives fully and there is therefore a clear case for strengthening this institutional framework. The Committee therefore recommends that the Government should establish a National Housing Bank to fill the wide gap now existing in the housing finance market. In making this recommendation, the Committee has been influenced by a number of factors. Firstly, the number of people and institutions involved in housing development has remained small largely due to lack of long-term credit facilities. The Rural Housing Fund operated by the National Housing Corporation has benefited only a few people because it lends a meagre KSh. 14 million per annum. The Housing Finance Company of Kenya has similarly faced financial limitations. The establishment of the National Housing Bank is therefore intended to provide a source of soft credit not only to individuals but to public and private sector institutions. For instance, we envisage that the bank could boost housing development by extending long-term (15-20 years) loans on easy terms to industrial enterprises and agricultural plantations to enable them to build housing estates for their workers. Currently, neither the existing housing finance institutions nor the commercial banks are constituted to provide such a service.

447. Secondly, we foresee that the bank could attract substantial finances both locally and abroad. For instance, arrangements could be made for such local institutions as the National Social Security Fund, the Kenya Re-insurance Corporation and the Co-operative Bank of Kenya to become shareholders of the bank. Similarly, such bodies as the World Bank and the United States Agency for International Development which have been involved in housing development in Kenya could be persuaded to channel their aid funds through the bank. Lastly, the bank could tap local funds through acceptance of deposits by members of the public.
448. The Employment Act provides that all employers should provide housing for all their workers or provide house allowance to enable the employees to rent adequate accommodation. Experience indicates that the bulk of employers, including the Government, prefer paying house allowances instead of putting up houses for their workers. The Government, for example pays annually not less than KSh. 500 million in the form of house allowances to its employees. This sum is likely to be even higher with the movement of officers to districts which are to become centres of development focus. The shortage of housing facilities has also adversely affected the availability of agricultural labour in plantations as well as in high potential cash crop areas. In order to overcome these shortages of houses as well as providing additional jobs, we recommend that the Government as an employer, should step up the construction of houses for its staff. We believe that action on these lines would result in savings in the long-run. We further recommend that large private employers (particularly plantations), including local authorities should be given assistance or incentives through the proposed National Housing Bank to house their employees. On rural housing, we recommend that adequate funds be made available through the proposed National Housing Bank to enable rural people improve their houses as well as provide workers' houses. In the urban areas, companies employing 50 persons or more should be allocated land on long lease basis to construct houses for their workers.

Local authority by-laws

449. The existing building by-laws have in our view, contributed significantly to the current shortages of houses which, in turn, have hampered growth in employment in this sector. These by-laws have, for instance, prohibited the use of local materials such as timber which we have in plenty, use of hand-made bricks from soil and murrum, thatched roofs, etc. Use of such materials would generate a lot of employment, particularly in low-cost housing which we estimate to be about 70 per cent of all the housing requirement. In order to correct this situation, we recommend that housing by-laws be immediately amended to permit use of local building materials.

450. The water used in houses, offices and industries for washing and cleaning is the same expensively-treated water which is meant for drinking purposes. At the same time, millions of gallons of rain water are wasted during the rain periods. If properly harnessed, this water could also be directed to open areas to form artificial dams which would improve the ecology of the surrounding areas. We accordingly recommend that appropriate by-laws be formulated to make it mandatory for all buildings to provide storage tanks for rain water for washing and general cleaning. We further recommend that running rain water on the roads in urban areas be harnessed to form local dams and artificial lakes.
451. In view of the rising costs of energy, particularly electricity, we recommend that by-laws be made requiring installation of solar heating in residential houses and in buildings which use heated water such as hotels, etc. In view of the anticipated demand, we recommend that Kenya Industrial Estates Limited be required to actively promote the manufacture of solar panels. These measures would generate employment in addition to effecting savings.

Building costs

452. The Committee has been concerned with building costs, which in our view, are artificially very high. These high costs are as a result of many factors. One major cause is the existence of a very powerful cartel consisting of architects, engineers, clerks of works, quantity surveyors and contractors, the majority of whom are non-Africans. In order to break this cartel, we recommend that each specific profession should be required to form its own local professional association which would control its own code of conduct and ethics. We further recommend more training in these areas with a view to assisting more citizens to go into these professions which are currently dominated by foreigners.

453. Another reason for high building costs is the existence of powerful merchants, mostly non-Africans who dominate both the manufacture and supply of building materials (timber, concrete blocks, hardwares, iron sheets, etc.). Table XL indicates the price rises in respect of various items. In this area, we recommend that Government should give incentives to Africans to enter into these businesses of manufacturing and supplying of building materials, in order to create more competition than is the case at present. The tendering systems now in force are also so rigid that with some modifications, the construction of small buildings would cost much less, particularly in the rural areas. In this way also, we would directly promote the utilization of local skills from the village polytechnics, etc. We therefore recommend that for simple buildings (e.g. schools, dispensaries, offices, etc.) particularly in rural areas, the tendering system should be liberalized in favour of local entrepreneurs.

Construction works

454. Kenya has since independence achieved an impressive record in the construction of various types of roads. As will be seen in Table XLI, there were 6,540 km. of bitumen roads in 1981, as compared to 1,800 km. in 1964. This together with 47,037 km. of earth/gravel roads makes a total classified road network of 53,577 km. In addition, there are about 100,000 km. of unclassified roads in the rural areas.
### Table XL—Overall Construction Cost Index, 1978—1980 (December 1972 = 100)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sand</td>
<td>230·8</td>
<td>230·8</td>
<td>250·0</td>
<td>8·3</td>
</tr>
<tr>
<td>2. Aggregate</td>
<td>264·7</td>
<td>294·1</td>
<td>294·1</td>
<td>11·1</td>
</tr>
<tr>
<td>3. Cement</td>
<td>208·3</td>
<td>256·1</td>
<td>361·0</td>
<td>31·9</td>
</tr>
<tr>
<td>4. Hydrated Lime</td>
<td>212·1</td>
<td>222·3</td>
<td>242·4</td>
<td>22·9</td>
</tr>
<tr>
<td>5. (i) Concrete blocks</td>
<td>252·1</td>
<td>269·3</td>
<td>348·6</td>
<td>18·1</td>
</tr>
<tr>
<td>(ii) Concrete pipes</td>
<td>284·9</td>
<td>299·3</td>
<td>345·0</td>
<td>10·2</td>
</tr>
<tr>
<td>(iii) Concrete precast</td>
<td>183·3</td>
<td>200·0</td>
<td>220·0</td>
<td>9·6</td>
</tr>
<tr>
<td>(iv) Concrete products</td>
<td>257·5</td>
<td>273·9</td>
<td>341·4</td>
<td>15·5</td>
</tr>
<tr>
<td>6. Stone blocks</td>
<td>239·9</td>
<td>239·8</td>
<td>316·8</td>
<td>32·1</td>
</tr>
<tr>
<td>7. Hardcore Filling</td>
<td>333·3</td>
<td>388·9</td>
<td>388·9</td>
<td>16·7</td>
</tr>
<tr>
<td>8. (i) Timber</td>
<td>212·0</td>
<td>212·0</td>
<td>253·5</td>
<td>19·6</td>
</tr>
<tr>
<td>(ii) Doors</td>
<td>308·4</td>
<td>308·4</td>
<td>522·4</td>
<td>69·4</td>
</tr>
<tr>
<td>(ii) Timber and Doors</td>
<td>229·8</td>
<td>229·8</td>
<td>303·1</td>
<td>31·9</td>
</tr>
<tr>
<td>9. (i) Reinforcement Steel</td>
<td>336·0</td>
<td>400·3</td>
<td>467·0</td>
<td>17·9</td>
</tr>
<tr>
<td>(ii) Structural Steel</td>
<td>460·9</td>
<td>591·3</td>
<td>693·9</td>
<td>22·8</td>
</tr>
<tr>
<td>(iii) Corrugated steel pipes</td>
<td>202·8</td>
<td>202·8</td>
<td>202·8</td>
<td>—</td>
</tr>
<tr>
<td>(iv) Guard rails</td>
<td>234·1</td>
<td>234·1</td>
<td>234·1</td>
<td>—</td>
</tr>
<tr>
<td>(v) Gabion Mesh</td>
<td>215·7</td>
<td>259·1</td>
<td>478·8</td>
<td>52·5</td>
</tr>
<tr>
<td>Steel Products</td>
<td>318·9</td>
<td>365·0</td>
<td>393·6</td>
<td>11·2</td>
</tr>
<tr>
<td>10. (i) Hardware</td>
<td>314·6</td>
<td>339·4</td>
<td>417·7</td>
<td>15·5</td>
</tr>
<tr>
<td>(ii) Windows</td>
<td>187·9</td>
<td>211·1</td>
<td>217·3</td>
<td>7·6</td>
</tr>
<tr>
<td>Hardware and Windows</td>
<td>214·8</td>
<td>238·3</td>
<td>314·8</td>
<td>21·5</td>
</tr>
<tr>
<td>11. Paints</td>
<td>200·3</td>
<td>280·3</td>
<td>310·2</td>
<td>25·3</td>
</tr>
<tr>
<td>12. Glass</td>
<td>336·5</td>
<td>426·8</td>
<td>466·5</td>
<td>18·1</td>
</tr>
<tr>
<td>13. Floor Tiles</td>
<td>250·0</td>
<td>291·7</td>
<td>416·7</td>
<td>29·8</td>
</tr>
<tr>
<td>14. Roofing Materials</td>
<td>283·5</td>
<td>294·1</td>
<td>347·9</td>
<td>11·0</td>
</tr>
<tr>
<td>15. (i) Drainage, Waste and Water Service</td>
<td>181·5</td>
<td>255·3</td>
<td>312·8</td>
<td>37·1</td>
</tr>
<tr>
<td>(ii) Trapped Gully</td>
<td>183·3</td>
<td>216·5</td>
<td>330·0</td>
<td>35·3</td>
</tr>
<tr>
<td>(iii) Sanitary Fixtures</td>
<td>205·5</td>
<td>304·2</td>
<td>364·3</td>
<td>33·9</td>
</tr>
<tr>
<td>Plumbing and Sanitary</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixtures</td>
<td>197·1</td>
<td>285·2</td>
<td>347·2</td>
<td>50·2</td>
</tr>
<tr>
<td>16. (i) Switch-Gear</td>
<td>381·0</td>
<td>428·1</td>
<td>627·9</td>
<td>29·5</td>
</tr>
<tr>
<td>(ii) Conduit</td>
<td>177·8</td>
<td>195·6</td>
<td>250·0</td>
<td>18·9</td>
</tr>
<tr>
<td>(iii) Fittings</td>
<td>2119·9</td>
<td>240·0</td>
<td>335·0</td>
<td>26·4</td>
</tr>
<tr>
<td>(iv) Accessories</td>
<td>321·3</td>
<td>378·7</td>
<td>600·0</td>
<td>38·2</td>
</tr>
<tr>
<td>(v) Wiring</td>
<td>214·0</td>
<td>207·2</td>
<td>252·3</td>
<td>9·3</td>
</tr>
<tr>
<td>Electrical Installations</td>
<td>249·1</td>
<td>274·2</td>
<td>381·3</td>
<td>24·6</td>
</tr>
<tr>
<td>17. Explosives</td>
<td>284·9</td>
<td>391·4</td>
<td>497·2</td>
<td>32·2</td>
</tr>
<tr>
<td>18. (i) Fuel</td>
<td>267·5</td>
<td>334·8</td>
<td>422·8</td>
<td>25·7</td>
</tr>
<tr>
<td>(ii) Bitumen</td>
<td>258·4</td>
<td>327·2</td>
<td>348·3</td>
<td>16·5</td>
</tr>
<tr>
<td>(iii) Lubricants</td>
<td>205·8</td>
<td>208·2</td>
<td>282·8</td>
<td>18·5</td>
</tr>
<tr>
<td>Fuel, Bitumen and Lubricants</td>
<td>253·3</td>
<td>307·7</td>
<td>380·3</td>
<td>22·5</td>
</tr>
<tr>
<td>19. (i) Unskilled labour</td>
<td>190·9</td>
<td>209·1</td>
<td>236·4</td>
<td>11·3</td>
</tr>
<tr>
<td>(ii) Semi-skilled labour</td>
<td>174·7</td>
<td>188·4</td>
<td>215·7</td>
<td>11·2</td>
</tr>
<tr>
<td>(iii) Skilled labour</td>
<td>128·3</td>
<td>146·7</td>
<td>170·0</td>
<td>15·1</td>
</tr>
<tr>
<td>LABOUR</td>
<td>159·0</td>
<td>175·8</td>
<td>201·4</td>
<td>12·6</td>
</tr>
<tr>
<td>CONSTRUCTION COST INDEX</td>
<td>221·1</td>
<td>274·5</td>
<td>300·0</td>
<td>16·7</td>
</tr>
</tbody>
</table>

Source.—Central Bureau of Statistics—Statistical Abstract, 1981 Table 140(e) pp. 158.
Table XLI—Kilometres of Roads as at 1st July, 1977 and 1st July, 1981

<table>
<thead>
<tr>
<th>Classification</th>
<th>1977</th>
<th>1981</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bitumen+</td>
<td>Gravel+ Earth</td>
</tr>
<tr>
<td>A—International Trunk Roads</td>
<td>1,799.7</td>
<td>1,126.3</td>
</tr>
<tr>
<td>B—National Trunk Roads</td>
<td>749.1</td>
<td>1,659.8</td>
</tr>
<tr>
<td>C—Primary Roads</td>
<td>1,342.9</td>
<td>6,536.6</td>
</tr>
<tr>
<td>D—Secondary Roads</td>
<td>350.0</td>
<td>9,814.0</td>
</tr>
<tr>
<td>E—Minor Roads</td>
<td>134.6</td>
<td>20,020.9</td>
</tr>
<tr>
<td>F—Special Purpose Roads (Rural Access Roads)</td>
<td>—</td>
<td>6,869.9</td>
</tr>
<tr>
<td></td>
<td>4,376.3</td>
<td>46,027.5</td>
</tr>
</tbody>
</table>

Bitumen roads

455. The programme of road bitumenization has been a success story, in that other than Garissa, all provincial headquarters are on tarmac. Also a majority of district headquarters are connected by bitumen roads. These we realize are expensive, but very vital assets. For the foreseeable future, however, we recommend that other than for roads connecting provincial or district headquarters, expenditure under this category of roads should be predominantly confined to maintenance of these heavy investments. On maintenance, we have been told that there is already an acute shortage of properly trained supervisory staff and hence the poor maintenance of trunk roads. We recommend, therefore, that intensive supervisory training for road maintenance staff be undertaken as a matter of priority.

Gravel roads

456. This programme aims at improving secondary and minor roads to all-weather standard. The fact that in the past, greater emphasis has rightly been placed on the development of bitumen roads, secondary and minor roads programme has tended to receive a lower priority. All-weather roads connecting markets, schools, rural industries etc., to the major roads would enhance development of rural areas as well as provide jobs to the local population. We accordingly recommend that a large percentage of the resources earmarked for roads should be directed towards the adoption of more unclassified roads, for the purpose of bringing them up to all-weather standard.

Rural Access Road Programmes (R.A.R.P.) and Rural Works Programmes (R.W.P.)

457. Rural Access Road Programme aims at opening up new feeder roads as well as improving the unclassified road network. In terms of development, the importance of these roads connecting farm holdings to classified road
networks and markets cannot be over-emphasized. In terms of employment, this programme has contributed greatly to employment creation at the local level.

Table XLII—Projected Employment Opportunities in the Rural Access Roads Programme

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Activity</th>
<th>Employment Breakdown</th>
<th>Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Construction</td>
<td>Maintenance</td>
<td>Head Office*</td>
</tr>
<tr>
<td>1982/83</td>
<td>12,670</td>
<td>2,570</td>
<td>1,240</td>
</tr>
<tr>
<td>1983/84</td>
<td>13,200</td>
<td>4,386</td>
<td>1,286</td>
</tr>
<tr>
<td>1984/85</td>
<td>13,200</td>
<td>5,202</td>
<td>1,302</td>
</tr>
<tr>
<td>1985/86</td>
<td>13,200</td>
<td>6,018</td>
<td>1,318</td>
</tr>
<tr>
<td>1986/87</td>
<td>13,200</td>
<td>6,818</td>
<td>1,318</td>
</tr>
<tr>
<td>1987/88</td>
<td>13,200</td>
<td>7,618</td>
<td>1,318</td>
</tr>
</tbody>
</table>

SOURCE.—Ministry of Transport and Communications (MOTC)
*These refer to Head Office and Works-paid employees expected to be engaged in road design activities.

Table XLII confirms the potential for employment through this programme. Maintenance of these roads is yet another source of employment for the local people. This is done by way of requiring a person to maintain 1.5 km. of road nearest his home on a regular basis, thereby ensuring continued employment for many people.

458. Rural Works Programmes like the R.A.R.P., are aimed at providing jobs to the rural population as well as providing vital assets such as minor irrigation, dams, afforestation, flood control, domestic water supply schemes, soil conservation, etc. This programme has greatly benefited from the self-help spirit of the local populations. These two programmes, which are unique in the world, have been very successful in Kenya. We therefore recommend that more resources be made available to them in order to provide not only jobs for the local people, but also to improve the living standards of the rural people.

459. The Committee has, however, been informed of the critical shortages of supervisory personnel in these programmes. Our attention has also been drawn to a programme whereby in some professions students undertake practical assignments in the rural areas prior to their qualification. In order to assist R.A.R.P. and R.W. programmes in supervisory skills as well as offering practical experience, we recommend that engineering students at the University and the polytechnics be required to work in these rural development programmes as part of their training.
460. In the course of our interviews, it has been brought to our attention that these two programmes could be greatly enhanced by way of using the surprisingly large number of petty offenders who go through the prison institutions every year. The Commissioner of Prisons’ Annual Report (1977), indicates that out of 65,700 convicted persons, 57,090 (86.89 per cent) were those whose sentences were up to 12 months. It was further pointed out that the majority of these were petty offenders, most of who pose no real threat to the society. The cost involved in both their supervision and upkeep in prisons cannot be justified as their stay is so short that there is no chance to reform them. It is also possible that some may leave prison with new bad habits as a result of exposure to hard-core criminals. The Committee, therefore, recommends that after adequate co-ordination between the Courts, police and prison services, those serving sentences of up to six months should be made to work on the local Rural Access Road and Rural Works Programmes under the direct supervision of chiefs and assistant chiefs.
CHAPTER XI—EMPLOYMENT IN THE SERVICE SECTOR

461. In this chapter, we turn to another area of economic activity which for lack of a better term, we have described as the “service sector”, and which we consider equally important in employment creation. According to conventional categorization—and for our purposes—this sector includes such services as tourism, commerce, transport and communications, energy, insurance and banking, mass communications, health and water services.

Tourism

462. Tourism has become an important economic activity in Kenya, ranking second to agriculture in foreign exchange earnings. Its average annual contribution to the Gross Domestic Product and export earnings is 5 per cent and 10 per cent respectively. The major income-generating activities include game viewing, hotel room occupancy, sport hunting, travelling, purchase of trophies and souvenirs and patronage of other services and recreational activities.

463. Further expansion and development of the tourism sector would add to the stock of job opportunities in addition to generating more foreign exchange. Currently, tourism directly employs more than 40,000 people in hotels, tour travel operations, souvenir shops and other services. These services in turn support indirectly other activities such as farming, the craft industry, the music industry, the arts and money and banking. Indeed, it is estimated that about half of the contribution of tourism to employment in the country is through its direct impact on other sectors of the economy.

464. The very favourable conditions for the development of tourism such as the varied physical environment, the wildlife, the beaches and the country’s geographical position in relation to international travel routes have all encouraged public and private investments in tourism. The development activities have centred on the expansion of accommodation facilities, improvement of game parks and supporting infrastructure, and the formation of tour operations and agencies. In this section of the chapter, we evaluate these developments and suggest improvements which are consistent with the objective of generating more growth and employment in the sector.

Accommodation facilities

465. The majority of the jobs directly created in tourism are accounted for by the rendering of accommodation services to tourists. These services are provided by hotels, game lodges and rooming houses. About 80 per cent of the total hotel capacity is located at both the Coast and Nairobi, leaving
20 per cent distributed in various game-viewing parks in the country. It is in those three areas where tourism has developed that hotel-keeping jobs have been generated.

466. Past growth in tourism has largely been accounted for by holiday tourism mainly destined to the Coast and the Nairobi areas. The hotel network in the country has therefore grown in response to these tourist traffic destinations. But in the case of Kenya, holiday tourism has a seasonal pattern and without the promotion of other forms of tourism in the low season it cannot ensure the full utilization of accommodation capacity and permanent employment of the majority of the people engaged in hotel service activities.

467. The Committee is convinced that formulating an effective tourism development strategy requires striking a number of balances, that is, between the demand for tourism and the supply of facilities, and between the investment made in direct tourist facilities and that made in the infrastructure necessary to support those facilities. In this respect, the Committee supports the current commitment by the Government, as stated in the 1970-83 Development Plan to disperse tourism facilities and infrastructure. This will include focussing further development in the Western, Northern and North-Eastern tourism circuits. According to the existing developments and proposals, some of these circuits include the East Turkana excursion (Nairobi-Nyahururu-Maralal-Baragoi-South Horr-Marsabit-National Park-Laisamis) and the western excursion (Nairobi-Eldoret-Kisumu-Kakamega-Mt. Elgon-Nasolot National Reserve-South Turkana National Reserve-Lodwar-Sibiloi National Reserve-Kerio Valley-Lake Baringo-Lake Bogoria-Lake Nakuru, etc.).

468. In addition to identifying and developing more tourism circuits, the Government through the Kenya Tourist Development Corporation has laid the base for the success of those circuits by supporting private hoteliers to develop tourist class hotels in these areas as exemplified in developments in Eldoret and Kakamega. It is also encouraging that in recent years, tourist hotel-keepers have increased the accommodation capacity utilization by promoting tourism during off-peak seasons by citizens and non-residents. The success of these measures will increase job opportunities and reduce laying off of staff during off-peak seasons.

469. Indeed, it is the view of this Committee that other options in tourism development in the rural areas which would complement the national parks attractions should be developed. These would tap the many physical, environmental, social and cultural features dispersed throughout the country. Evidence shows that these would be of significant tourist attraction, thus the provision of adequate tourist accommodation facilities and infrastructure
in other appropriate areas in the country will not only promote tourism development but also overall development that will benefit people living in the environs. This Committee recommends that Government should increase its grants to the K.T.D.C. to invest in small-scale decent hotels in appropriate rural areas where the potential for tourism development lies. In this way the demand for bed space, food, entertainment and educational tourist services will generate employment opportunities especially for young school-leavers from and within such areas.

470. But while recommending that tourist hotel accommodation facilities be expanded and dispersed in many other suitable areas in the country, we are aware that a great deal of effort in tourism promotion will be required to ensure that the new tourist bases actually remain viable and that they will finally develop to provide employment to a growing number of people. Under-utilization of tourist accommodation facilities in the country has in recent years been partly alleviated by the promotion of local tourism. The main constraint in growth in local tourism has been the highly-priced accommodation facilities provided in tourist resorts. To effectively promote local tourism, both in the existing tourist resort areas and in the rural areas as recommended above, this Committee recommends that tour and hotel operators should formulate suitable tour packages and low accommodation prices to attract local tourists. Such packages should include facilities and attractions which would also appeal or be of educational value to the local people.

471. Overall, the need to promote tourism in suitable upcountry areas and local tourism throughout the country should be effectively supported by both the Government and private sector organizations. In the past conferences and seminars organized by Government and private sector institutions have been held either at the Coast or in Nairobi where hotel accommodation facilities are readily available. We believe that once several small but decent tourist hotels have been located in rural townships and tourist sites, they will attract some conferences and seminars to be held in them. We therefore recommend that as one of the first steps to promote rural and local tourism in this country, the Government should encourage a substantial number of its conferences and seminars to be held in the small tourist hotels upcountry.

472. The dispersion of viable small tourist hotels upcountry will also support expansion in other sectors of the economy. Apart from direct employment creation in hotel keeping, other job opportunities will be indirectly created in agriculture and commerce. Farmers in the surrounding areas will respond to the demand created in these hotels for vegetables, fruits and other foodstuffs. Guests staying in the hotels will also provide a ready market for craft items, made by people with traditional skills to be sold in curio shops and kiosks.
**Tour operations and agencies**

473. Tour and travel operations and agencies form the other major area in tourism development where job opportunities are created. These operations and agencies play the important role of promoting tourism by facilitating the actual process through air travel and hotel bookings, organization of tour packages, provision of transport and tour guides. They also provide employment and livelihood for people in the clerical cadre, drivers and tour guides.

474. Like tourist hotels, part of the services of tour and travel agencies are paid for in foreign exchange which is expected to be remitted to the Government for conversion to local currency. As such the participation by Kenyans in tour and travel agencies would reduce the repatriation of foreign exchange as profits to foreign stockholders and generate employment as well. This would expand the multiplier effect of tourism into other sectors of the economy which need tourism for their expansion. *We therefore recommend that the Government should encourage and promote the establishment of tour and travel undertakings by Kenyans to promote tourism, facilitate foreign exchange savings and generate self- and wage-employment opportunities.*

475. Though substantial foreign exchange earnings are generated by the tourism sub-sector, some tour and travel companies have in the past frustrated Government efforts to collect foreign exchange paid by tourists. Such tour and travel agencies are mainly those linked to other international travel agencies which organize and are paid abroad for services rendered to tourists coming into the country. This Committee feels that tour operations of this nature, though facilitating growth in tourism, do not fully benefit the economy as the much-needed foreign exchange for capital build-up and employment creation remains outside the country. In view of this, *the Committee recommends that the Government should strengthen the regulatory and monitoring systems of collecting foreign exchange earnings which accrue from tour and travel operations in the country.*

476. Finally, tours and travel agencies can play a greater role in the promotion of tourism by both non-residents and citizens up-country in up-coming tourist resorts like in the Western parts of Kenya. This could be done by widening the scope of their tourist circuits to include non-traditional tourist sites and price incentives that will encourage Kenyans to tour their country.

**Kenyanization and training**

477. So far, we have considered the main aspects of the various ways to promote growth in employment by expanding tourism activities throughout the country. Under this sub-heading, we look at the Kenyanization of tourism development both in terms of ownership and management control of the activities therein. A significant number of the tourism accommodation facilities
and promotional activities are either wholly Kenyan-owned or have a substantial Government and private Kenyan participation. In view of the present role of the KTDC and our earlier recommendations to this organization to promote tourist hotel expansion in established and new tourism development areas, we recommend further that such expansion should involve majority ownership by Kenyans.

478. Whereas substantial Kenyan participation in the ownership of tourist hotel accommodation has been attained, the management of these facilities still remains in the hands of foreign personnel. The main reason for this extended problem has been that the country until recently had not acquired capacity for the development of adequate and experienced manpower in hotel and tourism management. The Utalii College has since been inaugurated to train manpower versed in tourist hotel management. This college releases graduates annually, some of whom take a four-year course in hotel management. This Committee believes that Kenya has now developed enough capacity to equip Kenyans with relevant training and experience to manage virtually all departments in the hotel industry.

479. The attention of the Committee has also been drawn to the unemployment problem facing some of the trainees of Kenya Utalii College. Though aware that employment is not guaranteed for the trainees on admission to the college, it must be noted that Government resources go into the training of this manpower and can only be regained through the active utilization of the skills gained in tourism development. We therefore recommend that discussion be initiated with the hotel industry to facilitate not only the absorption of these graduates but also to ensure that Kenyans gain greater management control of the industry.

480. While the Utalii College provides training in tourist hotel management, small budget hotels lack training capacity for their manpower. Yet small hotels and restaurants have emerged as some of the most important operations whose expansion now provides increasing employment opportunities to school-leavers. The view of this Committee is that the expansion of budget hotels forms the basis of Kenyans' participation in the development of the hotel industry. We therefore recommend that the Government should encourage the formulation of short-term courses in hotel-keeping suitable for medium scale budget hotels management. We further recommend the development of training and extension services for people with talents and basic skills and who are already participating in the industry, with a view to upgrading their skills and services.

Wildlife conservation and management

481. We now turn to the management and conservation of Kenya's tourism resources as an important aspect of the continuation of tourism development. The country's major tourist assets are excellent wildlife resources, magnificent scenery, clean beaches and climate. Each of these natural resources
require is different conservation and management systems that will maximize net returns to the benefit of both present and future generations.

482. The major Kenyan tourism asset is the wildlife resource. The number of visitors to national parks per annum has been increasing considerably. Government policy on wildlife resources remains one of maintaining national parks and reserves to optimize returns from wildlife while taking into account returns from other forms of land-use. Since independence, national parks have increased from six to fifteen. National reserves have been increased from two to twenty-three. These wildlife parks and reserves cover 7.5 per cent of Kenya's land area.

483. Kenya's wildlife is conserved for two main purposes: for future generations of Kenya and the world to see the natural fauna and flora, and for national development. The conservation of wildlife entails the formulation of appropriate management systems in which various job opportunities are created directly for game park attendants, rangers, researchers, tour guides, drivers, and manual workers in trench digging, and construction of viewing tracks. In addition, development within the national parks and reserves which mainly involves construction of communication networks and accommodation facilities generates employment opportunities.

484. Presently, wildlife is conserved mainly for game-viewing—an activity which involves fee charges in national parks and reserves which generate income directly. Visitors to national parks also stay in game lodges where they pay for accommodation facilities which maintain people in wage employment. The immediate task to expand employment in national parks and reserves is therefore that of improving game viewing to encourage resident and non-resident tourists. Currently, Government strategy in the promotion of game viewing tourism is to develop interlocking systems of regional tourist circuits that will provide visitors a diversity of attractions. We strongly endorse this strategy as an important measure that will maintain tourism in the national parks and reserves as an all-year-round activity. This will ensure expansion in full time employment within the parks.

485. While the current purpose of conserving wildlife is game-viewing and while this earns substantial net benefits to the country through foreign exchange earnings and employment opportunities, utilization of wildlife resources will in future most likely be expanded to include other activities such as sport hunting, game cropping for game meat, etc. The country's wildlife resources comprise a variety of fauna and flora in ecosystems where their natural balances may conflict with national objectives and lead to problems such as the threatened extinction of some species, over-population leading to animals encroaching on agricultural land and wildlife poaching.
486. As an instrument of conservation and wildlife management, sport hunting and controlled cropping of certain species in national parks and reserves could possibly form one of the means of expanding employment and income-generating activities in this country. The Committee envisages that, the re-introduction of sport hunting could provide employment to several people and generate income for expansion in other sectors of the economy especially in such activities as trophy handling, hunting guides, licensing, accommodation and travelling, etc. The Ministry of Tourism and Wildlife has identified several areas where sport hunting could be introduced with substantial net returns to the country. These areas include Narok District, Kajiado, Laikipia, Samburu and Tana River District. Controlled cropping has, of course other benefits such as reduction of overgrazing and environmental degradation, maintaining an adequate natural balance among the species and reducing the over-spill to farming areas.

