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THE POLITICS OP FOREIGN AID IN KENYA SINCE INDEPENDENCE, 19^3 - 1977

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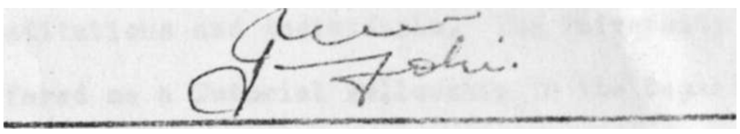
This thosis is my original vork and hie not "been presented for a degree in any other university.



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Kiis thesis has been submitted for examination with our knowledge os University supei-v -.sora.

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ACKN0'.VLSDG5?'.Er'TS

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TITS POLITICS 0? FORSIGN AID IN KSKYA S^CE irJDSPgSiPS.'CS,
1963 - 1977

Abo tr^ct 1

Post-independence politics in Kenya has been concerned with the choices that would promote economic and social development of the country, flne of the main factors influencing such choices has beez external capital, particularly foreign aid from western countries and institutions. Being complementary t® metropolitan capital exported to Kenya, among other poor and backward countries of the world, foreign aid has, ever since the colonial period, been a tool to promote exploitation and domination or underdevelopment and dependence of the country at the hands of metropolitan-based international monopoly capital. It has also been largely instrumental to the creation of social, economic and political conditions that are conducive to the continuation ana expansion of such exploitation and domination, underdevelopment and dependence of this country in order to facilitate further development of the metropolis.

Being almost wholly western by source, pattern, t^rss and techniques, foreign aid to Kenya has tot only facilitate transition from colonial to neo-colonial system, but it has also been the major tool in the poet-iadepender.ee institutionalization and expansion of colonial initiated

exploitation and domination of the country by the oetropcli The three case studies bear witness to this fact. That is, contrary to the popular view, economic underdevelopment rather than development/institutional, structural and technological dependence rather than independence, have increased greatly in all areas of the country's life, particularly in planning, agriculture, manufacturing, and trade. This state of affairs is a product of the kind of political, social and economic policies which post independence leadership have adopted and implemented. They were the neo-colonial policies whici led to expanded underdevelopment and dependence side by Eide with the huge inflows of foreign aid on the one htnd, and the country's high economic growth rates on the other. The effect of expanded underdevelopment and cependence after independence is that the country's capacity to solve her economic and social problems such as industrialization, unemployment, poverty, inequality and universal good health and education has declined sharply during the period.

Throughout the post-independence period, western donors have used their aid to Kenya in a *lid* to maintain the country's trade, economic, social and political policies in favour of international monopcly capital based in the metropolis. This search for "stability" has, however, been permanently threatened by ideological and political rivalry within Kenya's leadership, and by increased poverty, unemployment and degradation of the masses of the country's peasants and workers who are the most exploited and oppressed by western imperialism under neo-colonialism«

From our study, it seems clear that for Kenyans to come out of exploitation, underdevelopment, dependence and oppression at the hands of the metropolitan-based international monopoly capital, they must do two things. They must (a) recognize that their country is truly a neo-colony of western imperialism, and therefore take every measure within their reach in order to end 6uch a relationship! and (b) try to obtain the kind of aid with the pattern, terms and techniques which will enable the country to end neo-colonial relations and to establish independent economic and social infrastructures conducive to independent industrialization as a bsEis for total national technological, economic and social development.

I N T R O D P C ? I 0 !1

> My Government has continually affirmed its determination to build a nation based on greater welfare for all its citizens. We believe that raoid economic growth is essential to our goal..,.
> Rapid growth requires the cooperation of other countries. <Ve need external assistance both tc finance Government development projects and to provide technical advice on managing development. ••• While we appreciate the bentfits of this dependence, we propose ta achieve greater control over our economic destiny by reducing the influence of external factors. (Jomo Kenyatti;[1]

When Kenya got independence in 19^3* cearly all leaders were agreed on the broad goals for the ncountry. The leading political parties at the time, Kenya African National Union (KANU) and Kenya African Democratic Union (KADU) were in general egreeaent regarding the main goals such as the need to increase economic growth, increase economic prouuction especially in agriculture, expand social welfare, realize full employment, raise incomes and expand distribution, ersand trade,[2] and remain non-aligned with respect to bij power politics. In a way these goals represented what the incoming independence leadership conceived to constitute development of a country.

1. Government of Kenya, Development PI as. Introduction by the Prime Minister.

2» KANU Manifesto, 1?61, and KADU Manifesto, 19.6,1*

The kind of goals the new leadership declared to the country in the two years before indeuondence were related to its conception of the iind of society independent Kenya should have. But tie realisation of those goals would depend on the kind of political, social and economic policy choices the country would adopt at independence and after. Some of the factors said to have influenced such choices include the new leadership's selfishness,* corruption, *or* strong wish to become like their former colonial masters economically, and the power of foreign capital, especially foreign aid. Authors like Gary Vasserman, Colin Leys or G. Holtham and A. Hazelwcod have variously dealt with these factors. But great as their contribution may be, we consider it inadequate as far as the need to explain the kind of political# social and econonic policies that post-independence "Kenya has adopted ani maintained up to date is concerned. In particular ve are concerned with the inadequate treatment of the role of foreign aid in influencing the adoption and establishment of colonial made and capitalistic policies by the now state. In an attempt to fill this gap, this study examines the use of foreign aid by donors from vestern countries and institutions," in their bid to deliberately manipulate (a) the value system of the incoming

3. Virtually all foreign aid to Kenya has come from these donors. See chapter III below.

independence leadership, and (b) the political,social and economic policies which that leadership would adopt in the post-iadependence era. The manipulation of the new leadership and hence of their policies was aimed ot preserving and perpetuating the colonially inherited structures, institutions and system of production after independence. This, we contend, amounted to what we shall be calling perpetuation and intensification of the colonial initiated underdevelopment in the poet-independence period.

The purpose of this chapter is to clarify a few points concerning what the study is about. In the first place, there is the need to clarify what we mean by foreign aid and what this study will view as constituting the politics of foreign aid in Kenya since independence. This is the scope cf our study. The chapter will then provide the methodology used in the investigation of the problem and the approach ana lay-out of the study.

Foreign Aid.

The torn "aid" connotes "help[1]' or "assistance" provided by an individual or a social system for the purpose of making life better for the recipient individual or social system.[1] Ideally, if the recipient

Aljo see p. 31 below

of aid or help realizes a better life as a result of that aid or help, it is possible that the recipient individual or social system could reciorocate in a way beneficial to the "giver" cr "donor" of aid whether or not required by the donor to do so. In international terms, when a donor provides what it considers to bo aid to another country and when the latter expects to benefit* from such assistance or aid, we conclude that foreign or external aid has been provided and accepted. But the most important thing to note is that whatever the original sources or the final targets may be, foreign feid transactions are first and foremost officially handled by officials of the donor governments or international agencies and by officials of the recipient governments. Foreign aid may therefore be viewed as a set of resources supplied or guaranteed by or through donor governments or international agencies (for example the World 3ank or United Nations Specialized Aqencies) to or through the governments of the recipient countries. Aid may thus be bilateral, country to country, or multilateral, international agency to a country,

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The second feature of foreign aid *ie* that related resources are considered to be provided on concessional terms or on easier terms than the normal commercial financing.[5] Sometimes the concessional or subsidy element of aid may be merely nominal or barely short of actual commercial loans or credits available from private individuals and companies. But loans from the latter sources are ordinarily never considered as aid, much as one does not consider loans from a bank to be aid* Moreover, the history of foreign aid has shown that few commercial institutions and individuals have been willing to provide direct loans and credits to foreign, especially developing countries* *For* this reason, even provision of loans and credits by rich governments to recipient poorer countries on purely commercial terms has usually been considered as aid.^ Similarly, deferred payments for goods and services provided as credit by private sources on normal or harder terms under a guarantee of their governments and also accepted or guaranteed by the government* of recipient countries, are also considered as aid* tae might therefore say, with Cheryl Payer,

5* D. Vail The Charity of N-^icns, (Macnillan , 1973) p. 3. The element of external resources that should strictly be called aid has been referred to as "the nominal value of subsidy implicit in the total flow of financing and other resources to To^r countries." See I.M.3. Little and J.M. Clifford - ^International Aid (George Allen & Union Ltd., 19&3) p. 13*

6. Whereas the commercial financial institutions demand tangible collaterals for their loans* the aid donors demand political goodwill, military bases, trade and investment guarantees as the forms of "collaterals" from recipient countries.

> that foreign aid includes all financial transacti ons that would rot have taken place in the absence of gyv„rnaent action, although in the case of ex. 7;; cre.iit guarantees there is a gocd probability that exporters might take the ri3k upon themselves if they were not able to? foist it off on their governments*

The main types of aid include grants, loans, export credits and technical assistance.

Loans refer to finance or the value of foreijn exchange or goods-worth supplied or guaranteed, by donor governments and agencies and whose repayment is deferred to a future date (or dates). Such loa.03 usually bear low or no interest rates. They may alternatively bear high interest rates but lor.g repay; znt period and many years of grace, as it is the ease vith World Bank loans* The length of repayment period plus years of grace, together with low interest rates or absence of interest and the availability of credit in the financial markets, are some of the factors considered a3 contributing to the concessional element in aid lcar.3 and credits* The world aid proportion of concessional loar.s haa risen from II percent in i960 to 40 percent of total

7. Payer, c., The P?bt Trap: >. - T":' ?r.d the Third vorld, (Penguin, 1974), p. 27*
8. See Chapter III below*

aid in 19^9, thus making aid in general v*ry expensive.^

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Export credits, often called shori-tem privato suppliers credits, refer to crsdics extended by exporters eager to make a sale and oft 3:1 guaranteed by the exporters' government which is just as ea;;er to promote national exports.[10] They involve the recipient country obtaining goods before paying for them. Credits have maturities as long as five to ten years. Credits from western countries are almost always private, while those from eastern countries are always public and virtually undistinguishable from the neural public loans. Whether from east or west, credits are, however, distinguished as specific tools of export tnde promotion.[11]

Grants involve resources which do not have to be repaid to the doners by the recipient governments. Frcm a strictly economic point of view, grants are free gifts and are the best or chenr^st form of foreign aid.[12]

9. Wightman, D. - The Zzcr-y.i Interest of the In~.u3tri.al Countries in the C rreio- r-nt cf th* underdeveloped coun~r- , (uif, I«aw "for::, 1971; p.

10. Payer, cp. cit. p. 47.

11. Wightman, op. cit. p. jo*

12. Kalecki, M, - J3 r.r?? cr. I • Economies, (The Harvester Press, U.K. 19? «

Like loans and credits, grants may cover economic, military or technical forms of assistance and could be fully tied to donor supplies of good3, weapons, training or technical personnel.

Technical assistance, on the other hand, involves the effort to transfer technical knowledge and skills through systematic action on the part of governments, cither acting 'directly through bilateral arrangements or indirectly through the support of the multilateral agencies or organizations.[13] Also counted in terms of financial loans or grants-, technical aid covers official or governmental provision of technical experts to developing countries in form of operational, consulting and advisory personnel, fellowship awards for students and other trainees to travel abroad for instruction, as well as local teaching and training programmes. It also covers research and surveys aimed at creating or expanding local institutional capacity, pilot cr experimental programmes, and data/Institutional/operational contacts. " Some

13. Tickner, F.J..Technical Zzr:-ration (Hutchinson U. Library, London, 1 9 ? •

Tickner, op. cit. p. 6, Jchn White, The Politico of Forei—1 -.id./T'.ie "e^d, p. ; aria «hit op. cit. zZ .

15". Tandon, Y. (ed.) Technical Aggj-tmce Administration in East Africa, (^lmp-vist te ..ikseli, otoc&iola 1973) p. 32.

demonstration equipment, as well as plants and buildings related to pilot programmes and the creation of institutional capacity, are also considered as part of technical assistance.[16]

Private assistance involving voluntary personnel, and which is sponsored or supported by donor governments, is also regarded as part of technical assistance. Involved in this form of technical aid are such institutions as religious or church agencies and secular organizations such as trade unions, cooperatives, foundations, professional organizations, and some university[17] and other institutions. They are usually engaged in such programmes as vocational training for artisans and craftsmen, professional training (of doctors, teachers, engineers, administrators or managers), agricultural, health, cooperative and community programmes.[18]

16. Tickner, op, cit. p. 6. B.R. Stokke, Soviet and Epstem Suro-peqn Tr^rie Aid in Africa (if.A. Praeger ^ub. 19W p. 77.

17. Tickner, on. cit. p. 8 and O.E.C.D. Develor-ent Assistqr.ee: efforts and Policies of the of the Develor.nent assistance Co.-rmittee, Review, (Paris 1967)pp. bo-67.

1S« O.E.C.D. op. cit. p. 68.

The other way of looking at the types of aid is by the two main sources, bilateral and multilateral. Bilateral aid is provided on direct country to country and government-to-governmcnt basis. Multilateral aid, on the other hand, is provided by international institutions or agencies to recipient countries or governments. The core financiers of 6uch institutions and agencies are, however, usually the same rich countries which provide bilateral aid.

Bilateral donor countries tend to provido their aid through agencies charged with that activity. Such are

a£encies/usually ainistrios or departments connected with trade, foreign investments, or general foreign policy. U S S R and China provide their aid through the ministries of industry and trade as well as foreign affairs. Bidtain has a specialized ministry, the Ministry for Overseas Development (ODM), while U S aid is provided through a branch of State Department, the Agency for International Development (UoAID). Germany has Kreditnnatalt Fur Viederaufbatt (KFtf), while there are Swedish International Development Agency (SIDA) for Sweden, Danish International Development Agency (DAIilDA) for Denmark,N'orwnRian Agency for Development (NORAD) for Norway, Canadian International Development Agency (CIDA) for Canada and

Overseas Economic Cooperation Fund for Japan.

At independence western bilateral sources were the main suppliers of aid to Kenya. They suDolied about of total aid to Kenya. But from 1969 when the World Bank Group turned to aiding Kenya massively, the proportion of bilateral aid declined vis-a-vis nultilateral aid. 3y 197k more than of aid came from multilateral sources and by 1977 this proportion reached more than 37f$ of total aid to Kenya since independence.[19] Between 1972 and 1977 and including IMF special drawing rights of about ^112 million in 1976, the proportion of multilateral aid was over 6V% of total aid to Kenya. This moans that bilateral aid donors had reduced their assistance relative to the multilateral donors. The great rise of the proportion of multilateral aid to the total aid to Kenya has meant an equally great or greater rise in the amount of influence the multilateral donors, especially the World Bank and it3 affiliates, have had on the country's total social, economic and hence political policies after independence. Indeed the enormous influence of the World Bank in post-independence policies in Kenya will be witnessed throughout this study.

19. See chapter III below.

Bilateral aid, and to a large extent multilateral aid as well, has been influenced more by r^li-ti^al and atgategic considerations than by social and economic development needs of the recipients.[20] As the Pearson commission indicated, a good deal of bilateral aid has indeed been dispersed in order to achieve short-term political favours, gain strategic advantages, or promote exports from the donor.[21] In the words of the commission[1] report,

> - Much foreign aid was granted in the 1950" a to enable some countries to maintain large armed forces rather than to promote economic growth. In none of these cases was the promotion of long-term development a dominant objective of the aid given.22

Preservation of existing and acquisition of new spheres of political, economic and military influence of the big powers has been primary concern in aid relationship. Thus, there has been a clear bias in distribution of aid from France to Franc area of Africa, from Britain to developing Commonwealth countries, and from U S to Asian and Latin American countries with whom it has had special political, ideological, economic and strategic links.[25] Aid from these donors, at least, has therefore

20. Wightman, op. cit. p.

21. L.B. Pearson, Partners *iv.* Dev^lo^er.t: Pe^ort of the Commission on International juevslov lent, v^raeger \ p.

22. Ibid, p,

23* Wightman, op. cit. p. kb.

been a major instrument of foreign policy. The recipients of their aid on the other hand, have tended to depend on aid from these donors primarily because it is from them that they are more likely to receive better appreciation of the problems they face as well as sympathy and extra "generosity" in terms of the amount of aid, especially grants, provided. It is also from them that recipients are likely to get better terras of repayment in form of many years of grace and long period of repayment of loans and credits. Paradoxically, however, these same "sympathetic" and "generous" donors have not been the most generous in offering greater proportions of their aid in form of grants or in writijag off of debts owed by recipients of their aid.

Multilateral aid agencies include such ones like European Development Fund (ED?) of the European Economic Community(l&C); the Inter-American Develorment Bank (IDB), Asian Development Bank (AD3) and African Develorment Bank. These are mainly regional agencies. There are also the semi-autonomous bodies like the World Sank (IBRD) and its affiliate the International Development Association (IDA). They also include the UN Special Fund, which subsequently merged with the UN expanded Programme of Technical Assistance to form the UN Development Programme (UNDP).

Most multilateral donors, especially the World Bank Group, have tended to be more intense than bilateral donors in terns of their economic assessment, project preparation and evaluation, as well as financial control. This makes them appear to be more serious and committed aid donors than bilateral ones, Recipient countries, like Kenya, have therefore carefully paid attention to their advice. They have, for instance, usually adopted the Bank's views and demands on their domestic as well a3 foreign policies in order to obtain more aid frca the Bank and other western donors.

In spite of these limitation?, developing countries have been persuaded by the claim by international agencies that the latter have no political motives in providing aid and that their activities are governed by purely "objective economic criteria".[2k] These agencies are also associated with developmental interests. They are also believed to have the technique or "wisdom" that should of necessity lead to fast development in developing recipient nations. They have even tried to shun the tera "aid" and have preferred "such apparently neutral phrases, as 'development finance'."[25] Mystified by the apparent

24. John White, op. cit. p. 46.

2f>. op. cit. p. A shift has also taken place in the terminologies of other donors, especially the western donors. They have moved iron "economic aicT', to development aid", "development assistance ' and now they use "development cooperation'. See VJ.G. Seylstra A?d or Dov<»lor^r_Wi f_i (A.W. Sijthoff-Heyden, 1975* Netherlands) p. 68.

neutrality, the developing countries have preferred to borrow from these agencies as one way of by-passing political influence and economic exploitation usually associated with the interests of the bilateral donors* The hopes of developing countries have however been frustrated in this regard. This is because development, as we shall see, is primarily a political issue with gross implications on both the donor and the recipient. The fact that the main world bilateral western donors are also the main contributors of multilateral funds has for a long time meant that their policies and interests had to be catered for through multilateral aid. Thus, for instance, the U S which drafted the I3KD articles of agreement inserted clauses taking care of foreign private investments which were of great concern to her.[25] These agencies have coreover been manned by personnel which has distinguished itself as capable managers in the affairs of their own countries. They are mainly

25* Robert W. Oliver, International Economic Cooperation and the. World (Macmillan , p. Hairily due to tne Bank's Charter explicitly providing for the promotion of rrivate foreign investments and international trade on the basis of free enterprise, free competition and free markets, USS3 refused to ratify it as this was in sharp contradi-ction with her policy of planned economic system, op. cit. po. 223-22^.

recruited from western countries, with US taking the greatest share.[27] Sometimes staff have moved frcm bilateral agency to multilateral agency and vice versa.[28] Bilateral and multilateral staff have shared roles in same projects, particularly in projects jointly nided by bilateral and multilateral agencies. These tendencies have increasingly eroded what once was believed to be neutrality of international aid agencies with the consequence tha't the selfish ends of bilateral dor:or6 are maintained and perpetuated under the cover of international aid.[29] Not enly do the multilateral aid escape political scrutinybut there is an attempt to Suppress it.^ The result has b-.-en perpetuation of economic, political and ideological interests of influential

27. IBRD - The To rid Bank: Question «nd Answers, (March 1976)$_t$pp. 6-?.

28. See Chapter II below.

29. ?cr example IS?J) involvement in basically politically motivated settlement programme in Kenya immediately before and after independence side-fcy-oide with CD3, British and West German Governments, oee chapter II below. The cx'.e thin? happened in livestock Development projact (I). See chaptcr V for LDP(I).

30o As Teresa Hayter ravelled, there was very strong attempt to prevent publication cf her book - '.id by the world Bank, CDI, and the r.'6 Ccver-.'.-.nt. This was an atteupt to prevent uncoverinr of -.olitical interests of both bilateral end multilateral -a the v-?st. See T. Hayter, Ai ' : — sri^.li-m (Pen?-in, 1^72)pp. 1^3-213. In Kenya, the przcer.z-2 ci i-^itilateral aid seem3 to have made the debate on aid to be stopped, -ee pp. ICO-IOI below.

western bilateral powers, particularly the US even when such interests are of no value, or nay be hurting, to the recipient's struggle to realize its independent development,''[31] A discussion of how this could hurt development ana lead to what we shall call underdevelopment will be handled in Chapter I below. For now let us see what we mean by the politics of aid in Kenya,

The Politics of Foreirn Aid.,

As Geoffrey K. Haherts 4efines-±t, politics is an activity by which the goals of a social system are selected, ordered in terms of priority both temporally and concerning resource allocations, and implemented,''[32] It is an activity involving competition, conflict, agreement, cooperation and the resolution of conflict in what David Easton calls "authoritative allocation of valued things" in the society.-^ As such, politics involves what i3 called public policies,[xL] how they are made and how they

31. See Chapter VII and VIII belcw.

32. Geoffrey K. Roberts, A Dictionary of Politicnl Analysis, (Longman 197^> p. 169* A similar definition is given by J.D.3. Miller, The Ilature of Politics, (Penguin 19&9) p. 16.