487. This Committee is aware that the re-introduction of hunting in a hurry may be detrimental to the country’s tourism resources through misuse of licences. But we are confident that with a strict system of control and law enforcement and clear-cut delineation of areas and seasons for sport hunting, the economy could gain from this activity. *We recommend that the Government should start looking into possibilities of reintroducing sport hunting in the future as one way of expanding employment opportunities and earning foreign exchange.*

488. Another important area in which use of wildlife resources could be extended is in the development of a game meat industry. With the re-introduction of sport hunting and game cropping, the optimal utilization of the harvest will be important in the expansion of job opportunities in the country. Currently, there is a substantial domestic and world market for game meat. A tentative proposal by the Ministry of Tourism and Wildlife envisages that with appropriate conservation measures, game cropping and sport hunting in the areas indicated above and the successful implementation of a game meat production industry could earn the country an equivalent of about K.Sh. 29.0 million per year, 90 per cent of which will be in foreign exchange. This programme will also involve the generation of various employment opportunities in both the national reserves and the game meat industry. *We recommend, that the Government should undertake feasibility studies in order to discover ways and means of developing a game meat industry and the possibility of using the Halal Meat Factory in Ngong which is now idle.*

489. Overall, the conservation of Kenya’s tourism resources will have to involve proper habitat management and protection of surrounding human-inhabited areas against adverse effects on their economic, social and cultural life. It is very clear that over-exploitation of tourism resources can be detrimental to the social, economic and cultural development of a once decently-living society. This Committee’s attention was drawn to the possible serious
effects that tourism, by bringing people of different cultures in contact, has started to have on the African culture of the Kenya coastal peoples. We recommend that the Government should look into effective means of controlling the abuse of African culture by some unintended tourist behaviour, and develop measures to guard against the ill-effects of tourist saturation, which are now evident in other parts of the less developed world.

Commerce

490. This section examines the commerce sector of the economy with a view to establishing its future potential in the creation of employment and other income-earning opportunities. It reviews the impact of past policies and strategies relating to trade development and recommends various measures aimed at expanding its employment creation potential. For our purposes, the commerce sector consists of wholesale and retail trade, export trade, the operations of small hotels and restaurants as well as recreational business and domestic services.

491. From the point of view of this Committee, the importance of the commerce sector in the economy can be explained in four basic ways. The first and perhaps the more obvious is the sector's tremendous potential for the creation of both direct and indirect employment. In 1979, there were 143,462 persons engaged in wholesale and retail trade, small hotels and restaurants. Of these, 53,464 were in wage employment while 89,622 were in self-employment. Although unpublished reports from the Central Bureau of Statistics indicate that total employment in this sector declined slightly from 143,462 in 1979 to 139,439 in 1980, the sector's employment potential is still quite great as we shall show later in this chapter.

492. Apart from the employment creation potential of the sector itself, it also contributes significantly to overall economic growth through its support to other sectors of the economy. Wholesale and retail trade, for instance, supports such productive sectors as agriculture, industry, etc. through the distribution and sale of the latter's inputs and products. To this extent, trading activities are an important contributor to overall expansion of economic activities and therefore to employment creation in the entire economy.

493. Another important attribute of the commerce sector relates to its potential in reducing pressure on land in the rural areas by diversifying the range of economic activities that can be undertaken outside agriculture. As more and more people engage in commercial activities, the pressure on land as a means of livelihood will ease.

494. A fourth factor which underscores the importance of commerce in the economy is the sector's potential for earning foreign exchange through export trade. In a country like Kenya, any increase in foreign exchange earnings constitutes a major boost to overall economic growth and therefore to
employment creation. Indeed, the Committee views the expansion of export trade as one of the most important stimulants to employment generation in the future.

Trade policies

495. Since independence, the Government has pursued various policies and strategies aimed at enhancing the capacity of the commerce sector to contribute to the realization of various political, social and economic objectives. The goals of these policies have included the Kenyanization of the sector; the promotion of efficiency in the sector so as to create more employment opportunities; the expansion of the monetary economy so that subsistence farmers can enter the exchange economy; and lastly, the promotion of export trade so as to narrow the gap between import and export revenues.

496. Various strategies have been pursued in order to realize these objectives. These have included the creation and encouragement of leading institutions for the commerce sector, changing the licensing system in favour of Kenyans, providing extension services and encouraging fair business practices and competition in the sector. Through various parastatal organizations and joint-ventures with the private sector, the Government has itself participated in the distribution system especially with regard to essential goods.

497. As a result of these efforts by the Government, the commerce sector has now emerged as a key sector in the economy. As a result of the Kenyanization programme, many Kenyans especially those in the rural areas today earn their livelihood through commercial activities. The economy itself relies heavily on the import and export trade. A substantial proportion of Kenyans are currently involved in the production of agricultural goods for export.

498. Despite this fairly satisfactory record, our investigations indicate that the full potential of the sector, especially in the creation of employment opportunities, is far from realized. The past performance of the sector in terms of Kenyanization, capital formation, export earnings and productivity indicate relatively little success when compared to the potential therein. Although employment, particularly self-employment in this sector has shown steady growth since independence, the participation of Kenyans in lucrative commercial enterprises remains very low. In the following paragraphs, we identify some of the major constraints that have hampered the growth of the sector and thereafter recommend measures that we believe will enable the sector to optimize its potential and thus expand its employment creation capacity.

Internal trade

499. The internal trade sub-sector, or the distributive system, is an indispensable link in the flow of goods and services between producers and consumers. The manner in which the system operates therefore affects the performance
of the other sectors of the economy. As already mentioned, the operation of the distributive system in Kenya faces certain constraints which we discuss below.

Kenyanization

500. Before independence, the control of the distributive system was largely in the hands of non-citizens. It was a political imperative, therefore, on attaining independence for the Government to seek to redress this imbalance by promoting the entry of Kenyans into commerce. The first step which the Government took was to re-orientate the existing institutions involved in trade development and to create new ones for the purpose of promoting the Kenyanization programme. The Industrial and Commercial Development Corporation was given the task of promoting small-scale African traders through loans and extension services. The Kenya National Trading Corporation, on the other hand, became the main instrument through which the Government would participate in the distributive trade as a way of ensuring the entry of more and more Kenyans into the commerce sector.

501. In 1967, the Trade Licensing Act was enacted with the express purpose of facilitating the entry of Kenyans into the commerce sector. The Act enabled the Government to enforce Kenyanization by limiting the number of trade licences issued to non-citizens and raising the number to Kenyan traders. Additional measures were taken to ensure the success of the Kenyanization programme by launching commercial credit schemes especially tailored to meet the needs of small-scale African traders. The Government also established a network of advisory services to the new African entrepreneurs covering all the districts in the country.

502. In the years following the enactment of the Trade Licensing Act, remarkable progress was made in the transfer of business from non-citizens especially in the rural areas. The Act was administered in such a way that these non-citizens who were displaced from small businesses in the rural areas were allowed to invest in other activities such as manufacturing and large-scale commercial enterprises. Although the Kenyanization programme was quite successful in those earlier years, the evidence submitted to this Committee indicates that a significant degree of de-Kenyanization has taken place in recent years. Many of the businesses that were Kenyanized in the initial stages of the programme are now back in the hands of non-citizens. The reasons for the re-transfer of businesses to non-citizens vary from ineffective enforcement of Trade Licensing Act to unfair business practices and the lack of commitment on the part of some of the Kenyan beneficiaries of the programme. All told, the Kenyanization programme cannot be said to have fulfilled the basic objectives that were set for it and there are now very clear indications of glaring inequalities between the indigenous people and the migrant non-African communities.
503. The whole question of Kenyanization is an economic as well as a political issue. At independence, the pressure to Kenyanize was justifiably motivated by the need to correct past imbalances and inequities in the ownership, control and use of domestic resources. After attaining political independence, it became a major objective of the country to achieve economic independence as well. In Sessional Paper No. 10 of 1965, the KANU Government stated that it would work towards the prevention of socio-economic stratification by eliminating the risk of foreign economic domination and by planning the development of the country in a way that would prevent the emergence of antagonistic classes. It stated that African Socialism would not permit the emergence of a class problem and would therefore restrict and guard against both foreign and domestic concentrations.

504. In the view of this Committee, the continued promotion of Kenyanization in the commerce sector is an absolute necessity and in keeping with the national objectives stated above. A large body of opinion in this country holds the view that failure to achieve equity in the commerce sector and the emergence of dominant economic, ethnic or racial groups poses great dangers to our political and economic stability. Given the current levels of unemployment and poverty among Kenyans, the need to redress economic imbalances and inequalities through Kenyanization cannot be over-emphasized. Indeed, it is the ultimate interest of citizens and non-citizens alike to ensure that the future stability and growth of this country is not jeopardized by glaring inequalities between individuals, races or ethnic groups.

505. In some political quarters, the Kenyanization programme has been interpreted as a process by which the wealth of the nation is to be redistributed along racial or ethnic lines. This begs a number of questions which for lack of time and space we do not wish to discuss here. Suffice it to say that in the firm opinion of this Committee, the Kenyanization programme is intended to achieve a more equitable distribution of opportunities between the various groups or communities that contribute to the stable and sustained growth of the economy. In this regard, we recognize that many of the non-citizens who may be displaced through the Kenyanization programme have ample opportunities to invest in areas where Africans have not made a breakthrough. We therefore recommend that, upon the Kenyanization of the distributive system, those non-citizens who are displaced in the process be encouraged to venture into new areas of investment where they can not only get good or better returns but also contribute to the overall growth of the economy.

506. Legislative measures currently in force provide a good basis for the implementation of the Kenyanization programme. However, there is need to improve and strengthen the administrative machinery responsible for the implementation of the programme. It is also necessary for Kenyans who take over businesses from non-citizens to display a sense of commitment
and purpose by not selling the businesses back to non-citizens. *We therefore recommend that all businesses once Kenyanized should remain in Kenyan hands and should not be sold to non-citizens without the approval of the Trade Licensing Advisory Committee. We further recommend that partnerships between Kenyans and non-Kenyans be discouraged even where the Kenyan partner has majority share-holding.*

507. The Committee notes that in spite of the legal provision in the Trade Licensing Act that non-citizens should not trade in specified goods, there is evidence to indicate that non-citizens are in fact trading in such goods. This is mainly due to lack of enforcement or deterrent penalties. *We therefore recommend that the enforcement of this legal provision be intensified.*

508. In making the above recommendations, we are keenly aware that mere transfer of businesses from non-citizens to citizens will not fulfil the basic objectives underlying the Kenyanization programme. There will therefore be need to adopt a new strategy which ensures that the businesses that are Kenyanized remain viable, profitable and effectively under the control of Kenyans.

509. As we have previously stated, the 1967 Trade Licensing Act has been the main instrument through which the Government has enforced the Kenyanization programme. By and large, the enforcement of the Act has resulted in the emergence of many businesses in Kenyan hands but which have subsequently run into problems and others which have collapsed altogether. In this sense, the Committee is of the view that the Kenyanization programme has not been entirely successful. *We therefore recommend that in future, the thrust of the Kenyanization programme should shift its emphasis from mere replacement of non-citizens with citizens to an all-embracing strategy which ensures the viability and growth of business in Kenyan hands. It should be realized that the issue of non-citizen traders is not the only problem facing the commerce sector. As we shall elaborate later in this chapter, there is also the problem of competition between the large, well-established businesses and the small-scale ventures largely owned by Africans. Indeed, this is a very important issue in places like Nairobi, Mombasa and Kisumu. There are also disparities between rural and urban commercial sectors.*

**Credit**

510. Within the framework of the new strategy that we have recommended, the process of lending to commerce, its administration and the accompanying institutional framework will require major reforms. Currently, the main sources of credit are commercial banks, the I.C.D.C. and the District Joint Loan Boards. Although these institutions have contributed significantly to trade expansion over the years, there are certain constraints which must be removed if the sector as a whole and the small-scale African businesses in particular are to prosper in the future. Such constraints have included poor
administration of loans resulting in substantial defaulting in repayments, unfavourable interest rates, imbalances in lending between the rural and urban areas, and the absence of an effective extension service.

511. In the past, the I.C.D.C. and the District Joint Loan Boards, and to a lesser extent, the commercial banks have provided the bulk of credit to traders in the rural areas. All indications, however, are that this service has not been extensive enough largely due to rigid loan conditions. The insistence on the production of substantial collateral such as land titles has denied access to credit to many Kenyans who most deserve it.

512. In order to ensure that available credit goes to as many people as possible, the Committee recommends the establishment of a Credit Guarantee Scheme for the commerce sector. The scheme should be implemented in two ways. Under the first approach, Government funds set aside for lending to the commerce sector should be channelled through the commercial banks. These would include the funds currently administered by the Commercial Loans Revolving Fund of the I.C.D.C. and the District Joint Loan Boards. The commercial banks would then lend out the funds to individuals vetted by both the Government and the banks on the basis of an agreed formula which among other things will ease the conditions under which a trader can qualify for a loan. The banks are in a position to monitor the accounts of loanees on a daily basis and this in itself will help reduce the rate of defaulting. It will also avail credit to traders who would not otherwise qualify for loans due to inadequacy or lack of security or an established business performance record.

513. Under the second approach, commercial banks will be encouraged to give out loans from their own funds to traders who would not otherwise qualify albeit under a Government guarantee. The Government, through the I.C.D.C and the District Joint Loan Boards, would in effect indemnify the commercial banks against loan defaulting by such traders. Elsewhere in this chapter, we have recommended that all the commercial banks be encouraged to increase their services in the rural areas. Once this is done it will make the Credit Guarantee Scheme all the easier to administer.

Business education and extension

514. In addition to the various recommendations that we have hitherto made regarding trade development and especially at the small-scale level, we wish to stress here the importance of business education and extension services. In any field of human endeavour, knowledge and skills are invariably decisive determinants of success or failure. In the Kenyan context, lack of business knowledge, skills and techniques among our people has been a major impediment to trade development. This dearth of business education and training is at both the business management and small-scale entrepreneurial levels.
515. Over the years, the Government has made efforts to redress this situation by establishing various training facilities for imparting business skills. Such facilities include the University of Nairobi, the Kenya Polytechnic, the Kenya Institute of Business Training, etc. In some of these facilities, the training objectives have not been linked to identified demand and therefore the impact of these efforts has been very little. In Chapter XI of this report, we have made detailed recommendations on how business education and training should be organized in future. In particular, we have recommended the establishment of a school of business which we believe, will contribute significantly to trade development in this country.

516. Besides business education and training, there will be need to establish an effective extension service covering the whole country. As we noted earlier, previous credit schemes have suffered greatly from loan defaulting. One of the reasons for this is that once traders are given loans, very little follow-up is done to ensure that the loans are being put to good use. Currently, the main agents of extension are the district trade officers and, to some extent, the provincial representatives of the I.C.D.C. Investment by this Committee reveal that the existing extension services have generally been ineffective. Far from assisting a fledging trader by solving his practical operating problems, the extension agents have tended to be more concerned with licensing and loan collection matters.

517. The Committee therefore recommends that the Management Service Division of the I.C.D.C. in co-operation with the district trade officers should establish a network of extension services for the benefit of traders throughout the country. When the Credit Guarantee Scheme is implemented commercial banks will be able to monitor the performance of their loanees. The I.C.D.C. on its part will assist the loanees by providing field advisory services on their day-to-day problems. It will advise traders on the most appropriate businesses to undertake; it will advise traders on the pricing, display, etc., of their goods; it will prepare and disseminate appropriate market information to traders; and lastly, it will develop a comprehensive programme of business education by organizing courses, seminars and workshops.

Efficiency and competition

518. As mentioned in paragraph 509, one of the major obstacles to trade development in Kenya has been the prevalence of unfair business competition especially between small-scale African traders and the well-established enterprises. This has in turn affected the efficiency of the distributive system, resulting in unjustifiably high costs and thus high prices to consumers. Evidence submitted to us indicates that competition between citizen and non-citizen traders on the one hand, and competition between the well-established and the up-coming citizen traders on the other hand has had very serious
implications for trade development in general and for the equitable distribution of incomes in particular. Above all, it has had a very negative effect on employment generation in the sector.

519. Before the Trade Licensing Act was enacted, the distributive system was largely in the hands of non-citizens. They controlled both the wholesale and retail outlets and were able to establish monopolistic operations right from the larger enterprises in the urban areas to the less lucrative ones in the rural areas. When the Act was passed, however, it became possible for the Government to break some of those monopolies by determining through licensing mechanisms, the type of business areas where a given trader could be allowed to operate in.

520. Over the years, these controls appear not to have been rigorously enforced and our information is that there are still some businesses, both citizen and non-citizen, which hold monopolies right from manufacturing to wholesaling and retailing. The effects of the existence of these monopolies have been to stifle fair competition, equitable distribution of incomes, the efforts to increase efficiency in the commerce sector and, very importantly, they have had the effect of stifling the creation and equitable distribution of income-earning opportunities. Having regard to the need to increase employment opportunities in this sector, the Committee recommends that in future, no manufacturer should be allowed to engage in the distributive trade. Exceptions to this rule should only be considered where, for instance, a manufacturer is introducing a new product which needs to be pushed into the market on a subsidized basis.

521. Within the distributive system itself, the Committee believes that many more employment opportunities would be created if, as a rule, wholesalers were not allowed to engage in retail trade. We recognize that this may not be easy to implement but with the exercise of some flexibility, it could raise employment levels in the sector. We therefore recommend that through the licensing machinery, the Government should discourage wholesalers from engaging in retail trade except in cases where the distribution is done through the co-operative movement or in cases where small-scale traders in the rural areas would be justified to combine wholesaling and retailing due to the size of the markets or the nature of the product.

522. As a further effort to achieve fairer competition and the participation of the greatest number of Kenyans in the distributive system, we recommend that where appropriate, the Government should encourage Kenyans to venture into commerce through the co-operative movement. In the rural areas, the participation in trading activities by co-operative societies has already taken root although the potential is not fully exploited. We believe that the participation of co-operatives in such activities as the distribution of agricultural inputs would not only contribute to agricultural production but would also create more employment opportunities.
Town plots and business premises

523. As in any other field of development, the growth of the commerce sector is dependent upon the availability of infrastructural facilities. Indeed the optimization of this sector's potential in employment creation will depend to a large extent on the physical infrastructural facilities that are made available to areas that show great promise for trade development. Elsewhere in this report, we have recommended that Government should accelerate the provision of those basic facilities which not only create new jobs but which are catalytic to overall economic growth especially in the rural areas. These include rural electrification, telephone and telegraphic facilities, water, rural roads, etc.

524. Besides these facilities, the Committee considers that the provision of plots in the various market centres and townships has a direct relevance to the development of trade particularly in the rural areas. At present, town plots are allocated in such a haphazard manner that they hinder development in the areas concerned. The plots are given out without proper plans for development and this leads to speculation and unnecessary delays in developing the plots. The Committee therefore recommends that in future, town plots should not be allocated unless and until comprehensive plans have been drawn up spelling out the purpose for which the plots are intended and specifying the time period over which the plots must be developed. We further recommend that a plot allottee who fails to develop his plot within the specified period, should not be allowed to sell it and instead the plot should revert to Government for re-allocation. This will stimulate development.

525. Once the process of plot allocation is streamlined, a system must be created to ensure that the premises constructed on these plots are put to optimal use. As rural incomes have grown over the years, people have been able to construct business premises in scattered trading centres which are now idle or grossly under-utilized. In some centres, therefore the problem is one of poor town planning as well as excess and under-utilized capacity. The remedy for this problem lies then in the introduction of a programme to ensure that all the business premises already in place are put to productive use. The committee recommends that such a programme be implemented by the I.C.D.C. as part of its extension service to the commerce sector.

526. One other factor which has adversely affected trade development relates to the high rents being charged for business premises. This has been a particularly serious problem in the urban areas where non-citizen traders have attempted to defeat the purposes of the Kenyanization programme by inflating rents for business premises. The Government became aware of this problem as early as 1965 when it established the Business Premises Rent Tribunal for the purpose of protecting tenants in business premises from exploitation or harassment by their landlords. In order to ensure that unreasonably high rents do not pose a constraint to the entry of entrepreneurs
into the commerce sector, the Committee recommends that the Business Premises Rent Tribunal should be strengthened to enable it to extend its services to all parts of the country by increasing its inspectorate personnel.

External trade

527. As we noted in paragraph 494, external trade is of very great interest to this Committee because of its important role in the economy and because of its potential in the creation of income-earning opportunities. On the one hand, Kenya's economy depends heavily on imported intermediate and capital goods and petroleum which together account for over 80 per cent of our import bill. On the other hand, exports constitute approximately a third of the output of goods and services in the economy. The effects of this imbalance between imports and exports has been to reduce the growth rate of the economy and therefore the capacity to generate employment.

528. The overall Government objectives in the foreign trade sub-sector have been to achieve a long-term balance between export earnings and required outlays on imports; expansion of both export and import trade; diversification of exports, markets abroad; and attainment of high quality in our export products. The strategies adopted to achieve these aims have included the reduction of imports through local import-substitution industrialization, promotion of export-oriented activities both in the industrial and agricultural fields and an intensified export promotion campaign aimed at diversifying markets for our export products.

Import trade

529. In reviewing the growth of import trade in Kenya, this Committee has been concerned that efforts to achieve a balance between import outlays and export earnings have largely been unsuccessful and the growth of the economy has been seriously impaired in the process. Some of the factors contributing to this situation are external and can only be overcome in the longer term. These include the international prices of our imports which in recent years have risen much higher than those of our exports.

530. During the life of this Committee, the economy has been gripped by serious foreign exchange difficulties which have resulted in many firms declaring redundancies or closing down. From the evidence we have received, this problem has been due to real shortages of foreign exchange as well as to poor administration in the allocation of available foreign exchange resources. It is heartening to note, however, that major reforms in import control have been introduced in recent months. We are confident that if these measures are rigorously implemented, they will put the country back on the road to economic recovery. The one point we wish to emphasize is that for the foreign exchange allocation process to be effective, the Government
should seek to establish closer consultations with the private sector. In this regard, we recommend that the Joint Industrial Consultative Committee should assume an additional role of advising the Government on the whole question of foreign exchange allocation. In order for it to play this role we recommend the inclusion of the Federation of Kenya Employers in its membership.

531. The role of the reconstituted Joint Industrial Consultative Committee should be to monitor and to advise Government on the various matters relating to foreign exchange allocation. We foresee that, once the Government has indicated the amount of foreign exchange to be made available in a given year and has also indicated the amounts to go for various priority areas and sectors, the Joint Industrial Consultative Committee’s responsibility will then be to advise on what goods to be imported and what companies to be licensed to import for each quarter, on the basis of an annual pre-determined quota. The actual licensing of imports will be done through the Ministry of Commerce and the Central Bank of Kenya who will be making quarterly reports to the new committee for its information and consideration. In the view of this Committee, such an arrangement will not only speed up the issuance of licences and foreign exchange allocation but will also restore the confidence of the private sector.

Export trade

532. The importance of export trade becomes evident when one considers that we depend on export earnings for the purchase of imports essential to the growth of the economy. For several years now, Kenya’s balance of trade has been in deficit and the 1979-83 Development Plan projected that this position would remain the same for several years unless certain structural changes were effected in the domestic economy. As of 1981, Uganda and Tanzania were the only trade surplus markets although the surplus itself dropped from K£78.1 million in 1980 to K£57.8 million in 1981. All the other markets outside East Africa recorded substantial trade deficits despite curbs on selected imports.

533. As already mentioned, one of the major obstacles to Kenya’s export trade is the fact that our exports are largely agricultural products whose prices are subject to international cartel and market fluctuations. Despite the Government’s efforts to widen our export base by making industrialization more export-oriented and diversifying our export markets, no substantial break-through has been made. In Chapters VIII and XI of our report, we have recommended that the Government should intensify not only the export markets but the export products as well.

534. In addition to the above, it will be necessary to intensify our export promotion campaign. The Kenya External Trade Authority was established to provide active assistance to the export promotion effort. So far,
the authority has done a commendable job in finding markets for our
exporters, identifying suitable products for exports and in the preparation
and dissemination of market information and aids on export trade. The
Authority has also promoted the export drive by organizing export training
seminars, conferences and trade fairs.

535. In view of the importance of export trade to the future development
of Kenya, the Committee considers that a more aggressive export drive is
needed now. The Kenya External Trade Authority is currently a department
within the Ministry of Commerce and this is in our view limits the flexibility
needed to conduct the kind of export promotion campaign that will be
required in the future. For instance the intricacies of export trade require
highly qualified and specialized personnel which the Kenya External Trade
Authority can never hope to attract in view of the remuneration levels in
the Civil Service. Similarly, it cannot be hoped that a department within the
Civil Service could overcome bureaucratic limitations and be able to engage
in the complex operations necessary for export promotion as well as the
actual participation in export trade.

536. The Committee therefore recommends that the Kenya National Trading
Corporation which is now mainly involved in the domestic distributive trade
should be expanded so as to shift its opinions more and more towards
export trade. Within this framework, we recommend that the Kenya External
Trade Authority should be transferred to a new department within the Kenya
National Trading Corporation which will be responsible for external trade.
The implication here is that once the Kenya External Trade Authority is
transferred to the KNTC, the Department of External Trade within the
Ministry of Commerce will assume all functions related to the formulation
of policy guidelines, provisions of legal support to export trade and the
harmonization of export trade objectives with other aims of the Government
as part of the portfolio responsibilities of the Ministry of Commerce.

537. On its part, the Department of External Trade within the Kenya
National Trading Corporation will be involved in the actual operations of
both export trade and export promotion. In the case of export trade, the
Committee envisages that the Kenya National Trading Corporation will
establish an "export house" to encourage new entrants into the export trade
and thus actively involve itself in actual trading. As regards export promotion,
the Committee feels that Kenya National Trading Corporation will be in
a good position to open trade missions in all our markets abroad especially
those in which it is possible to conduct export trade only through state trading
organizations. The Kenya National Trading Corporation will also be in
a good position to organize training seminars and trade fairs because of its
familiarity with both the export markets abroad and the availability of export
products at home. Lastly, the Kenya National Tarding Corporation would
be responsible for the administration of the Export Credit Guarantee Scheme.
538. In making these recommendations, the Committee is aware that Kenya's ability to expand her export trade will continue to be influenced by external forces beyond her control. This notwithstanding, we urge that Kenya continues to play an active part in the various international fora concerned with international trade and development. In this connection, we should give our full support and participate fully in such multilateral organizations such as UNCTAD, EEC/ACP, PTA etc.

539. There will also be need to strengthen our bilateral trade relations. The Committee sees great scope for expanding our trade with both the African countries within the framework of the Lagos Plan of Action and countries in other regions of the world with whom we could establish mutually beneficial trade relations. We therefore recommend that the Government should review Kenya's diplomatic representation in those countries identified to have potential for increased trade. In this regard, we also recommend that the Government should take an early decision regarding Kenya's representation in Genera which is the headquarters of many international organizations and where our presence will greatly enhance our participation in the work of these international organizations.

Money, banking and insurance

540. Future possibilities for this nation to find solutions to the deteriorating problem of unemployment will depend on the extent to which we stimulate and sustain growth in all the employment generating sectors of the economy. A major pre-condition for such growth will be the ability of the economy to create and maintain conditions conducive to rapid increases in domestic savings and investment. This in turn will depend on the adoption of appropriate and effective monetary and fiscal policies by the Government. In this section of the Report, we evaluate the role of financial and insurance institutions in the mobilization of financial resources for investment in employment generating activities. Such institutions include the commercial banks, the non-bank financial institutions such as the building societies, savings and credit societies, and the insurance institutions.

541. Immediately after independence, the Government adopted fiscal and monetary policies intended to direct resources to areas of high economic returns in order to accelerate economic growth and raise the standard of living for its people. This has resulted in continuous growth in domestic savings and credit in the economy but due to the high rate of population growth and other adverse economic factors the country's capability to cope with the unemployment problem has been adversely affected. Since possibilities of solutions to the deteriorating unemployment problem must continue to rely on the efficient allocation of domestic resources in areas and activities with high employment growth potential, Government fiscal and monetary policies must continue to be directed towards the realization of this goal than has happened hitherto.
Banking activities

542. Besides facilitating normal trade, banking operations play a very important role in domestic resource allocation. In the entire banking system, commercial banks account for over 80.0 per cent of total deposits and 70.0 per cent of total credit. By the end of 1982 there were seventeen commercial banks with 292 branches operating throughout the country. Nine other foreign banks operated representative offices in Nairobi. The current banking facilities in the country are considered reasonably adequate for the current level of our young economy. It is believed in certain banking circles, however, that Kenya is over-banked, that is, it has too many banks chasing too little money. This is of course a matter of opinion.

543. The distribution of banking facilities in the Republic is also a significant factor in determining the possibilities in the economy to raise maximum savings and in achieving optimum mobilization of savings and credit. Banking facilities in this country are to a large extent centralized in urban areas where, encouraged by economic and historical factors, there is continuous expansion in productive activities, better infrastructure and transport facilities. The three largest commercial banks, Kenya Commercial Bank Limited, the Standard Bank Limited and Barclays Bank of Kenya Limited have their headquarters in Nairobi and operate a substantial branch network in the major towns supported by mobile bank units in rural townships and outlying areas. The rest of the commercial banks are situated in the country’s four main urban areas of Nairobi, Mombasa, Nakuru, and Kisumu, thereby denying the rural areas of the much needed banking facilities necessary for stimulating economic growth and hence employment opportunities.

544. The evidence we have received indicates that much of the funds generated by banks in the rural areas have tended to be transferred to the urban areas for investment in industries, etc. This is not only inequitable but also retards rural development. The Committee therefore recommends that banks be encouraged to ensure that a commensurate share of savings generated in the rural areas is retained and invested there.