33. David Easton, for Politicnl •••nnl^sis, (Prentice Hall, 19*>5«JpP» 50-57* Cn the recurrent feature of conflict and conflict resolution, see R.A. Da'nl, Sfod»m Political An-? Itsis, (Prentice Hall, 1970) pp.1*0-^1 and Snapter and Miller, op. cit.pp. 16-20,

3^. Miller, op. cit.pp. 17-1S.

are implemented. It concerns power and authority as well as the institutions related to the exercise of power necessary for conflict resolution or authoritative allocation of societal resources. The institutions concerned with the exercise of power in a social system
to
are referred/in a single word as government. Hence government activities generally known as public activities are said to be political activities.

From the donor's view point, aid is one of the resources to be authoritatively allocated in a bid to realize the fulfilment of donor policies abroad. As such, various forms of debates, conflicts and conflict resolutions take place in the doner's national assemblies or their equivalents, as well as in other public and private £ interested parties, with regard to what resources, in v what quantities, will be provided to which countries and for what purposes* That kind of activity of debates, conflict, disagreements, agreements and conflict resolution over foreign aid, constitutes the politics of aid in the donor countries or multilateral agencies.

Turning to recipient countries, one is struck by the fact that the issue of volume or quantity of foreign aid to be obtained from a given donor is in most cases outside the effective control of the recipient country, particularly when the recipient is seeking much nore aid than the donor would deem it fit to provide. The same case applies when the donor vie 3 the purpose for which aid is being sought to be undesirable or of non-priority as it concerns such donor's interests in the recipient country. If the recipient goverr ent insists on going on with a rroject in cnite of tne donor's feelings against it, the donor may just stay out and not provide any aid or it may provide just a token or little/ amount of aid and no more. It may also provide the token aid for such a project as a means of winning acceptance of aid for another project of great*01* value to the donor. Whichever the case it becomes clear that aid is an instrument of the donor in an attempt to influence economic, social and pojj ti.c policy choices of a recipient country. In many cases, the recipient's views on the targets or purposes of aid and how they will be opt-raiionalized are secondary to those of the donors who usually have specific interests to achieve through their aid. The totality amounts to what has been called the "leverage" of aid, or the use of aid to influence the policies of the recipient countries in one way or^bther. Thus, the use of foreign aid in order to influence public policy choices becoses the most important feature of what we are calling the politics of foreign aid in recipient countries, buch influence might concern issues of what aid and in what form should be accepted from which other donors; it could involve what ideology the recipient should adopt or reject; it could also concern the nature of social and economic structure of the country or the orientation of the country^ trade internationally.

In other words, although some political choices by the recipient governments mirnt affect the flow of foreign aid to their countries, the common feature of the politics of aid in developing countries has been to influence their social, economic and political policies \ in the directions which appear to be desirable in the (eye3 of the donor governments or multilateral institutions^ As it will be seen later on, the politics of foreign aid in Kenya since independence, 1963-1977, will therefore concern the conflict, competition, struggle and conflict resolution related to the attempt by doners to use aid as tool to <u>manipulate</u> the society and the leadership of independent Kenya in favour of policies cf interest to capitalist donor countries and institutions. Those are the policies and choices related to the transformation of the country from a colonial system to a neo-colonial system, the latter involvin.5 political ani economic policies favourable to the continuation and perpetuation of what we shall call colonial inherited underdevelopment and dependence of the country after independence. In the final analysis, the politics of foreign aid in Kenya will be conceived in terms of the role of aid 'in the manipulation of state policies and resources in order to continue and maintain the exploitation and hence underdevelopment of the country by the capitalist metropolis.[36] This willbecome clearer in Chapter I where the relationship between export-capital (part of it being state capital) and underdevelopment of poor and backward countries is tackled.

Thesis Lay Out and Methodoloc-y

Apart from providing a broad statement of the basic theoretical framework with respect to the relationship between export-capital and underdevelopment, as well as the relationship between state and foreign finance capital, we have also undertaken a rigorous critique of the literature related to tbe role of foreign aid in the recipient countries in general. This is followed by more

36. Metropolis in this study will include the whole of Western Surone, United states of America (V'SA or US.)» Canada, Japan, Australia and Kew Zealand. In other words it will include all member countrie of Organization for Economic Cooperation and Development (O.U.C.D.) based in raris, exceot Greece and Turkey. These wi'il 2IOO be variously referred to as western or capitalist countries.

detailed definitions of conceptual terininolcv-i -s considered of critical importance to this study. These include development, underdevelopment, and dependence. An attempt has been made to onow how these t

erms are related to politics and forci *n aid and how aid is in turn related to them. A brief review of the general donor and recipient objectives j. i aid relationship has also been provided for the benefit of the reader.

After laying the theoretical firework, a brief look at the pre-independence origins of post-independence aid relationship in Kenya becomes vital. Unlike most authors and scholars writing about Kenya, we consider the years immediately before independence to have had significant effect on the period after independence, more so when efforts have been made through resource manipulation and leadership socialisation in a bid to influence the future development trends of the country in favour of the outgoing colonial masters and their allies. As such the factors influencing the flow of aid before and after independence cannot be ignored without rendering the study valueless.

The next question one should raise at this point i3 related to the importance of foreign aid resources in Kenya. This is dealt with in chapter three where the nature, pattern and techniques of i- th • -.v^itrj are examined, The data cn the voli. •: . f ai . b; source , types and terras under which it was rv -idod is. presented in this chapter, Data are also p-* - <1 for. ccr.uitione and techniques of aid, together with th: ir.fluer.t cf aid 0:1 Dational budgetary system, particularly with r.^ard to development revenue and exponditur. - -vant , In particular the role of aid in influencing devc. resent expenditure account for the purpose of proractin private (-s pecially private foreign-investments is ex./ : as -< requisite for understanding our stress on th-j jjle of aiu in this regard in subsequent chapters.

Due to the fact the.t only a >*..'. amount, of foreign aid has been received by Kenya frc : * soci'j* I' t donors, this study has concentrat* i examining the rolo of capitalist ba^ed aid in the poll" bqcipX and economic setting in poor and tech irii ically backward countries like Kenya. For this ro'JU .o cob* out clearly, we had to examine the projects where nid has berr. tho ma: t input. In tho first place wo had to resolve the problem rhe number of cases to he included, and then the t ; o f projects to be studied and in which terms. One or two cases were found to be inadequate considering that ve at collecting data upon which we could ?r,?.ke a general statement on aid as it applies to the entire soc.ii!, economic r.ad political as well as agricultural and industrial aspects of the country. We therefore decided to choose three case studies representing the country's main efforts in development including planning, agriculture and industrialization.

The choice of these three case studies was influenced by various factors. In the first placa Kenya was greatly concerned with establishment of proper development planning as a basis for the country's " ' • • 37 development policy. In addition, a larfe quantity of -literature on development in developing countries hps riot only laid great emphasis on the need for proper planning, but it also suggests that planning is vita?, for development to take place today. Moreover, aid donors have insisted on planning as a condition of giving ihelr .aid and they have also stressed the noed Xoii Miproved capacity for project survey, preparation, appraisal and evaluation as a basis^or fast development expenditure particularly of aid resources. lu Keaya, creation el* such capacity was recognized right from but the first main effort towards that goal was initiated in 19&9 with the assistance from Canada under the project entitled

37. This concern was cl^ar in the first post-independence Development Plan 136^-70 and its revised *version* Development Pl-n

38* Such literature includes A. Waterston, P^v^lor-cut Pl-rmninr: Lessons of Jx^erience, ("he Joiin ilopkins Press 19t>9> ; and J. 'i'inoergen, i;evelorient PVmr'n;: (Weidenfeld and Nicolson, London, 19£>7).

"Project Preparation and Evaluation Unit" (PPEU). In particular, this project aimed at lccalizinj_4ilanning and evaluation of development proiects to a level acceptable to the donors. As this objective would constitute a major shift from the normal practice whereby donors insist on conducting their own project selection, survey, appraisal, implecrrtation and evaluation, and as this project represented one of the main efforts by donors to directly influence the country's planning, a systematic examination of its origins, objectives, implementation, and achievements becomes vital to the better understanding of the role of aid in Kenya. The findings, are also expected to be important for those interested in understanding the role of aid in political, social and economic development in other developing countries.

In the second place, we have noticed that a lot of study has been done in the area of agricultural and land transfer programmes and the role aid has had in them. These programmes include land tranfer and settlement, tea and sugar production, and the Special Rural Development Programme. But little study has been adequately done in the area of livestock production and the role aid has had. This is in spite of increased efforts by the Kenya Government/increase livestock, especially beef production in the post-independence period. This study therefore seeks to bridge this gap and see vhether or not 3 5 stock production for beef deviates fro® the recorded pat- - ' of agricultural production in terps of policy objectives and its effect on the country's overall dr-Tclop:-.ir . efforts. The choice of Livestock Development Project I (LDPI) was based on these grounds together wit' ibe fact that it is the project with the least number rf donors under the entire progrrmme. The Subsequent projects II and III were funded by several donors nnd analysis would be extremely complicated. Since t.'afjf are extensions of LDP(I), it is expected that a cl^ar analysis of this project will prcvide a sufficiently representative understanding of the entire beef livestock production policy in the country after independence.

Finally, we had to select a project to represent Kenya's efforts at industrial development. Although the country's industrial sector h?s continued to bo foreign dominatod, the government has made deliberate efforts to promote local involvement in industrial activities. These efforts have b£?n concentrated on small-scale manufacturing and .they^form part of Jih.e country's ixtlic^of ~~^incr k~~erHhrehrrtrfglr'and commercial sector. The dominant yro^ramme in that direction so far has been in the area of Kenya Industrial Estates (KIS) which has received eld from Vest Germany, Denmark, Sweden, Japan, United States and the .Vorld Bank, among others. Since little study has been done on this programme and the role foreign aid plays in it, we decided to conduct a systematic study of one of the projects involved and the obvious case became .the first and the largest project, the Kenya Industrial Estates - Nairobi. However, in order to reduce the margin of error, a pilot survey was conducted on Machakos, Nakuru and Kisumu Industrial Estates and the related Rural Industrial Development Centres and all were found to operate on the same principles. The findings, on the Nairobi Estates are therefore sufficiently representat.

As it will be seen in the text, each case is studied in terms of project origin, objectives, institutional framework for project implementation, implementation evaluation in brief, assessment of nchievements, and lessons to be drawn in summary.

As the real role of aid cannot be observed by looking at one project alone, chapter VII is a synthesis of the findings from the three cases. Close reference to the foregoing cases is maintained throughout the chapter although relevant material covering the whole national aspect of underdevelopment and dependence is "also discussed. This parallel form cf analysis is aimed at demonstrating that underdevelopment is aa true a feature of Kenya's socio-economic life after independence as it -Mis in the colonial era.

Chapter VIII deals with the question of why and how what *is* obviously an irrational state of underdevelopment and dependence has been maintained all these years after independence. The chapter is entitled "The Problem of Stability" to signify the fact that adoption and institutionalization of colonial inherited and metropolitan orien^ted^social, economic and political policies and value system became a major concern of capitalist agents in th^coyntry;. whether they were foreigners or local agentin form of what we shall be calling the comprador bourgeoisie or the "national bourgeoisie".[39] The West was interested in using aid as an instrument for the protection and encouragement of their trade and investments in Kenya, as well as a tool to back up the political eystem that gave then such protection and e'neouragement (a) politically (b) financially and (c) throue-h favourable economic, trade and investment policies. The new leadership in the country, whether they were the comprador bourgeoisie or the "national bourgeoisie", were also interested in their political and economic

39* •See chapter I below

as
aSSr ndizement* As long^ foreign investments gave thea well paid jobs as managing directors, chairmen or
as
directors, and,long as foreign aid boosted state capital from which they benefited, they did all they could to control and suppress the workers and peasants in the name of maintaining the <u>status quo.</u>

The last chapter gives a summary of the findings for the entire study and then attempts to provide theoretical suggestions for alternative approaches to the issue of aid and development for a poor and backward country like Kenya. Chapter IX is therefore entitled "Development Alternatives"•

The methodology used in this study needs a mention. In the first place, we undertook a detailed search through various libraries to establish the general pattern of foreign aid, its nature, origins, objectives and techniques used mainly by the giver and then by the recipient in dealing with the controversial area of national and international policy. The same libraries, which included the University of Nairobi libraries and the Institute of Development Studies Library, the Bureau of Statistics library in Treasury at the Ministry of Finance and Planning, and the Agricultural Finance Corporation (AKJ) library in Nairobi, were also used at the initial 3tages of research on specific matters of this study including the »rocio«economic and political pre-independence origins of foreign aid relationship in Kenya; the- mature, pattern and techniques of aid in Kenya;. Lpocific case studies on PPEU, LDPI, and KIE; and other secondary data to help us make wider statements on the country's sccial and economic as well as political sot up since independence.

The other source of our data was tee official files and other materials such *cl3* official briefs, and reports to be found mainly at the Treasury Registry office, AFC Headquarters, Nairobi, District Livestock Development pffices at Kajiado and Machakos, and at KIE Headquarters in Nairobi.

The third aspect of our research materials collection *hO* was interviews and discussions. To begin with interviews and discussions were held witli senior Government officials in various divisions of the Ministry of Finance and Planning with respect to general and specific external aid policies and the general government policy on the role of aid in development attempts, as well as on Treasury's view on the role of aid in the specific cases we set out to study. This set of interviews also examined in detail the role of aid-<ionors in

40. The basic interview schedules can be found in Appendix II, A«

influencing Kenya's social, economic and political policy choices.

The other set of interviews and discussions concerned the specific case studies. These were conducted at three levels. The first level was the donor(s) concerned and those that were interviewed included the Swedish International Development Agency (SIDA) officials, the Ministry of Overseas Development (ODM) officials, the United States Agency for International Development (USAID) officials, the Canadian International Development Agency (CIDA) officials and the olficials of (West) Gercan Development Agency, all in Nairobi. Efforts to interview the World Bank officials were not successful but ve managed to get most of the relevant data we needed from other sources mentioned above where such data was stored. These interviews mainly dealt with general donor policy towards Kenya and in particular tried to get details concerning the case studies with respect to project origins, objectives, implementation, and achievements as seen by the donors.

The other level was the ministry concerned with project implementation. These interviews and discuessions were conducted at the headquarters of the Ministries of finance and Planning, Agriculture and Commerce and Industry. Departments concerned directly with project implementation were also interviewed and these included the Flanning Divicrion of the Ministry of Finance and Planning, Industrial and Commercial Development Corporation (IDDC) and KIE, the :anch Division of the Aj?C, ani the Departments of Livestock Development and Veterinary services at Ka.iiado LI -;;ict Headquarters, Sultan Hamud and Kcnna,and Machakos District Headquarters. These interviews and discussions dwelt on the issues of implementation of the specific projects under study in terms of project origins, objectives, implementation structure and problems, achievements, as well bs overall government policy.

The third level of this set of interviews and discussions concerned the clients benefiting frca. the projects. These included the candidates for PPSU training programme, the ministries to benefit from FPS'd technical assistance, the Group ?zd Individual ranchers, and the entrepreneurs at KI2 Nairobi and Machakos. Viey wore all questioned on their experience as clients, their knowledge about the projects under which they were assisted, the nature end operation of their firms cr ranches or ministries, and on the general role of their projects in the country's development.

The fourth main aspect of our data collection w*s the of questionnaires administered by research assistants. These were found necessary in the case of

LDPI where additional material was found vital for the clearer understanding of the real nature of the project. Five questionnaires wore served to five out of ten Cannany Hanches in Taita/Taveta District, and ten were served to the Group and Individual ranchers in the Kaputiei Division of Kajiado District, It should be pointed out here that the three out of five Compnny ranchers who responded to our questionnaires were kind enough to provide us with additional documents concerning their experience in the business and we found them most helpful indeed. A copy of the questionnaires will be found in the Appendix II, B,

By now the approach used in this study should be clear. To reiterate, one notes that at independence the main demands of the society were dual: (a) continuation of the colonial economic and political policies towards the foreign private capital activities in the country, and (b) popular demand for an end of coloniallyinitiated policies that contributed to their exploitation and oppression by international monopoly capital. The first set of demands obviously came frca international capital and in this case the role of the World Bank, as we shall see in the text, was of crucial importance. The second set of demands came from the Kenyan masses and a large section of the political leadership. The support of the new system became an important ratter in teras of the kind of the political process that would follow. All efforts were made particularly by the World Bank and other Western governments through their representatives in form of technical personnel (adviser^, operational!! and volunteers) to convince the new leadership that without aid from the west Kenya was automatically going to collapse as a country. The west also promised all the aid Kenya wculd "need" and impressed upon the new leadership that all *they* had to do was to cooperate with the west and the country would prosper very fast* This was seen as a raaior source of support and it was therefore taken wholly.

In what is generally called the "Black box of Government", or the process st3ge of the system, foreign aid was manipulated by various representatives of international capital in the government ia such way that the outputs of the system became policies and decisions in favour of continuation and institutionalization of colonial economic and political structure in protection, service and outright encouragement of capitalist activi ties of exploiting and dominating the Kenyan land, labour and markets. In other words, the outputs were policies that contributed to the continuation and intensification of colonia&y initiated underdevelopment

lf1. For the idea of the "Black boz of Government" see Joseph La Palomb-sra, Politics Tithin Nations, (Prentice Hall Inc. 197^)PP.

and dependence of the country.

The outcomes are in the form of greater profits for the international capital an the one hand, and increased poverty, unemployment, inequality and other social and economic problems of the Kenyan masses on the other hand. The demands of the masses therefore increase as do those of capital in search of yet greater profits. The conflict between these two forms of demands made it necessary for what we have called foreign aid from capitalist donors to be applied as constant and expanding input for the survival of the system in which the interests of international capital are protected and promoted at the expense of those of the Kenyan people.

Having given the approach to our analysis, wo now move to the study itself and we begin by providing a theoretical framework.

CHAPTER I

FORSIGK AIDt

A Theoretical Framework : r

- ' ZdirizstS., iii^ last

As virtually all developed nations of the world seek to provide foreign aid to poor and backward countries, and as the latter receive or seek to receive aid from the former, interest has recently increased among scholars, planners and politicians alike concerning the real role of aid in recipient societies. Such an interest has mounted more particularly because it has been generally recognized that in spite of increased volumes and improved terms of. aid, the developed andjthe v>o- , called developing countries has become and continues to become deeper and wider.; The purpose of this chapter is to plot out a theoretical fraraevork which might be used to explain this contradiction. It opens with a brief look at the^underdevelopment^ theoix~?nd the\role of foreign capital and finance capital in backward countries before examining the relationship between state and finance capital export. The chapter then provides a ^rief crvtiqu^ of the .role of foreign aid in recipient countries as recorded by various

. 1. Lo3, Pearson, Partners in Developments Report of the Commiso: on on •i':.ternation&I i'<evelor)r?ent, p. ~3 andT Robert Mcjiamara* £l!^Jir^red CountricF_' Two Billion PeonI ei The Dieensions of Development, (Praeger 1973^ p.

major writers on the issue® This leads to a survey of Gcie basic definitions including what ve c^ll controversy of nid and development, and aid, underdevelopment and dependence in backward recipient nations. The last pa: t looks at both donor and recipient objectives in aid relationship as they are recorded in various academic, official as well as private publications. That in summary is the focus of this chapter®

Undo" 'velo-oment Theory and Export-Capital

Underdevelopment can be viewed as a socio-economic process and condition in which ajgegple lose their economic surplus due to *p^p~~riflt~~i ~~appropriation by~~ otbar[2] people who usethat surplus for their own development • Development, on the other hand, means a socio--economic process and condition whereby a people realize their full economic surplus and perhaps more, and .whereby - they use that rurplus to create more wealth and maiz.taiiLJhigh levels of consumption without relying on external resources for survival. As such, the terms development and underdevelopment dopict socio-economic processes and conditions which are diametrically opposite.

For the notion of economic surplus or surplus value, see p. kk below.

But as A.G. Frank put it, for example:

> SconomiC^djjrfiT rtpmftnt. and nrH r,r are not just relative and quantitative, in that one represents more economic development than the other; economic development and underdevelopment are relational and qualitative, in that each is structurally different from, yet caused by its relation with, the other. Yet develftnTn**nt. and underdevelopment are the same in that they are the product of a single, but dialectically contradictory, economic structure and process of capitalism.» " ^hus they cannot be viewed as the products of supposedly different economic structures or systems, or of supposed differences in stages of economic growth achieved within the same system. One and the same historical process of the expansion and development of capitalism throughout the v/orld has simultaneously generated and continues to generate - both economic development and structural underdevelopment. 3

Frank has demonstrated how the sane historical process of expansion and development of capitalism also generated underdevelopment in Chile and Brazil. V/e do not need to repeat his explanation of that process. But we seek to show that the aspect of export capital called foreign aid has had a major role in underdevelopment of what are today known as the poor and backward or developing countries. It is assumed,

3. Andre Gunder Frank. Canitalin .-nd Underdevelopment * in ~~Latin America~~, (Monthly Review Press V^o?) **p. 9.**

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on the basis of Frank's analysis, that the same process of underdevelopment in theGe^couctriej also leads to development or furtherjlevcLopmer.tof,the capitalist metropolis.

Underdevelopment theory is first 3r;d foremost founded on a Marxist - Leninist dialectical analysis of capitalist development, and in particular a Leninist analysis of the role of export - capital under imperialism. Karl Marx, Frederick £sgels and V.**I.** Lenin, among others% observed the d&vglopcent of capitalism to a point where^aa enormous .surplus capj^tal was created in capitalist metropolis *ith_a conseqxioiice that capital investments began to witness diminishing returns. For capitalism to remain as a system based on the principle of private profit maximization, the next logical stage of its development was to export the surplus capital abroad to the backvard .countries. In Lenin's words, 0

> In these backward countries profits are usually high* for capital i3 scarce, the price of land relatively low, wages are low, raw materials are che-p. The export of capital is made possible by a number of backward countries having already been drawn into world capitalist intercourse; main railways have either been or are being built in these countries, elementary conditions for industrial development have been created, etc.

See Lenin, V.I*, Imperialism: The Highest Stage.cf Capitalism. In Lenin, V.I., Selected Works« Volume I, (Progress Publishers Moscow 1967)j>?» 723-777*

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> The need to export capital arises from the fact that in a few countries capitalism has become "overripe" and (owing to the backward state ox agriculture and the poverty of the masses) capital cannot find s field for "profitable" investment.5

Subjugation of foreign lands ani establishment of colonies was an important step towards the creation of what Lenin called spheres of investmfst. This was the process that produced what Lenin referred to as "Imperialismj the highest stage of Capitalism", By this system, Lenin meant that capital and finance capital from countries where capitalism had developed was exported and invested in foreign and backward countries where it was possible to realise yet higher prtfits by exploiting land and labour of those countries.[6]

Marx and Lenin thus observed a very vital element of dialectical dissection of imperialism. Lenin, for example, explained himself in the following terms:

> The exporr of capital influences and greatly accelerates the development cl' capitalism in those countries to which it is exported. While, therefore, the export of capital may tend to a certain extent to arrest development in the capital - exporting countries, it can only do so by expanding and deeponing the further deTelonment of capitalism throughout the world.
>
> The capital - exporting countries are nearly always able to obtain certain

5* Ibid. p. "7?M

6. Op. cite pp. 723-725?.

> advantages, "the character of which throws light on the peculiarity of epoch of finance capital and monopoly."'

Similarly, Marx had the same views regarding the role of railways in India under British colonial rule;

> I know that the English milliocracy intended to endow **India** with railway vith the exclusive view of extracting at diminished expense the cotton and other raw materials for their manufacture. But when you have once introduced machinery into the locomotion of a country, which possesses i iron and coals, you are unable to withhold it fron its fabrication. Yoz cannot maintain a net of railways over an immense country without introducing all those industrial processes neccssar/ to meet the immediate and current waats of railway locomotion, and out cf which there must grow the application of machinery to those branches cf industry not immediately connected with railways. The railway-system will therefore become, in India, truly, the forerunner of modern industry.[0]

Thus Karx also shows that the exrort of capital and the related modernization cf infrastnetures in backward countries actually started or accelerated the

7. Op. cit.pp. 725-726. This is the way even bourgeois theorists would see the issue. See, for example, F.C. Bentham, Economic Aid to Underdeveloped Countries, referred to in Kwarneh Nkruaah, neocolonialism: -he Last otage of Imperialism, IPanaf, P«

S. Karl Marx, "The Future Results of British Rule in Indiai' referred to in Geoffrey Kay, ic~"e.it and onuerdevelc.i;:cnt: A Marxist -nalysis, "(Viaexilian 1975) P* 11j or Karl i.jrz, Surveys Frc-m edited and introduced by David Jernbachl UIlea L*ae in association with New Left Review, London, *1973}TP•* - - 3 * For similar views also se* K.Marx and F.Engels, ~~The ^~.'^u^ nist Manifesto, introduced by A..'.F.Taylor, uenguin p. 64.

development of metropolitan - based capitalism or modern industry there during colonial period or after. It facilitated unprecedented domination and exploitation of land, labour and markets of these countries by the capitalist metropolis. Marx himself fully recognized this fact when he wrote:

> On the one hand, the immediate effect of machinery is to increase the supply of raw materials in the same way for example, as the cotton gin augmented the production of cotton. On the other hand, the cheapness of articles produced by machinery, and the improved means of transport and communication furnish the weapons for conquering foreign markets. By ruining handicraft production in other countries, machinery forcibly converts then into fields for the supply of its raw material. In this way &ast India was compelled to produce cottcn, wool, hemp, jute, and indigo for Great Britain. By constantly making a part of the hands- "supernumerarymodern industry, in all countries where it has taken root, gives a spur to emigration and to the colonization of foreign lands, which are thereby converted into settlements for growing the raw material for the mother country; just as Australia, for example, was converted into a colony for growing wool. A new international divieion of labour, a division suited to the requirements of the chief centres of modern industry spring up, and converts one part of the globe into a chiefly y agricultural field of production, for supplying the other part which remains a chiefly industrial field.9 (c-ar emphasis).

9» Knrl Marx, Capital: A Critique of Political Economy, Volume I, (Progress Publishers, Moscow 197?T" pp. 424-425.

The words "conquering", "compelled" or "converted" should be well noted in the quotation for they demonstrate one thing. ?hat is, that Marx was fully aware of the falseness of the Sicardoni-, of corvoarative advantage which assumed equal values of commodities exchanged internationally between developed and backward countries. He was also fully aware that the backward countries were conquered and forced into a colonial relationship with the metropolis; their mode of production was changed from subsistent communalism or feudalism to production for metropolitan - based capitalist development. Under colonial, and later on neo-colonial, relations the exchange value of commodities produced by such territories as are founn in Africa, Latin America and Asia, has been comparatively much lower than the value of commodities produced in the industrial metropolis. These relations therefore amounted to what Arghiri Emmanuel referred to as "Unequal Exchange".[10] Summarized by Charles Bettolhein, a critique of Emmanuel's theory, unequal exchange is seen as an expression used "to convey the idea that on the world market the poor nations are obliged to sell the product of a relatively larger number of hours of labour in order to obtain in **exchange** from the rich nations the product of a smaller number of hours of labour.''[11] As such, unequal exchange

10. A-gbiri Emmanuel, ^equal Exchange: A Stud^fJ^, Im*v» r.ialicm of Trade,. I Monthly fieview Press, I9V>'

Op. cit. p. 272

of the value of labour-content of commodities of developing countries, together with the cheap or free land in the hands of or in control of foreigners, have become the basis of what we have called underdevelopment in Latin America, Africa, Asia or the Middle East. It is the kind of exchange that was promoted by export-capital which enabled the capitalist metropolis to make unprecedented profits through unprecedented exploitation of land and labour of the backward countries That exploitation has been equivalent with loss of what is called economic surplus, that is the difference between society's current output and the sua of value[12] of capital invested and value of wages p*id to labour. The loss^of^ economic surplus of a given society to anothe is what we have called economic underdevelopment. As this surplus is what would be accumulated or invested in order to accelerate production of more wealth, losing

12. According to Marx, "The surplus valae of the total value of the product, over the sum of the value of its constituent factors, is surplus of the expanded capital over the capital originally advanced." Capital, Volume I, p. 202. Also see Lenin op. cit„ p. 17-19* j-iiis conception of surplus value was based on the assumption that the resl value of land and of labour in terms of what was socially necessary had been paid for by the capitalist who then expropriated and appropriated the rest of the returns generally called profits. But in developing and backward countries tiis was not the case. As such, to what Marx cabled surplus value must bo added the difference between the value paid for labour and land and the true value which is then appropriated by the capitalist.

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it meant that the develooing countries did not have the whereof to create their wealth for the development of **their** own independent capitalism or modern industry. **This** was because **the** development of independent capitalism would first and foremost require that capital accumulation should take place, that is, surplus value should **be** employed as capital or reconverted into capital continuously.^

Thus, the role of export-capital in the backward countries which are today known as developing countries was therefore not to lay grounds for subsequent development of independent capitalism there. It was simply to enable the development of metropolitan capitalism and modernization enabling netropolitan capitalists or their agents to exploit cheap land and labour in these countries. In the process, the metropolitan capitalists and ruling classes, used their governments to subjugate the indigenous populations under capital. In areas where land had been alienated directly as in the case of Kenya or Rhodesia, indigenous populations were converted into forced or lowly paid labour. In the areas where direct alienation of land did

13. **K**. Marx, Carital Volume **I**, ?« sos
Lenin op. cit. p. 19 and G. Kay cp. cit. p. 57.

not pay high returns for European plantation owners, as in the case of Senegal, indigenous populations were converted into labour in their own land producing what the colonial government-backed metropolitan capitalists required for profits and capital accumulation in the metropolis. But in both cases export-capital was used to convert the poor and backward territories from .being mainly producers of subsistence commodities to producers of market commodities needed by the metropolis. This became the first stage of underdevelopment of the present day developing countries which became producers of low-priced primary goods for the metropolis in return for subsistence prices and or wages.

Underdevelopment was also manifested through the sale of expensive metropolitan produced manufactures, ar.d raw goods. That is, by being incapacitated with respect to producing sufficient subsistence goods or tools, these poor and backward countries also became converted into markets of metropolitan goods* As these goods were always far more expensive that the goods

14. As demonstrated by Kenya, the idea that poor and backward countries import from the metropolis only the manufactured products or only machinery and equipment to the exclusion of agricultural products is erroneous, ^iee chanter ¥11 below the section on Agricultural V nderderelopment.

prod-seed in the developing countries, it meant that even the li';tle subsistence prices orwag^s *zhe* peasants or the workers got from their sales or w®rk were in turn appropriated by the metropolis. In addition, the developing countries also became consumers of expensive Esetrcpclitan services such as engineering and architectural services or consultancy and management services for various private and public businesses. In all, therefore, the developing countries were underdeveloped through export - capital backed exploitation of their .land* labour and markets by the metropolis under colonial and neo-colonial imperialism.[15] • > • -•

What emerged from colonial and neo-colonial relations therefore was not development of independent and self-sustaining capitalism in the colonized badeward territories, but mere extensions of metropolitan capitalism there. The metropolitan capitalists or bourgeoisie therefore exported or invested capital in those countries ana thus exploited their land, labour and Market.

During the coJ.onial period, some of the local individuals in possession of education, power or property managed to

15. For the concept and meaning of nec-mlonialism, see Kwaraeh Jlkrumah, Heq-colon_ialisn: The Last fit are of Iinner_ialisrn; and Julius a. j.yerere, _The Process o'. Ljbraticn_, (An address at Ibadan University, Nigeria, 17th November, 1976) Pamphlet.

get involved in "primitive accu.-ilation* by amassing land and trading facilities, -hese jsually included the chiefs, court elders, clerks, local councillors, and the teachers. They tried to emulate the capitalist attitude and behaviour with respect to cumulation based on alienation, exploitation and oppression of the rest of the members cf their societies* Their success in this direction was, however, limited in scale. This was because they were deliberately held down by tho colonial discriminatory laws and regulations which aimed at protecting and promobing profit Maximization of the metropolitan bourgeoi*ic extended into the colonies. They had therefore developed capitalistic spirit, though the reality held them down at the stunted level throughout the period.

At independence, the same local "aspiring capitalists", together with the new political and bureaucratic leaders i:i the new government, sought to become true capitalists, owning and controlling all or most of the means of production uiid appropriating surplus value resultant from production* They were quick to try and acquire sorr:o of the land, businesses and property formerly held *by* foreigners only. Their effort and dreaa were, however, soon to be frustrated. As it will be shown later in Chapters IV tc VI, the main colonial institutions related to planning and policy making and implementation were left intact or reconstituted to accommodate the token changes required of a neo-colonial establishment. Colonial initiated and directed institutions like Land Bank, Settlement Trust Fund, Agricultural Finance Corporation, or Industrial Development Corporation (reconstituted as Industrial and Commercial Development Corporation) appropriated the role of allocation and distribution of land and businesses to the old and now "aspiring capitalists" at independence. This was facilitated by the availability of foreign finance capital in form of aid, particularly after the incoming new African leadership accepted the principle of private property. Through the colonial institutions mentioned above, finance capital resources were carefully manipulated together with state machinery before and after independence with the effect that the core of the exploitative colonial system was not only retained, but also E^ven a new ground for its own entrenchment.

Continuation and entrenchment of colonial system into the post-independence period amounted to what Nkruamh and Nyerere called neo-colonialism. This meant that the basic colonial forces and economic structure were left intact at the time of formal political independence, and therefore the colonial initiated exploitation and domination of the country by the metropolis continued unabated.

Under neo-colonialism, the structures for exploitation and domination by international capital were extendad and given a local base. This was achieved through the capitalist - backed creation of new socio-economic classes, dependent on the metropolis and serving international monopoly capital interests locally and internationally. These classes were comprador bourgeoisie and the "national bourgeoisie". The former was largely auxilliary to international bourgeoisie based in the metropolis. It was composed of such people like chairmen, managing directors, directors and general managers of foreign firms such as the B.A.T., East Africa Industries, Lonrho Ltd, East African Breweries, General Motors, Firestone Ltd, foreign bariks and several other foreign owned or controlled farmisg, manufacturing, commercial and technical services firms. Some of the members of the **comprEdor** bourgeoisie were even encouraged to take up political and bureaucratic positions in the independence government as members of the national assembly, ministers, permanent secretaries or general managers and directors of statutory bodies like Kenya Meat Commission (KMC), Kenya Cooperative Creameries (KCC), Industrial and Commercial Development Corporation (ICDC) Agricultural Finance Corporation (AFC) and the like. But it must be remembered that, though they also sought to own property and make huge profits, the comprador bourgeoisie were first and foremost committed to the service, promotion and protection of the interests of metropolitan based international • onopoly capital.

The "national bourgeoisie" on the other hand has been mainly concerned i>ith acquisition of property and profit-making opportunities. Composed of local large scale farmers and businessmen, this class has been struggling to replace foreigners in the ownership and running cf lax'ge-scale farms, businesses, transport and estates as well as industry. Its members have also ecught for political power or for chances of influencing political and bureaucratic power holders, as a oeans of influencing the allocation of state resources in their own favour. The rcain eovxoe of investment and conruaption resources for the "national bourgeoisie" has been state finance capital the bulk of which originated from foreign sources in form of foreign aid. The implicit relationship between the emergence and growth of state-bacred "national boyjg.eoisie" on the one hand, and the availability of western aid to back up and direct (influence) state activities on the other, should not be overlooked. On the ooe side there was the west seekicg to use aid in order to influence tha new state in fsTour of adoption and institutionalization of the colonial-iaherited economic structures and value system. On the other side, there was the emerging "national bourgeoisie" in dire need of financial resources with which to purchase land and property from the outgoing foreigners and with which to start off the operation of their newly acquired farms and businesses.[16] Virtually all such resources came from the foreign aid-backed state capital, and whoever needed it had to back up or support state or government activities and policies as well. Given that initial members of the "national bourgeoisie*' were largely in the political leadership at independence, it followed that, the leading donors of aid oriented to the promotion of state-backed private ownership of land and property were to have enormous influence on the kind of political, economic and social policy choices the country would make. This was the case with the policies related to Africanization ol agriculture and industry (chapter V and VI), general economic policies (chaptor VII) and policies related to maintenance of the country as a western sphere of influence and as a neo-colony of western imperialism (chapter VIII).

As these points will be taken up later, suffice it to note here that the emergence of the "national bourgeoisie was a very important factor in the institutionalization of a neo-colony in Kenya. As a class, the "national bourgeoisie" have operated side-'oy-side, but not shoulder-to-shoulder, with the international bourgeoisie based at the the metropolis. Its members have not only acquired huge tracts of land and property along side the foreigners,

16. See ChaptersV and VI, below.

but they have also made huge profits serving international •capitalist interests as distributing -r narketing agents of imported or locally raanufactured r-ftropolitan goods, and as collecting agents of locally reduced cheap primary commodities for export to the metropolis. Ho wonder that the west spends or directs a significant portion of its aid towards the promot-on and support of the 'National bourgeoisie,' What is paradoxical, however, is the fact that the same foreign aid that has been so instrumental in the creation and perpetuation of this class has also been the main tool in :he deliberate and effective efforts to control and inhibit its development into a truly local national bourgeoisie shoulder-to-shoulder with, or in place of, the metropolitrjL-based international monopoly bourgeoisie.[17]

Whether one talks of the compradar bourgeoisie or the "national bourgeoisie", the fact is that both of them are largely products of the presence if international capital in Kenya in/the form of metropolitan based private and public (state) export capital. Both classes have

17. See Chapters V to VIII.

18. Private export capital is generally known as foreign private investments, while public export capital is called foreign aid, (See the next section). Although the two forms of canital originate- from the metropolis, this study concentrates on aid as the form of export capital whose role in the recipient backward countries has not been adequately analysed scholars.

enormous political or bureaucratic power and influence, and they could therefore be referred to as the national ruling classes. Their main role in the neo-coloniel system has been both to service and to protect or encourage international capital. On the one hand, they have acted as the agents of international capital in the exploitation of workers and peasants employed or engaged in the production of low-priced primary commodities for export to the metropolis. On the other hand, they have been the political and bureaucratic agents for social and political control and domination of the entire masses of the petty bourgeoisie, traders, peasants, workers and other lesser classes, on behalf of capital.

From theoretical viewpoint, Colin Leys believes that independent capitalist development is still possible in the "third world" countries though it need not take the same path it took in developed capitalist countries of today. This belief becomes the premise of Leys' criticism of the underdevelopment theory. In his view,

> Underdevelopment theory does suggest reasons why in many third world countries, capitalist development has not followed and will not follow the same sort of course, or with similar social and political consequences, as it. did in the advanced metropolitan countries? but it does net show that no capitalist development can occur in them at all, or even that no country in today's 'third world' can ever become in some sense an 'advanced' capitalist country, pursuing as 'autonomous[1] a path of

> capitalist development as many countries which are today regarded as •advanced[1] and relatively autonomous capitalist countries,19

This passage seems to be the basic premise of Leys' work on Kenya which has sought to show that, in spite ' of numerous contradictions, the country is developing into an independent capitalist systes of some sort. Our thesis, however, maintains a contrary view. That is, an underdeveloped country which eaintains economic, social and political linkages with international monopoly capitalism cannot develop autonomous or independent capitalism or even modern industry. Due to this great divergence of view points on theory, a few points of objection to Leys' interpretation of underdevelopment theory should be clarified.

In the first place, one notes Le^'s usage of the terminology "third world" and not 'underdeveloped world'. As such, he seems to equate such countries like Japan and China with Brazil, Kenya, Java or India ignoring the basic fact that Japan or China were never underdeveloped at any time.[20] Development of Japanese capitalism was

19. Colin Leys, Underdevelopment in Kenya? The Political Economy of Neo-Colonialisn, (Keinemann 1975^ P» 19*

20. Present day Java and Japan, for example, differ in a sense that the former became underdeveloped in colonial period and after, while the latter has never been underdeveloped. See C„ Geertz, Java and Japan Compared, in Kenry Bernstein, ITrerde•voIopment r.d Development: The Third World To**day**."penguin 1973) pjrv^r.

therefore not impossible. Japan and mayx^ . Israel might
<V b
be some of the third world countries which Leys says are today regarded as advanced and relatively autonomous countries. But the theory of underdevelopment concerns underdeveloped and not^third world**countries. One would therefore seek to know from Leys which of the underdeveloped countries under the domination of capitalism has ever developed 'autonomous' and 'independent' capitalist system or modern industry? How would development of such autonomous and independent capitalism take place in a country whose surplus value is expropriated and appropriated by the developed capitalist metropolis?[21]

Leys does not subject his theoretical stance against these questions and it is at this point that his failure to spell out adequately what he means by
* underdevelopment is noticed. He therefore does not get concerned with the origins of underdevelopment or how it continues to be caused. Ipso facto, Leys does not see why an underdeveloped country cannot evolve or develop autonomous or independent capitalism or modern

21, It should be recalled that surplus value or economic surplus is the sine oua non for accumulation of carital as the beginning and subsequent activity of tne process of capitalist development.

industry as the theorists of underdevelopment maintain.[22]

Inadequate conceptualization of the theory of underdevelopment and the virtual negation of the role of imperialism in holding today's backward countries at the underdeveloped state, have both Bade it difficult for Leys to appreciate the reason why the theorists of underdevelopment (A„G. frank, Sanir Amin or Dale L. Johnson for example) have maintained (and not just advocated!) that th? only way out of underdevelopment is a socialist revolution by these countries against international imperialism of international monopoly capital.^

One is further intrigued by Colin Leys' reference to China and Cuba as "countries which have actually succeeded in snapping the ties of dependency and beginning to liquidate the legacy of underdevelopment..." Leys perhaps knows better **than** many people that'these countries

22. It is fortunate Colin Leys does not purport to be a theorist of underdevelopment. Samir Amin would term Leys as a [1]marginalist' or a theoretician who is not interested in raising the real question about underdevelopment, namely, how it began historically and one might add, how it is perpetuated. See Samir Amin, Accumulation on a V/ord *Scalei* A Critioue of irv Theory oi\ uj^ter-development Volume 1,Monthly tteview Press 197*0 pp. 5-10.