545. In the past, one of the factors that have discouraged commercial banks from establishing more branches in the rural areas has been the lack of basic infrastructure and suitable premises. The Committee therefore recommends that in order to encourage commercial banks to go rural, the Government should intensify its efforts in providing adequate infrastructural facilities in all areas with high growth potential. With regard to business premises, the Committee recommends that where it may not be economical for the bank to construct its own premises, possibilities should be explored for the use of the many permanent buildings that are now lying idle in most of the rural centres.
546. Under the current banking regulations, commercial banks are required to extend a minimum of 17 per cent of their total credit to agriculture. This regulation is intended to ensure adequate accessibility to credit by farmers so as to help them improve their output and incomes. However, our evidence is that the banks have by and large concentrated their credit facilities to large-scale farming enterprises much to the neglect of the small farmer. The Committee therefore recommends that the regulation should be amended so as to stipulate what proportion of the 17 per cent requirement is to be specifically directed to small-scale farmers.

547. Growth in domestic savings and credit alone cannot ensure growth in investment in all sectors of the economy. Access to credit by those who require it and its efficient investment are even more important. The improvement of the accessibility of as many people as possible to credit facilities requires not only the availability of adequate banking facilities and finances but also the relaxation of the conditions on which the credit is extended.

548. For many years, land has remained the main collateral for loans in this country, a factor that, to a large extent limits the number of people who can qualify for loans. On the one hand, rapid population growth and other factors have increasingly diminished the possibilities of many people to own viable land holdings. On the other hand, the land consolidation and registration programme is still incomplete in many parts of the country. This automatically denies many people wilt pieces of unregistered land opportunities to seek financial support from commercial banks. There are also many people who possess technical skills and/or qualifications in various fields who, if they gained access to credit, could profitably employ themselves and help to support the economy.

549. While recognizing the basic need for adequate security, this Committee strongly believes that much more could be done to relax these requirements in order to avail credit to some of the entrepreneurs who may not have land or property but have the skills and proven ability to produce. In order to reconcile the two arguments, the Committee recommends that all financial institutions should spend funds in strengthening or establishing efficient management service units that would provide the much needed business management service by closely monitoring and evaluating business performance of their loanees and also identifying possible entrepreneurs who could benefit by acquiring credit. Such a service would include advice on accounting systems, budgetary control, business and financial management. This will make it easier for lending institutions to diagnose and prescribe curative measures to business before they collapse.

550. The Committee is aware of cases where recovery efforts of the financial institutions have been frustrated particularly in the disposal of land pledged as security for loan funds. Such instances have involved land owned
and pledged by well connected individuals, clans or communities who resist recovery measures and continue to default with impunity. This tendency cannot be tolerated and the Committee therefore recommends that in all such cases, the relevant arm of the Government should intervene and either assist the lending financial institutions to dispose of the charged land or if there are no buyers, the Government should acquire such land for public use as cattle dips, schools, clinics, market centres, etc.

Non-bank financial institutions

551. Non-bank financial institutions have become another important source of raising essential domestic savings for investment in development projects and other productive employment generating activities. All these institutions are licensed under the Banking Act but because their operations are subjected to less restrictions that those applicable to commercial banks, there has been a prolific growth of these institutions particularly in the latter half of the 1970s.

552. The past rapid growth in the establishment of non-bank financial institutions has been accompanied by a corresponding increase in the supply of money in the economy, particularly in the wake of the temporary boom period of 1976-79. The ratio of non-bank financial institutions credit in the total banking system credit to the private sector just about doubled from 18.5 per cent in 1971 to 36.7 per cent in 1981. Lending by these institutions also more than trebled between 1978 and 1981. It is also important to note that the major part of the expansion in non-bank financial institutions’ credit operations has occurred during the era of credit squeeze in the economy after 1978 “coffee boom” period. By their very nature, these institution’s credit operations has occurred during the era of credit squeeze and other parastatal organizations by offering very attractive rates of interest. Due to the credit squeeze operations and the fact that they enjoy a greater degree of flexibility than commercial banks, these institutions have also exploited the situation and have charged exorbitant rates albeit to able borrowers but not necessarily ensuring the viability of the projects financed. In the formulation of monetary policies intended to direct the allocation of investible resources in sectors of greatest need, the regulation of some of the activities of non-bank financial institutions has now become too important to be ignored. Indeed, as a result of this realization, the Central Bank of Kenya has already taken initiative to enforce new sets of rules and regulations with a view to rectifying the situation.

553. On the other hand, it is noted that about 45 per cent of total lending by non-bank financial institutions goes to the building and construction sector. This credit extension priority given to the sector by non-bank financial institutions has made it possible for it to maintain positive changes in investment and capital formation while most
other sectors have tended to record declines. The sector has therefore been recording stable and rising employment especially for semi-skilled and unskilled workers, technicians and artisans. Non-bank financial institutions also extend credit to other sectors of the economy especially manufacturing and commerce which together shared 27.0 per cent of the total credit in 1981. In the recent past, the Government has also increased its borrowing from these institutions. It is noted that recently there has been a tendency for non-bank financial institutions to allocate higher credit to the sectors that suffer immediate short-term credit needs and reduce credit where it was mainly intended to benefit on medium- and long-term basis. As a phenomenon of the recession period, the justification of such changes in financial resources allocation in relation to employment is to retain those already in employment and avoid impending lay-offs.

554. It has been noted that some of the activities of these financial institutions have been instrumental in tilting the variables which Government monetary policies are intended to streamline in order to achieve development objectives. The Committee therefore recommends that the Government should continue to regulate the operations of the non-bank financial institutions with a view to ensuring their compliance and responsiveness to the country's development objectives.

The stock exchange

555. The operations of the stock exchange and the money market are highly specialized and include: purchase and sale of shares stocks or bonds, new issue facilities of private placing, stock exchange placing, offers for sale, public issues by tender or by prospectus, underwriting of new issues and other facilities connected with the above-mentioned activities. There is only one stock exchange in Kenya, namely, the Nairobi Stock Exchange, which is also the most developed of such institutions in this part of Africa. Indeed, the operations of the exchange have greatly enhanced the growth of Nairobi as a major financial centre. This is a positive development which if enhanced would result in greater capital flows with the attendant benefits to our economy.

556. The Committee notes that the majority of the large private and the publicly-quoted companies are still under the control of foreign investors and that this situation is unlikely to change in the near future, thus denying the wananchi their right to actively participate and control the resources that govern their social and economic welfare. In these circumstances, the Committee recommends that the Government should take such appropriate measures that would encourage and enable (including providing finance and credit through the relevant parastatals) the citizens to buy shares in these large companies. For this purpose, it is further recommended that the Government should disinvest in the non-key industries and that the shares
so released be passed on to indigenous Kenyans who should be granted loan facilities at reasonable terms. In this regard we are in accord with the recommendation by the Working Party on Government Expenditure.

557. The Committee noted that even where company shares are publicly quoted, the ownership is still dominated by the foreign investors and consequently substantial sums of dividend income are repatriated annually. This Committee believes that the situation is not politically prudent nor socially desirable and should not be allowed to continue indefinitely. The Committee therefore recommends that the Government initiates a programme in consultation with the Nairobi Stock Exchange which would ensure that a certain proportion of shares of a public issue is reserved and only transferable to indigenous people or co-operatives. This has been successfully done in the case of the I.C.D.C. Investment Company.

Insurance activities

558. Insurance facilities have become another essential vehicle of tapping and mobilizing financial resources in development activities in the economy. By providing protection against financial losses to the public, insurance companies maintain stability in the economic performance of various sectors of the economy. Insurance companies also engage in direct investments, thereby building up the capital stock and the employment capacity of the nation.

559. The Committee has observed with satisfaction that the range, scope and extent of the services offered by the sector have increased substantially in the recent past as can be seen from the rapid growth in the number of new insurance and insurance broking companies. There were about 50 insurance companies and brokers in the country by 1981, a majority of which are foreign-owned and operate in Nairobi, Mombasa, Nakuru and Kisumu. Most insurance business operations are non-life, mainly fire, motor vehicles and marine. A comparison of the gross premium, gross claims and management of insurance companies of 1976 and 1979 (see Table XLIII) reveals rapid growth during the latter half of the 1970s. Between the two years 1976 and 1979, the apparent surplus for non-life insurance more than quadrupled and that for life more than tripled. The apparent surpluses of insurance firms is a reflection of the magnitude of savings that may be available for investment.

560. Domestic investment by insurance companies rose from K£20 million in 1975 to K£37 million in 1979. Most of the investment funds available in insurance companies have been directly invested in real property both residential and commercial in urban areas. These investments have contributed to growth in employment opportunities in the building and construction sector and at the same time eased the shortage of business and housing premises in urban areas.
561. Like the commercial and financial institutions, the insurance companies have their operations centralized and controlled from the major urban areas of Nairobi, Mombasa, Nakuru and Kisumu, from where they provide agency services to the small upcountry townships. These agency services are of limited scope, rarely covering the needs of people in the interior rural environs. Yet as vehicles of tapping essential domestic savings to be mobilized in economic development activities, insurance companies have a great role to play in the promotion of rural development and job creation. In this regard, the Committee recommends that insurance companies should be required to use a certain proportion of their policy premium calculated on a percentage basis for the development of their operations in the rural areas.

### Employment and training

562. There are over 20,000 persons directly employed in the banking and insurance institutions in the country. More than half of those employed in financial institutions are accounted for by commercial banks. Generally, employment in banking and insurance requires specialized skills at professional and middle levels, including economists, accountants, insurers, brokers and assessors.

563. Banking and insurance institutions provide training to their employees through in-house training programmes of various group training facilities. Only the Kenya Commercial Bank, Barclays Bank of Kenya, Standard Bank and National Bank of Kenya run their own local training institutions. It is noted that the majority of banking and insurance firms in the country depend mainly on on-the-job training and local courses and seminar facilities provided directly or through consultancies.

564. Training for skills required in the insurance business in the country is done at about 4 levels: firstly, some insurance firms operate their own companies and broker in-house training programmes related to their requirements for insurance skills. Secondly, an Insurance Training and Education
Board set up in 1970 to cater for training requirements of the insurance firms provides courses according to the needs of members on a levy basis. Part-time lectures are used to provide the training. Thirdly, the Insurance Institute of Kenya organizes professional training and professional examinations for member-country employees. Lastly, insurance firms send some of their employees for further training overseas, mainly to Britain. In our view, these training facilities are quite inadequate for an industry that is rapidly expanding.

565. In addition, the system of training business skills in this country is unco-ordinated. The system involves a lot of duplication and under-utilization of capacity in the available training facilities. This unco-ordinated system of training skilled manpower in business management in the country facilitate the immediate filling of occupations where they occur in various organizations in the economy. Within the financial sector, the kind of job opportunities that are expected to arise as the economy expands will require high and middle level specialized skills in financial and business management. The nation will have to ensure that the supply of these skills will be forthcoming when demanded to avoid unnecessary automation. In the view of this Committee, this country urgently needs an all-embracing school of business studies where able Kenyans can be trained in various fields of business management. Such an institution will not only ensure the supply of the required manpower in various sectors of the economy, it will also encourage innovation and investment in business management systems suitable to Kenyan conditions. This Committee strongly recommends that the Government in collaboration with the private sector should establish the school of business studies to ensure the availability and efficient utilization of manpower within the rapidly expanding finance sector. The country is now seriously short of qualified accountants, and we are therefore having to pay heavily to import accountants from overseas. Unfortunately, the present training procedures by apprenticeship are far too slow and inadequate even to serve the present economy. This brings the need for the establishment of a school of business studies.

Energy

566. One major theme which recurs throughout our report is that the future growth of productive employment opportunities will greatly depend on the country’s ability to generate as much economic activity as possible. The Report is equally emphatic that development activities must in future be more sharply and forcefully directed to the rural areas where the problems of under-employment and poverty are most acute. Our employment creation strategy therefore envisages the diversification of economic activities which will create employment opportunities where they are needed most.
567. For these aims to be realized, there will be need for the Government to intensify its efforts in the provision of basic infrastructural facilities which would not only stimulate the initiation of a wider range of economic activities by both the Government and the private sector but which would also enable the people themselves to participate in development activities through self-employment. In this section, we single out for discussion the development of energy as a basic infrastructure which has the twin benefits of creating employment in its own production processes and through its contribution in stimulating economic activities in many other sectors of the economy.

568. It is not in doubt that energy plays a very important role in national development. In the industrial sector, energy virtually ranks in importance with the classical factors of production of land, labour and capital. The whole range of activities related to industrial production such as the actual manufacturing, fabrication, packaging, assembling and the distribution of industrial goods all depend on energy in one form or another. It is evident, therefore, that energy holds great potential for employment creation by facilitating the initiation and expansion of all these activities. More importantly, availability of energy especially in the rural areas greatly facilitates the dispersion and decentralization of industries. This not only leads to more employment opportunities but also facilitates the geographical dispersion of those opportunities in addition to reducing the influx of jobseekers from the rural to the urban areas.

569. The agricultural sector, with all its potential for employment creation, is also greatly dependent on energy. Most agricultural activities, from production to marketing and distribution, require energy in many of its different forms. Such processes include factory processing, manufacture of agricultural inputs and the distribution of its products. Energy also contributes to agriculture by making possible the initiation of irrigation schemes which in the view of this Committee will be one of the most important sources of employment in the future.

570. Besides the manufacturing and the agricultural sectors, virtually all other major economic activities which can contribute to employment creation are dependent upon energy. These include mining, building and construction, processing of forest products, etc. Similarly, many activities in which people could engage in self-employment—such as those of the informal sector—invariably require access to energy.

571. Given these possibilities, it is quite clear that the diversification of economic activities and therefore the creation of more employment opportunities will depend on the extent to which we harness and disperse our energy resources. This will call for the formulation of policies designed to re-structure our pattern of energy use and to diversify its sources. Such policies will have to focus on the need to use available energy efficiently, and to continue to increase its production from indigenous sources. The more energy there is
available, the more the development activities that will be initiated and, therefore, the more jobs that will be created. While some of these measures will take a long time to show quantifiable economic benefits, others hold possibilities for short- and medium-term employment creation and it is in this light that the various forms of energy are discussed below.

**Petroleum**

572. Oil has been and continues to be the main source of energy in Kenya. Of all the commercial energy used in the country, oil accounts for over 80 per cent. The implication of this heavy dependence on one source of energy was brought into sharp focus by the 1973-74 oil crisis which left many world economies in ruin, especially those of the less developed countries like Kenya. From that time, many of the affected countries became aware of the need to diversify their energy sources so as to reduce their dependence on oil. In Kenya, the oil crisis stifled the country's rate of economic growth by diverting more and more resources to oil importation at the expense of other equally important economic needs. The real impact of the oil crisis on Kenya's balance of payments can be deduced from Table XLIV below:

| Table XLIV—Value of Oil Imports and Exports, 1973/74 and 1980/81 (K£Million) |
|---------------------------------|--------|--------|--------|--------|
| Oil Imports                      | 22.3   | 82.1   | 277.3  | 358.1  |
| Oil Exports                      | 21.2   | 45.6   | 160.9  | 158.0  |
| Net Cost of Oil                 | 1.1    | 36.5   | 116.4  | 200.1  |
| Non-oil Exports                 | 140.2  | 165.7  | 326.7  | 350.9  |
| Portion of Non-oil Export Earnings Required to Finance Net Cost of Oil (%) | 0.8    | 22.0   | 35.6   | 57.0   |
| Portion of Non-oil Export Earnings Available to Finance Non-oil Imports (%) | 99.2   | 78.0   | 64.4   | 43.0   |

Source: Ministry of Economic Planning and Development.

As the Table shows, the net cost of oil escalated from K£1.1 million in 1973 to K£200.1 million in 1981. This clearly indicates the magnitude of Kenya's energy crisis and underscores the need for urgent and elaborate measures to diversify the country's energy sources.

573. In its efforts to reduce the country's excessive dependence on oil for its energy needs, the Government has instituted various measures aimed at achieving a higher level of efficiency in energy use. It has also embarked on a programme of diversifying energy sources through the expansion of existing ones and through the development of new forms of energy. In the 1979-83 Development Plan, it is stated that the Government would seek to redirect demand towards less costly and renewable sources; to encourage more efficient use of energy and its conservation in every usage; and, to develop indigenous sources of energy supply.
574. On the basis of past trends, it is quite evident that our economy, especially the formal sector, will continue to be dependent on oil for a considerable period of time, that is, until we can raise substantial supplies from alternative sources. For this reason, the Committee believes that conservation measures aimed at achieving greater efficiency in energy use must continue to be enforced. So far, the Government has achieved some success through taxation measures and through mass media oriented programmes to encourage more efficient use of available energy resources.

575. Although consumption of petroleum products has declined in recent years, the industrial sector, which accounts for about 37 per cent of the total demand for petroleum products, continues to use commercial energy excessively through inefficient plant processes. Studies also indicate that small- and medium-sized industries could reduce their energy consumption by between 20 to 30 per cent per unit of output through greater efficiency in energy use. The Committee therefore recommends that the Government should draw up a set of guidelines on energy conservation which all industries would be required to implement. The guidelines would also require that as much as possible, industries should adopt labour-intensive methods of production which, in addition to conserving energy will create more jobs. The Committee further recommends that in approving new industries in the future, preference should be given to those that would stimulate the development and use of new sources of energy as opposed to those that are heavily dependent upon oil.

576. Another area where conservation measures could be enforced is in the transport sector. According to Government estimates, the transport sector accounts for 42 per cent of all petroleum products consumed in the country. Like the industrial sector, the transport sector has also not been an efficient user of this form of energy and there are instances where conservation measures could be effected. In the past, the Government has been quite liberal about the types and makes of vehicles to be imported into the country. We therefore have on our roads a very wide variety of vehicles many of which are highly energy-inefficient. With the prospect that the availability and cost of oil will remain unpredictable for the foreseeable future, this Committee recommends that the Government should consider limiting the types and makes of vehicles to be imported into the country by giving preference to those that are energy-efficient. In addition to helping reduce our dependence on oil, such a measure would induce the creation of local industries to manufacture vehicle spare parts and thus effect further savings in foreign exchange.

577. Over and above the benefits which would accrue from more efficient use of oil by the sectors that are heavily dependent on it, the Committee views the local distribution of petroleum products as another area where efficiency could lead to the creation of additional employment opportunities.
Currently, Kenya's oil requirements are imported by multinational companies through their local subsidiaries. The subsidiaries in turn appoint agents to distribute the products internally. In effect, the distribution of oil in Kenya is under the monopolistic control of private sector companies which, on the basis of the profit motive have the prerogative to decide what product and in what quantities to distribute to what part of the country. Again on the basis of their own considerations, the oil companies have the prerogative to set prices for the various petroleum products.

578. According to this Committee, the present oil distribution system in Kenya has two major weaknesses. Firstly, the system is highly influenced by profit considerations to the extent that it does not relate to the social and developmental needs of the country. For instance, the establishment of petrol stations is governed more by profitability than by the peculiar needs of different parts of the country. In the view of this Committee, availability of such products as petrol, diesel and kerosene in certain strategic parts of the country can be a major catalyst to the development of those areas. In the rural areas particularly, agriculture, commerce and other service sectors depend on petrol and diesel for both their production and distribution processes. The rural dwellers themselves who have no access to electricity depend on kerosene for domestic use. As a result of the rigidities in the present system, the distribution of oil has not been such as to stimulate development especially in the rural areas. The Committee therefore recommends that in order for the oil distribution system to become more responsive to the social and developmental needs we have alluded to, the Government should draw up an elaborate master plan on oil distribution throughout the country in accordance with our long-term development goals. Such a plan would provide a guide on the country's priorities in the distribution of various petroleum products and on the location of petrol stations, etc. The plan would also give guidelines on the pricing of petroleum products.

579. Once a master plan has been prepared, this Committee envisages that the Government itself could play a catalytic role in its implementation. Currently, the Government supplies petroleum products to some of its administrative centres in remote areas. These products are for the exclusive use of Government departments although it ought to be possible for these supplies to be made available to the local population. The Committee therefore recommends that the Government should open more of such supply points under an arrangement which would make the products accessible to the local people on commercial basis. Subsequently, the supply points could be sold out to private sector operators.

580. Besides the conservation measures discussed in the preceding paragraphs, the Government has also sought to reduce our dependence on imported oil by encouraging the exploration of local sources of oil. Oil exploration has been going on for a long time and although no discoveries
have been made, preliminary results obtained by the oil exploration companies indicate that Kenya could one day discover oil. It is estimated that about one third of Kenya’s land area is considered geologically to have oil-bearing potential. There is also potential in the sea-bed within Kenya’s exclusive economic zone.

581. One constraint that has hindered oil exploration in the past has been lack of a coherent policy to guide the exploration programme. So far, exploration activities have been carried out by multinational oil companies with no Government participation. In recent years, however, the Government has worked out a comprehensive plan which will make it easier for oil companies to step up their exploration activities by spreading out to more areas known to have oil-bearing potential. The Government has also established a parastatal body, the National Oil Corporation, with a mandate to provide a link between the Government and the oil exploration companies. The Corporation will also concern itself with the importation of oil. The Committee endorses these efforts by the Government and recommends that the National Oil Corporation, in addition to its functions stated above, should also concern itself with the local distribution of petroleum products by implementing the recommendations we have made in paragraphs 578 and 579.

**Electricity**

582. Next to oil, electricity is the second largest source of commercial energy in Kenya. While oil provides about 85 per cent of all commercial energy, the balance is provided by electricity which, in the main, is consumed by large commercial and industrial establishments. Apart from the small amount that is imported from Uganda, the main sources of electricity in Kenya have long been locally produced hydro and thermal power, although in recent years geothermal power has emerged as a potentially important source.

583. As of 1981, the total installed generating capacity for hydro, thermal and geo-thermal electricity stood at 540 megawatts (1 megawatt = 1 million watts = 1,000 kilowatts) of which hydro power provided 350 MW. According to the 1982 Economic Survey, the Government had projected that a large share of electricity would continue to be produced from hydro power up to 1993 when there could be a shift with geothermal energy accounting for about 45 per cent of the total capacity then installed. It was also projected that while the share of hydro power would remain at 600 MW between 1983 and the year 2000, that of geothermal power would increase from 30 MW in 1983 to 500 MW in the year 2000.

584. Data on consumption patterns indicate that demand for electricity has been on the increase. Total consumption rose from 1,357 million kilowatt hours (KWH) in 1977 to 1,919 million KWH in 1981. The largest increase was recorded in electricity used by large industrial and commercial consumers.
whose purchases rose from 812 million KWH in 1977 to 1,096 million KWH in 1981. The second most important consumers were domestic and small commercial users whose purchases increased from 339 million KWH to 438 million KWH over the 1977-1981 period. Consumption in off-peak periods for water heating and irrigation increased only moderately from 111 million KWH to 118 million KWH over the same period.

585. From this brief review of the supply and demand for electricity, it is evident that this form of energy has been and will continue to be an important contributor to economic development and therefore to employment creation. It is also evident that, in the past, electricity has largely been consumed in the industrial sector while the sources of electricity themselves have only recently been diversified. The Committee believes that in order for electricity to contribute to the kind of development strategy propounded in this Report, there will be need to diversify not only the sources of electricity but its uses as well.

586. The Committee recognizes that for the foreseeable future, large industries and commercial enterprises will continue to be the main users of electricity. From the point of view of employment creation, this is both inevitable and desirable. However, we also feel very strongly that some diversification in terms of users and geographical distribution could generate economic activities with high employment potential. In this connection, we firmly believe that the Government should now shift its attention to the rural areas through an elaborate rural electrification programme. Many of the recommendations we have made in this Report anticipate electricity as a basic input. Their impact could therefore be dissipated if concrete measures were not taken to provide electricity in areas where growth potential is greatest.

587. It has been argued in the past that the cost of spreading electricity to the rural areas is prohibitive and that the low demand in those areas renders its provision uneconomic. Such arguments may be justified on the basis that the country lacks financial resources on the scale that would be required to spread the service throughout the country. However, from the point of view of the future development of this country the arguments are untenable. The Committee contends that provision of electricity in the rural areas could stimulate a myriad of economic activities which in the end would more than justify both in economic and social terms, the initial sacrifice.

588. To give a few examples, provision of electricity in the rural areas would boost the growth of agriculture by providing power for irrigation, milling of cereals and grains, cleaning and dressing of seeds, drying of grain and seeds, vegetable dehydration plants, machines for milking and cooling of milk, poultry hatching machines, tea and coffee factories, threshing machines, felling, cutting and milling of timber, etc. In addition, availability of electricity would attract investments in the agro-based industries that we
have recommended in Chapter VII. It would also boost the growth of commerce as we have explained in Chapter XI, in addition to giving a new impetus to informal sector activities in the rural areas.

589. From the foregoing, it is quite evident that the provision of electricity to the rural areas would not only generate employment opportunities but would in many ways lead to savings in foreign exchange. The Committee therefore recommends that in the transmission of electricity from the main power lines to consumers across the rural areas, every effort should be made to ensure that service lines pass through all areas that have been recognized to have potential for various economic activities. Electricity could then be diverted to any area or undertaking within the vicinity of the service lines as need arose.

590. Currently, any person or institution that applies for connection to electricity must pay for the stepping down of the power. The charges involved are very high and therefore not affordable by many. We therefore recommend that when laying service lines, efforts should be made to establish stepping down stations at strategic points from which to supply new consumers.

**Geothermal Power**

591. As was mentioned in paragraph 585, one way of increasing the availability of electricity for the various economic activities that require it would be to diversify its sources. So far, the Government has taken a major step in this direction by developing geothermal energy as a supplement to hydro power. The first 15 MW. of geothermal electricity went on stream in 1981 and another 30 MW. will be commissioned by 1984. This is only a small portion of the full geothermal potential which is estimated at 500 MW.

592. One of the obstacles to the development of geothermal energy stems from the fact that it requires long lead-time for general exploration, feasibility studies and the actual exploitation. Lack of trained manpower in geothermal exploitation technology similarly hinders its development and exploitation. Thus according to Government long-term projections, the estimated geothermal potential of 500 MW. will not be realized until the year 1993. The Committee therefore recommends that steps should be taken now to mount a crash training programme for the professional and sub-professional personnel who will be required for the full exploitation of the geothermal potential.

**Mini-Hydro-Electric Plants**

593. In the light of the difficulties attendant to geothermal development and the fact that the large-scale hydro-electric source also takes a long time to develop, the need to find alternative sources of energy becomes all the more imperative. In this regard, the Committee has examined the possibilities
of developing mini-hydro-electric plants to supplement the supply from the national grid. It has been argued in the past that mini-hydro-electric plants are more expensive than large-scale plants because of diseconomies of scale. There is, however, ample evidence to suggest that their development could be justified by the benefits that would accrue to the economy.

594. The Committee contends that investigations of possible sites and the relative costs of developing them could well bring mini-hydro plants on economic parity with the large-scale systems. For example, the cost of transmitting electricity from large-scale sites to remote demand centres is clearly higher than that of installing small-scale plants in those centres. Furthermore, the use of standardized power plants, local materials and labour would be more applicable to small-scale sites and therefore the net cost savings may be sufficient to justify preference for small-scale development.

595. Perhaps the most attractive feature of mini-hydro plants is the potential they hold for providing power to areas which may never have access to power from the national grid for a long time to come. Costs aside, mini-hydro plants have a shorter lead-time and their construction could, in the short- and medium-term, generate important economic activities which in the end would justify the initial cost of installation. Mini-hydro plants would be an ideal source of power for tea and coffee factories, schools, hospitals etc. They would also give impetus to the establishment of small-scale industries within rural communities.

596. In order to facilitate the establishment of mini-hydro plants, it will be necessary to construct dams which, apart from facilitating electricity generation, will be used for many other purposes such as irrigation, fishery development and the provision of water for man and livestock. The whole range of benefits which would accrue from such multi-purpose dams are further discussed in chapters VII and VIII.

597. In view of the possibilities and flexibility of mini-hydro electric plants the Committee recommends that the Ministry of Energy should draw up a master plan for the exploitation of the mini-hydro potential in all areas where they could stimulate rural development and therefore more employment opportunities. Such a plan should focus on the establishment of widespread autonomous plants geared to meeting identified community needs.

598. In making such a recommendation, the Committee is aware that the Ministry of Energy could not of itself undertake such development. We are also aware that the one other public institution that could take up the task—the East African Power Lighting Company—operates on commercial lines and could not, therefore, take up this responsibility. We therefore recommend the establishment of a new parastatal body with the specific mandate of promoting mini-hydro development in Kenya. We are firmly convinced that the benefits which will accrue from such plants in terms of rural development and employment creation more than justify the creation of such a body.
599. If a programme of mini-hydro development were to be launched on a large scale, there exists the possibilities of establishing local industries to fabricate the plants as well as related spare parts. There are also possibilities that this would provide an outlet for the use of local materials. Such a programme would therefore create employment both in the rural areas and in the industrial sector.

Renewable energy

Solar Energy

600. In the preceding paragraphs, we have suggested ways in which the country could diversify its sources of electricity and thus increase its availability. Even when this is done, there will still be need to enforce conservation and efficiency in its use. Since hydro power is not renewable and is often affected by vagaries of the weather, there will be need to supplement it with other possible sources. In this regard, solar energy has now emerged as an important energy source which could be developed to meet the demand for power in cases where electricity is not absolutely necessary.

601. Substitution of electric water heating with flat plate solar energy collectors has been found to be economical for residences and industry. It has also found limited use in crop drying. Although the contribution of solar energy to the national energy supply is minimal at present, Kenya lies within 5 degrees North and South latitude and is therefore well located to exploit solar energy.

602. We have been told that at current off-peak tariff, solar water heaters are not an attractive financial investment for residences. According to Government estimates the cost of installing a 40-gallon tank solar water heater was about K.Sh. 9,500 in 1981. This high cost is due to the high import duties levied on all imported components for the fabrication of these devices, and the 15 per cent sales tax on completed installation.

603. Although the current prices of solar water heaters are relatively high, this should not be seen as a hindrance to the development of this important source of energy. Rather, we think that the production of solar water heaters on a large commercial scale coupled with a review of import duties and sales tax policies for components would reduce their cost and thus increase the demand for them. Indeed, we recommend that the Government should give appropriate incentives to private investors to establish local industries for the manufacture of solar water heaters. Possibilities should also be explored for some of the Harambee Institutes of Technology and the Polytechnics to engage in the manufacture of solar heaters. In order to further increase the demand for them, the Committee recommends that a by-law be enacted within the building code requiring installation of solar water heating facilities in all future developments in residential, industrial and commercial buildings requiring water heating facilities.
604. As we have stated in Chapter X, the 1979-83 Development Plan estimated Kenya's demand for residential housing at 290,000 units during the plan period. In addition, an estimated 125,000 units were required annually to cater for the increases in households. Data on reported private and public buildings completions indicate that completed buildings between 1978 and 1981 accounted for between 37 per cent and 38 per cent of the value of plans approved in that period. These statistics clearly indicate that there will be a potentially large demand for solar water heaters if the recommendations made in paragraph 603 are implemented. This will in turn stimulate the establishment of industries with great employment creation potential.