23. Colin Leys, op. cit»,pp. 20-25.

24. Cp„ cit.,pp. 20-21.

did not at all develop independent capitalism. Cub&, in particular, had to resort to a socialist revolution in order to snap the ties of dependency and begin to liquidate, not just the legacy but also the causes of underdevelopment. Thus, Leys seems to have overlooked the fact that China and Cuba had first to declare war on the entire institution of capitalism and imperialism. This included a war on those local individuals who vainly but hopefully aspired to become capitalists, and of those who supported foreign capital - those that Mao called the comprador bourgeoisie. It also included a struggle against metropolitan based international monopoly capitalists who exploited and dominated the poor and backward lands with help and protection of national ruling classes. That meant national and international class struggle against class based exploitation and domination of the masses by a combined effort of the national ruling classes and international monopoly bourgeoisie. It also meant a realisation that only a socialist revolution could truly terminate an imperialist grip on a poor country and also liquidate its causality on underdevelopment and dependence of such a country. In such circumstances, the survival of both the comprador bourgeoisie and the "national bourgeoisie" would be impossible without underdevelopment and dependence upon which their sponsors, the international bourgeoisie, thrive.

What should be stressed at this juncture is the fact that the emergence and availability of private finance capital greatly facilitated the expansion of private export-capital to backward countries for the purpose of exploitation and domination of these countries by that capital which is also the international monopoly capital. Involvement of state capital side by side with private finance capital in this exercise became one of the most dominant features of international and national economic and political relations of the twentieth century.

State and Finance Canital-Exnort:

Before World War I, virtually all direct and indirect foreign investments in the backward countries were made by private capitalists from the metropolis. This situation changed drastically after the war, with private investors becoming more and more unwilling to nut their capital in indirect expensive and risky social and infrastructural investments in the backward countries including Kenya. In the countries where colonial capitalist exploitation had begun with both direct and indirect private investments, a3 was the case in Kenya where expansion of trade and construction of railways had been conducted by the British East African Company, private investors now declined to put more of their capital into the indirect sector of foreign investments. As K.A. Brett demonstrated in the case of East Africa, the

British ruling clas^ pressed their government to shoulder this responsibility on behalf of the British capitalist manufacturers and direct investors in production of raw materials and trade in manufactured goods,"'' The institution of foreign investments shifted from purely private to partly public. This was particularly more so with re.?p^cto expert-finance capital. Exportation and management **of** finance capital by the metropolis **was** partly now assumed by the exporting state and quasi-state institution under the new name of "foreign aid".[26] As such r« ther than re.-aair. simply as a mere "committee for nane^ing the common affairs of the whole bourgeoisie",[27] a capitalist state- began to play a more direct and significant role in **the** promotion of capitalist profit-making interests in foreign recipient countries.

The end of World War II saw a new era in both national and international politics. Several countries under colonial domination stepped up their demands for independence and the right to solf-determination. At the same time

25, E.A. Brett, Colonialism and Underdevelopment in East Africa, (Heinemann 1973) tPP. 120-125.

2:6. op. cit*, pp. 120-1^6.

27v Marx and Engels « The Communist Manifesto, p. 82.

the east-vest cold warfare began, the east being led by USSR and the west led by the U S. The U S provided what it calleo ;.'srshall Aid to the western European countries willing to stay out of Communist influence and also willing to become U *S* allies in the struggle against Communism* [28] ' To assist it, the US controlled, and greatly influenced the .institutionalization of the World Bank as a specialized international agency handling a large portion of finance capital® [29] The purpose of the Bank was to provide finance for reconstruction of war-torn Europe, and to provide finance for what was called "development" of the underdeveloped countries. In its performance, th? Bank (International Bank for Reconstruction and Development -IBRD) merely assisted the U S in carrying out its cola warfare against the east and in promoting public foreign investments in physical and social infrastructures necessary for intensified exploitation of resources and markets of the backward countries of the world. ^

2o* Communist •take-ovei" in Poland scared the west which feared more takeovers" elsewhere.

29, For the role of U S in creation and direction of the World Bank,, see RobertW. Oliver, International Econonic Cooperation and the World Bank* Uh apt era VII-1a.

30. See for example the American - Vorld Bank joint role in aiding South Africa, Rhodesia, Angola, Zaire, end Mozambique after World War II, in Council of Europe ~ Strasbourg; Pl^n, (Strasbourg 1952) op. 52-53*

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Marshall Aid did not last long. But what the we ,t called development public foreign aid, the main sourc- •< of
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which were the U S and IBKD, was continued and expand on lines similar to what the British hd called colon'-. development aid in all respects. It bccaise a vital t ol for the protection and promotion of western cap;, tali. z, ideological, economic and strategic interests around world.

Given this western effort to protect and txoand capitalist interests in the world through the instrur.v . of foreign aid, it became impossible that the socialist countries led by the USSR should ignore ruch an iznpo -'.ant and effective tool of international cold warfare and international economic and political relations, The;> too therefore entered the race of aid giving aad aid relatione. Like the western powers, they were immediately interorjted in winning political and ideological battles against capitalist west by promoting the emergence of socialist based nations around the world. They therefore provided material and diplomatic aid to peoples wishing to stay outside the so-called "free" capitalist sphere of influence and to those striving to gain their freedom from western colonialism and imperialism.

In keeping with their socialist political and economi policies, socialist countries differed fundamentally from their capitalist counterparts in their system oC aid giving and in the political, social, ideological and economic targets that ttey hoped to achieve through aid relationship. The main differences in capitalist and socialist based aid ring objectives and techniques will be detailed below. *For* now it should bo clearly observed that while the whole aid effort of the west has been geared to prcte-jcing end promoting political, economic and social conditions conducive to the survival and expansion of western private foreign investments in the recipient countri<-:r$_t$ the socialist based aid has been largely directed towards different ezdc. Socialist countries like the USSH and Chin?? would normally try to provide their nid towards the promotion of public ownership and control of national basic aeans of production and towards widescale public/collective consumption patterns. This system cf aid giving was xiewed by socialist countries as ft means of counteracting the institution of private ownership promoted by western donors It was also viewed as a means of combating capitalist exploitation and domination in the recipient countries and internationally. At the same time, socialist donors laid great emphasis on the need to create independent, self-sustaining and expanding economic, technological, cultural and political capacity in the countries receiving their **aide** They viewed this as a step towards the realization of national economic surplus by recipient countries and n* a vitsl milestone in the latter®s attempt to expand investment and accumulation of national wealth the wherewithal to enlarge national consumption to cover all the citizenry, v

This type of development approaches what we shall be calling real development. It constitutes a great threat to capitalist interests in a backward country like Kenya and one would logically expect the capitalist world to resist such a challenge with all force, including the instrument of foreign aid.

Partly because of the cold war and partly because of ideological, political, economic and strategic reasons of the donor countries and institutions, foreign aid has recently tended to assume the greater share of total resource flow to the recipient countries. Thus, as James O'Connor has shown, "nearly three-quarters of all loans and investments destined for backward capitalist countries originate in the public or international sector,".[32]

212-213

31. See p3. / below* For an idea of the effect of Soviet aid to realisation of national surplus value and subsequent expansion of capital accumulation and nation-wide consumption in Cuba after the Revolution of 1959, see L, Huberman as<i P.M. Sweezv, Socialism in Cuba, (Monthly Etview Press 1969), Chapters 3 and b.

32. James O'Connor, The Meaning of 2cone-tic Imnerinlisr.i, in Robert X, Rhodes Ced.), Imperialj sn; and Underdevelopment, (Monthly P.eview Press 1970) , p. 136, especially Table III5 and X. Morten and P. Tulloch, Trade and Develorinr* Countries, (Croora Helm Ltd. London, 1977) * p. 2571 especially Table 7.3.

Such 3 big shift from private export-capital to public export-capital in the recipient countries calls for an urgent analysis and understanding of the particular role that the latter potion S^enerally referred to as aid has played in those countries. This is required not only because of the increase in/the relative volurje of foreign aid vis-a-vis private investments, but more so because of the fact that foreign aid implies both political and economic force of the donor countries and institutions towards the recipients and their governments. As J.D. Montgomery put it,

> Foreign aid is a political force Abroad and a political issue at home irrespective of its successes and failures. Its purposes and its achievements, its origins and its operations, its giving and its receiving, all involve confJJ$_1$ct^j^:Lde^ and power. >5

It is unfortunate that the entire nature of both capitalist and socialist based aid cannot be compared meaningfully in this study which concerns Kenya alone, a country which has received virtually all her external aid from the capitalist countries and multilateral institutions. This study therefore focuses on the role of aid from capitalist donors and the politics that goes with it in the case of Kenyan It will seek to examine and explain the relationship between capitalist based foreign aid to Kenya and the political system that

33. J.D. Montgomery, The Politics of Foreign Aid,

emerged at independence and managed to survive thereafter, as well as the relationship between that aid, the state and socio-economic set up that has prevailed in the country since independence.

The observation by Montgomery as seen above no doubt has great bearing on the kind of study at hand. It hinges on one of the main facts about foreign aid. That is, that aid is in the final analysis a political issue, to be handled by the governments or officials of donor and recipient countries and institutions. Particularly from the point of view of the donor, aid is normally a subject of public concern and it is therefore usually subjected to scrutiny and debate by the national parliaments and other interested public and private parties. Although such a rigorous examination of the pros and cons of particular aid and its role might not always become entertained in the recipient countries like Kenya, the fact is that aid is normally contained in the national budgets as part of revenue to be authoritatively allocated by the governments. This fact, inter alia, makes aid a political affair even in the recipient countries. As such foreign aid is both nationally and internationally primarily a political concern.

In this study "The Politics of Foreign Aid in Kenya Since Independence" will mean conflict, competition, struggle and conflict resolution related to the use of aid from capitalist donors in their bid t« manipulate independent Kenya's political and social ?ower instruments in order to institutionalise and perpetuate the kind of socio-economic conditions that were vitalfor authoritative allocation of resources and values in favoar of capitalist domination of this country.[34] As it will be seen later on, international capital strove for institutionalization of the principle of private ownership and control of the main productive and profitable means cf production; exclusion and suppression of socialist oriented ideas, sympathies, activities and policies; continuation of and/*ubjugation of the entire population to domination and exploitation cf international monopoly capital.

In other words, the poD.itics of foreign aid in Kenya since independence has been characterised by application of aid as a means of manipulating the entire social, political and economic system at independence and after for the ultimate purpose of preserving, continuing and intensifying the colonial initiated exploitation and domination of this country's resources, l*i>our and markets

34. Sec pp. 17-18 above.

by international capital. The implied conflict and conflict resolution in a recurrent form is deeply embedded in the nature of development theories and policies adopted by the independent Kenya Government, as well as in the objectives of aid and the role aid is given in social, economic and political affairs of the country.

From the foregoing, it becomes our contention that foreign aid to Kenya from capitalist bilateral and multilateral sources is, by its very capitalistic orientation and intents, clad with conditions and objectives as well as techniques all of which are in sharp contradiction with what we shall call real development that would rid the nation of the long-standing poverty, underdevelopment and all evils of backwardness. As it will be shown soon, that type of aid has been vital for national social, economic and political conditioning without which the continuation and intensification of colonial initiated exploitation, underdevelopment and domination of the country by international monopoly capital would be very difficult if not altogether impossible That amounted to the use of foreign aid to convert Kenya into a neo-colony at independence and to maintain it as such all these years after to be plundered by international capital. That is the core of the politics of foreign aid in Kenya since independence.

'The Hole of Foreign Aid in Recipient Countries: A Critique.

Most of the writers on the issue of export-capital and its effects on the backward and poor societies have either overlooked or oversimplified the specific role foreign public capital plays in the underdevelopment activity through the state machinery of the recipient countries. Thus, for example, neither P. Baran, Samir Amin, P. Sweezy, G. Kay, nor A.G. Frank, to name but a fe\£ have adequately considered the probability that the core of underdevelopment in the backward countries today could be in the fact that these countries are the main recipients of western-capitalist foreign aid, and hence the most exploited and dominated by capitalism.[35] This study expects to bridge that gap.

Apart' from attempts at self-justification by aid donors and their intellectual supporters, little has been studied and written about the actual economic, social and political role of foreign aid in the recipient countries. Hamza-Alavi and Amir Khusro, for example, have attempted to bridge this gap with respect to the role

35. P.A. Baran, The Political Sconoray of Growth, (Penguin 1975 Monthly Review *tress* 1957); Sweezy, The Theory of Capitalist Develor-r.ent: Principles of Marxian toiltical Economy, U^onthly review frees 1956); -lamir Amin, Accumulation on a '••'orld ocale: A Critique of the Theory of v-••ierdevelor'aent, Volume I and *2.* (Monthly Review Press 197**) •

of U S aid in Pakistan. They have indicated that a donor such as the U S could use aid to put pressure on a recipient government into adopting, protecting or perpetuating policies favourable to the donor, but which could have gross adverse "far - reaching economic and political consequences" on the part of the recipient country."^ The authors, for instance, revealed that the allocation of resources to agriculture and industry was no longer decided freely by the Pakistanis. It was decided according to the wishes of the aid donors. The U S aid, in particular, promoted foreign investments and insured the privileges of American capital in Pakistan.

These are largely propositons which tell us little about how U S aid is manipulated in order in turn to manipulate economic and political policies in the recipient country. The relationship between aid and continued underdevelopment in Pakistan remains obscure. The authors therefore still felt that capitalist foreign investments and aid could stimulate and support development of recipient backward countries. At this stage, the authors inevitably departed from the analytical arena and assximed the role of reformist liberals who sought

36. H. Alari and A# Khusro, Pakistan: The Burden of U.S. Aid, in Rhodes, op. cit., p.

a more just and more enduring relationship between Pakistan and their friends in the U.S. They concluded:

> Our first step in that direction must be an end to the ties which bind and the restoration of our national independence. Only through a free and democratic government in Pakistan can the egalitarian ideals of foreign aid and our objective of national development be realized.

In such an approach, Alavi and Khusro treated the issue of the role of aid from a reformist angle in the same way Keith Griffin or Hene Dunraont would." They therefore fail to see or analyse the relationship between imperialist foreign aid and underdevelopment in the poor recipient countries.

Among the most quoted works on the role of foreign aid in recipient countries is International Financial Aid, by W.G. Friedmann et. al. It begins with a kind of appeal which seems to suggest the authors' belief that pre-colonial societies of recipient countries were static and underdeveloped.[39] They assert that colonialism,

37. Op. cit. p. 77.

38. K. Griffin, Pearson and the Polltier,1 Economy of Aid, in T.J. Byres, Foreign Hesources ar.d Economic Development, (Frank Class: London. 19?2)t pp. 11?-'!ST* Dumont, F-l.;e Start in Africa.. (Sphere Books Led.London,19^7)»

39. W.G. Friedmann, G. Kalmanoff and S.I. Meagher - International Financial Aid, (Columbia University Press 1966.TI p, 1.

foreign investments and foreign aid have been the main tools for uplifting these societies from their static ways of life". The authors do not therefore seek to study and analyse objectively the role of aid in the recipient countries. They concentrate on what they call "one of the many major facets of the development process, the comparative analysis of the methods and policies in international financial aid to the less developed countries," From the quotation, the usage of the term "less - developed countries" negates the notion of "underdeveloped countries" which result from capitalist activities in the backward societies. It implicitly signifies the negation of causal relationship between export-capital and underdevelopment on the one hand, and an assertion of bourgeois claim that any foreign aid contributes to the development of its recipient. Consequently, they have sought to suggest ways of making "development aid effective", though they do not say "effective" in doing what.

Friedmann and his co-authors would also wish to see a major and continuing effort on the part of the aid-receiving countries. But, once again, they do not indicate what those efforts should be, what they are supposed to achieve, how and for whom. As a result, they

Op. cit. p. 2. Our own emphasis.

become victims of a contradictory situation for which they have neither au explanation nor a solution, Thoy therefore inevitably resort to condemning recipient countries to desperation and permanent backwardness. As they write:

> Even if the present trend of a steadily widening gap between the rich and the poor countries is reversed, and even if the volume and the terms of development aii in the decade to come should, contrary to the present trend, be greatly improved, a quick bridging of the encrmcus gap between the small number of developed and tie increasingly large number of very underdeveloped countries cannot be expected,,, The tragedy of the underdeveloped wcrld in our times is heightened by their acceptance, under very different circumstances, of a combination of nineteenth centuiy nationalism and twentieth - century welfare-state ideology. Together, they have created conditions and aspirations that impede rather than fester the steady growth and development of the less developed countries and, in particular, oi the many new states.^[1]

The quotation clearly indicates that the problem of the widening gap between the developed and the underdeveloped countries is not related to the volume or terras of aid. According to the authors, the problem lies in the fact that recipient countries have tended to consume everything they produce and at the same time tended to be too nationalistic (perhaps implying they obstruct free movement of trade). This bourgeois view af underdeveloped societies rather hypocritically assumes t&at these

Op. cit., p. kS2.

societies appropriate the full surplus value of their productivity and that they consume it all instead of converting part of it into new wealth in She process we have called capital accumulation. The fact of the situation, as it has been suggested and as it will bo demonstrated later, is that capitalist private export capital with the full backing and support of imperialist public finance export capital recently called aid, has interacted with factors of production - land and labour - found in the recipient backward countries and the output of their productivity has been expropriated and appropriated b-j the capitalists for further capital accumulation and more luxurious living or consumption inj£kfc metropoli s. In other words, recipient poor countries fcave been subjected under imperialist colonial or n*o-colonial domination, economic exploitation, social* political and technological oppression, the totality of which spells their underdevelopment and dependence. Before one sees the role foreign aid plays in this relationship, one cannot suggest **ways** and means of reversing the gap. The situation becomes worse when one assumes, as Fricdnann et. al„ do, that all foreign aid helps to reverse the widening gap between the rich and poor countries. In this case there is a need to investigate the role aid plays in underdeveloped countries and in the case of imperialist or capitalist aid^ the Kenyan case will demonstrate that it is a very important tool for what we have called underdevelopment and dependence.

I.M.D. Little and J.M. Clifford as well as John White are generalists on the subject of aid, who, like Friedmann et. al., are interested in comparative aspects rather than in critical evaluation of the role of aid in continued underdevelopment of its recipients,^ Other authors like J.D.Montgoaery, M.I.Goldman,J.S.Berliner, R.A. Goldwin and J. Chandrasekhar are outright protagonists of capitalist ideological stand and hence of western imperialist aid objectives, including operation against communism.[if3] They dwell a lot on the comparison between U S and U S S R aid performance in terms of volume, terms and techniques, but "always fall victim of ideological bias and thus find the U S aid to be superior in all ways. Among the critics of socialist aid giving system one might mention C. Stevens, A. Ogunsanwo, R. Legvold, George Y., Hamrell and Widestrand all of whom will be cited in later chapters. Cheryl Payer and Teresa Kaytor are renowned critics of the entire capitalist bilateral

I.M.D. Little, Aid tc Africa (Pergaraon Press *it* Kacmillan Co., 1964) ana kittle & J.M. Clifford, International Aid (Georoe Allen & Unwin ltd. 196$) J. white, The Politics of r'oreigin Aid,

bj* J.D. Montgomery, op. cit. and Foreign Aid in International Politics, (Prentico Hall, 1967); M.I. Goldman, uoviot -orqj~n Aid, (F.A. Prae^er 196?); R.A. Godwin, '..hy rorei-?; r.id? (Rand he Nally & Co, 1966); S. Chadraseknar, Aid nnd Irdin'r. Econo'nic Development, (r'.-^. froerer 19o?J; and Berliner, J.o., o*jvi«rt ->tr ric Aid; Th••• Aid and Trade Policy in Underdeveloped Countries, (r.A. Praeger 1953)<>

and multilateral aid relationship vhich they refer to as the central imperialist tool for capitalist exploitation and underdevelopment of the poor recipients.^

Among the more detailed attempts at indicating the role of foreign aid in recipient countries some note should bo taken of I. Brecher and S.A. Abba3, G. Holtham and A, K<\zelwood, and S. Gitelson.[Lc] Brecher and Abbas make use of the already set up western parameters of development including Per Capita Income, Gross National Product, volume of exports and imports, and therefore, find aid, especially U S and IBED aid, to be developmental* They have not, however, been able to explain the paradoxical situation where, in spite of massive foreign aid, underdevelopment in Pakistan continues to increase while the*battle against what has teen called "the most abject poverty" remains far from being won.[46] They have therefore

44. C. Payer, The Debt Trant The IMF and the Underdeveloped Countries, (Penguin 1974), T. Hayter, Aici Imperialism,

45. J. Brecher and o.A. Abbas, Foreign Aid and Industrial Development. in Pnkist-m, (Cambridge 1972); G. Hoithan and A. Hazelwood, Aid and Inequality in Kenya (Groom Kelm Ltd. London, 1976); and £.A. Gitelson, Multilateral Aid For National Development and Self-Keliance- (E.A.L.i). 1975) • t

46. Alavi and Khusro, op. cit. p. 77*

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not been able to show the specific social, political and economic role which aid has played in Pakistan's loss of surplus value to the western donors through the services of local state machinery.

Holtham and Hazelwood, on the other hand, do not pretend to explain anything new with regard to the role of aid in Kenya. They have described British aid-financed projects of Mumias Sugar Scheme, Land Transfer Programme and Special Rural Development Programme (SHD?) indicating the amount of aid spent, political rationale considered and the foreign exchange element involved in each. They use British official data as a basis for criticizing the nature of British aid administration in the light of competition from other western, especially Scandinavian, donors. But due to their basic ideological assumption that any aid to Kenya has been positive in terms of development, the authors have found it impossible to demonstrate the causal relationship between 3ritish aid and Kenya's incapacity to overcome the increasing inequality. They have therefore left a lot to be desired in terms of critical evaluation of the relationship between aid as part of finance export-capital and underdevelopment of the country.

In her study, S.A. Gitelson has subjected UNDP aid to a rigorous test with respect to whether or not it has contributed to national development and self-reliance in

Uganda and Tanzania. She, however, becomes a victim of serious vagueness with regard to what she means by "national development" or "self-reliance". She does not try to create new and more useful indicators or measurements. Indeed, she assumes that the official national development plans are themselves oriented to development and self-reliance simply because they claim so. With such an approach, almost any aid could be said to be developmental as its role is usually provided for in the plans. But as Holtham and Hazelwood have shown in the case of Kenya, and as it will be shown later on in this study, most of the elements of development plans are themselves drawn by, or with great influence of, the v same donors whose aid Gitelson is trying to evaluate. In such circumstances, one is likely to find successes or failures of aid projects, but one will not be able to explain the role of the aid in^inability of a country to develop and in its underdevelopment.

In order to avoid the kind of generality t^at has characterized the work of most of the writers on the subject of foreign aid to poor and backward underdeveloped countries of the world, the next few pages will try to clarify our basic concepts in the study of the role of aid. These will include such terms as development, underdevelopment and dependence. As far as possible at this stage, an

Koltham and Hazelwood, op. cit. p. 205*

attempt will be made to chow the theoretical relationship between foreign aid and these concepts. This exercise is expected to produce basic indicators of development and underdevelopment which will be used in our analytical chapters.

Controversy of Aid and Development*

In agreement with Cock croft, Frank and Johnson, development, in this study, will be viewed as both a process and social situation in which there is (a) an accelerated economic growth coupled with greater and more modern use of a country's natural, physical and human resources; (b) socio-economic structural transformation involving all the nationals in productive activity; (c). greater distribution of economic benefits as may be manifested in great reduction in poverty, unemployment, ignorance, disease and inequality; and (d) emergence of a self-sustained and self-perpetuating socio-economic and political system which renders national dcpendcnce on external aid increasingly undesirable.^ As countries like Kenya do not seek to revert to subsistence mode of production, development requires that capital accumulation should take place as a basis for expanded economic productivity both in agricultural and industrial sectors,

48. J.D. Cockcroft, A.G. Frank and D.L. Johnson in Dependence and Underdevelopment (Anclier Looks 1972) call it "real development". It should not be confused, as it often is, with economic growth measured in annual increases of per capita national income or product. Growth without development is a frequent experience in underdeveloped countries, pp-. XV-XVI. For the idea of underdeveloped growth, see Chapter VII, below.

as woli as a basis fcr structural chan-es, distribution and emergence of a self-sustained and self-perpetuating system

Ideally, the role of aid is to help the recipient backward country to realize real development and become free of aid dependency. Aid is made up of capital and technical resources that should enable the recipient to increase its own economic production and accumulation of wealth side by side with increased consumption and self-reliance.

Being part of development resources and being dealt with by donor and recipient governments, aid giving and aid receiving has been a political activity.[50] It occupies a significant aspect of foreign and domestic policies of both donor and recipient governments. For this reason, formal foreign aid negotiations and agreements are always conducted at political levels. It should, however, be noted that apart from the broad debate about which countries should be provided with aid or from which countries aid should be accepted, there is very little else that is brought to the public for debate and scrutiny. The result is that, even though the

49# Cockcroft ct. al.,f p. 20.

50. Development has largely been a political concern in most countries. It is, at least theoretically, the primary concern of most political systems in backward countries, J. White, op. cit., p. 105.

individuals involved in the secret negotiations and agreements may be representing or may claim to represent their own countries'interests, the vested interests, personal values and ignorance of these individuals could very often prevail and sometimes advorsely influence the signing of aid agreements that have no relationship to or that may bo harmful to the development interests of the recipient nations.[51] The powerful donors with specialized experience in negotiation and persuation as well as in drawing up agreements could very easily woo the weak and inexperienced countries to accept agreements whose contents may have adverse implications on the economic, social, and political interests of the recipients.[52] many cases tho newly independent backward countries resort to using the technical assistance personnel from the donor countries and agencies ic order to negotiate or seek advice in the negotiation of aid with thoso same donors. In Kenya the involvement of Drcce McKenzie, a former Minister in colonial era and later a Minister in the independent government, in the negotiations of

51. Une wonders why, for example, nearly all Kenya aid negotiations and agreements with the west at independence were conducted by Bruce ilckenzie and James Gichuru end X. llboya, while tho ones with U.-i.S.tt. and China were conducted by Oginga Cdinga and Joseph Murunibi. .See Chapter VIII below.

52. West Goriuany-Kenya Agreement on Aid towards Kenya Industrial Estates - Nairobi, 196G, was undoubtely an infringement on Kenya's sovereignty. LS&/&IDA - Kenya Agreement also nearly amounted to that. See Chapters V and VI.

aid with Britain, U.S., West Germany and tho World Bank was a significant aspect of continuity of colonial values and theories into the independence era.^

Consequently, the general lack of real development in underdeveloped countries is largely duo to the adopti of defective, usually imperialist developed theories and strategies related to economic, trade, strategic and political goals of the donors* These were similar to tho theories and strategies that wore applied in the backward countries during the colonial period in order to serve the imperialist interests of the colonizing powers. They included theories of "comparative advantage", and such other notions about raising the standard of living of the people, increasing enployraent opportunities, and increasing the rate of growth measured in such terms as Cross National Product (Gf.'P), Gross Domestic

53. Others involved in negotiations of aid for Kenya included John Pollard, tho Chairnan of iiuropean dominated Kenya National Farmers Union (KKFU), and T. Dorough a British expatriate who served as an operational and later a« an adviser to Kenya's Treasury before and after independence. Interview with Treasury officials, Ministry of Finance and Planning, 1977-78.

Product <GDP) or National Income **Per Capita,**[54] **Rather** than help the backward countries[1] developaont, these theories only helped in their exploitation and domination by the capitalist powers to a point where they lost all their surplus value and thus **became** incapable of realizing capital accumulation or increased consumption relative to production of the population concerned.

Such colonial conception and approach to development in Kenya originated from what E.A. Brett calls British demand for self-sufficiency, the need to increase exports in order to combat unemployment, especially in British steel industry, and the need to develop a colonial based source of cheap raw materials, ^ Such development, particularly in Africa, did not attract private or comiaercial financiers as it mainly concentrated on setting up basic infrastructures which would subsequently attract private investors in trade and agriculture.

54. Some of the development plans of colonial period spoke of bringing "progressive series of changes in the structure of the economy" but these effectively were mere adjustments aioed at deepening imperialist exploitation and domination of the underdeveloped societies, oee, for example, Kenya Colony, The Development Programme 1954-57, (Government Printer Nairobi 1953J p. 1,

55. ii.A. Brett op. cit. p.120-121. Low prices of colonial based raw materials produced a contradictory situation in which both colonial capacity to reaay loans and to import finished products was reduced - thus making dcpcndenco on external resources a recurrent feature, op. cit. p. 121.

As Brett put it,

> It was thus clear to imperialists Milner and Auery that colonial devclopacnt required official British aid, that is, grants and loans which wore provided on non-conmerci&l terms and which there/pre iaposod some demands on British taxpayers.

Pressurized by industrial classes which included steel industrialists who sought to expand thoir exports and textile industrialists who sought sources of cheap raw materials, the British Government passed the Colonial Development Act in 1929.[57] Under this Act, British public funds would be provided to colonies as grants and loans to set up or improve colonial infrastructures, especially steol consuming communication system, and at the same time open up colonial territories for production of cheap primary products required to feed British industrial enterpises. The Act itself was amended in 1940 and in 1945 under Colonial Development and "Welfare Act, but the spirit of the original Act was largely maintained.^ Thus colonial aid would be used to stimulate colonial development in directions which would "maximize consumption of British products

56# Brett, op. cit. p. 120.

37* op. cit.pp. 120-125.

58. For British colonial aid, see ODI - British Air?: 5; Colonial Development, (London 1964.

and export of British requirements", and would thus help to keep British "workforce employed and profits high." [59]

Brett maintains that the Act cf 1940 (and presumably the Act of 1945 as well) was no longer obsessed with direct stimulation of British employment, but with improved social and economic conditions in the colonies taking the form of a long-term improvement in their trading position, from which the 3ritish economy was bound to benefit.^ As it happened, however, the aid provided to Kenya nnder tho Act of 1945 was used to settle British ex-servicemen in Kenyan Highlands as well as to expand and modernize the basic economic infrastructures including railways, airways, roads, water, electricity, telephones and postal services, and forests needed to attract and encourage private investments in Kenya.*** The same infrastructures would promote European based agricultural production necessary to support and
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expand Kenya's continued consumption of British industrial goods and services. In otier words, British colonial development and welfare aid to Kenya constituted an important tool to promote the settlement

59. Brett, op. cit. p. 116.

60. Brett, op. cit. p. 138.

61. Development Programme 1954-57, pp, 2-5.

of British ex-servicemen in Kenya (thus relieving Brituin of unemployment), promote consumption of British goods and services (thus maintaining high eciployuent rates in Britain), and to satisfy the demands for higher profits by British industrial classes. All this would be realized primarily at the expense of Kenyan Africans in terras of their land and labour. But there is no strong evidence that Britain was at any one noment seriously concerned about the real development of Kenya.

Likewise, other donors, espocially from western capitalist countries and institutions, concentrated what they callcd development aid, both during colonial and post independence eras in the backward countries, on economic oriented activities related to their own increased development in terms of greater capital accumulation, employment and elimination of poverty. But such activities were never really aimed at the development of the recipients for the benefit of their own populations. Thus, for instance, the OIXD review of 1967 still equated development with economic development measured in terms of GNP, growth rate, volume of exports and imports, volume of foreign exchange reserves, capital investments, population growth, and production of food. These were the same measures of economic development in the colonial territories, but they indicate nothing about local self-generating capital accumulation, terms of trade, local employment rates or elimination of poverty. Development in OfcCD terms would only serve to promote markets and supplies of cheap primary products in the recipient countries in order toboost profits and employment in the metropolis.

It is true some profits and mainly commissions would be retained in the recipient country in form of government tax, ro-invested profits, and earnings of the local producers of export primary goods and the traders and distributors of imported or locally made foreign industrial products. But the surplus value of the national production is lost to the metropolitan capitalist countries who may also be the leading aid donors.

The contradiction of increased aid volumes and better terms of aid and the inability of recipient backward nations to develop proved irresolvable even by the

62. OiXD 1967 Review (Paris 19G7) Developing countries receiving aid from OiXD donors have also adapted the same measures of development. Thus, fcr exauyle, Kenya based her first development plan on per capita income and product, capital formation, balance of paymonts, imports and exports, and population growth. 3oe Pevelop:,>cn.tJlaa - Republic of Kenya, 1964-1970 pp. 10-22.

Pearson Commission of 1968/G9. Although the Commission was appointed by the western donors to review what they termed as the first "Development Dccadc" of 1960-1970 and make recommendations for improvement, it merely repeatod and stressed the views expressed in the 0EC1) Review of 1967. It also called on the donors to increase their aid to at least 1% of their GNP[63] by 1975 at the latest. The Commission therefore proved to bo merely reformist but not oriented to real change in terms of ending the imperialistic aid, private investments and trade activities against the recipient countries.^ It was therefore followed by mounting criticisms concerning the solfish attitudes, views and activities of western donors with respect 65
to development objectives in the recipient countries. It had become clear that in spite of strict adhcronce to, and observation of recoLviendations of such renowned development agencies like the World Bank, the poor recipient countries became poorer and far removed from roal development•

Pearson, op. cit. p. 18.

64» Op. cit.pp. 11-22.

65. For such criticisms, see T.J. Byres (ed.), op. cit., passim, and Harry G. Johnson, The Crisis of Aid and the Pearson Report, (Pamphlet, Edinburgh University *Jres3, 197(2,

Consequently, there occurred a definitional shift and the 1973 0LCD review, for example, now conceived development in terns of promoting economic and social development of a country as a whole, rather than the construction of individual capital projects or the rendering of specific technical assistance services.^ Unfortunately, the definitional emphasis was not accompanied by a shift away from the basic issue of colonial conception of development.[1] As such, foreign development uid continued to serve as a foreign policy instrument of tho^ donor countries eitller through bilateral or through multilateral arrangements.

Much of what has been said regarding the conception of development promoted by aid in general refers to western capitalist countries. Though most of the projects aided by socialist countries have many similarities with those assisted by capitalist donors, there have been some basic and central differences with respect to their contribution to the development of the recipient country.[6]^ The Soviet Union and China, for example, tend to direct their aid towards the creation of physical, economic and social

65. Oi&D, 1973 lieview, p. 50.

67. See below, under Terms, Conditions and Techniques of Aid in Chapter III.

infrastructures as well as in promoting state owned economic and profitable production in a bid to defeat the western foreign private investments which are the corner stones of expropriation and appropriation of the surplus value from the backward countries. The socialist donors seem to have realized that in the face of foreign private investments by the west, it becomes impossible for true national capitalists to develop within recipient nations as a basis for retontion of national surplus value and hence of nutional capital accumulation the sine-gua-non for development and self-sustained economic-and political system. As V.A. Martynorv put it, it was only state ownership and control of the basic means of production that would be able to counteract the power of capitalist multinational corporations in the recipient countries.[68]

The difference in development views of the western and socialist donors with respect to recipient nations, becomes manifested in their aid objectives, as well as in their conditions and techniques of aid

68. V.A. Martynorv, Soviet economic Aid to Newly Liberated Countries,(in **Problems of Aid,** Conference held at **Dar** es *Saltan* in 19C5Jpp. **71-72.**

administration. But it becomes clear that those of the Vest can hardly permit real development to take place in the backward countries which are the wain sources of their raw aateriafe and which are also very important markets for metropolitan commodities. This does not, however, imply that all aid and economic or trade activities of socialist countries will necessarily reduce exploitation and domination of the backward countries by the western imperialism. Once it is given within an imperialistic social and economic system as in the case of Kenya, aid from socialist countries could also be contributing to tho greater survival of such a system. In Kenya the USSR aid towards the new Nyanza Provincial General Hospital or the Chinese aid towards general governuental development expenditure, for example, cannot be said to have reduced or affected the expropriation of the country's economic surplus by the west in any way.[70] This was because none of it affected the socio - economic system, particularly foreign private investments in any way.

69. See Chapter III.

70. See Chapter VIII below. The exact role of aid from socialists donors should be investigated by recipients themselves in countries where it has been in big volumes and affecting both infrastructural and directly profitable projects. However, its role in Cuba after 1S39 spernK to.have helped in her development success than in her underdevelopment. See iluberman and Swcezy, ep.cit. passia.

Foreign aid is therefore a **tool**, and it can assist **or** hurt and obstruct development of tho recipient backward country. pPon the point of view of the recipient, **aid** that does not help it in its own selfish development Bust be considered **as** "negative" aid, while aid that first and foremost **assists** it to develop (whether **or** not the donor roalizes some benefits as **a** result) should be treated as "positive" **or** "good" **aid**. In a **poor** and backward country aid that does not help the realization **of** <thc recipient's own real development **must** be helping its underdevelopment and dependence.

Aid. Underdevelopment and Dependence

As suggested earlier, underdevelopment is a process and a socio-economic situation in which a backward society interacts with foreign capital and as a result loses its own economic surplus due to expropriation and appropriation by capitalist oetropolis for the latter*s further economic, social and political development. Contrary to what should happen in the case of development, a people undergoing underdevelopment become reduced to cheap or free labourers or workers, their land is directly or indirectly appropriated by the foreign capital owners, while they become subjected to social*political and technological domination of Metropolitan uonopoly capitalism. They are deprived of all their surplus value by metropolitan capitalists. Thoir ability to accumulate capital or to expand *their* consumption is eliminated, and hence an independent and a self-sustaining socio-economic systeu is reduced to a were drean*

Underdevelopment, therefore, is a product of the process of capitalist development under which there is expropriation of the surplus value created by peoples of the backward countries and appropriated by metropolitan capitalists for further metropolitan development. The origin of this process and social situation was colonialism. It has today been perpetuated by capitalist imperialism which has greatly cast the cover of colonialisu and adopted neo-colonial relations with the underdeveloped countries.

Underdevelopment creates a state of dependence upon which further underdevelopment is effected and perpetuated. As Theotonio dos Santos demonstrated, dependence is a"conditioning situation",

> in which a certain group of countries have their economy conditioned by the development and expansion of another country, to which the former Is subject. The relation of interdependence between two or more economies and between these and world trade, assumes the form of dependence when **SOPO** countries (the dominant) can expand and give impulse

> to their own development, while other cv;:ntries (the dependent) can only develop <.3 a reflection of this expansion. This can have positive and/or negative effects on t.ioir immediate development. In all cases, the bapic situation of dependence leads to a global situation in depending countries that situates them in backwardness and under the exploitation Of the dominant countries. The dominant countries have a technological, commercial, capital resource, and social-political predominance over the dependent countries (with predominance of some of these aspects in various historical moaonts). This permits them to impose conditions of exploitation and to extract part of the domestically produced surplus.[71]

In underdeveloped countries like fienya which have been subjected to colonialism and underdevelopment, and which continue to be subjected to neo-colonialism and underdevelopment, the economy is orientated towards the production and export of primary products, normally unc3er the direct control of foreign capital. They also provide a market for iiaported industrial goods and services. As we have seen earlier, foreign aid or foreign public investments were used during the colonial period in order to set up communication and other infrastructures that would promote importation of industrial ?,oods and services and production and exportation of cneap primary products.[1] *fter **independence**, as we shall show in the case of Kenya, the same trend was intensified through iacreused volumes of economic and technical aid - and hcnce the reference

?!«• Quoted in Cockcroft ot.al., op. cit.jp. 71-72.

to her as a neo-colony. The country, therefore, haa no independent control over what it produces for export and has to depend on foreigners to survey, plan and oven implement decisions regarding production of such export items as coffee, toa, sisal, pyrothrura, and raeat.[72] Mor can the country have its own independent industrial development programmes. Consequently the major last-stage manufacturing activities are still dominated by foreigners, mainly multinational corporations which in fact exploit and further underdevelop the country rather than develop it as they are ideally expected to do under the policy of encouraging overseas private investments. But the capitalist donors also provide aid to set up local "token" industrial units which become the security basis for the large foreign manufactures as well as being sales agents for more foreign imported industrial products.[J]

Such dependence relations in turn shape the social structure, creating a local class base for perpetuating underdevelopment. As Dale L. Johnson put it,

72. See the case study on Livestock Development Project Chapter V below. This dependence on foreigners for planning and perpetuation of consumption of imported products from the metropolis will also bo demonstrated in Chaptors IV to VI and will later on be stressed in Chapters VII and VIII.

73» See Chapters VI and VII., below.

> A principal factor in t!»e development and perpetuation of underdevelopment was (and is) tho coincidence of intore.jt between national oligarchies and the economic structure of underdevelopment. National b*ainer,s:nen grew up with and benefited from th*ir nations' position as do facto colonios,. . . . . .Today, influential national businessmen still gear much of their investment to tie export sector or activitios complementary te foraign industrial capital, and they *zre* interlocked in non-competitive relations with foreign investors.74

These national businessmen are **p&rt** and parcel of **what** we have called the " national bourgeoisie." They **look** upon foreigners for the marketing of their products **for** industrial trade goods, as well as for technological educational, political and cultural inspiration and support.[75] Institutional dependence, therefore, becomes another basis for perpetuated underdevelopment in the backward countries like Kenya.

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Dependence and undcn^elopment are thus inseparable twins. Wherever one finds »nderdevelopment, one will also find dependence and dependent social structure as a basis for perpetuated underdevelopment. Underdeveloped countries are therefore aJLso dependent countries.

74. Dale L. Johnson, <u>ikmondence and the International System</u> (in Cockcroft et al. op. cit.j p. 73.

7-5. *See* Chapter.** IV to VII below.