WOODFUELS

605. Of all the sources of non-commercial energy in Kenya, wood is the most important. It is estimated that between 70 and 80 per cent of all Kenyans use wood as fuel for cooking, heating and a variety of other purposes. The demand for woodfuel in the rural areas as well as among the low-income groups in the urban areas has grown faster than supply, leading to its depletion in catastrophic proportions. Although for the foreseeable future wood will continue to be the main source of non-commercial energy, it is estimated that there could be a deficit by 1985 unless drastic replenishing measures are taken. Deforestation is most serious in semi-arid and mountain areas where it causes serious problems of erosion, siltation and desertification. As fuelwood supplies are exhausted, animal and crop residues are burnt, depriving the soils of valuable nutrients. This situation calls for drastic measures to arrest the destruction and to replenish our forest resources.

606. In Chapter VIII of this Report, we have recommended a comprehensive afforestation programme which will not only increase the supply of this important resource, but will also create new employment opportunities in the rural areas. We have also recommended improvements in the use of wood as fuel so as to achieve efficiency. For instance, production of charcoal by earth kilns has been a contributory factor to the wasteful use of wood as it has been found to be inefficient. Improved production calls for the development of better kilns by using metal or bricks. This will not only enhance preservation of wood resources but will also create jobs in the manufacturing and distribution of the kilns. It will also lead to lower prices for the consumers.

607. In the recent past, it has been recognized that there are possibilities of producing fuel from such other sources as briquets, pellets, agricultural and processing-plant residues such as rice husks, coffee husks, sawdust, etc. Production of fuel from these sources will relieve pressure on wood and provide additional employment. Such production should be encouraged near the sources of such material particularly in the rural areas in order to increase chances of employment. We therefore recommend that the Government
should launch a programme whereby private sector investors would be encouraged to set up small-scale enterprises to produce fuel from these sources.

608. The efficiency of the traditional jiko for the urban areas and the “three stones” for the rural areas is said to be only about 8 per cent efficient. Improved charcoal production should be followed by improvements in its use through the production and widespread distribution of improved stoves. In this regard, the Committee notes that in recent years attempts have been made to develop a prototype jiko albeit without success. There is clearly a need to continue investigations on the type of jiko that would yield greater efficiency in the use of charcoal. The Committee therefore recommends that the National Council for Science and Technology which has recently done some work in this field, should be given the responsibility of conducting further research into the type of jiko that would meet the needs of charcoal users.

609. The employment potential implicit in the combined programme of wood replenishment and its efficient use is clearly evidenced by the projections of the Ministry of Energy which indicate that a programme in agro-forestry involving 2.7 million hectares of farmland, 200,000 hectares of peri-urban plantations at total cost of KSh. 2,700 million would meet 35 per cent of energy requirements up to the year 2000 and provide 100,000 jobs. To provide an equivalent amount of electricity would cost 24 times the amount.

BIOGAS

610. Biogas is one of the most promising forms of non-conventional energy, as a supplement to wood resources for cooking, and electricity for lighting in the rural areas. The attraction of biogas is the fact that the inputs or feedstock, such as dung and crop residues is free and is in great abundance in the rural areas. For this reason, biogas development has generated a lot of enthusiasm throughout the world and countries such as India and China have met with considerable success through its application on a large scale. In Kenya, it is estimated that we can produce enough feedstock to justify the installation of up to 200,000 bio-digesters, each with a production capacity of 4 cubic metres of gas per day. Despite the above however, less than 100 digesters have been installed to-date, and only about 25 are in operation. The high capital costs (about KSh. 3,000 for a simple mabati digester) will not go down unless there is wider application particularly for communities unlikely to have electricity services in the near future and its application for family unit settings will remain an impossibility given the low incomes in the rural areas.

611. From an employment angle, the exploitation of the 200,000 biodigester potential would result in the creation of substantial employment opportunities. On the other hand, as wood gets scarcer, agricultural waste is
being used for cooking. It is recommended that this be used as feedstock for bio-digesters. The most suitable areas for application of this option are livestock farms, fattening operations, community settings in agriculturally potential areas, etc.

612. According to the Ministry of Energy’s estimates, on average, for an 8-hour working day, each digester would require 2 man-hours. Further, given that for livestock to produce dung requires care, it is estimated that one digester would require one man the year round. Thus if we could manage to build even half the biogas-digesters potential, we would create employment for 100,000 people.

613. By the end of the 1984-88 Development Plan, the ministry estimates at least 1,000 digesters for Kenya and the presence of at least one biogas development officer in every district. The biogas/energy officer would work with the District Development Committee in initiating development of local sources of energy (biogas and others). During the construction of the biogas digester, as many as 6 people may be required for short periods of about a week. Thus about 120 man-years are required during the construction phase. Hence including one auxiliary personnel attached to each district (biogas/energy officer) the estimated manpower requirement for biogas development by 1988 is 1,200 which is only about 1 per cent of the practical employment potential of the biogas energy sector.

614. Although the figures given above may seem over-optimistic, it is clear that the potential does exist and we recommend a more expanded programme for biogas development to supplement lighting and cooking fuel in the rural areas as well as generate employment.

WINDMILLS

615. Windmills fell into disuse with the onset of diesel power. The need to save on expensive oil however indicates that their revival for power generation for suitable and remote sites might be economically attractive. Their other uses such as water pumping, grain grinding, saw-milling, etc., could be greatly enhanced, and these activities thus made possible would be sources of employment and income generation. It is therefore recommended that the research in windmills currently underway should be intensified, and that suitable sites for windmills be investigated and implementation carried out on a larger scale than at present. This will allow for a monitoring system on their acceptance and provide knowledge on maintenance and repair problems.

Transport and communications

616. A well-co-ordinated and integrated transport and communications system is essential for sustained economic development. In Kenya, the transport and communication sector has given an invaluable support to the
productive sectors of the economy through haulage of freight, conveyance of passengers and through the provision of telecommunication links thus contributing to trade expansion, productivity and overall economic growth. The importance of this industry is again underscored in its influence on the allocation of the nation’s resources in terms of importation of its inputs such as road vehicles, rolling stock, telecommunication equipment and petroleum products. The amount of resources allocated for the provision of these inputs in turn affects the economy’s capacity for further growth. From the point of view of this Committee, the industry is all the more important in that it supports economic activities which contribute to the creation of income-earning opportunities in addition to its own employment creation capacity. The industry also generates revenue through tariffs, fees, taxes and rates which enable the Government to finance more development programmes.

617. In this section of our report, we examine the various modes of transport, and the services within them, with a view to recommending measures which would add to the present employment levels. These modes include road transport, railways, water, air and pipeline transportation. In the communications sub-sector we examine the telephone, telegraph, telex, satellite and radio-call links as well as the postal services.

618. Available statistics indicate that the transport and communications industry contributes significantly to wage employment. Although private sector transport and communications made relatively small contribution to wage employment between 1978 and 1981, it was the third most important employer within the public sector during the same period.

619. Besides its contribution to direct wage employment, the industry also generates self-employment opportunities to those who run the services such as bus, matatu and taxi owners. It also helps create employment in the rural areas through carriage of goods and passengers which in turn stimulates economic activities and therefore increases incomes and income-earning opportunities.

620. The importance of the transport and communications industry is further signified by its claim on the nation’s foreign exchange resources. Today, 42 per cent of the petrol products imported into the country are consumed in this industry. It will also be realized that most of the vehicles, equipment and spare parts used in the industry are imported. This not only affects the country’s balance of payments position, but also reduces the financial resources available to the Government for investments in other development activities.

Road transport

621. Historically, the development of road transport in Kenya was subsidiary to that of the railway until the late 1950s when a programme was implemented to upgrade the road network so as to diversify the country's
transportation system. Since then, road transport has emerged as the most important mode in terms of its flexibility. Road transport facilities the movement of passengers and goods through the use of busses, matatus, private cars, taxis, motorcycles, bicycles, trucks, vans, tankers, tractors and handcarts. We now examine each of these forms of transport and their economic importance in both urban and rural contexts.

**Buses**

622. Until recently, buses constituted the most widely-used mode of transport in both the rural and urban areas. However, beginning a decade ago, the rapid growth of the travelling public made it difficult for the bus system to cope with the increased demand for passenger transport and other modes of transport such as matatus began to develop. Although those other forms of passenger transport have helped meet the demand, buses still play an important role in the transport system.

623. With regard to the two largest municipalities of Nairobi and Mombasa, the Kenya Bus Services Company (K.B.S.) has traditionally been the main passenger carrier. The Kenya Bus Services Company (K.B.S.) is a subsidiary of the United Transport Overseas of the United Kingdom which owns 75 per cent of the shares while the Nairobi City Council owns the balance. The K.B.S. holds a monopoly franchise with the Nairobi City Council which is due to expire in 1985.

624. Over the years, the Kenya Bus Services has grown to be the only well-organized and reliable mode of passenger transport in Nairobi and Mombasa. In 1981/82 the K.B.S. was operating 316 buses in metro-Nairobi alone, with a passenger carrying capacity of 10 million commuters per month. In terms of employment creation capacity, the K.B.S. generates 7.5 jobs per bus. This means that for every two people operating a bus, i.e. a driver and a conductor 5.5 additional jobs are created for inspectors, cleaners, technicians, etc. As of 1982, the K.B.S. had a total labour force of 2,370 in direct wage employment in the country.

625. Despite the rapid expansion of passenger services provided by the K.B.S., population growth has far outstripped the company’s capacity to meet the demand for commuter transport. Available data indicates that while, for example, the Nairobi population has grown by 18 per cent between 1975 and 1979, the K.B.S. buses have only increased by 9 per cent over the same period. As urban population is projected to grow at an even faster rate in the future, it is quite evident that the K.B.S. will not be able to cope with the demand for passenger transport in the foreseeable future.

626. The Committee therefore recommends that upon the expiry of the present monopoly franchise between the K.B.S. and the Nairobi City Council in 1985, the Government should encourage and promote the establishment of another bus company to operate scheduled passenger transport service to give added capacity in competition with the K.B.S. In our view, this is
the only way that the municipalities of Nairobi and Mombasa and possibly other large towns—can benefit from an urban passenger transport system that truly stimulates economic growth. In addition, the new company will generate additional opportunities for both direct and indirect employment.

627. Unlike Nairobi and Mombasa, other municipalities, towns and the rest of the rural areas are served by buses, matatus, lorries, etc., for passenger carriage. Of all these modes, the country buses, although privately and individually owned, provide the safest and the most reliable form of passenger transport. Through the Government licensing procedures, country buses are required to operate on specific routes at designated times. In this sense, they are more reliable than other rural passenger transport modes. Again through licensing procedures, buses are a potentially safer means of travel in the sense that they are required to be in sound mechanical condition at all times.

628. Besides their usefulness as passenger carriers, country buses also play an important role by supplementing the carriage of goods. Most small traders in the rural areas who cannot afford to hire lorries for the carriage of their merchandise rely heavily on country buses whose luggage charges are quite economic. Similarly, lowly-paid urban workers make use of country buses to transport foodstuffs from the rural areas which help them supplement their incomes.

629. From the foregoing, it is evident that country buses play an important role in the economy and demand for their services will grow even bigger in the future. The Committee therefore recommends that in defining the role of matatus as we have recommended another section of this chapter, the Government should take cognizance of the economic importance of country buses and therefore adopt only those regulatory measures which enhance their effectiveness and therefore their capacity to help create income-earning opportunities.

THE MATATUS

630. As a result of the rapid growth in population and the failure of bus services to meet the demand for passenger transport, the matatus have grown during the past decade to become the biggest competitor to buses. In addition, matatus are a major source of both direct and indirect employment for a large number of Kenyans. According to a study by the Mazingira Institute, for every two people operating a matatu, i.e. the driver and the conductor, two additional workers are employed as manambas, informal garage operators, formal sector vehicle body conversion workers, etc.

631. While a Kenya Bus Service bus generates 7.5 employment opportunities a matatu generates 4. The passenger capacity of a K.B.S. bus, however, is about 95 while that of a matatu is about 25. This means that each K.B.S. bus generates about 0.08 employment opportunities per passenger carried, while each matatu generates 0.16 employment opportunities per passenger.
which is twice as much employment as the K.B.S. In terms of costs per job created per year, the study estimates that it costs the K.B.S. KSh. 11,111 to generate one additional job while the corresponding figure for a *matatu* is KSh. 6,950 at 1982 prices.

632. The Nairobi City Council estimated that there were about 2,200 *matatus* operating in metropolitan Nairobi in 1979. A year later, Coopers and Lybrand estimated that there were between 8,000 and 10,000 *matatus* operating all over Kenya, creating direct and indirect job opportunities for 16,000 to 22,000 Kenyans. A survey conducted by the World Bank in 1980 showed that there were about 100,000 passengers using *matatus* per day.

633. Despite the impressive figures cited above, the bus is the more favoured mode of travel as the *matatus* are invariably dangerously driven, are poorly maintained and some of them do not carry passenger insurance cover. It is this Committee’s view, therefore that in order to sustain and add to the present employment levels within this mode, certain measures need to be taken to ensure *matatu* acceptability. At present, *matatus* are officially registered as private vehicles and are exempt from the “Public Service Vehicles” licensing requirement although they do, in fact, carry passengers for hire or reward.

634. In view of the informal nature of the *matatu* mode of transport, this Committee does not recommend that they be brought under the purview of the law relating to vehicles used for carrying goods and passengers for hire or reward. However, we feel strongly that the present system is inadequate for purposes of regulating *matatus*. We therefore recommend that the Government should introduce a numbering system whereby upon the issuance of a vehicle licence, every *matatu* would be given an official number. This number would not only identify the *matatu* as such, it would also be used for purposes of insurance, determination of passenger capacity, the rate of licence fees, etc. In addition to the uniform numbering system, we further recommend that *matatus* should have one colour for ease of identification.

635. Since 1980, all *matatus* are required to carry passenger insurance cover. Although we have not been able to establish the extent to which this requirement is being complied with, we recommend that the police should enforce this requirement with utmost vigour. We further recommend that, in order to ensure passenger safety, all *matatus* should be made to undergo mechanical inspection for roadworthiness at least twice a year.

636. At present, the regulation of the *matatu* enterprise is done by the Matatu Owners Association, a wholly voluntary organization composed of owners of *matatu* vehicles. In view of its voluntary nature, the association has no powers to enforce measures which would promote the image and viability of *matatus* as an enterprise. We therefore recommend the creation of a legally constituted national organization with branches in all parts of the country. *Such a body would not only control entry, routing and operating standards*
and ethics in the enterprise, it would also be able to mobilize credit finance for members who would then be required to comply with the laid-down standards. We further recommend that membership to such an organization be made mandatory for all matatu owners. Matatus operating in the rural areas with scarcity of buses and other means of transport could be treated with less stringency as necessitated by circumstances.

TAXIS

637. Taxis are a specialized form of urban travel largely confined to the larger urban centres. In Nairobi, a well-organized taxi service is provided by the Kenatco Transport Company, a parastatal body. Its services are widely used by tourists especially for short runs from airports to city centre and within the city centre and its environs. Also in Nairobi and a few other municipalities, there exists private taxis operated by individual owners and largely catering for local clientele.

638. With the growing demand for specialized urban transport particularly due to the growing tourism industry, taxis are in ever greater demand. It is the view of this Committee that the demand patterns for this service are such that a large and better organized taxi system is required. We therefore recommend that taxi services in the major urban centres should be better organized to meet the demand for this type of transport and thus generate more employment opportunities.

BICYCLES

639. Bicycles are a cheap mode of transport which has largely gone into disuse with increased use of motor vehicles which pose danger to cyclists particularly in the urban areas. Encouragement of the use of this mode would not only save on transport costs, it would also ease over-crowding in the public transportation system. Of direct relevance to this Committee is the fact that with this greater demand for bicycles, local manufacturing will expand with more employment in manufacturing and repair services both in the urban and rural informal sectors.

640. The benefits mentioned above make the bicycle worth consideration and we therefore recommend that urban and town council physical planning should make provision for exclusive cycle tracks between residential and places of work. We further recommend that employers should be encouraged to provide loans to their employees for the purchase of bicycles. Tied up with escalating transport costs, walking should also be encouraged. In this connection, urban road design should provide for exclusive pedestrian passages, for regular maintenance of footpaths, provision of guard rails, foot bridges and subways or underpasses plus more pedestrian crossing facilities. This will encourage more people to walk, reduce pedestrian/vehicle conflicts and accidents, and congestion on roads and public transport vehicles.

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Motor-cycles

641. Low engine capacity motor-cycles are just as efficient if not more efficient, speedwise, as motor vehicles. Their attraction is, however, that they consume far less fuel. *We recommend that these should be used for dispersed services by such people as school inspectors, meter readers, meat inspectors, mail delivery and such similar services both in the public and private sector operations in both urban and rural areas.*

Handcarts

642. Handcarts are a common feature of sizable urban goods transportation. They serve a particular clientele and offer a wide variety of services in the informal sector for bulky goods carriage and thus provide substantial employment and earnings for the operators. The only hindrance to more widespread use of this mode is its slow speed causing traffic jams. *We recommend a motorized design for the handcarts as well as retention of the present one to allow the operators an option and in order not to lower employment among the present operators. A motorized handcart in the rural areas for example would be a cheap and welcome transport mode for movement of farm produce both on farm and off-farm to the market centres. The donkey cart is also a useful mode of transport and it should be encouraged for the rural sector as well.*

Rural Transport Links

643. The Committee feels bound to make a special mention of rural transportation services and requirements in terms of transport links for the rural sector. While the farmer can be encouraged to use some of the simpler modes of transport mentioned above, thus saving on time spent on portering of goods off and on farm with the possibility of improving on the marketability of such goods and increased production, we note with concern that there are still glaring inadequacies in the provision of road links and where provided, they are of an inferior standard in terms of design and maintenance.

644. Although this topic is dealt with in Chapter X, we wish to note here that there is a need for a reversal of rural road transport policy, and to stress that transport links are vital to the stimulation of economic activity. Such road links will open up, for example, marginal lands which are currently not adequately catered for. These areas are “remote” because general development policy views them as such in terms of resources allocation. Where there are poor road links, transport services are also scarce such that the high transport costs reduce the profitability of rural produce. Consequently, production does not expand as desired and employment in the rural sector is affected adversely. *We therefore, recommend that rural link roads be given attention and the structure of feeder roads in terms of structural design and maintenance standards be upgraded in accordance with modern rural transportation requirements.*
Railway transport

645. Rail transport ranks second in importance after roads. For the past few years the railway has faced severe operational and capacity utilization problems. Inflation and world-wide recession have also meant reduced availability of capital for the purchase of locomotives, wagons and the spares required for modernization of its workshops and telecommunications systems. Despite these constraints, this Committee feels that the improvement of rail transport services could fulfil, to some extent, the major long-term objectives of the Kenya Railways Corporation as the main carrier for both goods and passengers over long distances. If these objectives are met, then employment levels would rise both directly and indirectly as indicated in the following paragraphs.

646. Wage employment is quite substantial within the Kenya Railway Corporation and stands today at over 22,000 employees. This employment content could be substantially increased if plans were implemented to extend the rail network to new economically deserving areas. We recommend a rail service in Kerio Valley, the Nanyuki-Meru-Embu-Sagga and Kisii-Sotik areas to begin with. In addition to direct wage employment in the construction, the services so provided have the effect of economically opening up these high-potential areas with possibilities of additional indirect employment opportunities.

647. Rail services are cheaper than those of the roads for passengers, and the Kenya Railway Corporation can capitalize on this factor to improve its finances. In this respect, action needs to be taken to reduce delivery time for both goods and passengers as this is the major drawback. We recommend an intensified programme of realignment of curves to improve rail speeds, together with a systematic programme for phasing out outdated telecommunications equipment. The realignment programme, as well as the improved rail speeds will encourage more use of the railway and thus increase direct employment.

648. The Committee notes that the railway workshops and existing training facilities of the corporation are underutilized. While finances are sought to strengthen these workshops in line with the changeover to diesel locomotives, we recommend that existing workshop facilities be increasingly utilized for manufacture of other capital goods for the industrial sector. We also recommend opening up of the corporation’s training facilities to trainees other than those directly employed by the corporation.

The pipeline/rail/road co-ordination

649. Under this heading, the current Development Plan (1979-83) refers to the need for transport co-ordination to avoid wastage of resources. The completion of the oil pipeline from Mombasa to Nairobi was instrumental
in releasing rail capacity which is now being utilized for the transportation of oil westwards for use in those parts and for export into neighbouring countries. The question of extending the oil pipeline westwards in terms of economic viability is under study. The major implications of a decision in favour of extending the pipeline westwards would be a loss of substantial business to the railway and road tankers.

650. From an employment point of view, construction of the extension of the pipeline would be less attractive than the use of the rail capacity. It must be noted that the extension of the pipeline is a highly capital-intensive project such that its employment content is much lower than that of the railway particularly during the post-construction stage. We therefore feel that the extension of the oil pipeline should be examined in relation to the need to maximize the utilization of existing rail capacity. We consequently recommend that the Government should undertake to regulate movement of goods with a bias towards the most suitable mode for such movement. In this connection, major rail depots should be established in major road collection points for onward road transport into the hinterland.

Water transport

Ports

651. The port of Mombasa is the only deep water port on the Kenya coast. Its operations have been adversely affected by the economic situation in Uganda, a general slack in world trade and reduced oil traffic. Total traffic handled has stagnated at around 6.0 million tonnes for the past five years.

652. Despite the reduced throughput at the port, measures are being taken to improve its efficiency in cargo handling. These include the rehabilitation and purchase of complementary equipment, berthing extensions, and dredging works. These programmes will not necessarily create "new" employment opportunities as such, and even if they do, the high cost of capital equipment will obliterate the employment benefits gained. "Real" employment opportunities in ports will therefore depend on improvements and expansions to handle the increase in traffic in the medium- and long-term. In a study carried out by the Kenya Ports Authority based on possible export-oriented production in Kenya, traffic at the port was projected to rise from 5.87 million tonnes in 1979, to 9.3 million tonnes in 1985; 10.49 million tonnes in 1990 to 15.86 million tonnes in the year 2000.

653. In view of these possible increases in traffic, the establishment of a second port capable of handing larger ships is overdue. We therefore recommend that this programme be carried out as soon as possible to facilitate export trade as well as create more employment opportunities.

654. In recent years, developed countries have increasingly adopted container traffic system in transport and shipping. These countries already handle 75 per cent of the world's container traffic and any future growth in con-
container traffic will largely be in developing countries. In line with this international practice, Kenya has had to initiate and implement programmes designed to capitalize on increasing container traffic. Hence container traffic in Kenya has grown substantially in recent years and stood at about 30,660 Twenty-foot Equivalent Units (T.E.U.) in 1980. Although the full benefits of containerization, including employment creation, cannot be accurately assessed, the Committee believes that this can only be realized if there is adequate infrastructure for customs clearance inland. At the moment, container operations at Mombasa are pier-to-pier due to lack of the said facilities. The construction of container depots at Nairobi and Eldoret is a step in the right direction and the Committee hopes that this will minimize container “dwell time” in the port and reduce backlogs.

655. It is therefore expected that the development of container terminals both at the port and inland will increase employment opportunities both at the terminals (direct employment) and in overland transportation (indirect employment) due to increased number of containers handled, plus increased “stripping” and “stuffing” activities at final destinations.

SHIPPING

656. In addition to the recommendations we have made relating to port and container operations, the Committee believes that time has come when Kenya should become actively involved in the shipping business. At present, the bulk of our import and export cargo is handled by foreign shipping lines to which the country pays substantial amounts in foreign exchange. As the volume of import-export trade increases, so does the amount of foreign exchange that must continue to be spent. The implications of this trend for overall economic growth, and for growth in employment, are not difficult to appreciate.

657. In 1969, Kenya in partnership with Tanzania, Uganda and Zambia established the Eastern Africa National Shipping Line with the intention of exerting greater control over their external trade. When this joint venture eventually collapsed, an idea was mooted to establish a national shipping line for Kenya. This idea was never implemented, largely due to the heavy costs involved in establishing a full-fledged shipping line.

658. While we accept that the establishment of a shipping line is a costly undertaking, we contend that there are other ways by which Kenya could enter the shipping business without incurring substantial financial costs. For instance, it is possible to operate a shipping line without having to own a fleet of ships. This is possible through the leasing of spaces (slots), in ships. This is a method through which a shipping company does not have to own a ship but leases a certain space or the whole space from the owner or on charter.
The company leasing the space then guarantees to pay a certain amount of money for the space leased whether it is used or not. The lessee will normally lease for a certain route to and fro, and can choose to purchase own or lease containers.

659. The introduction of such a system in Kenya is fully justified when account is taken of the foreign exchange savings that could be realized and the number of new employment opportunities that would be created. The volume of business that could be transacted through such a system is best exemplified by our exports of tea. Kenya’s monthly average exports of tea to the United Kingdom alone amount to 80 TEUs. At a rate of $1,200 per TEU, the freight for such a quantity amounts to $96,000. Tea represents only a small fraction of Kenya’s total foreign trade. In view of the foregoing, the Committee recommends the establishment of a national shipping line to operate along the lines proposed above.

660. Every shipping line has its own shipping agency in every port of call. The work of the agency is to canvass for cargo and to liaise with port authorities of the country where it is situated. Once Kenya establishes her own shipping line, it will be necessary to establish shipping agencies as well. These will not only create additional jobs for Kenyans but will save substantial foreign exchange which is now being paid to foreign shipping agencies. We therefore recommend that while the shipping agencies will be owned by the national shipping line, they should preferably be managed by Kenyans.

661. Boat transport holds possibilities for increased employment opportunities. At the moment, this service is of low profile and it is largely ignored. The Committee recommends that the Government should take steps to encourage and train people in the use of boats. Increased use will mean demand for more and better constructed boats and the birth of a boat construction industry as we have elaborated in Chapter VIII.

Communications

662. Effective communication fosters socio-economic, political and administrative interaction locally, regionally and internationally. It therefore plays a promotive role and its expansion is necessary for overall economic development. The Committee notes that the telephone system development has been quite substantial particularly in the years following the break-up of the East African Community. Despite this, the coverage of this service is still inadequate both in the urban and rural contexts. It is our view that greater investments and efforts are still required in the extension and modernization of this facility. We recommend that all major towns should have STD facilities and particularly district headquarters. This becomes even more important in view of the recent policy to make the districts the centres of development.
663. Indirect employment could be generated by a conscientious effort to develop telecommunications support industries which at the moment are lacking. In line with modernizing, for example, telephone equipment, the Kenya Posts and Telecommunications should allow manufacturers to fabricate components in order to increase direct employment opportunities and we so recommend.

664. Where telephone services are not available, there has been limited use of radio-call links. This service has largely been provided to Government departments in these areas. Since the distribution of telephone services to all parts of the country will take a long time to achieve, we recommend that in the short-term, radio-call service should be introduced in all those areas that merit them.

665. An effective telex service is today a very important tool of development. The ease with which telex messages are relayed speeds up decision-making and the flow of information from one part of the country to another. As we have elaborated elsewhere in this chapter, the use of telex services should be encouraged so as to speed up the flow of information, accelerate development and thus generate more employment opportunities.

666. The postal system which is less capital-intensive than telecommunications has achieved very low penetration levels. According to the second United Nations Development Decade (1971-1980) a post office must serve on average between 3,000 and 6,000 people. In Kenya, the current Postal Development Plan (1982-86) only envisages a post office for every 19,000 people.

667. The K.P. & T.C. attributes delays in implementation of development projects for postal buildings to the building department of the Ministry of Works and Housing. They further state that in many rural areas there is a shortage of buildings that can be converted into sub-post offices. We recommend that in order to improve postal communications and to increase traffic, every trading centre should have a post office. We further contend that there are many permanent buildings in the rural trading centres which are going to waste due to under-utilization and that the K.P.&T.C. should make arrangements to lease these where they are available as an expanded postal system will generate further direct employment and increase earnings for K.P.&T.C. through increased traffic.

Health services

668. Improvement of the health of the population is an integral part of any development strategy. The provision of health services and their equitable distribution increases the reservoir of human resources that can be mobilized to create national wealth which in turn stimulates economic growth and therefore employment. At the household level, improved health increases the productivity and output of individuals and therefore their incomes and
general wellbeing. Thus a reduction in the rate of morbidity increases illness-free days that could be utilized in productive work. If the delivery of health services is efficient and health facilities are widely distributed, the time taken in travelling to and queueing in hospitals and dispensaries is greatly reduced thus enabling people to use their time more productively.

669. The provision of health services also has fiscal dimensions which affect resource allocation and therefore the pattern of overall economic development. First, health and medical care are basic needs which the Government is expected to provide to its population. The scale and quality of health services provided therefore depends on the financial resources available to the country. Thus the share of national resources devoted to the provision of health and medical care must be weighed against other competing services such as education, national defence and other equally important services. This factor has obvious implications for balanced social and economic growth and, therefore, for the employment situation.

670. Second, health and medical care services consume substantial amounts of foreign exchange resources through the importation of drugs, medical equipment, components and spare parts, and the training and remuneration of specialized medical personnel. In the absence of well-established and extensive local manufacture of pharmaceuticals, most of the drugs used in the country are imported.

671. In considering ways in which improvement in the health status of the population can help accelerate economic growth and therefore contribute to employment creation, the Committee has addressed itself to the need to adopt a more population-based health strategy by striking a more rational balance between rural and urban coverage and between curative and preventive health services. In particular, we have highlighted the benefits which would accrue from an improved and cost-effective delivery service. We have also stressed the importance of intensifying the training of health and medical personnel without whom the country cannot hope to cope with the health needs of a rapidly growing population.

The health delivery system

672. Within the framework of the basic needs development strategy, the broad Government objectives in respect of health services have been to prevent, control and eliminate diseases through preventive medicine, immunization, early diagnosis and treatment, and health education. It has also been a major aim of the Government to extend health services throughout the country so that more people have access to health care facilities. From our review of the state of health services in the country, there is no doubt that Kenya has made tremendous progress in improving the health of its people. The success in extending health services has reflected itself in the rate at which the country's mortality has been declining. As we have explained in
Chapter IV of this report, the rapid growth of our population through increased fertility rates and declining mortality, has largely been due to the effectiveness of our health services.