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The big question arising from this analysis becomes how and why foreign aid contributes to the underdevelopment and dependence of the recipient. Ideally, this should not happen if at all aid becomes part of recipient's resources to be authoritatively allocated after being debated, scrutinized and approved by the rolevont authorities, institutions and individuals. One wonders whether political scrutiny of all aspects and implications of aid actually takes place or whether the whole process of aid deal is a secret of some corrupt leadership which chooses to collaborate with * foreign donors at the oxpense of development interests of their countries. Both of these cases cannot be ruled out. But it would appear that by the time of independence and after, the incoming African leadership was subjected to what may be termed as "intuitive socialization", through both bilateral and multilateral capital and technical aid, to a point where that leadership adopted or internalized the western development values and theories as though they were their own.[76] These values and theories concerned the system of private ownership of the basic means of

76* jjy 1962, for example, Jomo Kenyatta had become the leading proponent of private ownership and foreign private investments in Kenya, oee his book, Suffering Without Bitterness, UAPli 1968)pp. 117-179«

production, foreign private investments and western oriented trade, and continued dependence on the export of cheap primary products and on imported raw and manufactured goods und services fron the west* They also concerned the preservation of the kind .of peace and political stability that was favourable to foreign private investments* Thus, for ex&aple, Kenya's independence constitution provided strict protection of property from compulsory acquisition by the state*[77] The first development plan of the independent government was also a direct reflection of colonial planning and western neo-colonial design on a developing country.[78]

Secondly, once foreign aid is discussed, negotiated and agreed upon between the donor and recipient representatives, its conditions, objectives,

77. Republic of Kenya: The Constitution of Kenya. Section 75.

78. As seen earlier, Kenya's Development Man 196-1 -70 compares favourably with values and approaches to development. Another paper. Sessional Paper No. 10« on African Socialism and its application to Planning in Kenya (1065) clearly- coruirued Kenya a neo-colony.

and implications arr never discussed by the relevant political institutions. The fact that funds must be spent as quickly as possible before the expiry of a specified period agreed upon, rules out further discussions und debates about the real aims and implications of any given type of aid.^ Thus, for instance, when KANU was faced with internal conflict over the issue of foreign aid in 1964, a situation which might have led to less or slower spending of aid funds and thus tarnishing the party's good image before Kenyans and donors alike, Tom Mboya who was the party's Secretary General cautioned the members against further debate on the subject. lie stated:

> The question of scholarships and receiving aid from abroad in the name of the party is one which must also be watched. Our party having formed the Government has the responsibility of helping the Government show the people that it is able to work for the welfare of all tho people. In this way we ensure KAftU's victory at tho next elections. \-o should not therefore interfere with the Governnent in formulating educational and foreign aid pro.f;rjmv.es i'or ."onya. The party's friends abroad should in facv be persuaded to assist the ICANU party in power within tho machinery of the Government________________.All alon,^ one assumes that the Government for its part

79» Unspent aid funds are regarded as a reflection of inefficiency or bad management on the part of the recipient country. This is one reason why virtually all aid is accompanied by donor technical assistance personnel who are out to ensure that all disbursed aid is spent. See Chapter III below. Failure to spend aid funds nay lead to curtailment of aid flours from particular donors.

will implement fully and positively the party's iorei yn policy.gQ (our emp^igL

It is also remarkable how every effort lias been made to remove aid and aid projects fron the political scrutiny of tho recipients. The World Bank, for instance, claims its aid and aid projects to be based on pure economic and non-political considerations and thus tries to keep them out of recipient's political discussions and scrutiny.[81] In Kenya, the practice has been to provent political debate about development projects (most of them benefiting from aid) under the pretext of keeping politics out of development.[82]

In the absence of political discussion, debate and scrutiny of foreign aid and aid-projocts, tho development projects of post-independonce period in iCenya have been a continuation of colonial or foreign activities, with support of foreign technical assistance surveyors, and in many cases implemented or "supervised" and evaluated by tho same foreign personnel.[83]

80. Tom Mboya, The Challenge of Nationhood, (Heinemann 1970) p. 57.

81. This becomes the basis of World Bank's and other multilateral institutions' claia of political neutrality in their activities. This is cf course a false claim.

82. See chapters IV-VI, case studies.

83. See Chapters IV-VI.

Particularly at the surveying and planning stages, nearly all aid programmes and projects are a mystery internally known only to the relevant donors and a few expatriate personnel. In many cases, even implementation and evaluation of projects have little basic participation by the recipient's personnel and htace the entire project activities are largely a donor-affair.

The result is that very little is actually known **by** the recipients regarding the real nature of their **aid** projects and programmes. Little or nothing is known, **for** example, by Kenyan officials regarding the origin, planning, implementation, and implication of aid-projects and programmes.[84] As such, the real role of aid in a country's development or underdevelopment - especially the latter in the case of developing countries - is unknown or at best taken for granted. Meanwhile, the inability of aid recipients to develop is blamed on the products or consequences of underdevelopment such as lack of capital, low technological skills, poor natural resources and soils, population pressure, high illiteracy rates, malnutrition, etc. Indeod, such coiraequences of underdevelopment are erroneously assumed to be the

®4* See Chapters IV-VI particularly the cases of "Project i'lanning and ovaluatiar Uiiit", and "Livestock Development Project Jfck causes of lack of development. Causes of underdevelopment and dependence as seen above are never noticed or are merely ignored. Consequently, national and international political debates concentrate on analysing the consequences of underdevelopment. This study maintains that such an approach is unscientific and logically imbalanced with respect to understanding the causes of underdevelopment in spite of huge foreign aid flows to backward countries.

The study tries to isolate one factor - foreign aid - in an attempt to understand how underdevelopment is caused, perpetuated and intensified by international capital. Part of that attempt is to try and briefly examine what objectives both the donor and recipients have in aid relationship.

Donor Objectives in Aid Relationship

From an economic standpoint all countries seek to expand their trade with the outside world. They all seek to promote their exports. Developed countries, in addition,try to open up new, or expand and maintain old,sources of cheap raw materials important for their industrial and strategic interests. Many of them also seek cheap sources of foodstuffs for their populations. But apart from promoting export trade and supply of cheap primary products, the western

donors also strongly promote their private investments in recipient countries in rotum for huge profits **at the** expense of **the latter.**[8^]
It should be noted that foreign private investments from the west pursue two specific objectives in underdeveloped countries: to open up new or control old sources of raw materials (e.g. petroleum, copper, iron ore, coffee, tea, sisal, pyrethrum and meat-beef) mainly for export and, secondly, to establish assembly and packaging factories abroad (e.g. Klii factory units,A. Industries, Leyland Kenya Ltd., Coates Brothers Ltd., Twiga Chemical Industries, Associated Vehicle Assemblers) in order to gain an advantage in foreign markets.[86]

When promoted by aid, the totality of activities of trade, raw materials supply, and private investments becomes a strong self-reinforcing profit making system very much to the disadvantage of recipient country whose natural, physical and human

85. Kichards, L. -"The Context of Foreign Aid: iiodern Imperialism',' (in <u>The Review of uadical Political Economy</u>, Vol. 9 No. 4, 1977J, p. 50.

    Also Tickner, op. cit. p. 101; and K. Griffin - <u>Pearson and tho Political Economy of Aid,</u> op. cit. p. 131.

86. Also see Alavi and Khusro, in Rhodes, op. cit. pp. 75-76.

resources becoue exploited to the maximum.[9]'

Socialist countries will also use their aid to promote their exports to recipient countries in return for primary products. They particularly insist on having their loans and credits repai 1 in recipient's primary products. But as it will be seen in chapter III, most of socialist countries resist providing their aid towards promotion of private investments, whether local or foreign. They therefore usually provide aid towards both infrastructual building as well as directly profitable projects in public ownership and control with the objective of counteracting capitalist profit making foreign private investments as a means of subsequent promotion of trade and political alliance between thein and the recipient backward countries. When they fail to penetrate the realm of private investments, as it happened in Kenya, they find it virtually impossible to expand their trade or political influence.^

Economic, political and strategic interests of the donors therefore occupy an important position in their foreign policy objectives* Indeed, one might say that all other aid objectives of the donor;;

37. This is true for both grants and loan3. It is worse when loans and credits are involved, as they have to be repaid together with interest in most caser.

83- See Chapter VIII below.

revolve around these interests. Thus, for instance, the US instituted bilateral aid after the Second World War in order to redistribute dollars which enabled other countries to buy US exports, and in order to purchase military, political and economic advantages around the world for the US,[89] The US also used her economic aid under the Marshall Plan in order to directly combat the spread of Communism around the world.[90] This also seems to have been a vory important objective of western aid to Kenya before and after independence, side-by-side with the objective of safeguarding western private investments and trade which had expanded enormously in the decade immediately before independence.[91] Aid was therefore used not. only to ward off communism, but also to establish a peaceful transition from a colonial to a neo-colonial system under western imperialism.

Similarly, the USSK provided aid to countries of Eastern Europe and newly independent backward countries with an aim of freeing them from, or forestalling

89* Payer, op. cit. p, 27.

90. Zeylstra, op, cit,pp. 25-43.

91. Chapters II,VII, and VIII,

the spread of, capitalism and western imperialism.[92] In Kenya an attempt by USSR and China to use aid as a means of penetrating what was largely a western sphere of economic and political influence met with dismal frustration and failure* They may not have been immediately interested in converting Kenya into a communist or socialist state. But they were certainly eager to see western influence there reduced or eliminated altogether. In many cases this sudden change of policy in the newly independent countries was not possible and the most that socialist countries achieved in that direction was to increase the attractiveness of neutralism or non-alignment in the east-west cold warfare*[93] Kenya adopted the principle of non-alignment but theoretically for, as we shall see later, she has never been able to come out of the exploitative and dominating relations with international monopoly capitalism or imperialism*

92. Goldman, op* cit.pp. 60-65*

93* J.S. Berliner, Soviet Economic Aid (Pracger 1958) p. 20 Tanzania and Guinea accepted aid from both west and east as a show of their non-alignment* See L* Adamolekun, oekon Touro's Guinea, (ilethuen & Co Ltd*, 1976)pp. 55-56; and J*£* ayerere, Freedom and Socialism, (Oxford University Press 1968, reprinted 19747pp. 187-206, article entitled '"Principles and development.*

Not only did the US quickly adopt the terminology of non-alignuent in her struggle against communism, but the saaller western powers, particularly the .Scandinavians, al.io asserted their desire to contribute to the independence and self-determination of the newly independent poor countries of the world.[94] In so doing, China also used her aid in her search for diplomatic recognition, symputhy and support at international forums, as well as to vindicate hor claims as a major world power

Donors also seek to promote what they variously view as stability. This involves application of aid in order to establish or preserve the kind of economic, social, political and ideological status quo regarded by the donors to bo ideal for the establishment or preservation of their economic, political and ideological relations with the recipient. This role of aid has been very important in Kenya since the few years immediately before independence.[96] l>ut it Must be stressed that unless such a status quo

94. Swedish iioyal Ministry for Foreign Affairs - Documents on Swedish Koroi^n Policy, 1070, (btockhold 1971) p. 41.

95. F.O. Viilcoz, China and tho Great Powers. (Praegcr 1974) p. 26.

96. See Chapter VIII.

is one und same as what we have called development, it cannot be maintained without the use of increasingly dictatorial rule* This again becomes clear in chapter VIII. What is vital to note hero is that the conditions which some interests would terra as peace and order or stability could also be regarded by other interests as chaos and instability. Thus in Kenya, for instance, both the national ruling classes and the international monopoly bourgeoisie might consider post-independence Kenya to bo peaceful and stable simply because they benefit from the prevailing neo-colonial economic and political conditions But gauging by the popularity of opponents of this kind of <u>status quo</u> - including such leaders as the lato J.H. Kariuki, Cginga Odinga, or Martin Shikuku one might conclude that as far as the rest of the Kenyans are concerned, Kenya is not stable at all. This is inspite of what foreign aid does to preserve the present <u>status quo.</u>

In almost all cases the donors tend to attach moral justifications to their economic, military, educational or other forms of aid. Lut of greater concern is that in most cases it is difficult to distinguish the ultimate objectives of political-, economic, military or moral aid. The best one could do is to view all the objectives as being related and complementary.

The case for multilateral donors and their great association of interests, pattern, distribution, techniques and cooperation with western bilateral donors has already been discussed and needs no repetition here. Suffice it to state in conclusion that it is very rare that pure economic, social or developmental interests of recipients become the determining factor in the provision or refusal to provide both bilateral and multilateral aid.

Recipient Objectives in Aid Relationship

The objectives of independent backward and poor countries in aid relationship are not easy to identify.[97] In the first place most of them were former colonies. At the time of independence they seemed not to have had a clear view of what they wanted to do in order to develop and hence there was a virtual lack of definite policy regarding the rolo of foreign aid in their own development. This 6tate of affairs continued many years after. Secondly, the issue of aid has for a long time been a frontal attack by the

97. Note, for example, that neither IIALJU nor KADU manifestoes of 1961 have said anything on the issue of foreign aid specifically. Perhaps, KANl, which dealt with the issue of foreign investments, considered aid to be part of such investments.

donors who arc eager to promote their foreign policies and reap the maximum economic, political, strategic and ideological returns from tho recipients of thoir aid. Thirdly, the early actors in domestic and foreign policy mailing in the countries emerging out of colonial rule in the past twenty years or so were mainly part of the foreign technical assistance personnel. Both political and bureaucratic policy makers were also greatly influenced by colonial practices, past records as well as by various foreign oobassy officials. Fourthly, international monopoly capitalist bourgeoisie sought and wooed the support and collaboration of local ruling interest groups and in the process influenced tho shaping and operation of aid in recipient countries. Lastly, social and political demands of poverty-stricken and exploited masses in the recipient countries required that some foreign aid resources should be directed to pre-empting the most serious of them in order to prevent and contain the chances of a mass uprising against the status **QUO** at the time of independence and after.

tiy 1963, tho Kenyan leadership which was already weary after long and dragged negotiations for independence, had virtually no policy regarding the role of aid in national development. No doubt they understood what development as a socio-ccononuc situation meant: that is, industrialization and modernization of agriculture, full employment, universal education, elimination of poverty and inoquality through distribution of increased productivity, and of course, croati on of self-sustained socio-economic and political system. They also sought to load the country to that form of development. But it is our contention that these leaders had no idea at all about what the process of development entailed. Thus, rathor than carry out the basic structural changes needed to involve all the nationals in production and to prevent exploitation of the country's natural, physical and human resources by foreign interests, this leadership resorted to championing the basic colonial economic, social and political policies. They were satisfied with token reforms which were originally meant to serve colonial settler interests. Those reforms included token land settlement of the landless, token employment and business -take over by Africans, and token African participation in nanufacturing enterprises. But they, like the colonial government, ignored the issues of employment in total, full utilization of resources, basic Kenyan industrialization and general social welfare of the majority of the noople.

The Kenyan leadership after independence also paid too much attention to enhancecent of Kenya's international image. "Let us show the world that we are mature people, and can do better than colonial rulers" became Kenya's major concorn &t independence.^[9] They had therefore accepted colonial standards and measures of economic development and oely aimed at doing better in incremental terms. As aid or external finances were a major source of colonial development funds, most people in leadership positions assumed that it was natural for resources such as taxes and aid to flow into the country to keep tie government functioning as a visible evidence of tie existence of a now state. They therefore devoloped a high degree of complacency which led to adoption of values and theories which were to prove inadequate in terms of development given the specific conditioas of a new, formerly colonised and intensely underdeveloped society. Part of the complacency in the new leadership was rooted in the fact that unable to diagnose what Kenya's true problems were at independence, they were satisfied to receive what appeared to be impressivs reports and the apparently well analysed recommendations from the technic assistance personnel who had been availed to them by the outgoing colonial power and its western allies.

98 • For instance, see how KaNU Manifest© put it in 1961, "BY our own sweat and labour we build the new Kenya and demonstrate our determination to the world" p. 20.

This situation in turn entrenched the tendency of the new political and bureaucratic leadership *zo* use the developmental concepts and indicators used by imperialist countries in designing what this leadership conceived as development strategies of a new state. Hence, they effectively confirmed the transition of tho new country from a colonial to a neo-colonial era, making such a country a victim of greater underdevelopment than ever before. —

As already noted earlier, Kenya's involvement in aid relationship began in colonial days. This involvement will be examined furthor in Chapter II below. For now suffice it to note that whereas tho European community might have been aware of the presence of aid in the state capital that was used to prop up European farming in Kenya, this was not true of the Africans. Indeed they never knew that the so-called government improvements in their areas were[99] being done through external aid. Aid wa3 thus primarily a frontal attack by donors by the time of Kenya's independence and its uso was tailored to fit donor policies which were also adopted by the leadership which had no alternative in mind.

99 * See Chapter II for such improvements.

As she approached independence, Kenya found herself flooded with offers of technical assistance by UK, a;j the outgoing colonial POW®**aad allies such as the US, West Germany and World Bank.[IC^] This was mainly in the form of personnel who had previously served colonial administration or similar institutions, and who were offered to i^nya under the pretext that they would holp sail her through the transitional period smoothly frota **a** technical and administrative side* They would also train tha local men in the art of running a country, of course, as viewed by the western colonial standards* Assistance of this kind was associated with the need to avoid disruption of colonial established economic and social structure, and hence with the need to perpetuate social, economic and political stability as conceived by the western powers.^*

Technical personnel offered to Kenya at independence would not only man the adwinistrative and security positions in the independeat state,

100 • Offers from eastern countries had not been accepted primarily because this caild not be okayed by western advisors within the government bureaucracy*

101 • See p.108 above*

they would also bo involvod in economic planninj, financial budgeting, management and administration of capital and other forms of technical aid including training and planning programmes,

Tho effect of such an arrangement was that the so-called technical assistance personnol occupied crucial decision making positions in the government, while the locals were encouraged to occupy the politically prestigeous, visible and sensitive positions. Sometimes new titles had to be created in order to permit localization of the existing posts whilo retaining foreigners to shape and maintain policies in the new state. The most used of these titles was the one of advisers in technical matters though these often included a wide spectrum of operationals such as teachers, military and police officers, bankers, administrators, economists, agriculturalists, and industrialists. These uere **not** only involved in devising policies and development plans, but also in identifying potential sources of aid as well as negotiating with relevant donors. The local political leadership would then formally sign aid agreements already concluded between donors and technical assistance personnel and then leave tho same personnel to allocate and administer the use of that aid as thoy saw fit.

Therefore, although it night appear in **theory** that the now states wore engaged in aid deals, this was actually not the case. Indeed any donors who bad managed to be represented in key positions of independent government by their personnel had all the chances of asking that personnel to request those donors for aid and hardly would it be turned down. Such a game practically turned the whole exercise of aid into a donors' affair.[102] " Again it was no wonder that in many eases tho concepts and theories of aid and development ended up in being the very same ones as those of developed countries. No wonder also that aid continued to serve the interests of donors rather than those of recipients like Kenya.[1] Consequently the developmental and aid policies so produced were really not those of recipient countries. The case of Land Transfer Programme, (LT?) agricultural and property ownership policies are good examples.

Linked with the issue of technical assistance personnel influence, was the issue of colonial legacy in development planning the origin of which in Kenya was

102. See all three case studies below.

103 » three case studies as well as Chapters VII and VIII below.

the availability of external finances. The visit to Kenya by World Bank mission,for exanple, and the subsequent preparation of its economic report of 1062 did two things: one, it justified the cummulative plans and strategies adopted in Kenya cnder colonial development programmes since 1946; two, it also recommended the continuation of the saae strategies for economic development but this tine put an additional emphasis on the need to borrow from external sources more extensively*^The subsequent first Development Plan by independent Kenya merely echoed the issues and strategies contained in the IBRjD economic report. Most of the views contained in Sessional Paper No. 10 of I960 on African Socialism and its Application to Planning in Kenya were also derived from the same report. Due to the influence of this report and of foreign technical assistance personnel, foreign aid to

104. proparation of a development plan was a condition for continued supply of assistance from Commonwealth Development and Welfare i'und since 1945 - oee Development Programme 1954-57 under oessional Paper No. 15 of 1955, Nairobi, p. 5.

105. IBxiD, Economic Development of Kenya.; Report of an Hconomic bnrvey Mission, (Govemr«e'nt Printer, i^enya 19G2J, Passim. The relationship between western promises and offers of aid and the pressure on the new leadership in ^enya to adopt, legalize and institutionalize the colonial inherited and metropolitan oriented economic, social and political policies is a constant theme of this study* It is emphasized in Chapter VIII below.

Kenya was viewed as an additional resource needed to attain growth which had to be achieved through foreign investments in collaboration with local small-scale private investments. According to sessional paper No. 10/1965, success of aid would be assessed on the basis of its contribution to economic growth» The latter was in turn expected to lead to the solution of problems such as "Africanization of the economy, education, unemployment, welfare services and provincial policies."[106] But just how economic, growth per se was related to these problems was not clearly spelt out and one might suggest that no solution to them was seriously contemplated.

The local primary beneficiaries of independence and hence of any inflow of official financial resources were the ruling interest groups, particularly the politicians and senior civil servants. In the first place they were the first to benefit from the land transfer programme, particularly in rt-spect of low density settlement schcmes composed of larger pieces of land. They were also the first to obtain assistance to own property in estates and business. They in turn became some of the most staunch supporters of capitalist institution in Kenya especially the institution of private property much to the detriment of the core interests of the Kenyan masses. A lot of land, for example,

106, Republic of Kenya: Sessional Paper No. 10 of 1905, Paragraph 53.

was left to be held by foreigners for a long time after independence due to the influence of aid on the attitude of the ruling "national bourgeoisie".

This class did not only welcome capital aid, but technical assistance personnel as well. It needed this personnel around not only duo to the advice they provided on how to run a country, but also to the fact that the foreigners constituted a prestigious reference point from which the new rulers could enhance their status vis-a-vis the rest of the local population. The foreigners, in turn, also concentrated on enhancing both material and social status of the few rulers (both locally and internationally) in order to safeguard and perpetuate the foreign policy interests of the donors who sent them out to Kenya.

The consequcnce of closo collaboration between foreign personnel and ruling interests was that a lot of aid went to boost consumption patterns of the latter on lines serving profit interests of the donors. The apparent commonality and reciprocity of values, attitudes and policy objectives of foreigners and local ruling groups made it possible for foreign aid to be used in the construction of social, political, economic and physical infrastructures needed for the perpetuation of i ideological and economic interests of Kenya's main donors* As a result, we shall argue, economic accumulation and structural.social and economic transformation, as the sine qua non of national development have failed to take place. Instead, Kenya's quantitative and qualitative underdevelopment has become intensified. In this situation nobody talks of creating a self-sustained system anymore. Instead, frustration sets in the leadership who, ironically enough, again call upon capitalist donors to provide them with more capital as well as technical assistance. Thus, dependence mounts and the fear that the system might collapse forces the leadership to adopt all the more repressive measures to protect it and its allies, the foreign investors, traders and buyers of Kenya's cheap primary products.