673. The financial resources allocated for the construction of health facilities, the provision of drugs and equipment, and the training of the required health and medical personnel have been on the increase. As of 1978, the share of expenditure in health services in total Government expenditure was 8.2 per cent. Other countries in our stage of development show relatively lower shares of expenditure in health services as a percentage of total Government expenditure. For example Tanzania, Ethiopia, Somalia and Burundi show 7.1 per cent, 4.9 per cent, 6.1 per cent and 4.7 per cent respectively. The per capita expenditure in health in Kenya for 1978 was $5, as compared to $1 for Ethiopia, Burundi and Rwanda, $2 for Malawi and Somalia and $4 for Tanzania.

**The Curative Services**

674. Traditionally, health care activities have concentrated on management of diseases by providing therapeutic interventions and other supportive bedside medical care. In the past, curative services have dominated the development of the health care system. This system is characterized by the development of a network of dispensaries, health centres, district hospitals, provincial hospitals and, at the top of the pyramid, the Kenyatta National Hospital. In addition, there are institutions developed under the local authorities such as the Nairobi City Council health institutions network. The non-governmental organizations have also developed a significant infrastructure of health institutions and clinics in various parts of the country. Chief among these are the church-related hospitals and those operated by charitable organizations. Lastly, there are the individual medical practitioners who operate private clinics.

675. All the above-mentioned institutions need qualified manpower to run these much needed services effectively and efficiently. Such qualified manpower includes specialists such as: medical practitioners and dentists, nursing personnel, clinical officers, pharmacists and pharmaceutical technologists, radiographers and X-ray technicians, rehabilitative therapists, etc. Presentation made to this Committee by the Ministry of Health indicates significant vacancies in all areas of specialization necessary to maintain existing services. Any expansion of curative services will largely depend on the provision of adequate training facilities as will be outlined later in this section.

676. Access to health services is best measured by the percentage distribution of households within selected distances of a health facility. Examination of data related to distribution of facilities by province indicate that for the whole country, 42 per cent of households are within 4 km. of a health facility and three-quarters within 8 km. It is also clear that in the less densely
populated areas people have to travel further than 8 km. to reach a health facility. Within the urban areas, lack of a proper referral system, enough, trained para-medical staff and support services coupled with a tendency for rural people to travel to urban areas for treatment, creates congestion in urban-based hospitals leading to disproportionate demand for medical personnel in these areas at the expense of the rural areas. Thus a purposeful scattering of good hospitals in different parts of the country would ease congestion in urban-based hospitals and even in provincial hospitals.

677. As mentioned above and on a countrywide basis, an efficient service delivery system needs to be organized in the form of a referral system with the national teaching, research and treatment hospitals such as Kenyatta National Hospital at the apex of the pyramid and the mobile clinic at the bottom. The Committee notes that this organizational principle is behind the concept of the Rural Health Unit and we recommend that the Government should accelerate the implementation of this concept on national basis. This would introduce a hierarchy of diagnostic and treatment centres for each district, rationalize grading of health facilities, staffing and provision of classified drugs. In each district, division or location, depending on population densities (each R.H.U. would be designed to serve 50,000-70,000 people), the Rural Health Unit would have at its peak the referral hospital supervising, supplying and being consulted by a number of health centres which in turn would support health sub-centres and dispensaries which in turn would form the nuclei for mobile health units and outreach clinics. Such a system would also improve in the supervision of low level staff and deal with appropriate levels of illness and thus save patients' time. The distribution of potential R.H.U.s in 1980 was as outlined in Table XLV below.

![Table XLV](null)

678. The ideal pattern of staffing at each Rural Health Unit would be as shown in Table XLVI. A simple projection of the numbers of different health facilities against the numbers given in Table XLVI will indicate the ideal staffing levels for our health services in the rural areas.
FEES CHARGED

679. Submissions made to this Committee indicate significant disparities in fees charged in hospitals. Government out-patient facilities do not charge fees while private and voluntary sector facilities charge fees. The Committee however noted that this disparity does not encourage all citizens to patronize the free facilities. While choice of which medical facilities citizens should patronize is left entirely to each family and although cost is an important criterion, it is not always the most important even for low-income families. Indeed, studies at the University of Nairobi indicate that traditional medicine, which is favoured by low-income groups and a wide cross-section of our society, is among the most expensive of the available options when compared to modern private hospitals and clinics, missionary hospitals and Government facilities. The Committee further notes that for the foreseeable future, and in order for people to have relatively adequate medical services, the Government will continue to encourage the operations of private and voluntary services. For example traditional midwives will continue to assist in child birth in remote rural areas. However, and in order to operate effectively, without heavy direct Government subsidies, these private services will continue to charge fees. Thus, for the near future, medical services cannot be wholly free even with free Government services. We therefore recommend that Government should charge nominal fees for medical services in order to balance the basis for choice of medical facilities and support accelerated expansion of Government-provided medical services. This exercise should be undertaken together with a comprehensive rationalization of fees across the sector.

PREVENTIVE SERVICES

680. These services include public health services and nutrition. In the area of public health we note that this needs improvement in order to provide adequate preventive and promotive services to prevent outbreaks of diseases. Simple health education, provision of clean water and better and widespread
waste disposal systems, a more widespread immunization and inoculation programme, etc., would reduce incidence of endemic, infectious and parasitic diseases which are prevalent in many parts of the country. *We recommend that these programmes be strengthened and that the Harambee effort be increasingly utilized in areas such as sanitation, community education facilities and community hygiene such as waste disposal, bush clearing, etc.*

**Nutrition**

681. One of the most important aspects in the promotion of good health is nutrition, in its own right a basic need. According to recent studies on the nutritional status of Kenyans, incidence of severe protein energy malnutrition (P.E.M.) is rather low but that moderate malnutrition affects at least one third of rural children and a total of 4.5 million people are at unacceptable level of nutrition, comprising low income small holders, and cash crop producers, landless poor, urban unemployed and pastoralists. Special groups include preschool children and pregnant and lactating mothers.

682. Although the numbers suffering from extreme malnutrition are in themselves not alarming, its effects on productivity is of particular concern to this Committee. It is medically acknowledged that malnutrition complicates and aggravates illness, and conversely infections and parasitic diseases are associated with, and often aggravate malnutrition, and as such has a direct impact on morbidity. Malnutrition also has the effect of increasing the dependency ratio in the population thus reducing the productive capacity of the affected groups such as mothers, (a major force in rural productivity) and school children whose capability to learn to became self-supporting is reduced.

683. It is heartening to note that in the current development plan the Government has embarked on programmes aimed at combating malnutrition among the special groups by, for example, making nutrition a central theme in the maternal and child health care and family planning programmes. There is also the school feeding programme which is based on the recognition that health interacts with other basic needs such as education, to positively affect levels of productivity.

684. *We whole-heartedly support the school feeding programme and recommend that it be expanded to cover the whole country as well as the preschool institutions whose expansion we have recommended in Chapter V. We have in mind also the promotion of equity, in the sense that such programme will largely benefit the disadvantaged children, thus reducing school absenteeism and susceptibility to illness. Further, an expanded school feeding programme will provide employment spin-offs for farmers, transporters, food handlers, etc. In order to increase the stock of nutritionally-valuable food, as well as create more employment, we further recommend that the Government should assist food processing activities to improve recovery and processed storage of perishable crops which are of high nutritional value. Such crops will include vegetables, and fruit crops such as mangoes, etc.*
SUPPORT SERVICES

685. Under this heading we include other health workers who may not have the technical qualifications outlined earlier but who are very important participants in the health care delivery system. These include patient attendants who are often referred to as auxiliary personnel, drivers and other types of attendants such as cleaners, cooks, and artisans such as carpenters, fitters and machine servicemen. The development of health services requires sustained supply of supportive staff, most of whom can be recruited from areas surrounding health facilities. This will improve communication between patients and such front line staff.

686. Submissions made to this Committee indicate that provision of medical services in rural areas especially in the marginal areas is still constrained by lack of adequate rural access roads and transport facilities which affect efficient delivery of drugs and rapid transportation of emergency cases to referral centres. Elsewhere in this report we outline proposals for the improvement of transport facilities which we are convinced will go a long way in alleviating transport problems in health services.

MANPOWER UTILIZATION AND TRAINING IN HEALTH

687. All along we have indicated the need for an expanded health programme in terms of physical facilities and personnel to adequately man existing and planning facilities. We concur with the stress on the valuable nature of the human resource as expounded by various reports on manpower development and requirements in the various sectors of the economy. The Wamalwa Report of 1972 could not have put it better: “... The people are the most valuable resource and the money spent on developing this resource and maximizing its ability to contribute to national development is the most profitable long-term investment that Kenya can make”.

688. Direct employment in the health sector as stated earlier is largely dependent on Government expenditure on training programmes for medical personnel. The nature of the development of the rural health services with its emphasis on primary health care and community outreach, places a high priority on the training and deployment on para-medical personnel. We have noted the shortage of doctors in the rural areas in absolute numbers and their concentration in urban centres, while still others prefer to work outside the country.

689. Given this situation, plus current and foreseeable Government budgetary constraints, we have no option but continue to train the doctors that financial constraints allow, and in our view, with greater emphasis on paramedicals. This is already taking place, with the largest intakes for training

comprising registered nurses, enrolled community nurses and clinical officers. This reflects the importance of these cadres to the effective operation of a rural health network since clinical officers are largely deployed in health centres and the latter are in charge of dispensaries, with a special training in both curative and preventive medicine and midwifery. The next most effective step we can take is to train para-medical staff to work in their own areas. In this connection we recommend that training facilities be further dispersed to facilitate this.

690. A recommendation has been put to the Committee that the Government should continue to train as many doctors and para-medicals as possible, not only for deployment in Government institutions but with a view to encouraging them to go into private practice. It is argued that this way, establishment of private clinics and surgeries will generate employment for nurses and supportive personnel such as clerks and cleaners. This development will also ease congestion in Government hospitals. In order to realize this employment potential, there will be need to carry out a survey on the number of private clinics that exist in the country and their specializations. The aim will be to know what specializations are in shortage and the doctor/patient/nurse ratio so that planning for training can be based on the information.

691. In the past few years, the need for laboratory technologists and technicians has become imperative in view of their important contribution to environmental health programmes and in the maintenance of the machineries and equipment used in hospitals. While some of these machineries and equipment have fallen into disuse due to lack of spare parts, thus reducing the quality of health care, and a waste of government funds, maintenance technicians are acutely in short supply. We therefore recommend that provision be made for the training of technicians within the health training framework to correct this situation.

Water development

692. Of all the public services that the Government renders as part of the basic needs development strategy, the provision of water is clearly one of the most important. Water is not only essential for human survival, it is also a vital infrastructural service upon which a whole range of economic and social activities depend. To that extent, water is not only essential for life but is also a necessary ingredient in all forms of development.

693. The Government has recognized this need and has embarked on an ambitious water development programme by which, it is hoped, we will be able to provide water to the entire population by year 2000. However, for many people, this pace is seen to be too slow, and therefore many Harambee self-help schemes have been initiated to supplement Government efforts.

694. This Committee has therefore been keen to point out areas in which the provision of water will not only generate direct employment but also stimulate rural economic activities which will in turn bring about more
employment. Government expenditures on water development have averaged K£40 million per year excluding contributions of free labour and self-help activities. This heavy capital outlay has been supported by about 12,000 professionals, sub-professionals and subordinate staff. We argue herein that this national investment will need to be manned and maintained by hundreds of well-trained C.P.E. school-leavers, who should be sponsored for training and then employed by the local project management committees. Failure to cater for this maintenance could be disastrous.

Water resources

695. As has already been said, Kenya is a highly complex ecological and climatic landmass. Lying across the equator, one could compare it with the tropical rain forests up the Congo and the Amazon, but in fact 80 per cent of the land area is arid or semi-arid. The humid and tropical coastal strip is narrow, being seldom more than 30 kilometres wide. The temperate highlands in which agriculture is mainly concentrated have a relatively high annual rainfall ranging from 630 mm. up to more than 2,030 mm. in the mountain areas. But even in these relatively well-watered areas, rainfall can be very poorly distributed and incidences of drought are not uncommon.

696. The importance of rainfall and the consequent streams, rivers and lakes to the economic well-being of the country has therefore resulted in a very considerable public awareness of the fact that the national water resource is limited and is of uneven distribution. It is therefore important to conserve, store, and manage it in the most efficient manner bearing in mind the interests of the nation in the short- as well as the long-term.

Rural Water Supplies

697. This programme together with the settlement, livestock and self-help water supply schemes, is directed at improving rural water supply for both human and livestock consumption. It involves the planning, design, construction, operation and maintenance of widely-scattered water schemes throughout the country.

698. The construction of 100 such schemes has already been completed, and another 133 schemes are in various stages of implementation. In addition, 100 other schemes are planned for the next five years.

699. In terms of employment, these schemes are highly labour intensive particularly at the semi-skilled, subordinate and manual labour categories. All trenching, back-filling and construction of structures is done using manual labour. The ministry’s estimate is that each scheme employs between 60-100 people at construction stage, but considerably fewer numbers for maintenance. This Committee has viewed this programme with a great deal of satisfaction, but is concerned that maintenance personnel are not being trained in sufficient numbers to ensure that this huge investment once completed will
be regularly maintained. We are keenly aware of many Government schemes, e.g. dams in Nyandarua District, which have been constructed at great expense, but which are now out of use due to poor or no maintenance. We are aware that training facilities for junior and middle-level technicians for Government are being offered at the Water Training School in Nairobi and that another water institute is being planned in Kajiado. The output from these institutions will be 450 technicians annually many of whom will find jobs within Government and within large companies in large towns. This Committee is concerned with the already serious shortage of plumbers, and pump-attendants in the rural areas and therefore recommends that a deliberate training programme for plumbers and pump-attendants should be initiated using the already existing Harambee institutes of technology. Obvious candidates for this kind of course will be C.P.E. leavers who could be sponsored by their respective local project management committees for training so long as they agree to go back to their home areas to work there. In this regard the Committee also recommends that local project management committees should be entrusted with the day-to-day maintenance of water schemes once completed. The present system whereby Government officers are expected to manage and maintain schemes scattered all over the country is unworkable and wasteful.

SELF-HELP WATER SCHEMES

700. As noted earlier, due to the eagerness of the people to have water, the number of self-help water schemes has been increasing since early 1970s. In terms of employment generation, all that has been said under the section on rural water supplies also applies here. All that needs to be added is that Government's assistance in the provision of technical service will continue to be needed subsequently on the supervisory services to ensure that maintenance is adequate. Here again, we would like to emphasize the need for encouraging local management committees to maintain their own schemes either by levying a small charge or by regular Harambee contributions. In each case such management committees will need to engage the services of locally based but qualified plumbers and pump-attendants.

URBAN AND SERVICE WATER SUPPLY

701. Many, if not all, of the towns in Kenya, including Nairobi are operating water-supply schemes which are over-extended and grossly under-designed for the urban populations that they are supposed to serve. This has led to a general, and sometimes very serious, deterioration in the quality of services, e.g. low pressures, and sewerage blockages. In the large industrialized towns, this has also led to a serious loss in industrial production. This Committee sees the inadequate supply of water in the urban and service centres as a very serious constraint to growth and we recommend that immediate measures be undertaken to rectify the situation. This is an area which has many direct and indirect sources of employment, and as such
we do feel concerned enough to recommend that whenever the construction of these schemes is envisaged, labour-intensive methods should be used in trenching, back-filling, etc., instead of importing heavy capital equipment and machinery at great cost to the country.

702. In recommending a high priority for urban and service centre water supplies, it may seem to be a contradiction to our rural-orientated development strategy, but this is not the case. Both will be necessary, but urban dwellers deserve priority only to the extent that—

(a) the population is increasing more rapidly in urban areas than in rural areas; and

(b) the dangers of public health hazards are greater.

Here again, there is a general shortage of artisans and semi-skilled people. We should aim to over-produce them as they will be easily assimilated in the sector either in paid jobs or self-employment.

WATER CONSERVATION

703. The ministry's water conservation activities are concentrated in the marginal areas of Madera, Wajir, Garissa and Isiolo districts. The main objective has been to create a network of water sources which will ensure that walking distances are reduced. This is in line with the overall commitment to exploit these marginal areas fully. A large number of boreholes have been drilled and dams made which will greatly facilitate controlled grazing and overall management of these areas.

704. While commending this excellent work, this Committee feels that much more work needs to be done, to conserve and store water, not only in the marginal areas but throughout the country. We therefore recommend that dam construction self-help units should be promoted under the general guidance of locational development committees to ensure that self-help dams across all rivers are constructed using local labour and local materials. We further recommend that the siting of these dams should be such as will ensure maximum utilization by the communities around. For instance, they should be developed as potential sources of mini-hydro power about which we have commented earlier in this chapter. They should also be stocked with fish and generally used to augment water supplies wherever possible. In order to ensure that the design and construction standards are adequate, we recommend that youths should be trained under the N.Y.S. to form dam construction units which would be stationed in strategic areas, not so much to construct but to advise local people in siting, designing and construction. In time it should be possible to transform all rivers into a series of dams, made and maintained by local people. Needless to say, the employment content of such a programme would be tremendous.
Rain Water

705. In the past we have managed water as if it were an inexhaustable resource. Rain has come and gone, and the assumption has been that it will always come. The reality is of course different. Many countries are now experiencing droughts that have been unknown in the past and rains have turned out to be less predictable than in the past. We therefore recommend that in addition to the foregoing, all necessary measures to harvest and store rain water should be encouraged. In particular we recommend that simple rural industries of making corrugated iron sheet tanks should be set up in every service centre. We further recommend that in all major towns a building by-law should be introduced to ensure that each building harvests as much rain water by roof-catchments which should be used for such purposes as cleaning, toilets, and industrial cooling. These are common measures in such places as the West Indies and we believe that they will be well-worth our while to adopt.

Manpower Requirements and Training

706. We have already commented on the need for a crash training programme for plumbers, pump-attendants, etc. Above this level, there is a serious shortage of professionals and sub-professionals to serve this sector. These include engineers, supplies and engineering assistants, assistant hydrologists, bailiffs, surveyors and draughtsmen. We have already referred to this in the case of irrigation engineers, but the problem is general and countrywide. We therefore recommend that over and above the small numbers of water engineers and technicians that are trained locally, the Government should negotiate a large training programme with countries with which we share common hydrological problems. Unless this is done, we shall take a long time to be self-sufficient in manpower for this sector, vital as it is.

Mass communications

707. One of the distinguishing characteristics of the Kenyan society is its openness which permits a free flow of ideas and therefore widens the perspectives of the people in searching for solutions to their problems as well as searching for new opportunities. This has been made possible by the democratic tradition of our society and the existence of an extensive system of mass communications which expose people to new ideas and opportunities which in turn enable them to participate meaningfully in national development.

708. Throughout our report, we have emphasized that in future, Kenyans must supplement the efforts of the Government in nation-building on a far larger scale than has been the case in the past. We have particularly stressed the point that in future, self-employment will be a major source of income-earning opportunities which means that the people must become more aggressive and more creative in identifying and seizing opportunities for
self-betterment. Indeed, the Working Party on Government Expenditure (1982) made a similar observation and recommended that the Government should encourage all Kenyans to rely more extensively on their own resources, abilities and energies. The Committee believes that for this to happen, the people must continue to be exposed to new ideas, new technologies and new resources so that they can become more self-reliant. This then underscores the importance of mass communications in disseminating the kind of information which would enhance greater and more effective participation of the people in national development.

709. As a Committee seeking solutions to the unemployment problem, we believe that the whole process of disseminating production-oriented information between the Government and the people, and between the people themselves, will be one of the most important instruments of achieving the development orientation proposed in this report for increasing employment opportunities. Indeed, the whole series of recommendations that we have made envisage a crucial role for the mass media in sensitizing and mobilizing people towards the short- and long-term challenges of the nation and towards activities that will improve their income and their general welfare.

710. The future growth of the economy and therefore growth in employment opportunities, presupposes a stable social and political climate. In this regard, we foresee the mass media playing a vital role in educating people about the meaning and importance of such fundamental issues as the national ideology, the Constitution, the rights, duties and obligations of citizens, the role of the Kanu Party and the Government, and such other knowledge and information which would promote patriotism, positive attitudes and a sense of one people, one nation. This would serve as a form of social defence whereby the mass media would provide a framework for social control, motivation and national guidance. It would also contribute to the emergence of an informed and therefore more responsive citizenry.

711. The mass media will also promote greater participation of the people in national development by focussing more sharply on the kind of information that has a direct impact on people's lives. For instance, the growth of the agricultural sector will greatly benefit from mass dissemination of information which exposes the farmers to better farming methods, better marketing, new crops and technologies, etc. In matters relating to health, the mass media is well suited to educate people on the importance of personal and community hygiene in the prevention of diseases. In trade and commerce, the mass media will educate and inform people about trends in prices, access to markets and credit facilities, extension services, consumer protection, etc.

712. In matters relating to employment and unemployment, the mass media can play a very positive role by disseminating information about available opportunities for both direct and indirect employment as well as opportunities
for acquiring or enhancing skills. It would also contribute to employment creation by educating people, especially the youth, about the respectability of manual work, etc.

713. In the context of this report, the mass media is taken to mean all forms of communication reaching more than one person at the same time. Thus, in addition to the more conventional components of the mass media, that is, the radio, television and the newspapers, the Committee considers books, magazines, bulletins, advertisements, films and cinema, sound recordings, public meetings and the performing arts to be all part of the mass communication system. The contribution of each of these components to an employment-oriented development strategy is discussed below.

Radio and television

714. In Kenya, the broadcast media, particularly the radio, is potentially the most effective instrument of public communication. Unlike other media, radio and television have the potential to reach the entire population in the shortest time possible. Through their audio and visual effects, radio and television can be used to transmit information in a form which would be impossible through other forms of mass communications. The broadcast media is one of the methods by which to reach the illiterate and the physically disabled. For these and other reasons, a truly national broadcasting system is an essential instrument of national development.

715. According to Government statistics, there are over 2.2 million licensed—and approximately half a million unlicensed—radio sets in Kenya with an estimated listenership of 10 million people. When a regular public radio broadcasting service was introduced in Kenya in 1927, only three languages were used, that is, English, Kiswahili and Hindustani. In addition to English and Kiswahili, however, the radio today broadcasts in 17 vernacular languages reflecting the various racial and ethnic groups of the population. Radio transmission and production facilities have also been expanded and improved over the years.

716. While these achievements are clearly worthy of note, the evidence available to this Committee indicates that radio reception in most parts of the country is extremely poor and many of our people depend on foreign broadcasts: Kenya’s radio services are provided through four radio transmitting stations located in Kisumu, Ngong’, Nandi Hills and Nyali. With the exception of the one shortwave station located at Langata, the four stations outside Nairobi use medium wave which means that technically, it is not possible to reach effectively even 60 per cent of the country through these stations.

1Development Plan 1974-78, page 492.
717. In an attempt to improve radio reception in the country, the Government has constructed repeater stations strategically located to support the main stations mentioned above. However, all indications are that the radio service is still far from satisfactory in terms of countrywide coverage. In order for this mode of mass communication to enhance its contribution in mobilizing people for development and thus increase employment opportunities, there is a clear need to extend radio services to the entire population. The Committee therefore recommends that the Government should now aim at establishing a truly national radio through the use of powerful transmitting stations which ensure good radio reception in all parts of the country.

718. Although more repeater stations are planned for the future, these will take a long time and large financial outlays to construct. The Committee therefore recommends that the Government should consider establishing, in the meantime, a network of low-power transmitting stations through the use of frequency modulation (F.M.) technique. Such stations which are relatively simple and inexpensive will extend radio services to areas which would otherwise have to wait for a long time before the national medium wave stations could reach them.

719. The Committee has also been concerned about the need to re-orientate the content of radio programmes. Currently, the stated objectives of the broadcast media is to educate, inform and entertain the public. In practice, however, an unduly large proportion of air time is devoted to entertaining. The prominence of musical programmes and the air time devoted to them attests to this. Although in recent years some progress has been made in increasing programmes of educational value, the radio service is clearly not optimizing its potential.

720. In the light of this Committee’s observations on the role of the radio as an instrument of national development, there is clearly a case for re-thinking about its objectives and priorities. As we stated in paragraph 714, the radio is potentially the most effective method of mass communication in terms of reaching people. Its re-orientation towards development-related educational programmes would therefore have a very great impact on the country’s development and therefore in the generation of employment opportunities. The Committee therefore recommends that radio programmes be reviewed with a view to placing the greatest emphasis on their educational value.

721. At present, Kenya does not have an external radio service although one transmitting station is under construction for this purpose. Having regard to Kenya’s geo-political situation, the need for an effective external radio service cannot be over-emphasized. Our policy of good neighbourliness and friendship with all countries of the world, would be greatly enhanced if we could develop this important link with the outside world. It would enable the country to share her hopes and aspirations with people in other countries.
and thus enhance social, economic and political co-operation with those countries. It would also help to counter negative publicity against Kenya and therefore enhance her image internationally. The Committee therefore recommends that the proposed establishment of an external radio service be carried out as soon as possible.

722. Apart from its impact on overall national development, the radio service also holds great potential for direct employment. When the radio service is improved, the demand for radio sets will increase, thus making possible the mass production of these sets in our own factories. This will not only result in savings in foreign exchange, it will also promote the local electronic manufacturing industry with the consequent potential for employment creation. The availability of radio sets in large numbers will also stimulate demand for repair services. This will in turn create additional job opportunities especially in the informal sector.

723. Employment in the informal sector could be enhanced further by offering training opportunities in fields which we understand can be accommodated at the Kenya Institute of Mass Communications in addition to the existing courses. These are radio and television servicing and public relations. Participants could be required to pay for these non-essential, fairly short courses for themselves, and recess periods could be utilized for the same. The skills so acquired could be a source of entrepreneurial capability, which would widen the scope for employment in this field.

724. The next most important component of the broadcast media is the television. Television service was introduced in Kenya in 1963 and although it did not have a wide audience at that time, it has witnessed considerable expansion since then. Available statistics indicate that there are now over 100,000 television sets in the country with an estimated viewing audience of one million people.

725. One factor which has hindered wider use of the television service in the promotion of development is the fact that the service has very limited coverage. Although the Government has plans to continue establishing booster stations in many other parts of the country, this is a costly undertaking and it will take many years before television can attain the same status as the radio in terms of reaching the people. This notwithstanding, the Committee considers that television is an important tool for disseminating information and therefore recommends that the Government should continue to expand television transmitting facilities and thus improve its coverage of the population. This will also call for investment in infrastructural facilities which facilitate its wider use such as the provision of electricity.

726. One major weakness in the present television programmes is the fact that, like those of the radio, they are heavily orientated towards entertainment. The country has not yet developed a capability in programme
production and therefore most of what is screened is imported. Indeed, a charge has been made that some of the imported television films and video are having a negative effect on our culture. Children are aping foreign patterns of behaviour which affect their adjustment in their own society. The Committee therefore recommends that the Government should make every effort to develop a television film production capacity so that the television service can turn to screening locally-produced programmes. The Committee also recommends that there be established some censorship mechanisms to ensure that we do not import programmes harmful to our society.

727. Another reason why the television service is not widely used is the fact that most Kenyans cannot afford to buy a television set. Most of the television sets sold in the country are imported. The Committee therefore recommends that the Government should encourage the local electronics industry to venture into the assembly of television sets on a wide scale so as to reduce their prices and create new employment opportunities for Kenyans.

728. The Committee also considers that wider television coverage could be achieved through community-based viewing. Currently, there is limited access to television service through television sets located in community centres and schools. However, the Committee does not believe that this method of reaching the population is being used to its optimum potential. We therefore recommend that all public places such as schools, community centres, hospitals, places of entertainment, etc., should be encouraged to provide television sets for public viewing. We further recommend that employers be encouraged to provide communal television viewing facilities for their workers wherever housing estates have been established.

729. For both the radio and television services, one of the major obstacles to their improvement has been shortage of skilled manpower. We have been told that the Voice of Kenya trains its radio and television personnel at the Kenya Institute of Mass Communications (K.I.M.C.) and sometimes in foreign countries. Although facilities at the K.I.M.C. are continually being improved and expanded, this institution clearly cannot cope with the demand for the type of personnel it trains. This demand is not confined to the Voice of Kenya. We have been told that many of the technicians trained at the K.I.M.C. eventually leave the Civil Service to join the private sector. The Committee therefore recommends that in order for the country's broadcast media to contribute more concretely to an employment oriented development strategy, the Government should mount a crash training programme aimed at increasing the number of skilled artists and technicians both for the Voice of Kenya and other sectors of the economy that require them.

730. Before independence, radio and television services were provided through an autonomous body outside the Civil Service, namely, the Kenya Broadcasting Corporation. On attaining independence, however, necessities
of the time dictated that these services be incorporated in a Government ministry. Since then, circumstances have changed and many of the constraints currently facing the radio and television services are due to its Civil Service structure. In the view of this Committee, the performance of the Voice of Kenya would greatly improve if it could be given some flexibility in recruiting and developing the kind of personnel that are vital to its operations. It will also require to adopt a business orientation and thus be able to take advantage of new technologies, etc., than is the case at present. The Committee therefore recommends that in order for the broadcast media to be able to pursue more aggressively the various recommendations we have made in this report, the Voice of Kenya should be turned into a parastatal organization. This will reduce many of the operational problems it currently faces by allowing it to develop a career structure for its staff, flexibility in dealing with other components of the mass media and in the allocation and utilization of resources.

Newspapers

731. Apart from radio and television, newspapers provide the next most important medium of mass communications in Kenya. Comparatively, however, the newspapers’ outreach is constrained by prohibitive costs, circulation problems related to transport costs due to poor roads or lack of these, and the fact that its audience is largely confined to literate people. On the positive side, the newspaper provides information that can be retrieved and stored. The newspaper also plays the role of opinion leader and can potentially influence the population towards issues of national importance.

732. Over the years, Kenya has benefitted from the services of several newspapers and magazines some of which had to close down due to operational costs. Currently, there are three daily newspapers, two of which are foreign-owned. There is also a wide variety of weekly and monthly magazines. All these play an important role in informing Kenyans about current events, international affairs, and topical issues of local interest. To this extent, they are part and parcel of the mass communication system whose contribution to national development is discussed in this chapter.

733. In the view of this Committee, the current situation whereby newspaper readership is largely confined to urban areas clearly limits its ability to play the kind of role envisaged in our report. We have been particularly concerned that newspapers do not receive wide distribution in the rural areas where we think the greatest potential for employment creation exists. We have also recognized that a substantial proportion of the target population are illiterate people or those who can only read in their vernacular languages. It is evident therefore that a system must be found to cater for the rural areas. In this regard, the Committee notes that the Ministry of Information and Broadcasting has recently launched a project to provide additional Press services through rural newspapers. Such newspapers have already been started in four districts and three more are in the pipeline. The Committee
endorses this initiative and recommends that eventually, the Government should aim to have such newspapers in all the districts. The importance of these newspapers lies in the fact that, in addition to disseminating educational information to the people in languages they understand, they also help improve functional literacy.

734. While we recognize the important role played by the existing newspapers, the Committee feels that more newspapers could only help strengthen the mass communication system that we wish to build. In particular, we believe that the system could greatly benefit from Government participation in the newspaper media. It has been decided recently that the Kanu Party should launch its own newspapers through which the party and the Government could air their policies and programmes for the benefit of the people. These papers have already been launched. The Committee fully endorses this move. We however suggest that the editorial board of such a newspaper should be independent and appointed by the governing council of the party.

735. It has been argued in some quarters that the existence of foreign-owned newspapers jeopardizes the interests of this country. This is clearly a value judgment that this Committee cannot espouse or defend. Indeed, we believe that they have played a very important role in the development of this country and their existence and contribution is clearly something to be appreciated. However, in order for them to identify more closely with the country, we recommend that they be encouraged to sell more equity to local people. This will not only enable them to enjoy mass support, it will also contribute to some of the goals set out in this report.

Films and cinemas

736. Films and cinemas provide an important avenue for disseminating information to the people. Currently, films screened in cinemas are confined to a few urban centres where demand justifies their provision. Most of these films are imported and are generally meant for entertainment. Although cinema is now recognized as part of modern lifestyles, concern has been raised about the effects of foreign films on our culture. In particular, grave fears have been expressed that cinema is disorienting our youth and alienating them from traditional African values. It is also responsible, to an extent, for the influx of young people to the urban areas where such amenities are available. While the Committee recognizes the social value of cinemas, we believe that some controls must be enforced so as to protect our cultural values and traditions. We therefore recommend that the censorship machinery should become more sensitive to the adverse effects of some of the foreign films being imported into the country. We further recommend that screening of films should be diversified with a view to increasing the share of socially-acceptable and locally-relevant films.
737. The country has not as yet developed a film production capability as was envisaged in the creation of the Kenya Film Corporation. The Committee believes, however, that there exists great potential for this country to make her own films. Our people and our country have the ingredients to support a viable film industry but what is lacking is positive support for it. The Kenya Film Corporation, a parastatal body which was created to develop a local film industry, has largely been concerned with the importation of foreign films. The Committee therefore recommends that the Government should encourage the development of a local film industry by strengthening the Kenya Film Corporation.

738. As noted earlier, the cinema media is confined to a few urban areas. The rural areas therefore depend on mobile cinema vans operated by the Ministry of Information and Broadcasting. Our information indicates, however, that this method of mass education has not been optimally used both in terms of geographical coverage and in terms of frequency of visits. The Committee therefore recommends that the Government should spread this service more widely by providing at least one mobile cinema van in every district.

739. We have been told that the Ministry of Information and Broadcasting currently has 70 cine-cameras for use in film production and that so far the Ministry has produced over 66 documentary films. Films featuring local events can be a very effective media for disseminating information to the people. They complement the radio and television programmes and are more flexible in the sense that they can be tailored to suit the specific needs of a given community. The Committee therefore recommends that the Film Production Department within the Voice of Kenya be strengthened and expanded so that it can cater not only for rural needs but also venture into film production for tourism promotion, etc.

Books

740. Books constitute an important medium of mass communication. Currently, most of the books sold in the country are imported. This means that the country spends a significant share of its foreign exchange resources in importing not only printed books but also some of the raw materials required for their local production. The Committee believes that much of this expenditure could be greatly reduced if an effort was made to develop a strong local publishing and printing industry. The Committee therefore recommends that the Government should encourage, through appropriate incentives, the printing and publishing of books locally. Kenya has the potential to become a major centre for the publication and printing of books not only for the local market but for needs of neighbouring countries. The Committee accordingly recommends that foreign publishers be encouraged to simultaneously publish and print books locally as is the practice internationally. At the same time, we recommend that the Kenya Literature
Bureau and any privately-owned Kenyan companies should be encouraged and supported so as to engage in the publishing and printing of books locally. These measures will not only achieve savings in foreign exchange, they will also create new employment opportunities for Kenyans as well as earn additional foreign exchange to the country through the export of books.

741. In order for a viable publishing and printing industry to develop, there will be need to review the availability and costs of raw materials for the industry. We have been told that the cost of book production have been such as to make the prices of books unreasonably high. We therefore recommend that the prices of such inputs as paper should be reviewed in order to make them cheaper for the printing industry. This will make books cheaper and therefore affordable by a large proportion of the population.

742. The Committee has also been concerned about the foreign orientation of most of the books sold in the country. Although this may be justified in the case of basic textbooks and scientific/technical literature, we believe that there is great scope for indigenizing the literature being disseminated to our people. This is particularly relevant in the case of books being used in our schools. The Committee therefore recommends that every effort be made to encourage local writers and authors. This will not only enrich our culture but will also popularize book knowledge among our people.

Performing arts

743. It is not widely appreciated that drama and music constitute an important medium of mass communication. They provide people with an outlet for social expression which in itself is an integral part of the community’s welfare and progress. Currently, drama and music are encouraged in schools and among adult groups which entertain the public in national celebrations. The Committee considers that much more needs to be done to promote such activities. We therefore recommend that community development officers in the field should make deliberate efforts to organize drama and music groups in all parts of the country.

744. Currently, many Kenyans earn their livelihood from music recordings. The importance of recordings lies in the fact that they not only promote local entrepreneurship, they constitute an outlet for social expression and commentary. To this extent they enrich people’s lives. His Excellency the President has recently appointed a Committee to look into the problems hindering the development of music in the country. The Committee will no doubt come up with comprehensive recommendations on how music can be developed and promoted throughout the country. For our purposes in this report, it will be sufficient to emphasize that the development of music will not only enrich our culture and thus promote social stability, it will also create employment opportunities through expansion of the recording industry and through the manufacture and marketing of musical instruments.
CHAPTER XII—EMPLOYMENT IN THE INFORMAL SECTOR

745. The importance of the informal sector as a major source of income earning opportunities was first highlighted by the I.L.O. in its 1972 Mission Report of Employment, Incomes and Equality of Kenya. Since then, considerable literature has been produced seeking either to confirm or discount the sector's long-term potential as a source of incomes and employment. Arising from the recommendations that were made by the I.L.O. Mission, the Kenya Government has itself been carrying out regular surveys of informal sector activities with a view to determining the extent to which they absorb, and can continue to absorb, surplus labour.

746. Although there is no universally agreed definition of what constitutes the informal sector, it is generally assumed to comprise of those heterogeneous economic activities which do not fall within the realm of modern or traditional sectors as conventionally defined. It therefore consists of all those activities that are carried out informally outside the formal system. A major characteristic of the informal sector is that it is made up of economic activities which spring spontaneously from people's own innovativeness but over which the Government has little or no promotive role. Thus whereas the formal sector activities are officially recognized and fostered by the Government, informal sector activities are often ignored and sometimes discouraged. The informal sector therefore does not enjoy the privileges and facilities that are easily available in the formal sector such as access to credit, legal protection, modern technology and basic infrastructural facilities. In most cases, informal sector activities are carried out by people who have failed to secure employment in the formal sector and who have no other source of income, or in the case of the rural population, by people who seek to supplement their incomes from farming activities.

747. Informal sector activities are generally similar to those of the formal sector, that is, they include small-scale manufacturing, retail trading, building and construction, and the provision of services. Manufacturing activities include the fabrication of metal goods (often using waste materials from the formal sector) furniture making, tailoring, shoemaking and handicrafts. Trading activities include street hawking, operations of food and retail kiosks, sale of charcoal, etc. The services include shoe-shining, repair work (clothes, shoes, vehicles, watches, furniture), newspaper vendors, barbers, car-washing, etc.

748. Various studies that have attempted to evaluate the employment creation potential of the informal sector are generally agreed that, over the years, a substantial number of otherwise unemployed persons have been
able to raise some income, and in some cases relatively high income, from informal sector activities. What has not been resolved, however, is whether the sector has the dynamism and capacity for sustained growth as a major source of employment opportunities. Indeed, one of the arguments in the on-going debate is whether the informal sector merits consideration at all in an employment-oriented development strategy.

749. In the view of this Committee, the existence of the informal sector is part of the Kenyan reality of today and therefore what needs to be decided is how these activities can be rationalized and brought into the mainstream of national development. The informal sector exists because there is a demand and a market for its goods and services. As long as there is such a market, the informal sector will continue to exist. In reviewing the activities of the informal sector, therefore, this Committee has been concerned to identify the constraints that face the sector and how these could be removed so as not to kill the initiative of people who are so willing to help themselves. As can be seen in Table XLVII below, the sector employs quite a substantial number of people. Although we do not consider that there can ever be an accurate assessment of employment in the type of activities that are carried out in this sector, we are convinced that with proper organization, the sector has great potential for employment creation.

750. Apart from the fact that the existence of the informal sector is a fait accompli, recent surveys indicate that the sector does, in fact, have potential for growth. Surveys have shown, for instance, that the informal sector generates a high rate of return, and in some cases even surpasses the rate of return in the formal sector. In 1977, the gross earnings by the informal sector amounted to K£44.4 million whereas by 1981, the figure had risen to K£138.7 million. The per capital monthly earning have also increased from K.Sh. 711 in 1977 to K.Sh. 1,464 in 1981.

Table XLVII—Informal Sector Employment

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<tbody>
<tr>
<td>Manufacturing</td>
<td>15,207</td>
<td>17,016</td>
<td>17,205</td>
<td>18,190</td>
<td>25,917</td>
<td>28,783</td>
</tr>
<tr>
<td>Construction</td>
<td>154</td>
<td>175</td>
<td>133</td>
<td>3</td>
<td></td>
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<tr>
<td>Wholesale</td>
<td></td>
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<tr>
<td>Retail</td>
<td>73,527</td>
<td>80,037</td>
<td>84,693</td>
<td>86,303</td>
<td>111,609</td>
<td>123,956</td>
</tr>
<tr>
<td>Restaurants</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Transport and Communications</td>
<td>1,029</td>
<td>995</td>
<td>1,049</td>
<td>1,661</td>
<td>2,235</td>
<td>2,483</td>
</tr>
<tr>
<td>Community</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Social and Personal Services</td>
<td>13,862</td>
<td>15,702</td>
<td>18,498</td>
<td>16,975</td>
<td>18,142</td>
<td>20,148</td>
</tr>
<tr>
<td>Total</td>
<td>103,869</td>
<td>113,937</td>
<td>121,577</td>
<td>123,150</td>
<td>157,903</td>
<td>175,370</td>
</tr>
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</table>

751. Estimates of capital/labour ratios for the informal sector indicate that they are much lower than in the formal sector. From the various data collected by the Central Bureau of Statistics, it is evident that a significant part of the informal sector, particularly in Nairobi, generates very reasonable incomes for its participants while at the same time creating employment for many who would otherwise be unemployed.

752. The initial capital requirements for entering the informal sector appear to be relatively low and vary from activity to activity. Income levels within the sector also vary greatly. In general, the low-income activities face lower capital barriers as in shoe manufacturing and repairing, shoe-shining and hair-cutting whereas the capital requirements in the better-paying occupations are high as in furniture-making, food kiosks and vehicle repairs.

753. Apart from producing goods and services for the low income groups, the informal sector has contributed significantly to training. The motor vehicle repairs sub-sector in particular has played a leading role. This is evidenced by the large number of informal sector participants who apply to sit for the Government trade tests and the number who pass the tests. Many of those who pass eventually gain access to monetary sector employment thus creating opportunities for new entrants into the informal sector.

Legal status

754. In the course of our deliberations, we have identified some of the major obstacles that hinder the growth of the informal sector and therefore its contribution to employment creation. One of these impediments is the lack of legal recognition and protection by the Government. This in turn has led to the initiation of activities which are either illegal or constitute a health hazard or public nuisance and which; the authorities have had to actively discourage. Considering the importance of the informal sector in employment creation, the Committee considers that the Government should adopt a more positive attitude and indeed formulate a programme to ensure its growth. We therefore recommend that the Government should establish an inter-ministerial body charged with the responsibility of organizing and developing the informal sector. This body will initially identify the various informal sector activities that have high employment creation capacity and then work out a strategy for their promotion through the provision of infrastructure where required, credit facilities and extension. It will also work out a licensing system under which only those activities that are clearly hazardous to health and security will be discouraged. Initially, we recommend that this inter-ministerial body be located in the Ministry of Local Government. While this will provide a focal point for co-ordination, all the other sectors will be expected to co-operate in such matters as providing infrastructure, sub-contracts, etc.
Infrastructure

755. The infrastructural facilities available to the informal sector are minimal. This has had the effect of not only limiting access to the sector but also reducing the productivity and incomes of those already in it. Some of the infrastructural facilities that would boost the growth of the informal sector include land, premises, water and electricity. Lack of suitable space for such activities as car repairs, furniture-making and metal goods production has been particularly acute in the urban areas. Similarly, food kiosks have at times been a health hazard due to lack of water and sanitation. Lack of access to electricity has limited the number of activities that could be undertaken or the efficiency of those already started. Responses from a sample* of participants in the Nairobi informal sector indicate that only 16 per cent had access to electricity. Of those in the sample without access, 34 per cent said they desired to have electricity and of these, 85 per cent claimed to be able to pay at least KSh. 50 per month for its use. Thirty-eight per cent of manufacturers without access to electricity claimed to want to use it and of these, 88 per cent could afford to pay KSh. 50 per month. In the survey referred to earlier, at least 25 per cent of the respondents mentioned lack of premises or space as one of the initial problems encountered by entrants into the sector.

756. In order to stimulate the orderly growth of the informal sector, the Committee recommends that the Government should assist the informal sector operators with space for their activities. In the urban areas, this may entail designating areas where specific activities could be carried out. We also recommend that the Government should provide, through the Kenya Industrial Estates, clusters of workshops which could be rented out to informal sector operators. Within such workshops, there should be provided such facilities as water, electricity and sanitation. In the case of food kiosks, there should be a standard design for their construction which aims at reducing the cost of construction while at the same time ensuring that high health standards will be maintained.

Access to capital

757. Another constraint that hinders the development of the informal sector is lack of access to capital. According to a survey conducted in Nairobi in 1981, 77 per cent of the respondents identified lack of access to capital as the main obstacle to their operations. Only five out of 28 who had applied for a loan from a bank had obtained it while six out of 19 who had applied for a loan from a Government agency had received it.

758. In the 1979-83 Development Plan, The Government undertook to assist the informal sector by providing concessionary loan facilities and pre-investment advice. *These measures would go a long way in attracting more and more people into the informal sector and we recommend that they be implemented.*

Sub-contracting

759. As we stated earlier, the goods and services produced in the informal sector are consumed by the low-income groups in both the rural and urban areas. To some extent, these goods and services also find their way into the formal sector through sub-contracting. According to the 1981 Central Bureau of Statistics Survey of Nairobi’s informal sector, 23 per cent of the respondents had obtained sub-contracts and of these, 75 per cent supplied their goods and services to the formal sector. Sub-contracts were received for metal goods (60 per cent), furniture (38 per cent), and auto repairs (19 per cent). The survey also revealed that those who obtained sub-contracts in the informal sector earned, on average, KSh. 15,000 more per year than firms without access to sub-contracts. The Committee believes that sub-contracting to the informal sector would be a major boost to its development. *We therefore recommend that the Government should evolve a mechanism whereby the formal sector including the Government itself, could give sub-contracts to these informal enterprises.*

Training

760. One important characteristic of the informal sector is that it thrives on low-level skills. Although the educational levels of participants in various activities do not have marked disparities, the service sector appears to have attracted a relatively larger proportion of persons with no education. The overall level of educational attainment in the sector is low and it is estimated that approximately half of the participants are persons who have no higher educational attainment than the Certificate of Primary Education.

761. In terms of age structure, the vast majority of participants, particularly in Nairobi, are in the prime age-group of 20-40 years and manufacturing activities have a slightly large proportion of those in this age group. Some activities like food kiosks, charcoal dealers and barbers contain a larger proportion of elderly persons, while shoe-shining attracts a significant number of young people perhaps because of its relative ease of entry.

762. The demand for skills and the age distribution among the informal sector participants are important considerations to this Committee. Firstly, the low-level skills required for entry into the sector means that there will be more opportunities for the type of persons who are currently unemployed. In another sense, however, it limits the number of activities that could conceivably be carried out in the sector and, therefore, limits the sector’s absorptive capacity. In order to expand this capacity, the Committee feels
that the introduction of activities requiring diverse skills would bring in new innovations. We therefore recommend that the various skills being imparted in village polytechnics, the harambee institutes of technology should be harmonized with those informal sector activities which have the greatest potential for employment creation.

763. The age distribution among informal sector participants indicates that most of them are young and are likely to be products of the school system. Although this category of persons tends to engage in informal sector activities while awaiting employment opportunities in the formal sector, the decisive factor as to whether they will remain in the informal sector is the level of income that they enjoy. The level of income is in turn determined by the type of activity. In order to attract such young and educated persons into the informal sector activities, the Committee recommends that training programmes in such institutions as the village polytechnics should include those skills which will lead to better paying activities in the informal sector. In addition to creating more jobs, this would help stem the influx of people from the rural to urban areas.

764. The informal sector is a largely unexplored source of income-earning opportunities and we are convinced that its labour absorption capacity will be greatly expanded if the Government takes a more positive view of the sector and introduces elaborate guidelines for its growth. Most of the measures we have recommended here would not require large capital outlays and can be implemented at an early date. The informal sector, therefore, provides an immediate avenue for employment creation.
CHAPTER XIII—THE ROLE OF THE PUBLIC SECTOR IN
EMPLOYMENT CREATION

765. As we stated in the introductory part of this report, unemployment is a complex and multi-faced problem whose alleviation will require the concerted efforts of not only the Government and industry but also the people themselves, including the unemployed. In the chapters dealing with the various sectors of the economy, we have suggested areas in which economic activities could be expanded and new ones initiated so as to increase opportunities for both direct and indirect employment. The stimulation of some of these activities will require direct intervention by Government while others will depend on the initiative of the private sector and the people themselves. However, in the realization of the entire employment package that is implicit in this report, the Government will have an all-embracing responsibility of streamlining national development policies and programmes so as to bring them into line with the strategy we have proposed. In this chapter, therefore, we focus attention on the role that the Government, through its various institutions, will be expected to play in directing the economy towards employment generating programmes and activities.

766. Since independence, the role of the Government in national development has been to mobilize resources and to ensure their maximum exploitation to achieve stated social, economic and political aims. The broad national objectives, and the strategies to achieve them, have been stated in the various five-year development plans. Although the basic aspirations have remained the same, the development plans have reflected shifting emphases in response to changing needs and circumstances. In the area of economic development, one of the major objectives has consistently been to raise the levels of incomes and employment through increased production and productivity in all the sectors of the economy.

767. We have stated before but it merits repetition here that since independence, our Government has achieved remarkable success in promoting national development through both direct and indirect interventions. Indirectly, the Government has pursued far-sighted policies which have facilitated the development of a very dynamic industrial and commercial sector through the encouragement of both local and foreign investments. The Government has also been in the forefront in encouraging and promoting the spirit of Harambee (self-help) which is responsible, in a very large measure, for the notable achievements we have made in rural development.
Directly, the Government has invested in major development activities through a network of parastatal institutions and joint ventures cutting across all the economy.

768. To a very large extent, this record of achievement has been made possible by the concerted efforts of the various institutions that constitute the public sector, that is, the Central Government, the local authorities, statutory boards and a network of parastatal organizations. Over the years, however, as demand for public services has increased and Government operations have become more complex, notable weaknesses relating to policy orientation, programme implementation, Government investments and overall financing of development activities have emerged. These weaknesses, together with the recent deterioration of the international economic situation, have had the overall effect of slowing down the rate of growth of the economy thereby worsening the already serious problems of unemployment.

769. Sustained economic growth is a pre-condition of growth in employment and for this reason, the future performance of the public sector, and the general orientation of its activities in national development, are matters of great interest to this Committee. It is the future performance of Government institutions and the thrust of development policies that will determine the extent to which we shall be able to generate increased employment opportunities. As was stated in Chapter III, the growth of the economy for the foreseeable future will continue to be influenced by external factors many of which are beyond our control. In these circumstances, it is essential that internal constraints to economic activity be minimized so that the impact of negative external forces is also minimized.

Creating a climate conducive to development

770. In any society, the foremost responsibility of a government is to create a stable social and political environment in which material and human resources can be optimally harnessed and exploited for national development. Such a climate is created through the provision of basic community-based services which not only enhance the quality of life of the people but also facilitate the initiation and execution of varied economic activities. Thus a government is expected to foster peace and social stability through the maintenance of law and order and through protection against external aggression. It is also expected to provide such infrastructural services as education, health, water, energy, roads and all other public utilities that are essential for development but which the people cannot provide individually. It is also the responsibility of Government to ensure the active participation of its people in national development.

771. One of the factors that can be singled out as having made a very significant contribution to Kenya's remarkable achievement in economic development is the social and political stability that we have enjoyed in
the two decades of our independence. In pursuit of her national philosophy of African Socialism and the Harambee spirit of self-help, Kenya has developed into a modern state in which democracy is not only cherished but also meticulously safeguarded, and in which basic freedoms and individual rights are upheld through the rule of law. Our Constitution provides for a freely elected Parliament, an independent Judiciary and an executive Presidency. As has been the case in the past, the effective performance of each of these institutions, and the interaction between them, will continue to hold the key to our country's political stability and in effect, our capacity for sustained economic growth. The challenge that lies ahead then is to ensure that this atmosphere of stability is maintained at all costs.

772. Continued economic growth will also depend on the extent to which the Government continues to provide essential services to the people. In the 1979-83 Development Plan, the Government sought to alleviate poverty through the provision of basic needs. This strategy is fully in conformity with this Committee's own views on how to broaden the base of the economy and thus generate more employment opportunities. Provision of basic needs is a subject with major economic and political ramifications. Indeed, this Committee firmly believes that the provision of essential services will stimulate economic growth and therefore the general welfare of the people which in turn is one of the vital elements in the maintenance of peace and stability.

The role of Government in promoting development
773. The future growth of the economy and therefore employment will require the adoption of policies and measures which promote private initiatives in development. In this regard, the Committee believes that in addition to ensuring peace and stability, the Government will also be expected to increase its promotive activities so as to stimulate and expand the participation of people in development.

774. The contribution of the private sector to national development will greatly depend on the extent to which the Government will support private initiatives through provision of incentives and the adoption of policies conducive to its sustained and stable growth. In the past, private sector activities have been a major source of employment opportunities. The Committee sees an even greater scope for employment creation in this sector if the Government could assign a larger role for the private sector and provide the necessary support. In the chapters dealing with the various sectors of the economy, we have highlighted some of the obstacles that have hindered private initiatives and investments. For instance, we have indicated that dispersion of industries has not taken place largely due to lack of such basic infrastructural facilities as water, roads, telephone, power, etc. We have also stated that the informal sector, would greatly increase its employment creation capacity if amongst other things the Government could accord it recognition and support.
775. In order for the economy to be able to generate more employment opportunities in the future, the Committee recommends that the Government should re-double its efforts in widening the role of the private sector in national development by providing appropriate incentives, efficient infrastructural facilities and policy guidelines on what constitutes priority development areas. In this regard, the Committee welcomes the recent establishment of the Investment Advisory Centre which in our view typifies the kind of fora that will assist the Government to direct private sector initiatives to areas where they will have a larger role in national development and therefore in the capacity to generate more employment opportunities.

776. One of the main features of the employment strategy proposed in this report is its emphasis on accelerated rural development. Apart from providing the basic infrastructures necessary for rural development, the Government will be expected to provide incentives which harness people’s initiatives and talents. There is not now, if there ever was, a dearth of entrepreneurial talent in Kenya. Small farmers in particular have demonstrated willingness to respond to opportunities and incentives made available to them. Smallholder tea and coffee enterprises are outstanding examples. They will switch from maize to sugar when sugar is more profitable; they will take up truck gardening for urban centres when prices are right and inputs, transport and markets are available; and will produce milk and meat when conditions make such production feasible and profitable. The response to non-farm, rural-related business opportunities seem equally effective. The Committee considers that rural development in future will greatly depend on the Government giving the right incentives and guidance to people engaged in these activities. We therefore recommend that in future, the Government should improve and intensify its promotional activities such as extension services and programmes aimed at harnessing the talents of our people.

777. We would like to stress the important role played by the people through the Harambee movement. It can be stated with confidence that the permeation of the spirit of self-help among our people has been the hallmark of our country’s development. In the various Harambee activities such as in the construction of schools and health facilities, cattle dips, etc., the efforts of the people have been very significant. The contributions made through Harambee have not only eased the Government’s financial burden but have created basic infrastructures which would otherwise have had to wait for Government intervention. The Committee considers that the Government must continue to nurture the spirit of Harambee by assisting the people in identifying, planning and supervising Harambee projects. While these projects may not create direct employment as such, they release considerable funds for investment in activities which create employment.
Regulatory functions of Government

778. Another way in which the Government influences the pace and pattern of economic growth is through its regulatory functions. Kenya has a mixed economy in which the Government and the private sector each play an important role in the production process. However, the private sector has to operate within a framework of Government policy measures whose aim is to bring about the desired allocation of the productive resources and the desired distribution of the real income resulting from their use. No development plan would be required if the desired allocation and distribution could be realized through the free play of private economic motivations in the market. As soon as the need for planning is recognized, it is acknowledged that, if the plan objectives are to be realized, the authorities have to intervene in the market place with appropriate measures to control, regulate and guide the general process of development.

779. One of the major regulatory instruments that the Government uses is price control, which may be at a macro- or micro-level and may be direct or indirect in character. Fixing of the exchange rate of the country’s currency, minimum wages for workers of different skills and categories, or rates of interest on bank deposits and advances, are instances of macro price control; whereas micro price control occurs when the authorities seek to influence the price of a specific commodity or a narrow group of commodities. Price control is direct when the exact price to be charged (or a maximum or minimum level) is administratively determined and declared as legally binding on buyers and sellers. It is indirect when authorities seek to influence that level upwards or downwards through indirect taxes or subsidies. As already stated, the ultimate aim of all these is to bring about desired changes in the allocation of productive resources and the distribution of real income of society.

780. One important set of price control measures is directed at the retail prices of basic consumer goods such as milk, bread, meat, detergents, gasoline, etc. Several reasons for such price control may be identified as follows—

(a) in a market situation characterized by imperfect competition, price control protects the consumers from excessive profit margins charged by businessmen;

(b) in a market situation characterized by uncertainty or periodicity in supply, price control prevents excessive fluctuations in prices in response to demand-supply imbalances;

(c) in a country in which minimum wages are regulated, prices of essential consumer goods need to be regulated as well if a particular real wage level is to be maintained as part of an income distribution objective;

(d) in a general inflationary situation, fixing the prices of a range of essential consumer goods is a powerful force against acceleration of the rate of inflation. *We therefore recommend that the Government should*
continue with its policy of control of prices with a view to ensuring stability and fairness of prices, achieving income distribution objectives and preventing inflation from getting out of hand.

781. Another way in which the Government has intervened in the economy is through licensing of various activities such as businesses, industries, occupations, etc. Licensing requirements are intended to achieve equitable distribution of opportunities, greater efficiency in the distribution and use of resources and to re-direct activities to areas where they serve stated objectives. In commerce, for instance, licensing has been used to achieve Kenyanization, to avoid wasteful duplication of activities, and to ensure the orderly development of the sector. If properly enforced, the licensing instrument can be a very important stimulant to economic growth and therefore to employment creation. The Committee considers that some of the recommendations made in this report will require licensing procedures to be streamlined so as to re-orientate activities to areas where there is more scope for employment creation.

782. The Government also exercises its regulatory functions through the control of marketing of various goods and services. This is done through legal instruments as well as through the various statutory boards concerned with marketing. As stated in Chapter VII, agricultural production has at times suffered in the past due to poor organization of marketing channels. There have been cases where farmers are encouraged to produce a certain crop when in fact a market for it has not been identified. The Committee therefore wishes to emphasize the need to streamline the marketing system especially for agricultural products so as to stimulate more production and therefore more job opportunities.

Distribution and allocation of resources

783. One of the major roles of the Government is to allocate national resources in a manner that ensures their maximum exploitation and an equitable distribution of benefits accruing therefrom. As we have stated in the various sectoral chapters, the employment strategy proposed in this report envisaged major reforms in the way resources whether human, material or financial are allocated and distributed. In industry for instance, we have suggested that more resources should be directed to those activities which create employment both directly and indirectly. We have also suggested that geographical dispersion of industries to the rural areas will not only create more jobs but will also reduce the influx of the unemployed from the rural to the urban areas. It is therefore hoped that the Government will re-structure the system of incentives so as to achieve these aims.
**Government involvement in economic activities**

784. Apart from its promotional and regulatory roles, the Government also promotes economic growth through direct participation in selected economic activities. Over the years, the Government has established a network of parastatal organizations through which it has participated in a variety of trading and production activities. In agriculture, the Government is involved in the marketing of produce through marketing boards for such crops as tea, coffee, pyrethrum, grains and cereals. It has also made investments in food and crop processing enterprises. In the industrial and commercial sectors, the Government has participated either through its own institutions or through joint ventures with the private sector.

785. Recent experience indicates, however, that some of the projects that the Government has participated in have either not produced adequate returns or have failed altogether. The Working Party on Government Expenditure (1982), examined the policies relating to public investments and recommended that the Government should carry out a careful review of all parastatals and Government investments to determine those whose retention is essential for national development, those whose objectives have been achieved and should be discontinued; those whose functions could be absorbed by parent ministries and those whose functions would be more efficiently performed by the private sector.

786. In making its recommendations, the Working Party was motivated by the need to stem the wastage of public funds through bad investments. Their findings have been confirmed in our own investigations and the Committee agrees with the general thrust of their recommendations. For our purposes, however, we have gone a step farther by examining the whole philosophy underlying Government participation in economic activities so as to establish the link between such participation and future prospects for employment creation. Our country’s philosophy of development was articulated in the Sessional Paper No. 10 of 1965 wherein it was stated that within the framework of African Socialism the Government would participate in economic activities—

(i) when the assets in private hands threaten the security or undermine the integrity of the nation; or

(ii) when productive resources are being wasted; or

(iii) when the operation of an industry by private concerns has a serious detrimental effect on the public interest.