Lastly, social and political demands of the country's bigger population must somehow affect the way objectives and uses of aid are shaped in the recipient country. The first people to be sensitive to any potential uprising or protests by poverty-stricken masses of a country like Kenya are the donors or their interested agencies including investors as well as their personnel. They quickly manufacture responses capable of diffusing any crisis that might

affect the social and political status quo or stability upon which their interests thrive. Those responses way include redefinition or redirection of the way problems are seen by the majority of people,laying emphasis on the less significant problems, and offering token and therefore temporary solutions to the more central problems. At the time of independence 6uch central problems included landlessness, unemployment, illiteracy, disease, poverty, inequality and injustice. As we shall show later on, the most serious and explosive were the problems of landlcssness and . unemployment. These were given token treatment in form of million acre settlement scheme and public construction works in the form of National Youth Service.
v
The few senior posts in public sector were Africanized.The number of schools/was increased for Africans, outpatient medical services at government hospital were made free, some low-income groups had their taxes waived, and charitable activities including famine relief were expanded. However, the core problems of underdevelopment and dependence were not only left unsolved, but they were perpetuated and intensified.

Summary and Conclusions

Metropolitan export-capital has been and continues to be the primary causal variable in the underdevelopment and hence dependence of the poor and backward areas

today generally referred to as developing countries. Contrary to many theorists of diverse theoretical and ideological orientation, export-capital from the capitalist metropolis has not and cannot contribute
independent
or load to emergence or^dovolopaont of modem industry or capitalism in those recipient countries. It has effectively contributed to suffocation and stunting of any form of development in theso countries, bo it capitalist or socialist, and has initiated and intensified the underdevelopment of these areas.

Capitalist foreign aid or state export-capital has increasingly replaced private export capital in the promotion of private, metropolitan capitalist interests in the exploitation and underdevelopment of the developing countries. As it is demonstrated by tho colonial aid to Africa and Kast Africa in particular, aid from western countries and institutions has always beon the official, state arm of tuotropoliipM ruling classes - the international monopoly capital - in exploitation and underdevelopment of the poor ard backward recipient countries in the world. It has not only promoted western foreign private investments in these areas, but it has als'o been instrumental in the creation and establishment of institutional and structural dependence as a basis for perpetuated exploitation and underdevelopment by the metropolis and for further development of thoso metropolis. Ae such, foreign aid is a political issue*, it is handled by the public or government officials of tho donor and recipient countries or institutions; it is used by the donor to manipulate and influcnco economic, social and political policies and choices in the recipient countries in the interests of the donor. In Kenya, the use of capitalist aid in the manipulation of post-independence political and bureaucratic leadership as well as in influencing tho adoption, continuation and institutionalization of colonial inherited and metropolitan oriented economic and political policies and policy implementation, constitutes what we have called the politico of foreign aid since independence.

While the economic, political, or ideological objectives of aid donors are usually clear, this has not always been the case with the poor and backward recipient countries. However, the interests of the .leadership and the people of these countries in the aid-backed participation in foreign dominated economic activities are also manifest in Kenya. The leadership is particularly interested in having capital and technical aid when it contributes to their stay in power and when it boosts their personal economic well being or the country's status internationally. Aid, therefore, is largely an instrument of the donors on the one hand, and a resource of the recipient's leadership aggrandizement on the other*

The question then becomes, what role dbes foreign state finance capital, which becomes part of recipient's state finance, play in a country's underdevelopment. What, and whose objectives does foreign aid try to achieve? How is aid manipulated in order to fulfil those objectives? These will bo some of the questions that this study will attempt to answer in the next chapters, the first of which surveys the socio-economic backgrounds of post independence aid relationship in Kenya.

CHAPTER II

£QCIO-.iCON(,HIC kUl) POLITICAL OPIGI?

OF AID RELATIONSHIP Ttt vr?yA •

Before independence, Kenya had received what could be called external aid under colonial administration mainly from Britain under Colonial Development and Welfare Act of 1929 as amended in 19^*0 and 19^5. This aid was associated with what was called development planning in Kenya which took place for the first time in 19^6 with the launching of the 19^+6-1955 Development Programme. It was also associated with the subsequent Development Programmes of 195^-57, 1957-60, and 1960-63. Not only were these development programmes pace setters for development plans of independent Kenya, bat they also set a pattern which established the socio-economic ana political structures that influenced the £l"ow of massive aid to Kenya at independence and after. £hey also influenced the way external aid was U6ed and the political implications that emerged in the post-independence period. The purpose of this chapter, therefore, is to survey briefly the socio-economic and political structures that so much influenced both the flow and the use of foreign aid in Kenya after independence.

Socio-Economic Structure and Aid at Independence

Throughout the colonial period in Kenya, European settlement was encouraged and greatly assisted by the British Government. It was intensified after World War II to a point where European agricultural sector became the dominant economic sector of the country in the years before independence. This development led to an increased competition between Europeans and Africans for economic, social and political resources. Partly in order to promote further European settlement and farming, and partly in order to divert the attention of Africans from the unfair allocation of resources, especially land, in favour of Europeans, the colonial government resorted to greater use of external loans and grants to supplement the already strained local resources.

The settlement and extension of European agriculture was particularly intensified under what could well be teraed as the country's first development plan, the Ten-Year Development Programme, 19^+6-55 • Out of £27.** million spent by the colonial administration under the programme by 1953, for example, some £8.5 million went to promotion of development in agriculture.[2] Nearly

1# Development i-ro^rne, 195^-57* The writing of the 19^6-55 programme was itself prompted by the availability of 3ritish aid under Colonial development and Welfare Act of 19^5. op. cit. p. *; also see chapter 1 above,

2. Development ?ro~ranne, 195^-55,pp. 20-23.

£6.1 million of this allocation was spent on projects directed to promotion of European settlement and agriculture through the provision of public loans and grants for land purchases, water installations, and agricultural extension services. That means, only some £2.1 million was allocated to agriculture in African areas.

The other major expenditures under the ten-year programme by 1953* included roads (£^.3 million), European Education (£2.16 million), buildings mainly for Furopean government staff and offices (£5*1 million), and local authorities loans mainly for development of European oriented services (£1.0 million).^ In other words, nearly a total of £18.7 million out of &27.[1]* million expenditure under the ten-year development programme between 19'+6 and 1953 had been directed towards European settlement and European agriculture. The trend was continued throughout the following decade, and all the time the main source of finance for programmes in question was external, particularly the British aid in form of colonial loans and grants to Kenya colonial government.

Consequently, European economic sector particularly the agricultural sector, became the most important sector of what came to be known as "<u>the Kenya's Economy</u>'' by

3. loc cit.
   op. cit.

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1962.' By that year, more than 80 perceat of the country's total agricultural and livestock marketed production came from the European sector* During the preceeding decade agriculture and livestock alone had provided over 85 per cent of the country*3 export earnings or about kO per cent of Gross Domestic Product (GDP) .^ The European sector which had been responsible for most of marketed total agricultural production was therefore referred to by the IBRD mission of 1962 as the 'primary sector', as compared to the "traditional sector" dominated by African peasants, pastoralists and workers, in what the mission viewed to be the dual nature of Kenya's economic structure.[7]

What should be recalled is the fact that throughout the colonial period in Kenya, the European settlers and settler dominated colonial administration h,->d become the focus of African political and economic struggle, European settlement and agricultural development, as noted earlier, had been the result of encouragement, assistance and direction of colonial administration with the assistance of British foreign resources in form of

5. IBRD, Economic Develonment of Kenya: Report of an Economic .Mrvov lii—ion, XIBRD*Kenya , 1962) p.12.

6. IBRD, Kenya, 1962, p. 12.

7. Op. cit.pp. 12-13.

aid. The settlers consequently became economically powerful, and by the same token managed to be the single most dominant political group in the country. An African struggle for political and economic freedom which had characterized Kenya throughout the colonial period was therefore, and rightly so, interpreted to be aimed against the settler economic (especially agricultural) and political domination.

Being responsible for European settlement and dominance, both the British Government and the colonial administration in Kenya strove to defuse and contain any would-be African violent uprising against Europeans, especially one aimed at ending European, particularly British^occupation and interests in the country. Effectively, this was done through what v/as termed as African development side-by-side with the European development, but in which the former "development was to be complementary to the latter which was the more siginificant development in the colony. Thus, for instance, African Settlement Board, later on called African Land Development Organization (ALDEV), was created in 19^6 to run side-by-side with the European Settlement Board.[o] But in practice, ALDEV

8. Kenya Colony, African Land Develornenl in Kenya,19^6-1955, (ALDEV), (Ministry of Agriculture, Animal Husbandry and Water Resources, Nairobi, 1956), P* 2.

shifted from the original idea of African settlement in new areas side by side with Europeans, "to reconditioning, reclamation and resettlement of existing African areas, leading eventually, after the battle to conserve the soil had won, to the development of these areas by more intensive farming".[9] Consequently only small amounts were provided for expenditure on African development in agr: culture, education, and housing.[10] This expenditure was also part of British aid to Kenya under Colonial Development and Welfare Act, 19*+5.[11]

The yearn immediately before 1950 witnessed great expansion of mechanized agriculture in European farms. This meant that many legal and illegal African squatters had to be replaced by machines and had therefore to be removed to their "reserves" or to new settlements, for example Olenguruone in Nakuru District.[12] Repatriation to their reserves encountered the problem of high land pressure due to earlier land alienation by Europeans

9. op. cit. p. 2.

10. This was only £5.3 million out of £38.8 million budget under the ten-year development programme, 19^6-55. See Development Programme, 195^-57» op. cit. p. 251.

11. See chapter I.

Nakuru District Annual Reports, 19**6-1950, at Kenya National Archives.

and natural population increases. ALDEV was doing only a token job by way of making land in African "reserves" more productive and hence capable of accommodating the "migrants" from European scheduled areas. African settlement in new areas of the country was ruled out after 19^9 when the "settlers" of Olenguruone refused to accept the colonial oppressive conditions for their continued stay there.[13] Before any of these contradictory situations could be resolved, the violent Mau Mau Revolt broke out leading to the declaration of a State of Emergency in 1952.

Mass unemployment, landlessness and oppressive colonial rule forced the Africans to resort to violence in order to get political power and control through which their social and economic misery could be eradicated. But the colonial administration interpreted the eruption of Mau Mau Revolt as being the result of slow pace of ALDEV's activities and too small commitment of funds to development of African "reserves". The situation became more explosive after the declaration of the State of Emergency which led to mass txpulsion of Kikuyu squatters and workers from European farms and towns as well as from the neighbouring territories, Tanzania (then called Tanganyika) and Uganda, and their repatriation

13. Loc. cit.

to the "reserve" in Central Province of Kenya which was itself already greatly populated. Tie need, to avert a major national crisis, first in Central ;rovince and then in other African "reserves" w^s therefore found most urgent and led to the production of vv^t rv.me to bn known as the Swynnerton Plan in 1953.

Meeting on September 2k, 1953 at Government House, the Kember fcr Agriculture and Natural ;^e^ource3 and the Provincial Commissioners agreed thit:

> "it would be necessary to develop schemes to provide employment for £i:cuyu repatriates both in reserves ani on development projects having as their pain objective the raising of che agricultural productivity and the human and stock-carrying capacitor of the land".

The new schemes would be stepping up the rate of &chemes which were operative under ALDEV, and they would heavily rely on British colonial aid to implement.[15] The Member for Agriculture and Natural Resources indicated the rationale of the schemes and the relationship between the plan and British aid. On October 14,1953. he summarized the issue in the following terms:

3.J.M. Swynnerton - A Plan to Inie-?."ii'v the Development of African Agriculture in Kenya, (Government Printer, 1«airobi, oeccad Impression 1955) P. Ci).

15* op. cit. p. (i), that is to "step up the rate of progress envisaged under the progr-ammes on which Departments and Provinces are at present working", (19*6-53).

> In order to be in a oosition to make npolication for substantial funds from Her Majesty's Government in the United Kingdom, it will be necessary to summarize and collate schemes prepared by District and Provincial Teams and by the departments concerned, in the form of a comprehensive five-year plan for African Land Development, which will step up the rate of progress envisaged under the programmes on which Departments and Provinces are at present working. The implementation of the new intensified plan will be effected through the existing and appropriate Departments of Government.

Once again the main purpose of the plan was "to improve the economy of the country" which was viewed to be largely based on agriculture.[17] In effect, as we have seen above, the strategy to improve that economy was by removing both legal and illegal squatters from the increasingly mechanized European farms and contain them within the "reserves". Indeed the idea must have been to give a boost and protection to European agriculture v/hich was viewed as the mainstay of Kenya's economy.

In the plan, Swynnerton envisaged a possibility of multiplying by ten times, in five years, the average cash incomes of 600,000 African families in the lands of

16. loc. cit. The last sentence also became typical of post-independence development plan impler.e!itation, clearly demonstrating traditional colonial resistance to change the structure of the country's socio-economic set up.

17. op. cit. p. (ii).

high rainfall, and increasing greatly the value of the annual exportable surplus of 600,000 cattle from the African lands.[18] To achieve such targets, it was planned to change African land tenure system from communal to individual ownership, with an aim of providing security of title and hence facilitating the provision cf financial credits to new land owners on that security or title.[19]

The total cost of the Swynnerton plan over a five-year period was estimated at more than £8>4 million.[20] Out of this planned expenditure, at least £5 million was expected to be obtained as British aid to Kenya in form of an interest free loan. Colonial Treasury in Kenya would avail about £2tf> million for the plan under the country's development programme. This meant that an extra £1 million had to be found in order to complete the plan as scheduled. That amount was found during the implementation of the plan. Some £950,000 was obtained from the unspent balance of ALDEV allocated under 19^6-55 Development Programme, while the remaining £50,000 was expected to be supplied by American aid.[21] ALDEV 19^6-55 P.eport summarized the sources of the plan's funds, stating:-

18. ALDriV, 19*'+6-55, p. 11.

19. Swynnerton, op. cit. p. 9

20. Op. cit. pp. (Ill) and 61.

21. Op. cit. p. 61 and ALDEV 19^6~55» P* 11*

> Thus, a3 in the Ten Year Development Period 19^6-55, the task of developing African agriculture in Kenya is still being chared between United Kingdom and Kenya funds, to which has now been added a most generous contribution from the International Cooperation Administration of tho United States of America.22

The U S aid had been solicited by the Colonial Administration in Kenya before the drawing of Swynnerton Plan was completed with an aim of raising some £98,603 to meet the cost of irrigation and training centres.[23] '

The plan further urged that,

> for irrigation survey, planning and construction and for investigation and training every effort should be made to get assistance from the U.S. Foreign Operations Administration and from the Secretary of State's Rice Development Fund .2*f

22. ALDiiV , 19^6-55, p. 11- The World Bank and no doubt other U.N. specialized agencies including UNICSF, WHO, FAO and UNSF (Later on UNDP) were also involved in Swynnerton Plan or execution of the State of Emergency in one way or the other. See p. 1^6,below. The West German aid towards small scale African teagrowing in conduction with Colonial Development Corporation aid towards Kenya Tea Development Authority, also served the Swynnerton ideals. See IBRD, Kenya, 1962,pp. 85-86.

23* Swynnerton, p. cit. p. 39- As Mau Hau detainees were used to develop irrigation schemes at Mwea$_T$ Sola and Perkerra, the request for U S assistance in these projects seems to have been aimed at getting U S support in fighting Hau Mau Revolt.

op. cit. p.

It was primarily because of this reason that the U S aid became involved in irrigation schemes at Mwea-Tebere, Hola and Perkerra, as well as in training project under Community Development.[25] Curiously enough, these were the same schemes in which rehabilitation activities of Mau Mau detainees were conducted by the Colonial Administration during the State of Emergency. Community Development projects in particular were geared to stepping down the African animosity againGt colonial government and against European settler community as a whole. As such, U 3 aid participation in the execution of the Swynnerton Plan seems to have been part of her global activity in assisting other western powers faced with political upheavals both at home and in the colonies. The assistance was therefore offered in order to preserve capitalist hriented economic and political <u>status QUO</u> nationally and internationally.[26] In other words, as tixe cold-v/ar raged between the v/est and the east, the U S had become the security guarantor of the interests of other western powers both at home and abroad. In Kenya, 3he provided her aid side by side with the British aid in order to maintain the basic colonial fabric intact.

25. ALB3V, 19^6-55, p. 198; ALDEV 1957-58, p. 10; and <u>Development Programme</u>, 1957-60,pp. ^9-55*

26. See Zeylstra, op. cit. pp. 30-31 and 37-'O*

Thus, colonial aid, and in particular British colonial aid,[27] was used to promote the exoansion and perpetuation of what was seen as a dual economy of the European dominated "primary sector" and African "traditional sector". Part of it was used to promote limited development in African areas in order to protect European farming which Britain had encouraged Kenya, particularly in the areas of coffee, tea, sisal, wheat and livestock production. This was the production which was responsible for the greatest part of foreign exchange earnings which had become important for continued heavy importation of industrial, especially British goods and services. The bulk of imports was made of machinery, equipment and intermediate consumption inputs for what was basically European owned agricultural and manufacturing production. Promotion of European owned agricultural and industrial production was also important in the development of invisible investments which were again British owned in form of insurance, banking, local and overseas transportation as well as tourism. These also earned a lot of what were called invisible profits.

27. Note that according to Commonwealth Secretary, Duncan Sandys in the House of Commons of February 26th and June 16th in 196^, Britain provided Kenya with £33,'+39,000 in Loans and £58,113*000 in grants between 19^5 and 1959 and some £26 million in loans and £31 million in grants between 1959 and 1963* respectively. <u>Africnn Research Bulletin; Economic, Financial nnd Technical Issues</u>« 196^, Pages 263 and 107AB, (London, 196*0.

Thus by the time of independence, most of the foreign investments in agriculture, manufacturing and invisible trade were British. No wonder that Britain became the leading power in providing aid in the years just before and after independence both as a means cf protecting her private investments and also as a means of promoting a peaceful transition from a colonial to a neo-colonial system. The latter system was to provide what was called good investment climate in which foreign private investments could make profit, without fear of nationalization or harassment by the masses of Kenya. The U West Germany and the World Bank also had great interest first in the peaceful transition to independence and then in the kind of social, political and economic system upon which their capitalist interests would continue to be safe-guarded.

Pre-Independence Political Stru^prle and the Hole of Aid in "Intuitive Socialization".

The European settlers also played a great part in the struggle to preserve their economic and political dominance throughout the decade before independence. Though they were divided on the strategy, as it was in the case of Lyttelton Constitution of 195^, for exact",le, they were nevertheless agreed on the preservation of European economic and political power in Kenya."" The Africans, on the other hand led by such people like Tom Mooya, Ronald Ngala, Oginga Odinga, Daniel Arap Moi, and James Gichuru, would compromise on nothing short of complete racial equality and independence based on majority (and therefore African) rule. This European versus African struggle intensified after the Lyttelton Constitution of 195*U Some Europeans sold some of their land in the Highlands to Africans after 1959 when the racial laws were formally abolished in the country, This was aimed at trying to win the confidence of Africans and prevent struggle for greater constitutional rights by the African leadership.[29] But this proved futile, though it laid a precedence that would be adopted in the following years in order to shape the African attitude towards land in the Highlands and ultimately to win their support in the continuation of capitalist oriented farming in Kenya.

28. Lyttelton Constitution provided for a multiracial Legislative Council in Kenya and also for the first elected African members. It was rejected by nearly sll African Leaders who demanded majority representation. It also created division among £iurope?ns between what Rothchild called the "moderates" and the "conservatives" the former willing to conciliate and share power with Africans, while the latter stood firn on absolute IJuropean power in Kenya. D.P.othchild, Racial Bargaining in Independent Kenya, (Oxford University Frsss, 1973)t Fp. 1Gt>- 10u.

29. Gary V/asserman calls it the settling of "sore-thumb" areas of the non-Kikuyu tribes, both to gain credit for KADU and to garner support among these tribes for the preservation of existing property rights in the Highlands. Gary Wassermr.n, Pclitica of Decolonization. (Cambridge Universitv Press 1976), P- 137*

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The fundamental struggle by Africans was won in 1960 when the British Government called the first Lancaster Houso Conference in London and accepted the principle of majority (and hence African) rule and indeoendence for Kepya. To the Europeans, the decision came as a shock and they counted it as an undue imposition upon them by the British Government, Faced with a fait accompli, their immediate concern became their security in terms of land ownership, profitable farming and business in Kenya under whatever government. The settler3, in particular, impressed upon the British Government that it had the responsibility for the security of their land and property since it had encouraged and assisted their settlement and expansion in Kenya. Thus, the Kenya Coalition which represented the settler interests at tire second Lancaster House Conference, promised the settlers to press for these securities.• The Coalition stated:

> V.'e give this assurance because we realize that African hunger for land will sot be assuaged by constitutional arrangements or guarantees, and we definitely contend that in view of past undertakings and promises a moral obligation lies with H.M. Government to insure that the European landowner is not left in a nositioA under an independent Government in which his assets are coveted but cannot be acquired by any means other than forceful expropriation or payment of inadequate compensation.-[71]^

S^sfc Africa and Khodesia (15th February, 1962)
P* quoted from Rothchild,op.cit. p. 13&*

Although they did not believe in the real effectiveness of constitutional safeguards, the aost the settlers got from the conference was basically in constitutional form, that is, the security of property rights contained in the "Protccti on of Fundamental Rights and Freedoms of the Individual" in Kenya's Constitution.[32]

The settlers, however, had instituted other mechanisms to ensure their own security and that of their property. As noted above, for instance, they had beg?.n to sell some of their land to a few influential Africans in the Highlands. When it became clear that independence was approaching much faster than they would wish, the settlers asked the British Government to provide them with aid to compensate some of the European farmers who wanted to leave the country at independence or before. The land so purchased would then be allocated to some Africans on loan repayable to Agricultural Development Corporation or Settlement Trust Fund. The Minister for Agriculture, Bruce McKenzie, led the engineering of land politics. He initiated what came to be known as^/settlement programme to be administered by the newly reconstituted(European) Agricultural Settlement

31. Ibid., p. 138.

32. Republic of Kenya, Constitution of Kenya, Chapter V, particularly section 75*

Board oenaisting of a nominated chairaia and government official*, six European farmers from the Scheduled Areas and two African farmers from the Non-Scheduled Areas. ""his board was a policy making body aid the actual finances and responsibility for buying and selling land under the new programme was located in the European settler-operated ADC,/(SFT)and Land Bank. This meant that the settlers had the control of buyisg land from Europeans and deciding which Africans should be allocated the land on loans, or where the Africans should be located within the surrounding European farniag community in a bid to create a common interest of iJuropean and the priviledged Africans in the private ownership of land in the country. In other words, they created a situation where any potential threat by any African Government to large and small private land ownership in the highlands would be vehemently resisted by both the European settlers ana the new African land owners in the area.