787. In a developing country such as Kenya, rapid but balanced economic growth could not be achieved without some form of Government participation. Indeed, we believe that the pace of economic growth greatly depends on the extent to which the Government plays a catalytic role in initiating projects which cannot otherwise be initiated by the private sector due to the heavy financial outlay involved or because the project is not expected to make a fair return in monetary terms.
788. In the various chapters of this report, we have made recommendations which envisage that the Government will continue to play a catalytic, and in some cases, a pioneering role in national development. Some of the proposals we have made will entail continued Government involvement in new investments through share capital, loans, grants subsidies or through guarantees to private enterprises. Although it is now recognized that the Government must try to scale down her investments especially in potentially unprofitable ventures, this Committee firmly believes that a balance must be struck between the need to contain short-term fiscal problems and the need to continue to pursue long-term objectives which will put the country on the road to sustained economic growth in the future. Most importantly, the Committee argues that decisions on future Government investments must take into account the disquieting prospect of increased unemployment in the future.

789. In recommending that the Government must continue to play a catalytic role in national development, the Committee is well aware that some of the current Government investments are clearly a drain on national resources. Many of them have failed not so much because the initial justification was wrong but because of mismanagement or transitional problems that can, in time, be overcome. The Committee therefore recommends that in divesting itself of unprofitable investments, the Government should give due weight to the strategic importance of each investment and thereby determine those which could be disposed of without jeopardizing the short- and long-term national objectives and those in which Government participation is still justified regardless of whether they are profitable or not.

790. As already mentioned, some of the current Government investments have failed because of mismanagement. Others have failed because private foreign investors have deliberately sought Government participation and guarantee as a means of safe-guarding their own share and loan capital. As the Working Party rightly noted, this has served to strengthen foreign ownership and control thus leading to some de-Kenyanization of the economy. The implication here is that some of the currently unprofitable investments are sound business propositions which could still be resuscitated and made profitable. The Committee therefore recommends that in disposing of these investments, the Government should provide all the necessary assistance to bring them back on a sound footing. The Committee further recommends that as far as possible, these investments should be divested to Kenyans as part of the Kenyanization programme. For this to succeed, the Government should work out a scheme whereby the new Kenyan investors are assisted through provision of capital, infrastructure, etc.

Management of development

791. In their reports to the Government, the Public Service Structure and Remuneration Commission (1971), the Civil Service Review Committee (1979-80) and the Working Party on Government Expenditure (1982) exam-
ined the manner in which the various Government institutions carried out their functions and identified some major weaknesses in their management of human and financial resources. In particular, these reviews noted cases of inefficiencies resulting in lags in implementation of development projects, poor financial management and laxity in the performance and commitment of public servants. They also observed that as a result of the rapid expansion of the public sector, problems of co-ordination, delegation and accountability had also emerged.

792. In our own interviews, attention has been drawn to weaknesses which must be corrected if the Government is to be able to implement the programmes proposed in this report. In particular, we have been told that there has been a notable decline in the commitment and dedication on the part of some of the people who man the public sector. For instance, cases of misappropriation and misallocation of funds have surfaced from time to time through the reports of the Controller and Auditor-General and the Public Accounts Committee and yet no prompt action has been taken to correct the situation. There have also been instances where directives from no less an authority than His Excellency the President have not been implemented. These and many other instances of laxity clearly point to a need for stricter enforcement of discipline in the public service. We therefore recommend that in order for the public sector to be able to manage the development strategy which we think will increase employment opportunities, the Government must ensure that disciplinary control in all its institutions is rigorously enforced.

793. The Committee has also observed that delays and inefficiencies in the implementation of development programmes have been occasioned by organizational problems such as duplication of functions between the various ministries and within the ministries themselves. There have also been problems related to the distribution of functions between the Civil Service, parastatal bodies, the local authorities, etc. Apart from their effects on effective co-ordination and therefore efficiency in the delivery of public services, these problems have resulted in wastage of scarce national resources. The Committee therefore recommends that the Government should review the structure and functions of its institutions with a view to evolving a more rational organizational set-up capable of meeting the increasingly complex challenges to be faced in the future.

794. A major thrust of our recommendations is that future development strategies should bear a deliberate bias towards the rural areas. In the past, one of the constraints to rural development has been an over-centralized decision-making process and cumbersome co-ordination between central planners in Nairobi and the implementing staff in the field. In this regard, the Committee welcomes the recent decision to designate the district as the focal point of
rural development. We believe that this decentralization will lead to greater efficiency in project implementation and therefore in the creation of additional employment opportunities.

795. Another factor which has affected the management of development relates to the availability and utilization of skills in the public sector. Many of our development programmes require skills that are not readily available locally. In other situations, the available skills are not optimally utilized as in cases where professionals are deployed in administrative duties. Chapter V of our report makes detailed recommendations on how education and training should be re-structured in order to enhance the Government's capacity to manage national development. Apart from the increased supply of skills which would result from re-structuring, we believe that development management would greatly benefit from a multi-directional exchange of expertise between the various Government institutions and between Government, the private sector, the university etc. The Committee accordingly recommends that the Government should initiate a programme of multi-directional exchange of personnel between and within both the public and private sectors.

796. Kenya is now an active member of the international community and participates in the work of many international and multi-lateral organizations and negotiations. As our internal economic and political development becomes increasingly inter-twined with such external bodies, it is necessary that our people become exposed to the workings of these bodies so as to enrich their negotiating skills, perspectives and experience. We therefore recommend that as a matter of policy, the Government should actively encourage the secondment of Kenyans to various international organizations.

Employment in the public sector

797. Throughout this chapter, we have stressed the point that the public sector will in future contribute to employment creation through its contribution to overall economic growth. However, we have also considered future prospects for employment creation within the public sector itself. In their reports to the Government, both the Civil Service Review Committee (1979-80) and the Working Party on Government Expenditure (1982) revealed that the public sector was over-staffed in the lower echelons. As can be seen from Table XLVIII below, 47.3 per cent of all the persons in wage employment are in the public sector, making it the largest wage employer in the country.

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<th>Table XLVIII—Public Sector Employment ('000 Employed)</th>
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<tr>
<td>Total Wage Employment</td>
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Source: Central Bureau of Statistics.
798. From these statistics, it is quite evident that for the foreseeable future, the sector is not likely to be an important source of direct employment opportunities. Even the new institutions whose creation we have recommended in the various chapters will have very little absorptive capacity because they will largely be service organizations.

799. Many people who have submitted evidence to us have recommended that retirement age in the public sector—and indeed in the whole economy—should be lowered so as to create more jobs. The Civil Service Review Committee (1979-80) examined a similar suggestion but discounted it on the grounds that the cost of such a programme would be prohibitive.

800. The Committee notes that currently, there is a scheme within the Civil Service which allows superscale officers who have served for ten years or have attained the age of 45 years to retire pre-maturely with full pension benefits. Our evidence is that the scheme has not worked in the sense that very few civil servants have taken advantage of it. This has been due to the fact that an officer who retires under the scheme is not allowed to draw his pension until he reaches the statutory retirement age of 50.

801. While the Committee acknowledges that the implementation of such a scheme would not substantially increase job opportunities in the Civil Service (largely because the number involved in the current scheme is very small), we believe that on the whole the economy would benefit from the implied rotation of skills and experience. The Committee therefore recommends that the scheme should not only be continued but should also be extended to all cadres in the Civil Service. In order to make it more attractive, the Committee further recommends that those who opt to retire early should be allowed to commute at least 50 per cent of their persons immediately upon retirement.
CHAPTER XIV—CONCLUSION

802. By inserting a conclusion in our report, we are aware that we run the risk of attracting our readers to it with the expectation that all our recommendations are summarized therein. This is certainly not the case. Although our recommendations are summarized at the end of the report, and their justification is contained in the main body of the report, we do feel that there is a need for us to articulate the philosophy underlying the whole report and the context in which we have brought out our recommendations.

803. Many people would argue that the economy is in such a serious recession that there is little or no scope for further employment and that, therefore, the work of the Committee is largely academic. We have sought to demonstrate to these prophets of doom that Kenya has now created a resource base of men and women who, given the challenge, “will rise to the occasion”. Our national philosophy has produced a people who are not despondent or defeatist. Rather, we have a people determined to better themselves, and the society in general, if only they are shown the way.

804. We believe that Kenya has created the institutions necessary and capable of managing this country, and that what is required is not to demoralize them by destructive and sometimes uninformed criticism, but rather to encourage them to do more and to innovate.

805. We have been greatly encouraged by the performance of the economy over the last 20 years, when compared with other countries in a similar stage of development. Nonetheless, we feel that further growth could be compromised by too much bureaucracy, indecision and lack of co-ordination. With the limited resources available, it is vitally important to ensure that we optimally allocate and manage such resources in the best interests of the nation. To this extent, we would say that the best security for any nation is in the provision of basic needs such as food, clothing, shelter, health, education, etc.

806. We have been struck by the little amount of time available to the policy makers to think in the future and to consult each other, not so much on the day-to-day issues, but on the long-term and broad issues facing the nation. We are aware that there are such portfolios as development co-ordination within the Office of the President, and even the Ministry of Economic Planning and Development, but we feel that there is an urgent need for and we therefore recommend, setting up of a National Economic Council (N.E.C.) which would advise Government on a regular and continuous basis, on many of the economic issues that a normal Civil Service structure may be ill-equipped
to handle. This Council should be composed of a small number of notable economists and/or long experienced administrators with a high powered secretariat and should form the "Think Tank" for the nation on all economic matters. We are convinced that there are people in the country with the necessary experience and insight to be able to play this role. We must not lose our capacity to dream and to see in the midst of the harsh realities of today, the vast opportunities of tomorrow.

807. One problem that has greatly concerned the Committee is the manner in which Government investments in industries have been managed. Despite the fact that there are several lending agencies, e.g. I.D.B., D.F.C.K., I.C.D.C., K.C.B., the Treasury, many Government investments have been entrusted to foreign management companies, and little local monitoring has been undertaken. As a result, large sums of foreign exchange are paid out as management fees, but even more serious is the manner in which many of these large industrial enterprises have collapsed due to poor management thereby necessitating huge losses to Government. A case in point is the Kenya Chemical and Food Corporation (K.C.F.C.) molasses plant in Kisumu. This Committee feels that time has come when we should manage our own industry and train our own people for it. We therefore recommend the establishment of a National Development Corporation (N.D.C.) whose functions will include, the managing of all industrial enterprises in which the Government has a substantial interest. In order to do this, it may need to recruit foreign experts and technical personnel for varying periods of time, but it will also be training our own people to take up these responsibilities over time.

808. In this way the N.D.C. will soon create a reservoir of managers, and professionals who would be capable of handling any national investment, as well as provide the management consultancy services for which the nation is now paying dearly.

809. Last, but by no means the least, we wish to emphasize that although this report is written to the Government, it is addressed to every Kenyan. Everyone can and must play his part. Leaders have a duty to understand and articulate Government policy. The civil servants have a key role to service the nation, the farmers, the industrialists, the teachers, the students, the churches and indeed, all Kenyans must work together, guided by the Nyayo Philosophy of Peace, Love and Unity. As long as we give our people a sense of mission, they will see significance and hope in life and will be able to survive and endure any hardships.
SUMMARY OF MAIN RECOMMENDATIONS

The national philosophy and its application to the problem of unemployment

Paragraphs

54. That a concerted effort should be made to teach and to popularize the concept of Democratic African Socialism and its application in Kenya. This campaign should be spread from the Kanu Party fora to schools and should permeate the whole fabric of our society.

56. That civics should be taught in all secondary schools and teacher training colleges, and that its teachers should undergo special and periodic courses to ensure that they are conversant not only with the facts, but also with the spirit and philosophy underlying the subject.

64. That the nobility of work for the sake of the larger society must be nurtured more aggressively at home, in schools and even at work. The old dynamism generated at independence must be recaptured and rewarded.

71. That the African Cultural Society in conjunction with the Ministry of Culture and Social Services should be mandated to draw up a long-term programme of cultural revival and identity.

Education and training

171. That in the implementation of the 8-4-4 system, the following should form an integral part of the strategy:

(i) With the elimination of the certificate of primary education, the new testing system should be aimed at identifying different talents rather than the present examination which tests academic merit only. Such testing methods would aim at developing scoring and ranking methods for technical training, academic progression, skill appreciation, originality and creativity and general personality and attitude development.

(ii) The 8-4-4 system should be justified on the basis of a significant increase in the proportion of curriculum devoted to pre-vocational subjects: from a modest proportion in the early primary education to a heavy bias in content in the last two years of primary education, in effect making the 8th year meaningfully terminal to those who do not progress up the academic ladder.

(iii) Secondary education to be comprehensive and divided into two main streams, i.e. academic and trade. The Ministry of Higher Education should convert the present 14 technical high schools
into technical and trade schools to link up with institutes of
technology, the polytechnics and professional schools, and qualita-
tively improve the content of the academic stream to be
consistent with the implementation of a National Service Scheme
as a pre-university entrance requirement and a relevant academic
education.

175. That the Government should formally adopt pre-school education
into the Ministry of Basic Education, as an integral part of life-long
education and formulate the necessary policy guidelines to ensure that
every Kenyan child below the school-going age is given access to
pre-school education and care.

176. That the Government should design a national syllabus to be used in
pre-school institutions throughout the country.

178. (i) That syllabi for pre-school institutions should have as its basic
goal the inculcation of traditional African values of discipline,
love for one's parents and community, mutual self-help, social
obligations and inter-dependence of members of a given com-

179. That children in pre-school institutions should be taught about the
national flag, emblems, the national anthem, etc.

180. That pre-school institutions should be used as centres where preventive
medical care is provided. This could be by way of immunization,
teaching of simple hygienic practices or providing cheap nutritional
supplements such as milk, vitamins, etc.

181. That in addition to introducing a standardized syllabi for all pre-school
institutions, the Government should design a national programme for
the training of teachers for this level of education.

184. That the Government should consider establishing nursery schools in
the precincts of all the existing and proposed primary schools.

190. That primary schools curricula needs to be reformed, thus:

(i) Primary education should continue to aim at the highest levels
of academic excellence by teaching those subjects which will lead
to professions required in the economy and which will help our
people to adjust to the rapidly changing technological innovations. Such subjects should include mathematics, elementary chemistry, physics and biology, agriculture, geography, health and social sciences.

(ii) Primary education should be made a terminal form of education by introducing pre-vocational subjects which would assist those who do not go to secondary schools to enter into further vocational training or engage in self-employment. Such subjects should include carpentry, metalwork, masonry, home science, basket-making, tailoring, book-keeping, etc.

191. That primary school syllabus should include such subjects as civics, African arts and crafts, traditional dancing and music, religion, ethics, history and spatial and cultural geography.

192. That sex education be incorporated in the primary school curricula, and in the curriculum for primary teachers colleges.

193. That the method of instruction in primary schools should strike a more realistic balance between book learning and empirical observation and experimentation.

194. That teaching aids should be based on local products and the local environment which children are familiar with.

195. That schools should be required to introduce obligatory extra-curricula activities which help to mould the character of pupils at this crucial stage.

201. That the gaps, created by poor quality education which leads to poor performance in examinations, thus reducing the students’ chances of being admitted to university or gaining employment in the modern sector where high examination passes are decisive, be reduced to a minimum.

205. That methods of instruction and course content be open-ended to facilitate further learning for those who enrol into post-secondary training institutions or the university and allow those who terminate their formal education at secondary level to be able to utilize their skills productively.

207. That the recommendation of the National Committee on Education Objectives and Policies, that the existing technical secondary schools be converted into post-secondary technical institutions where training would be such as to enable the students to engage in employment straight after finishing their courses be implemented. Further, arrangements should be made to allow the students in these institutions to sit for Government trade tests upon graduation.
208. That character training started at the primary level should be extended and intensified at the secondary school level.

217. That by legislation or requirement, ministries, parastatal organizations and the private sector should recruit a certain percentage of their labour force from among the handicapped with relevant training, and that the Government gives some form of incentives to employers to engage the handicapped.

218. That the Government should pass legislation requiring building contractors to include basic facilities for the physically handicapped in any future commercial and industrial buildings.

221. That the development of literacy materials and printing programmes be jointly run by the Department of Adult Education, Kenya Institute of Education and the Jomo Kenyatta Foundation.

225. That an agency be created, preferably a manpower commission, supported by legislation to give it executive powers, to co-ordinate and plan manpower development and utilization in the country.

226. That the recommendation of the Working Party on second university for the setting up of a council on post-secondary training and higher education be implemented.

230. That the syllabi of the various teacher training programmes be reviewed with a view to shortening the duration of the courses, such that, the greater part of the training deals with the development of professional skills of teaching, rather than a mere extension of formal courses already covered in earlier academic programmes.

237. That the Government should inject more funds into the National Youth Service to enable it to train leadership personnel with a view to expanding the carrying capacity of the service.

239. That the main objectives of the National Students Service Scheme should be to introduce the students to the actual social and economic set-up of their country and to prepare them for their eventual participation in all socio-economic activities.

240. That on establishment of the proposed scheme, it will be mandatory that such candidates will be required to give one year of national service prior to training in the respective institutions. The first six months should dwell on the psychological aspect of training that will deliberately create deeper understanding and appreciation of national ethics and aspirations, and the need for total commitment to national security and development, an element that is lacking among students today. During the second half of the programme, students will physi-
Paragraphs
cally be involved in development projects such as afforestation, construction of rural access roads, etc., at community and national levels, to develop an appreciation of the dignity of manual work and rural life.

Employment and labour market policies

248. That in order to encourage employers to make greater use of employment exchanges, the Government should strengthen and improve its employment service machinery. In addition, a sub-committee of the tripartite Labour Advisory Board should be established to monitor and continuously advise the Government on the voluntary use of employment exchanges by employers in the private sector.

249. That while the Public Service Commission should continue to recruit skilled and professional personnel for the public service, all recruitment in respect of unskilled and semi-skilled personnel should be done through the employment exchanges.

250. That the Government take steps to ensure that the legal requirement contained in Legal Notice No. 156 of 1977, that makes it mandatory for all employers to report vacancies be rigorously enforced.

255. That there be established a network of labour tribunals chaired by magistrates to deal with some of the simpler cases such as dismissals, which are now going before the industrial court.

256. That the powers of Government labour officers be extended to make it mandatory for employers and unions to make full use of the labour officers prior to reporting disputes to the minister in order to minimize delays in resolving reported disputes.

259. That the Government, in conjunction with co-operative societies and trade unions, should strengthen the organization of farmers and workers to be able to rationalize working hours, with a view to increasing output of both cash and food crops. Further, the Government through the co-operative movement should encourage the use of casual labour in coffee factories where farmers are currently required to provide free labour in order to increase employment opportunities.

261. (i) That subject to favourable market conditions, industries be encouraged to adopt multiple shifts in their operations so as to increase their output, and at the same time contribute to the alleviation of unemployment.

(ii) That in order for the industries to implement such a programme, the Government should ensure availability of security, street lights, transport services, spare parts and any other incentives, to make the programme attractive.
(iii) That the next development plan should take stock of idle capacity in both the public and private sectors and propose programmes aimed at optimizing their utilization and thus increase output and employment.

265. That the Government should continue to enforce the Kenyanization programme with all the means at its disposal.

266. (i) That an interministerial committee, charged with the responsibility of laying down guidelines in issuing work permits be set up.

(ii) In carrying out its work, the committee should maintain very close consultations with the firms involved, so that the Kenyanization programme is carried out smoothly, and without adverse effects on the economy.

267. That the Government should consider increasing the fees charged for work permits in order to hasten Kenyanization.

270. That the Government should move away from the use of tripartite agreements and instead, concentrate on those measures which do not jeopardize the prospects for sustained growth of employment opportunities.

272. That the Minimum Wage Regulation Orders be vetted by the Industrial Court before publication by the minister.

276. That the Government, in consultation with the workers and employers' organizations should adopt the system of paying wages on fortnightly basis for both the public and private sectors.

278. That all large employers, including Government, should, as a matter of policy, be required to provide housing for the majority of their staff. The Government should work out a plan for the financing of such housing development through the existing housing finance institutions, as well as the Housing Development Bank whose creation is recommended in Chapter X.

284. That appropriate action be taken by the Government to stop the misuse of casual employees. If this is implemented, the Government should also ensure that matters relating to redundancies are processed expeditiously.

**Employment in agriculture**

288. That a land commission be appointed to study and advise the Government on how to evolve a long-term land policy consistent with our long-term national goals.

290. That a long-term programme for large- and small-scale irrigation and drainage schemes be initiated, and that relevant institutions such as the National Irrigation Board (N.I.B.) be strengthened to undertake the consultancy and planning functions which are now being contracted out to foreign firms at great cost to the country.
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292. That the Government should continue to encourage controlled and organized sub-division of large farms in the high potential areas.

295. That the National Youth Service should train and station special soil conservation units all over the country, to give technical guidance in consultation with the relevant ministries. Further, the Government should strengthen its support for these schemes by launching subsidized supplies of tools and equipment to self-help soil conservation groups, for which the Government will find ready assistance from aid agencies and environmentalists.

297. (i) That services to the farmer should, as much as possible, be co-ordinated under one agency and/or ministry. In addition, all field officers should wear uniforms so that they are distinguishable by farmers.

(ii) That Junior Agricultural Assistants should be recruited and trained within their home areas. Further, all ranks of field officers should be exposed to a co-ordinated programme of field courses and workshops, and that relevant industries, private sector and agricultural researchers should be invited to address such workshops.

298. That greater effort be made to use mass media for agricultural extension services.

300. That the A.F.C. should be reconstituted into an agricultural development bank with the initial capital coming from the Government and commercial banks.

301. That credit to farmers should be differentiated from that of industry and commerce, and be more closely related to its purpose whether short- or long-term.

302. That immediate measures be taken to devise a broadly-based agricultural insurance programme to cover, not only crops, but also livestock. In working out this programme, the insurance industry should be directly involved.

306. That Kenya should aim to be not only self-sufficient in maize, but also a major exporter, and that production, storage and pricing policies should be developed with this objective in mind.

307. That once the requirements of national strategic reserves have been satisfied, the marketing of maize from one district to another or from
province to province should be allowed, provided, always that the Government, through the National Cereals and Produce Board would guarantee a floor price at which it will step in to support the market.

308. That while the Agricultural Development Corporation (A.D.C.) should continue to develop the production of hybrid and synthetic maize, it should in turn be empowered to retain sufficient acreages as national farms for this programme.

309. That a long-term strategy be devised to bring into production over 400,000 hectares of land suitable for wheat in the Rift Valley, but which is now lying idle.

311. (i) The Government should initiate programmes to manufacture locally, some of the major chemicals, such as those used in the control of Coffee Berry Disease (C.B.D.), etc.

(ii) A programme of improving the capacity and efficiency of coffee factories should be initiated. In all cases the possibility of supplying them with electricity under the rural electrification scheme should be aggressively pursued.

(iii) Rural housing schemes not only for large estates but also for small holders should be encouraged by the provision of soft loans, etc., as hired labour is no longer confined to large estates, but has spread to the small-holder sector.

312. That measures be taken to encourage the manufacture of coffee locally for both the local and neighbouring foreign markets. This will require the initiation of a programme to exploit the potential for the production of robusta coffee in western Kenya to be blended with arabica coffee.

313. (i) That since field production of tea presents no major problems, an accelerated planting programme should be embarked upon, such that by the year 2000, an additional 100,000 hectares will have been planted.

(ii) In order to popularize this programme, one of the major constraints, that is, shortage of working capital will need to be removed. A great deal of tea goes unplucked or abandoned either because the grower cannot engage enough people or because he may not have liquid funds to pay them. The present payment system by the K.T.D.A. is heavily weighted towards a generous bonus payment at the end of the crop. This is understandable but it may not be conducive to maximizing on yields and total output, by more frequent and regular plucking. We therefore feel that interim payments should bear closer relationship to the operational costs of the farmer.
(iii) As in the case of coffee, a subsidized rural housing programme will go a long way to attract labour on a permanent basis.

315. (i) That in the short-run, any price adjustments considered for sugar should deliberately bear in mind the comparable returns from maize as any switch from sugar would be to maize and vice versa.

(ii) That in the long-run, possibilities of growing sugar-cane under irrigation should be seriously investigated, not only for areas around Lake Victoria but also in the Tana River Basin, mainly for the purpose of putting these idle lands into productive use.

316. (i) That all cotton ginneries should be owned and operated by cotton co-operative societies, and that the crop should continue to belong to these co-operatives until it is sold to improve payout periods for farmers as the long chain of institutions between the farmer and the eventual buyer causes unnecessary delays.

(ii) That the Cotton Lint and Seed Marketing Board should be reconstituted so that it becomes a farmers' board, by, for instance, having representatives of co-operatives on the board.

317. That large-scale growing of cotton under mechanization should be encouraged in parts such as Taita-Taveta where suitable land is available in large tracts. This will boost production and create a large number of employment opportunities both at the estates and textile factory level.

318. That future cotton growing schemes should seek to utilize irrigation as much as possible in order to increase yields and returns to the farmer. This would also enable the farmer to plan his cropping system such that the high labour requirements of cotton are not compromised by labour needs for food crops.

319. That the Pyrethrum Board seeks a soft loan to support a minimum level of strategic stocks, which in turn will enable the board to guarantee regular supplies to the end users and at the same time be able to pay the farmer promptly. This is being done worldwide in the case of coffee, tea and sugar, and there is no reason why it should not be extended to cover pyrethrum.

320. That the Horticultural Crop Development Authority (H.C.D.A.) should be re-organized to make it more developmental in character as opposed to its present regulatory role. Fuller exploitation of horticulture will increase benefits such as foreign exchange earnings and employment.

321. That Mtwapa Agricultural Research Institute be reorganized to undertake tree-crop research, to pioneer the development of the vast potential that exists, particularly in the Coast for tree-crops such as
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cloves, rubber, cashew nuts and coconuts. The institute should therefore be fully staffed and equipped for this purpose. End users of some of the raw materials such as rubber should be invited to participate in the development of these ventures.

322. That as well as expanding Government Artificial Insemination (A.I.) programmes to up-grade the existing large but unproductive stock of animals, the possibility of contracting with private firms and individuals should be investigated in order to ensure the widest possible A.I. cover.

323. That a crash zero-grazing programme be introduced in the high potential areas, supported by financial and manpower resources. This will help combat tick-borne diseases, increase production per animal, release land for crops, reduce the number of unproductive animals, etc.

324. (i) That a national livestock insurance scheme be introduced to guard against the high risk of loss of these very precious dairy animals. This scheme should be drawn up in conjunction with the crop insurance programme referred to in Chapter XI and the relevant corporations should be requested to assist in promotion and premium collections.

(ii) That the programme of installing simple cooling facilities be re-introduced to step up supplies of milk products.

325. (i) That financial and manpower resources of the Agricultural Development Corporation should be greatly enhanced so that it can take over development of ranching schemes on state and trust lands particularly in marginal areas at the Coast and North-Eastern provinces.

(ii) In the case of Garissa and other similar areas, the A.D.C. should establish local abattoirs to slaughter animals, which are presently walked many miles to major slaughter houses.

(iii) Once it has been established firmly as the main agency for ranch development, the A.D.C. should also take over the marketing of cattle from the Livestock Marketing Division of the Ministry of Livestock Development, to facilitate better market co-ordination not only within range areas, but also within, and to, the high potential areas which need a large number of immatures for fattening.

(iv) That the Agricultural Development Corporation should be requested to develop a system of auction centres throughout the country to cover both beef and dairy cattle.
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327. That the pig and poultry industry should be taken much more seriously than has been the case in the past, and that a working party should be established to study and advise the Government on the industries.

328. (i) That such crops as cassava which are grown extensively all over the country should be used as the basic dry matter for feedstuff manufacture, and the programme should be initiated, to begin with at the Coast to support a feeds manufacturing plant. This will reduce the price of feeds and encourage farmers to remain in these industries.
(ii) In the event that Government may wish to disinvest from the Uplands Bacon Factory, the shares should first be offered to pig farmers and pig co-operative societies, in order to enhance the profitability of the factory.

330. That the Kenya National Federation of Co-operatives (K.N.F.C.) should be strengthened at the national level, to provide centralized services such as auditing, credit and savings facilities, the procurement and distribution of farm inputs, and where possible, the manufacture of such basic inputs as feedstuffs, etc.

331. That legislation should be enacted to strengthen the role and the powers of K.N.F.C. to further improve the working of co-operative societies. In this regard, the Government should second its own staff to man the executive positions while the K.N.F.C. arranges to acquire capable staff of its own.

Employment in forestry, fisheries and mining

339. That the Government should launch a specific programme aimed at expanding the afforestation of all catchment areas as well as improving their management. This exercise should include the identification and gazetting of all areas that qualify as catchment areas and which should include hill-tops, river valleys as well as lands under private ownership.

343. (i) That the Government should launch an agro-forestry programme aimed at increasing the planting of trees in all the high-potential agricultural areas, whereby the farmers should be required to plant trees along homestead fences, access roads, river valleys, trunk roads, school and hospital compounds.
(ii) That research be carried out to determine the type of trees that can co-exist with agricultural crops.

344. That agro-forestry be increasingly made community-based so as to ensure its success, by involving such groups as schools and women groups.
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347. (i) That the Government should draw up a plantation forests development programme aimed at increasing the number of plantations through the use of diverse tree species.
(ii) That research be carried out to identify the types of trees which could be planted in the various ecological zones to facilitate implementation of the programme referred to in (i) above, particularly those species that do well in arid and semi-arid zones.

348. (i) That under the programme above, the Government should set aside land on which industries should be required to establish plantation forests to meet their needs.
(ii) That as the supply of wood increases, all the industries that can technically switch to wood as a source of power be required to do so.

349. That the Government should draw up a plan to construct “forest roads” within and between the plantations and the rest of the country’s road network in order for the plantation programme to be effective.

354. That a Forest Products Authority be established under an Act of Parliament, to operate as a parastatal organization to fill the wide gap now existing in the exploitation of forest resources.

355. That the present licensing system be reviewed so as to bring it in line with the strategy for forest exploitation recommended in this chapter.

356. That the Government should strengthen its law enforcement machinery so that it can protect the forests more effectively.

357. (i) That the Government, through the licensing system, should adopt as a basic objective the Kenyanization of logging and sawmilling activities.
(ii) That one of the priority tasks of the Forest Products Authority should be to modernize sawmilling and logging operations through the introduction of appropriate technology.

358. That in order to ensure the viability of logging and sawmilling operations, the Forest Products Authority should organize them into units large enough to enjoy economies of scale.

359. That the Kenya Industrial Estates in conjunction with the Forest Products Authority, should initiate briquetting plants located side by side with saw-mills to generate employment and help meet the growing demand for domestic fuel.

365. That the Government takes lead in the development of other wood industries requiring complicated and expensive technology to encourage potential entrepreneurs in areas where they have not been started.
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373. That a Fisheries Development Authority be established to oversee the exploitation of the country’s fishery resources, by engaging in the collection, processing and marketing of fish and fish products.

375. That the establishment of the authority should be followed by a review of the present role of the Fisheries Department. Further, the Kenya Marine and Fisheries Research Institute should be entrusted with all fisheries research in the country since it is well placed in terms of manpower and other resources.

379. That the Government should encourage the establishment of boat-making industries in all important fishing areas in view of the possibilities that exist for employment creation in small-scale fishing operations. These boats should be fitted with motors to increase speeds and safety as well as cold storage facilities to preserve the catch.

381. (i) In order to improve the marketing of fish around Lake Victoria, the Government should, through the Fisheries Development Authority, establish fish collection centres in strategic places along the lakesides with facilities to collect fish from scattered landing sites well as properly equipping them for cold storage.

(ii) In the case of Lake Victoria, two such major centres should be established at Kisumu and Homa Bay.

(iii) As a medium-term measure, these two centres should be equipped to facilitate processing and canning of fish.

382. That the Government should establish a credit scheme for fishermen to enable them to participate viably in fishing.

383. That the Government should construct “fish roads” in all the high potential fishing areas in order to boost fish production and marketing.

384. That a fish-meal processing plant be established at a suitable site in the country.

387. That training facilities for fisheries extension staff be increased. The Ramogi Institute of Technology in Nyanza Province and Mtwapa in the Coast Province are suggested to serve this purpose.

388. (i) That the Government launch a crash training programme under which the thousands of jobless primary school-leavers would be trained to become fishermen. Such training would include swimming, handling of boats and fishing gear, etc.

(ii) The people so trained should be given loans for the purchase of boats, fishing gear, etc. to ensure they engage in viable fishing operations.
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389. That under the auspices of the Fisheries Development Authority, the Government ensure the stocking of the multi-purpose dams, the establishment of which is recommended in Chapter XI.

392. That a boat industry to meet the specific needs of marine fishing be developed so that the country can have boats built with the strength necessary to enable them to go into all-season fishing.

400. That the training programme for mining technicians now being offered at the Kenya Polytechnic be greatly expanded to take in more trainees, and that once trained, these graduates should be assisted financially to set up their own mining operations under the National Mining Corporation the establishment of which is recommended hereunder.

402. That a National Mining Corporation be established, not only to coordinate the exploitation and management of this important resource, but also to negotiate for equity participation if, and whenever a viable deposit has been discovered, as well as support small-scale African entrepreneurs technically and financially.

403. That courses be mounted both here and overseas to train the necessary manpower at professional and sub-professional levels.

409. That the Mining Act of 1934 be reviewed in order to update it and widen its scope to empower the ministry responsible to negotiate suitable exploration and exploitation contracts as well as offer necessary incentives.

Employment in manufacturing

418. That the Government should rigorously pursue the policy of exports promotion in order to realize both the expansion in the demand for Kenyan manufactured goods and a strong industrial development base.

419. That tariffs be rationalized with a view to reducing duties on items which are essential inputs for export production; giving preference to exporters in the allocation of import licences; introducing export credit insurance and financial guarantee schemes; supplying indigenous materials to domestic exporters at international prices, etc.

420. That the determined efforts being made to secure healthy and stable trade relations with Eastern and Southern African countries be maintained.

422. (i) That the Government should pursue policies which encourage the establishment of industries which use local materials, as a means of averting constraints on the supply of inputs.

(ii) That already existing industries should be made to develop locally available raw materials.
427. That the Government should rigorously implement the policies that have already been formulated to encourage labour-intensive methods of production.

432. (i) That the Government should promote the development of production of handicrafts through training, designing and common production facilities to encourage crafts based on domestically available materials such as clay and minerals, metals and leather.

(ii) That existing crafts based on wood and sisal like engraving and handmade carpets should be diversified and production of new items like toys be encouraged through the same process.

(iii) That in the clothing industry in which Kenya is still a net importer, a large number of small-scale units equipped to undertake specialized design-oriented jobs be established.

(iv) That the K.I.E. commit its resources to accomplish the development of the required skills and productive capacity in the leather products and shoes industries in view of its labour intensity and good export prospects.

433. That new lines of production in specific industries be encouraged to raise the employment levels in the manufacturing sector as follows:

(i) Increasing capacity utilization where productive capacity is under-utilized. One example is the sugar industry in which capacity utilization may be improved through raising the prices of both sugar-cane and refined sugar. In the grain milling industry, there is underutilized capacity for the production of food items such as pasta, vermicelli, macaroni and spaghetti. The soft variety of wheat grown in Kenya is not suitable for the production of these items. Efforts have to be made to grow the appropriate variety of wheat; meanwhile, imports of wheat may be permitted or arranged to enable the industry to improve capacity utilization.

(ii) Expansion of productive capacity where prospects for export marketing or import substitution exist. Examples are production of starch from maize and cassava, expansion of poultry-feed industry and manufacture of dairy products, production of vegetable oil from sunflower and groundnut whose output can be expanded. Kenya produces annually 1.3 million hides and 5 million skins. With this size of production, there are considerable prospects for further development of the tanning industry, which
will call for restructuring of the import duty and export compensation rates and the provision of training facilities both at home and abroad. Similarly, there is scope for the establishment of another plant for biscuit making designed exclusively for exports, in particular to countries of the Middle East.

(iii) Development of new products through measures such as technical advice, training and credit facilities and research and development information. A range of new products may be developed to utilize excess molasses and bagasse. Similar potential exists for development of banana powder and starch, orange oil, papain, etc., in the vegetable and fruit-canning industry. A plant can be set up for the production of hop extract locally for the beverage industry. One of the existing plants in the textiles industry may be assisted in developing a project for the production of polyester chips locally.

(iv) Kenyanization of distributive and foreign trade is important, since experience of other countries shows that entrepreneurship emerges from commerce. In Kenya, commerce is controlled by foreigners or Kenyans of foreign origin and it is primarily because of this situation that entrepreneurship has not emerged on an adequate scale. Import trade has a quick return on investment and helps to develop contacts with sources of know-how abroad which is needed for conceiving projects and undertaking risks. It is thus proposed that the import trade should be reserved for Kenyans, as far as practicable.

Employment in the building and construction industry

446. That the Government should establish a National Housing Bank to fill the wide gap now existing in the housing finance market.

448. (i) That the Government as an employer, should step up the construction of houses for its staff.

(ii) That large private employers (particularly plantation), including local authorities, should be given assistance or incentives through the proposed National Housing Bank to house their employees.

(iii) With regard to rural housing, adequate funds should be made available through the proposed National Housing Bank to enable rural people improve their houses as well as provide workers' houses.

(iv) In the urban areas, companies employing more than 50 people should be allocated land on long-lease basis to construct houses for their workers.
449. That housing by-laws be immediately amended to permit use of local building materials.

450. That appropriate by-laws be formulated to make it mandatory for all buildings to provide storage tanks for rain water for washing and general cleaning.

451. That by-laws be made, requiring installation of solar water heating facilities in residential houses and buildings which use heated water such as hotels, etc., in view of rising costs of energy, particularly electricity. In view of the anticipated demand, the Kenya Industrial Estates Limited should be required to actively promote the manufacture of solar water heating panels.

452. That the existing very powerful cartel consisting of architects, engineers, clerks of works, quantity surveyors and contractors, the majority of whom are non-African should be broken, by requiring each specific profession to form its own local professional association. Further, more training should be offered in these professions with a view to assisting more citizens to go into these professions currently dominated by foreigners.

453. (i) That Government should give incentives to Africans to enter into the businesses of the manufacture and supply of building materials which are currently dominated by non-Africans. This will create more competition thus lowering the high costs of building.

(ii) That for simple buildings (e.g. schools, dispensaries, offices, etc.) particularly in the rural areas, the tendering system should be liberalized in favour of local entrepreneurs.

455. (i) That other than for roads connecting provincial or district headquarters, the expenditure under the road bitumenization programme should be predominantly confined to maintenance of the heavy investments in this programme.

(ii) That intensive supervisory training for road maintenance staff be undertaken as a matter of priority.

456. That a large percentage of resources earmarked for roads development should be directed towards the adoption of more unclassified roads, for the purpose of bringing them up to all-weather standard.

458. That more resources be made available to both the Rural Works Programme (R.W.P.) and R.A.R.P. in order to provide not only jobs for the local people, but also to improve the living standards of the rural people.
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459. That engineering students at the University of Nairobi and the polytechnics be required to work in rural development programmes as part of their training in order to assist the R.A.R. and R.W. programmes in supervisory skills as well as offering practical experience to these students.

460. That after adequate co-ordination between the courts, police and prison services, those inmates serving sentences of up to six months should be made to work on the local R.A.R. and R.W. programmes under the direct supervision of chiefs and assistant chiefs.

Employment in the service sector

Tourism

469. That the Government should increase its grants to the K.T.D.C. to invest in small-scale, decent hotels in appropriate rural areas where the potential for tourism development lies. This will increase demand for tourism services, and in turn generate employment.

470. That tour and hotel operators should formulate suitable tour packages and low accommodation prices to attract local tourists.

471. That as one of the first steps to promote rural and local tourism in this country, the Government should direct a substantial number of its conferences and seminars to the small tourist hotels up-country.

474. That the Government encourage and promote the establishment of tour and travel undertakings by Kenyans to promote tourism, facilitate foreign exchange savings and generate self and wage employment opportunities.

475. That the Government should strengthen the regulatory and monitoring systems of collecting foreign exchange earnings which accrue from tour and travel operations in the country.

477. That the expansion of accommodation facilities recommended earlier should involve majority ownership by Kenyans.

479. That discussion be initiated with the hotel industry to facilitate not only the absorption of Utalii College graduates, but also to ensure that Kenyans gain greater management control of the industry.

480. That the Government should encourage the formulation of short-term courses in hotel-keeping, suitable for medium-scale, budget hotels management. Further, training and extension services for people with talents, basic skills, and who are already participating in the industry should be developed, with a view to upgrading their skills and services.
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487. That the Government should start looking into possibilities of re-introducing sport hunting in the future as one way of expanding employment opportunities and earning foreign exchange.

488. That the Government should undertake feasibility studies in order to discover ways and means of developing a game meat industry, and the possibility of using the Halal Meat Factory in Ngong' which is now lying idle.

489. That the Government should look into effective means of controlling the abuse of our culture by some unintended tourist behaviour, and develop measures to guard against the ill-effects of tourist saturation, which are now evident in other parts of the less developed world.

Commerce

505. That upon the Kenyanization of the distributive system, those non-citizens who are displaced in the process be encouraged to venture into new areas of investment where they can get not only good or better returns, but also contribute to the overall growth of the economy.

506. That all businesses once Kenyanized, should remain in Kenyan hands and should not be sold to non-citizens without the approval of the Trade Licensing Advisory Committee, and that partnerships between Kenyans and non-Kenyans be discouraged even where the Kenyan partner has majority shareholding.

507. That the enforcement of the legal provision in the Trade Licensing Act that non-citizens should not trade in specified goods be intensified.

509. That in future, the thrust of the Kenyanization programme should shift its emphasis from mere replacement of non-citizens with citizens to an all-embracing strategy which ensures the viability and growth of businesses in Kenyan hands.

512. That a Credit Guarantee Scheme for the commerce sector be established to ensure that available credit goes to as many people as possible through the following approaches:

(i) Government funds set aside for lending to this sector should be channeled through the commercial banks, including the funds currently being administered by the Commercial Loans Revolving Fund of the I.C.D.C. and the District Joint Loan Boards. The commercial banks would then lend out the funds to individuals vetted by both the Government and the banks on the basis of an agreed formula, to ease the conditions under which a trader can qualify for a loan, and thus reduce the rate of defaulting.
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(ii) Commercial Banks will be encouraged to give out loans from their own funds to traders who would not otherwise qualify albeit under a Government guarantee. The Government, through the I.C.D.C. and the District Joint Loan Boards, would in effect indemnify the commercial banks against loan defaulting from such traders.

517. That the management services division of the I.C.D.C. in co-operation with the district trade officers should establish a network of extension services for the benefit of traders throughout the country.

520. That in future, no manufacturer should be allowed to engage in the distributive trade, having regard to the need to increase employment opportunities in this sector. Exceptions to this rule should only be considered where, for instance, a manufacturer is introducing a new product which needs to be pushed into the market on a subsidized basis.

521. That through the licensing machinery, the Government should discourage wholesalers from engaging in retail trade except in cases where the distribution is done through the co-operative movement, or in cases where small-scale traders in the rural areas would be justified to combine wholesaling and retailing due to the size of their markets or the nature of the product.

522. That where appropriate, the Government should encourage Kenyans to venture into commerce through the co-operative movement, as a further effort to achieve fairer competition and the participation of the greatest number of Kenyans in the distributive trade.

524. (i) That in future, town plots should not be allocated unless and until comprehensive plans have been drawn up spelling out the purpose for which the plots are allocated and specifying the time period over which the plots must be developed.

(ii) That a plot allottee who fails to develop his plot within the specified period, should not be allowed to sell it and instead, the plot should revert to the Government for reallocation.

525. That a programme be introduced to ensure that all business premises already in place, particularly in the rural areas are put to productive use, and that such a programme be implemented by I.C.D.C. as part of its extension service to the commerce sector.

526. That the Business Premises Rent Tribunal should be strengthened to enable it to extend its services to all parts of the country by increasing its inspectorate personnel in order to ensure that unreasonably high rents do not become a constraint to the entry of entrepreneurs into the commerce sector.
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530. (i) That the Joint Industrial Consultative Committee should assume the additional role of advising the Government on the whole question of foreign exchange allocation in order to make the process effective. Further, in order for the committee to play this role, it should have the Federation of Kenya Employers in its membership.

(ii) That the Kenya National Trading Corporation, which is currently involved in the domestic distributive trade should now be expanded so as to shift its operations more and more towards export trade. Within this framework the Kenya External Trade Authority should be transferred to a new department within the K.N.T.C. which will be responsible for external trade.

539. That the Government should review Kenya’s diplomatic representation in those countries identified to have potential for increased trade. In this regard, the Government should take an early decision regarding Kenya’s representation in Geneva which is the headquarters of many international organizations, and where our presence will greatly enhance our participation in the work of these international organizations.

Money banking and insurance

544. That banks be encouraged to ensure that a commensurate share of savings generated in the rural areas is retained and invested there.

545. (i) That in order to encourage commercial banks to go rural, the Government should intensify its efforts in providing adequate infrastructural facilities in those areas.

(ii) That where it may not be economic for the banks to construct their own premises, possibilities of using the many permanent buildings lying idle in the rural centres should be explored.

546. That the regulation requiring commercial banks to extend a minimum of 17 per cent of their total credit to agriculture be amended so as to stipulate what proportion of the 17 per cent requirement is to be specifically directed to small-scale farmers.

549. That all financial institutions should spend funds in strengthening or establishing efficient management service units that would provide the much needed business management services, by closely monitoring and evaluating business performance of their loanees, and also identifying possible entrepreneurs who could benefit by acquiring credit.

550. That in all cases where recovery of loans is resisted, thereby frustrating financial institutions, the relevant arm of the Government should intervene and either assist the lending financial institutions to dispose
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of the charged land, or if there are no buyers, the Government should acquire such land for public use, such as cattle dips, schools, clinics, market centres, etc.

554. That the Government should continue to regulate the operations of the non-bank financial institutions with a view to ensuring their compliance and responsiveness to the country’s development objectives.

556. (i) That the Government should take such appropriate measures that would encourage and enable (including providing finance and credit through the relevant parastatals) the citizens to buy shares in large companies.

(ii) For this purpose, the Government should disinvest in the non-key industries, and shares so released be passed on to indigenous Kenyans who should be granted loan facilities at reasonable terms.

557. That the Government initiates a programme in consultation with the Nairobi Stock Exchange which would ensure that a certain proportion of shares of a public issue is reserved for indigenous Kenyans or co-operatives.

561. (i) That insurance companies should be required to use a certain proportion of their policy premium calculated on a percentage basis for the development of their operations in the rural areas.

(ii) That the Government, in collaboration with the private sector should establish a school of business studies, to ensure the availability and efficient utilization of manpower within the rapidly expanding finance sector.

Energy

575. (i) That the Government should draw up a set of guidelines on energy conservation which all industries would be required to implement. Further, in approving new industries in future, preference should be given to those that would stimulate the development and use of new sources of energy, as opposed to those that are heavily dependent upon oil.

576. That the Government should consider limiting the types and makes of vehicles to be imported into the country by giving preference to those that are energy efficient.

578. That in order for the oil distribution system to become more responsive to the social and development needs we have alluded to, the
Government should draw up an elaborate master plan on oil distribution throughout the country in accordance with our long-term development goals.

579. That the Government should open more supply points for petroleum products under an arrangement that would make the products accessible to the local people on a commercial basis.

581. That the National Oil Corporation should also concern itself with the local distribution of petroleum products by implementing the recommendations we have made in paragraphs 578 and 579 above.

582. That steps should be taken now to mount a crash training programme for the professional and sub-professional personnel who will be required for the full exploitation of the geothermal potential.

589. That in the transmission of electricity from the main power lines to consumers across the rural areas, every effort should be made to ensure that service lines pass through all areas that have been recognized to have potential for various economic activities.

590. That when laying service lines, efforts should be made to establish stepping down stations at strategic points from which to supply new consumers.

597. That Ministry of Energy should draw up a master plan for the exploitation of the mini-hydro potential in all areas where they could stimulate rural development, and therefore create more employment opportunities.

598. That a new parastatal body be established, with the specific mandate of promoting mini-hydro development in Kenya.

603. (i) That the Government should give incentives to private investors to establish local industries for the manufacture of solar water heaters. Possibilities should be explored for some of the Harambee institutes of technology and polytechnics to engage in the manufacture of solar water heaters.

(ii) That a by-law should be enacted requiring the installation of solar water heating facilities in all future developments in residential, industrial and commercial buildings requiring water heating facilities.

607. That the Government should launch a programme whereby private sector investors could be encouraged to set up small enterprises to produce fuel from such other source as agricultural and processing-plants' residues, such as husks from rice and coffee, sawdust, etc.
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608. That the National Council for Science and Technology, which has recently done some work in the area of improved cookstoves should be given the responsibility of conducting further research into the type of “jiko” that would meet the needs of charcoal users.

611. That agricultural waste be used as feed-stock for bio-digestors.

614. That the programme for biogas development be expanded to supplement lighting and cooking fuel in the rural areas as well as generate employment.

615. That the research in windmills currently underway should be intensified, and that suitable sites for windmills be investigated and implementation carried out on a large-scale than at present.

Transport and communications

626. That upon the expiry of the present monopoly franchise between the K.B.S. and the Nairobi City Council in 1985, the Government should encourage and promote the establishment of another bus company to operate a scheduled passenger transport service in competition with the K.B.S.

629. That in defining the role of matatus as recommended below, the Government should take cognizance of the economic importance of rural bus services and therefore adopt only those regulatory measures which enhance their effectiveness and therefore their capacity to help create income opportunities.

634. That the Government should introduce a numbering system whereby upon issuance of a vehicle licence, every matatu would be given an official number. In addition to the uniform numbering system, all matatus should have one colour for ease of identification.

635. (i) That the police should vigorously enforce the requirement that all matatus should carry passenger insurance cover.

(ii) To ensure passenger safety, all matatus should be made to undergo mechanical inspection for roadworthiness at least twice a year.

636. That a legally constituted national matatu organization with branches in all parts of the country be created. Membership to such an organization should be made mandatory for all matatu owners.

638. That taxi services in the major urban centres be better organized in order to meet the demand for specialized urban transport such as in the growing tourism industry.

640. (i) That urban and town council physical planning should make provision for exclusive cycle tracks between residential and places of work.
(ii) That employers should be encouraged to provide loans to their employees for the purchase of bicycles.

(iii) Tied-up with escalating transport costs, walking should also be encouraged. Urban road design should therefore provide for exclusive pedestrian passages, regular maintenance of footpaths, provision of guard rails, foot bridges, and subways or under-passages, plus more pedestrian crossing facilities.

641. That low engine capacity motor-cycles be used for dispersed services by such people as school inspectors, mail delivery and such similar services both in the public and private sector operations in both urban and rural areas.

642. That a motorized design for the handcart be developed and the present one retained to allow the operators an option in order not to lower employment levels among the present operators.

644. That rural link roads should be given attention, and the structure of feeder roads in terms of structural design and maintenance standards be up-graded in accordance with modern rural transportation requirements.

646. That there be established a rail service in Kerio Valley, the Nanyuki-Meru-Embu-Sagana and Kisii-Sotik areas to begin with, to economically open up these high potential areas.

647. That the programme for the re-alignment of curves should be intensified to improve rail speeds together with a systematic programme for phasing out outdated telecommunication equipment:

(i) That existing railway workshop facilities be increasingly utilized for the manufacture of other capital goods for the industrial sector.

(ii) That the Kenya Railway Corporation’s training facilities should be opened up to trainees other than those directly employed in the corporation.

650. That the Government should undertake to regulate movement of goods with regard to the most suitable mode for such movement. In this connection, major rail depots for heavy goods haulage should be established to serve as collection points for onward road transport into the hinterland.

653. That since the establishment of a second port, capable of handling larger ships is overdue, this programme should be carried out as soon as possible to facilitate export trade as well as create more employment opportunities.
659. That a national shipping line be established particularly in view of the foreign exchange savings that could be achieved, and the number of employment opportunities that could be created.

660. That while the shipping agencies will be owned by the national shipping line, they should preferably be managed by Kenyans.

661. That the Government should take steps to encourage and train people in the use of boats.

662. That all major towns should have S.T.D. facilities, and particularly district headquarters, in accordance with the policy of making districts the centre of development.

663. That the Kenya Posts and Telecommunications Corporation should give free reign to manufacturers to fabricate components in order to increase direct employment opportunities.

664. That in the short-time, radio-call services should be introduced in all those areas that merit them.

667. That in order to improve postal communications and to increase traffic, every trading centre should have a post office.

**Health services**

677. That the Government should accelerate the implementation of the concept of the rural health unit at the national level, in order to introduce a hierarchy of diagnostic and treatment centres for each district; rationalize grading of health facilities staffing and provision of classified drugs.

679. That the Government should charge nominal fees for medical services in order to balance the basis for choice of medical facilities and support accelerated expansion of Government provided medical services.

680. That the preventive services programme be strengthened, and that the Harambee effort be increasingly utilized such as in sanitation, community education and community hygiene, in areas such as waste disposal, bush clearing, etc.

684. (i) That the school feeding programme be expanded in the interests of the promotion of equity and the provision of employment spin-offs for farmers, transporters, food handlers, etc.

(ii) That the Government should assist food processing activities, to improve recovery and processed storage of perishable crops of high nutritional value, to increase the stock of such foods.
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689. That training facilities be further dispersed to facilitate the training of para-medical staff to work in their own areas in line with present posting of teachers in the country.

691. That provision be made for the training of technicians within the health training framework to improve the quality of health care, through adequate maintenance of health machinery.

Water development

699. (i) That a deliberate training programme for plumbers and pump-attendants should be initiated, using the already existing Harambee institutes of technology. Obvious candidates will be C.P.E. leavers who could be sponsored by their respective local development committees, so long as they agree to work in their home areas after training.

(ii) That local project management committees should be entrusted with the day-to-day maintenance of water schemes once completed.

701. (i) That immediate measures be undertaken to ensure that urban and service centre water supply is adequate in view of constantly increasing urban populations, to guard against health hazards caused by lack of adequate supplies, and loss of industrial production.

(ii) That whenever urban and service water supply schemes are envisaged, labour-intensive methods should be used in, for example, trenching and back-filling instead of importing heavy capital equipment and machinery at great cost to the country.

704. (i) That dam construction self-help units should be promoted under the general guidance of locational development committees to ensure that self-help dams are constructed across all rivers, and that local labour and materials are used.

(ii) That the siting of these dams should be such as will ensure maximum utilization by the surrounding communities.

(iii) That youths should be trained under the N.Y.S. scheme to form dam construction units stationed in strategic areas to advise the local people on siting, design and construction methods so that good standards are maintained.

705. (i) That in addition to the foregoing, all possible measures to harvest and store rain water should be encouraged, in view of the unpredictability of rains lately, and persistent droughts in many parts of the world. In particular, simple rural industries to make corrugated iron sheet tanks should be set up in every rural service centre.
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(ii) That a by-law in the building code be introduced for all major towns, to ensure that each building harvests as much of its own rain water by inclusion of roof catchments.

706. That over and above the small numbers of engineers and technicians being trained locally, the Government, should negotiate a large training programme with countries, with which we share similar hydrological problems.

Mass communications

717. That the Government should now aim at establishing a truly national radio, through the use of powerful transmitting stations which will ensure good radio reception in all parts of the country.

718. That since these stations will obviously take a long time to materialize although they are planned for, the Government should consider establishing, in the meantime, a network of low-power transmitting stations through the use of Frequency Modulation (F.M.) technique.

720. That radio programmes be reviewed with a view to placing the greatest emphasis on their educational value.

721. That the proposed establishment of an external radio service be carried out as soon as possible.

725. That the Government should continue to expand television transmitting facilities and thus improve its coverage of the population, in view of the importance of television as a tool for disseminating information.

726. (i) That the Government should make every effort to develop a television film production capacity so that the television service can turn to screening more meaningful locally produced programmes.

(ii) That there be established some censorship mechanisms to ensure that we do not import programmes harmful to our society.

727. That the Government should encourage the local electronics industry to venture into the assembly of television sets on a wide scale so as to reduce their prices and create new employment opportunities for Kenyans.

728. (i) That all public places such as schools, community centres, hospitals, places of entertainment, etc., should be encouraged to provide television sets for public viewing.

(ii) That employers be encouraged to provide communal television viewing facilities for their workers.
729. That in order for the country's media to contribute more concretely to an employment-oriented development strategy, the Government should mount a crash training programme aimed at increasing the number of skilled artistes and technicians both for the Voice of Kenya and other sectors of the economy that require them.

730. That in order for the broadcasting media to be able to pursue more aggressively the various recommendations we have made in this report, the Voice of Kenya should be turned into a parastatal organization to reduce many of the operational problems it currently faces.

733. That eventually the Government should aim to have rural newspapers in all the districts to disseminate educational information and help improve functional literacy.

735. That the foreign owned newspapers in the country be encouraged to sell more equity to local people to enable them enjoy mass support and contribute to some of the goals set out in this report.

736. That the censorship machinery become more sensitive to the adverse effects of some of the foreign films being imported into the country. Further, screening of films should be diversified with a view to increasing the share of socially acceptable and locally relevant films.

737. That the Government should encourage the development of a local film industry, by strengthening the Kenya Film Corporation.

738. That the Government should spread the mobile cinema service by providing at least one cinema van in every district.

739. That the film production department within the Voice of Kenya be strengthened and expanded so that it can cater for rural needs as well as venture into film production for tourism promotion, etc.

740. That through appropriate incentives, the Government should encourage the printing and publishing of books locally. In particular, foreign publishers should be encouraged to print books locally, especially those intended for the local market. The Kenya Literature Bureau and any other Kenyan owned companies should be encouraged and supported so as to engage in publishing and printing of books locally.

741. That the prices of such inputs as papers should be reviewed in order to make them cheaper for the printing industry.

742. Every effort should be made to encourage local writers and authors in order to enrich our culture and popularize book knowledge among our people.
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743. That community development officers in the field should make deliberate efforts to organize drama and music groups in all parts of the country.

Employment in the informal sector

754. (i) That the Government should establish an inter-ministerial body, charged with the responsibility of organizing and developing the informal sector.

(ii) This inter-ministerial body should be located in the Ministry of Local Government.

756. (i) That the Government should assist the informal sector operators to have access to space for their activities.

(ii) That the Government should provide, through the Kenya Industrial Estates, clusters of workshops which could be rented out to informal sector operators.

758. That the measures spelt out in the Development Plan 1979-1983, whereby the Government undertook to assist the informal sector by providing concessionary loan facilities and pre-investment advice be implemented.

759. That the Government should evolve a mechanism whereby the formal sector including the Government itself, could give sub-contracts to informal enterprises.

762. That the various skills being imparted in village polytechnics and the Harambee institutes of technology should be harmonized with those informal sector activities which have the greatest potential for employment creation.

763. That training programmes in such institutions as the village polytechnics should include those skills which will lead to better paying activities in the informal sector.

The role of the public sector in employment creation

775. That the Government should re-double its efforts in widening the role of the private sector in national development by providing appropriate incentives, efficient infrastructural facilities and policy guidelines on what constitutes priority development areas.

776. That in future, the Government should improve and intensify its promotional activities such as extension services and programmes aimed at harnessing the talents of our people.

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780. That the Government should continue with its policy of control of prices with a view to ensuring stability and fairness of prices, achieving income distribution objectives and preventing inflation from getting out of hand.

789. That in divesting itself of unprofitable investments the Government should give due weight to the strategic importance of each investment and thereby determine those which could be disposed of without jeopardizing the short- and long-term national objectives and those in which Government participation is still justified regardless of whether they are profitable or not.

790. (i) That in disposing viable but poorly managed and therefore unprofitable Government investments, the Government should provide all the necessary assistance to bring them back on a sound footing.

(ii) That as far as possible these investments should be divested to Kenyans as part of the Kenyanization programme.

792. That in order for the public sector to be able to manage the development strategy which we think will increase employment opportunities, the Government must ensure that disciplinary control in all its institutions is rigorously enforced.

793. That the Government should review the structure and functions of its institutions with a view to evolving a more rational organizational set-up capable of meeting the increasingly complex challenges to be faced in the future.

795. That the Government should initiate a programme of multi-directional exchange of personnel between and within both the public and private sectors.

796. That as a matter of policy, the Government should actively encourage the secondment of Kenyans to various international organizations.

801. (i) That the scheme within the Civil Service which allows superscale officers who have served for ten years or have attained the age of 45 years to retire pre-maturely with full pension benefits should be continued and extended to all cadres in the Civil Service.

(ii) That those who opt to retire early should be allowed to commute at least 50 per cent of their pensions immediately upon retirement.
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Conclusion

806. (i) That a National Economic Council (N.E.C.) be set up, to advice Government on a regular and continuous basis, on many of the economic issues that a normal Civil Service structure may be ill-equipped to handle.

(ii) Such a council should be composed of a small number of notable economists and or long experienced administrators, with a high powered secretariat, and should form the “Think Tank” for the nation on all economic matters.

807. That a national development corporation be established, to, among other things, manage all industrial enterprises in which the Government has substantial interests.