Settlement Fund Trust

The settlors, however, decided to avoid a "head on" confrontation with a future African government over the land issue. Instead, they preferred to enlist the goodwill and support of such government. They therefore sought to sell the programme of settlement aid the protection of private property, land in particular, to tne negotiating teams at the Lancaster House Conference, 1962. Their approach was to lobby the British Government to insist on the safety of private ownership and tc make settlement programme part and parcel of the independence settlement thus citing it acceptance by the incoming African Government. The settlers therefore sent their own mission to London to prod the British Government in their favour. In addition some of their own members were menoers of African delegations to the Conference, being members of or advisers to KANTJ or KADU. This had the effect of reducing any would be mass African opposition to the views of the European delegates and the British representatives on the basic issues of land and property ownership, Bill of Rights and the maintenance of "law and order" at independence and after.[33]

In the absence of clear land policy, the African leadership had no common stand on the issue. In 1961 and 1962, for example, Kenyatta and his colleague Paul Ngei had told mass rallies that land seized by foreigners must be returned to the rightful owners. They asserted that land belonged to Africans and questioned the need to

3/f -

purchase it from the European farmers. Tom Mboya was also of the same opinion when he stated:

33. Uote, for example, how European KANU members strongly opposed Ngci's participation in London Lancaster House Conference on account of his attitude towards land policy - B. Kaggia, Roots of ?reedon, (E.A.P.H. 1975) pp. 187-189. It should also be" noted that independence negotiations were themselves part and parcel of "intuitive socialization" of pre-independence period.

Bothchild, op. cit. p. 128.

"Britain agreed to advance £19nillions for
the buying and developing for African
settlement of 1,000,000 acres of the
Highlands, and the African farmers are
to pay back the purchase price over a
long period. On principle, we insist that
Britain should be the one to pay the
compensation to the white farmers she brought
to the country, and so there are large,
points in this matter which are doubtful
even today,35

The settlers were all along aware of these Africai sentiments on the issue of land purchase, and so was t.h British Government. They therefore sought to increase the probability that the would-be African Government i Kenya after independence would adhere to the principle of land purchase at "fair" prices, mainly on a willing-seller-willing buyer basis. They also sought to increase the probability that such a government would not force European farmers willing to stay in Kenya to rill their land to Africans,^

T. Mboya, Freedom and After, (Anore Deutsch, 19&3) p. 13^* It should be noted that most of pre- snd post-independence aid was secretly and informally negotiated by interested personalities particularly ones representing settler interests. In negotiators included European ministers and settlers, such as Sir Michael Blundell, X.V/.S. MacKenzie, tho Coalition Group and many members of the Coalition Government, E.A. Standard, June 21, 1962. Africans only came in at formal negotiations and signing of aid agreements. But they were left out during informal negotiations when social, economic and political implications of any form of aid were discussed,

36. For a detailed account of how the settlers tried to realize these ends by putting pressure on the British Government and by local and international diplomacy, see Wasserman, G, op. cit. chapters k and 5.

Partly in order to obtain additional finances and advise, and partly in order to lower the probability of land nationalization,[37] both the settlers and the British Government sought to involve the World Bank in the formulation and implementation of Kenya's development policy. The Bank had already assisted in execution of Swynnerton Plan of land consolidation in 1960. At the end of the First Lancaster House Conference in February of the same year, the then British Secretary of State, Iain Macleod, announced that the Bank was to be approached for financing of the projected fettlement Schemes,[39] Informal negotiations and contacts were undertaken by the British Officials in Washington, and by the time of formal application and negotiation by Kenyans everything soiled smoothly as the Bank was already committed to the schemes. As N.S. Carey Jones put it in o letter to Gary Wasserman,

> "Throughout they Continued to have this ^ commitment, no doubt on political grounds,"

37. See T. Hayter, op, cit.pp. 15-16 "Aid from the World B^nk is not, <>•• availabe to countries which nationalize foreign owned assets without compensation,

380 Wasserman, op. cit, p. 158.

39® loc. cit.

bO0 loc. cit.

Through the personal relationship of Peter Marrinn, President of Kenya National Farmers Union (KNFU), and Bruce KcKenzie with the 'World Bank Presidents Lugene Black and George Woods, the cooperation of the Bank in land-purchase based settlement schernes was more or less assured.[k<\] To the settlers and the British Government, the objectives of the settlement schemes were no doubt politically motivated. The Bank "pretended" that they were developmental and based on economic criteria. But this was a mere face saving pretence after the institution, through its heads, had 'bowed to selfish, politically oriented interests of their settler friends in Kenya.[k?.]

In 19^0, when the Bank was approached by the Britisn and Kenya Governments for aid towards tho establishment of settlement schemes, the institution was also invited "to undertake a general review of the economic potential of Kenya and to make recommendations desired to assist the Government .in development planning for the period to 1967,..."[if-i] ' The Bank's mission arrived in

41. loc. cit.

k2. op. cit.pp. 158-160.

45. IBRD, Kenya/1962, Preface. This invitation might have been suggested by Eugene Black who visited Kenya in May 19&0, as a basis of legal and conventional involvement by the Bank in strengthening the settler's position under the guise of development wisdom and political neutrality. For the notion cf political neutrality of multilateral aid agencies like the World Bank, see p. 14, above.

Kenya 111 September 1961 and conducted its survey up to December of that year. During the writing of its report, the Second Lancaster House Conference was called, and when the conference was deadlocked the Mission sent one of its members to London to explain to the participants the nature of Kenya's economic problem and prospects as it purported to view them. Mt Thus the Bank's role in Kenya's future also included advising and persuading in terras of what we have called "intuitive socialization". Kenyatta himself, for example, was a victim of this socialization as he confessed in his contribution to the Committee of Supply debate in the Legislative Council on October 17, 1962.

> "In approaching these problems, I have been extremely fortunate in having the benefit of advice from a mission of the World Bank".^

We say "purported" because the mission was in Kenya to deliberately serve the settler interests. As it wac preparing to come to Kenya in 19&1, the settlers were being advised by the British Assistant under Secretary of State in the Colonial Office that it was "most important that, with independence on the way, the Bank should be linked with Kenya's development. It would constitute a most potent stabilizing factor". *See* Gary VJasserman, op. cit. p. 157*

See p. 95 above.

^6. J. Kenyatta, op. cit. p* 178. Other T>eonle also contributed to the "intuitive socialization" of would-be Kenya's African leadership. For example, Americans Arthur Gaitskell ?inf* Thargood Marshall greatly influenced KANU's economic and political policies, particularly through advise. *See* Mboya, Freedom r.nd After, 0. 175, and Oginga Odinga, *Hot let or^rj*, (Heinetnann 1971), p. 177.

Before and after independence aome of the colcrial government •fficials involved in devising a:;d ir.itiating methods of colonial economic c«Rtinuity irto v . t-independence period were recruited into th»? V*rrld Backus team in Kenya.[if7] This had the effect of givj; - such activities as the settlement schemes a non-political flavour and colouring it as an exercise ir Kenya's economic development in keeping with theoretical clain of the Bank.

By the time of independence in the process of'intuitive socialization" of the incoming African leadership, had visible results. Feu with the logic of capitalist values and in the absence of their own values related to a different mode of production, tinier independent Kenya, many African leaders by 19:2 had been forced on the defensive with respect tv what "logical" economic policies the country should adopto Thus,for

Wasserman. op. cit.pp. 161~162. Some of them such as N.S. Carey-Jones, declined the new job offers. Loc. cit. Again people who had distinguished themselves as champions of settler course ar.d in colonial form of African development occupied key positions in British Government aid institutions. In 1960*6, for instance, the former Governor of Keaya during the State of Emergency Lord Howick (fcrr^r Sir Evelyn Baring) was head of Commonwealth Development Corporation, an institution which worked closely wirh the Eank to shape Kenya' future, op. cite p. 158.

instance, Kenyatta stated on August 16, 1962:

> "I must refute categorically recent r.li<*-gations levelled against me, to the effect that I am against seeking investment funds from foreign countries. As the Minister for State responsible for economic development, I know and appreciate fully Kenya's need for economic aid and capital inve-staent from overseas.
>
> I wholeheartedly support the efforts which have been made, and are beinr made, by my colleagues in the Council of llinistei^ to secure development loans from tLe United Kingdom, Germany and elsewhere. Such Joans are arranged on honourable terms, and the uses to which the monies will be put irft publicly known.

And on October 1?, 1962 he told the Legislative Council that:

> "Our next Development Plan v;ill, I hope reflect the tremendous effort which is being devoted to the settlement 3Cher. s, o•. It will not "DG out of plnco at this point to acknowledge the very large financial contribution which the Bri^ioh Government is making to the settlement programme, and to our general development".

No doubt the future leadership had identified itse!) with the type of development and politic.pl activities that were being conducted on the eve of independence.

Kenyatta, Suffering Without Bjttern^:s, p. 177.

op. cit. p. 179

They had not only become part of those activities, but also planned to carry then on after independence.[50] In July 1962, for example, KANU adopted this line of action with respect to i foreign private investments. Making its statement on Economio Plan, the Party said:

> Much has been said about the restoration of confidence in Kenya. It must be pointed out, however, .that the restoration of capital does not depend on political stability alone. There is the extensive competition fcr foreign investment and what Kenya requires is a set of regulations and concessions that would make Kenya a very attractive country to invest in. KANU has in mind, for example, a reduction of company tax, free transference of money and other such inducements. 51

>;any influential leaders in Kenya had become more ajdent supporters and protectors of capitalist interests at independence. Their attitude and behaviour was not at all a result of th«ir corrupt or sell-out motives,but rather as a result of their recognition of the convergence of interests in the continuity of European-African cooperation. As observed,

50<, During the transition period between 1961-62, many leaders who were to lead the country at independence were members of K6DU-led (and settler-controlled) government. Some of those in that government were themselves members of KANU which later on formed the government at independence. Kenyatta, for instance, was the Minister for Constitutional Affairs and Eoonomic Development, He was therefore officially provided with a team of British, Acerican and World Bank advisers, who no doubt drafted many of his important policy statements,

51. E.A. Std, 21/7/62. But as Mboya case to realize a few days after, however, these measures, particularly free transference of money, had no relationchip with restoration of confidence or continuation of investment. T.J. Hboya, Freedom and After, pp. 135 - 136.

"intuitive socialization" at conferenceo,seetings, in offices, club3 and other formal and informal activiUeo, was largely responsible for thi3 value rr axing.

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There were, of course, a few exception* within the leadership who were impervious to socialisation exercises of the settlers and western personnel. Made up largely cf the pre-Snergency leaders like B.K. Kaggit, Aclieng Oneko, and Fred Kubai, but also including people like Oginga Odinga, these "die hards" insisted on clinging to the true aspirations of the African struggle for political, social and economic freedom. The settlers and the west who sourht to preserve the imperialist fabric intact turned to distorting the oharaoter and intentions of these leaders *hom they variously labelled "radicals", "leftists", or "communists". Indeed efforts were made to alienate these leader* from the rest of the African leadership and from the masses through all forms of propaganda. These were socialist leaders wao were thought by people like Lord Howick and the entire British Government to be "the real danger" and not leaders like Tom Mboya.[52] In an article in The Times, January 15, 19^2, Sir Michael Blundell persuaded the ether African leaders to isolate these leftists, saying:

> that the real menace to tho *fixture* of Kenya and to themselves is not Colonialism nor Imperialism, nor tribal antipathies and divisions, but the negative atavistic elen^nts in their own midst represented by Mr. Odinga with some of the old guards and their associates, supported and refreshed by Communist money.This is a national menace

52. Lord Howick.'a sentiments are referred to in Wasserraan, op. cit* p. 97*

> which can only be met by a national regrouping of those who are dedicated to a free and modern Kenya, Secondly, in an understanding that in this forthcoming battle the energy and enterprise of the resident European and Asian, who have made their homes in Kenya are an asset for eventual success and something to be encouraged, ... 53

Due to his suspision about the settlers and capitalist real interest, Odinga was therefore dubbed as a Communist agent in Kenya, It was true he had visited several socialist countries between 1961 and 1962, just as Kenyatta had done in the 193^fs. But his resistance to settler and capitalist deuands at the Lancaster House Conference, earned him a stiff criticism from his colleagues for allegedly being the chief architect of a plan to overthrow the constitution that was then being worked out.

> "V/e are fighting a battle against Mr. Odinga's communist influence and the threat of revolution" two delegates said.

His continued resistance, and that cf his sympathizers, to becoming fully committed to serving capitalist interests in Kenya led the settlers and the western world to remain

53. The Times, January 15, 1962, quotea iron Wasserman op. cit. p. 97. Indeed, Blundell had classed Odinga a Communist as early as in 196O op. cit, p. 96* It is, however, still very doubtful if Odinga ever really understood and fully appreciated socialism let alone communism. He claims for example, to have been first explained about communism and its aims daring his visit to China in 19o2. See Not Yet Uhuru, (l97l)pp. 189-191*

Odinga, op. cit. p. 225.

rather suspicious of the real trend that Kenya would take in future. By 1963 the settlers and the west therefore forced a polarization of tho struggle, the settlers and the socialized African leaders on the one side (led by people like Kenyatta, Nboya, Gichuru and KcKenzie), and the leftists on the other side (led by people like Odinga, Kaggia, and P.G. Pinto). This was an ideologioal battle in whioh all pressures, including foreign aid, were constantly applied fro® various sources.[55] Considering that Cdinga and his associates were still a powerful wing in the government, the ideological uncertainties made it necessary for the west, led by the U3, the West Germany, Britain and the World Bank, to demand and press for special guarantees in for® of bilateral agreements and new legislations associated with protection of private foreign investors' property in the country under a African government in independent Kenya. In particular, they were interested in getting confirmation that Kenya would continue tc protect and encourage private foreign investments and that the government would not under any circumstances nationalize foreign assets, especially land, without "prompt and fair compensetion" (of course, fair in the eyes of the west and the World Bank in particular).'^ This exercise, it was recognized, was important in attracting bilateral and multilateral aid from the west. The exercise also discouraged aid from socialist donors.[57]

55. See Chapter VIII, below.

56. See Chapter VIII, below. Also see Hayter, op. cit. p. 15 for World Bank's strong attitude against nationalization.

57* See Chapter VIII below.

Aid and Trr-mition froi Colo - J0, to -Moninl .Icosomy*

By 1960, the issue and method oi - .c..Ionization had become a concern of the entire w'st. l.i xvenya the- British Government, the European settj.ei;' anf'. . . inessr.'.w in the country, as well as leading capitalist 7ewers (the U S and the West Germany) and institutions (th- .iorld Bank and its agencies) were all concerned about what kind of social, economic and political policies would be adopted by the new African government that would replace the outgoing colonial administration. T!.; concern vas based mainly on the fear of losing thei*- economic and political control in the country, control which wus spread and felt throughout the Eastern African region. They feared (a) that Africans rnipht take over land ar.d other means of production mainly from -.ropeans; (b) that a take over of land by Africans wc ,ld lead to a lowering of agricultural production, -specially for export; (c) that Kenya's capacity to cosurae industrial ana r?w goods and services from the capitalist "countries, especially Britain, would therefore be greatly reduced; and (d) that they might have to brew another civil war in Kenya as they had done in the Congo (Zaire) in their attempt to use force to prevent the country from being taken over by leaders with socialist sympathies and also to prevent the spread of mass influence in the country.[58]

Thus, though the main African political parties had indicated their commitment to preservation of the institution of private property, and although such a commitment had been further demonstrated by the inclusion of property protection in the country's independence constitution, neither the settlers nor the industrial and merchant capital believed these to be effective or sincere safeguards?^ They therefore hurried to device extra forms of guarantees for their property and investments.

The first safeguard to be found was in the form of promoting some African participation in landownership in the Highlands, formerly reserved for whites only. Conducted in the form of highly controlled settlement

58» Presence of socialist oriented leaders or spread of popular involvement was equated by the West with unstable condition - something to be resisted by all means. 6ee also Chapter VIII.

59.Rothchild.f op# cit. p. 138.

schemes, whether control was in the form of limited nurber r.f acres to be covered or limited number of Africac-s to be newly settled, the whole exercise became one of the most strategic political and economic actions of the last years of colonial rule and the first few years of independence in Kenya, The operation on the one har.a served to contain land hunger among Africans, particularly by making them hopeful of getting land at some future time, and also to make a larger number of Africans who received land ardent supporters of the principle of private ownership, especially of land.

Foreign aid from western countries and institutions was the main instrument in the ireplecentation of the new African settlement schemes.^ Involved were the British and West German Governments, British Colonial (Commonwealth) Development Corporation (CDC) and the World 3ank-.[61] The British Government and the European settlev; , as well as the World Bank, initially planned and tried to fund the Yeoman African settlements designed to earn the new settlers some £250 net income a year

60. A similar scheme had been introduced by colonial administration in 19^6 at Olesguraone and Chepalungu to ester for seme landless squatters who were being expelled from European held farms.

61, For a description of this involvement and their interests in preservation of settler farming in Kenya See G. Wasserman, op. cit.po. Holthaa and Hazlewwod, op. cii.pp. 105-111.

v • 62

above subsistence. However, after being criticized for its involvement in a project which was clearly not developmental in any sense, the Bank stopped its funding of land purchase from European farmers for Yeoman settlements after some 125 Africans had been aettled upon some 34,000 acres.[63] The cost that had so far been incurred was transferred to the British Government as part of High Density schemes cost.[64]

The World Bank and CDC later on turned to funding the land purchase of European farms for tho settlement of peasant holdings "under the Low Density Schemes". These would include Africans who had some agricultural experience and a significant amount of their own finances and capable, after repaying land purchase and development loans, of realizing an annual net income of £100. The scheme would cater for about 6,000 families and would cover about 180,000 acres or about 30 acres per family. It was therefore an attempt to extend Swynnerton Plan of

62. Koltham & Hazlewood, op. cit. p. 108; LBRD Kenya, 1962, P* 59; and R. Pagett - The Land Settlement Programme in Kenya. (Harvard University, 196^'), p. 12.

63. Holthan and Hazlewood, op. cit. p. 108; Wasserman, op. cit. p. 159*

64. Holtham and Hazlewood, op. cit. p. 108.

creating of an African "midale clast;", this tine within the European farming community. '' The World Bank and CDC committed a total of £2,^71,090 towards this project, shared in the ratio of two-thirds from the Bank and one third from CDC. As it was typical ~f other aid programmes of that time and after, the control nature and motives of **ow Density Schemes is realize:! from the fact that it took more than ten years before IBRD and CDC funds could be disbursed fully.[66] Hence, IBRD and CDC funds effectively held the incoming African Government to ransom and fully committed it tc the idea of private property, land purchase and service to capitalist interests in the country.

Meanwhile, a specific program;: o designed to answer the cry for land by the landless ond unemployed Africans was devised by the British Government and local European settler spokesmen in form of a "Million-Acre" Scheme. The scheme took the form of an er.l rged High Density Scheme previously designed to cover sbout 9^7,000 acres upon which some 50,000 families would be sett?.cd to realize some £25-70 annual net income. It was therefore an extension of existing African, especially Kikuyu, former

65. Swynnerton, op. cit. p. 12; IBRD, Kenya, 1962, p. 59.

66. Holtham and Hazlewood, op. cit.pp. 109-110. Out of £1,650,000 from the IBRD, and £821,000 from CDC, a balance of £570,000 and £1^5,000, respectively, was still undisbursed by 1972.

colonial "reserves" and was the most significant single element in the independence agreement primarily o^cause it eased tension over land issue and thus provi< ed a breathing space during which settler and other western interests could reconsolidate their positions. In its original form, the High Density Scheme received funds from the West German Government amounting to ro; e £1,218,000 as part of its efforts to combat Communist infiltration in Kenya.[67] The British Government contribution was formalized in independence agreement in 1963 and it amounted to £18,000,000.[68] Like the IBRD/CDC funds, the British Government funds were to be disbursed over several years. Only 200,000 acres, for cample, would be purchased yearly for five years. The- scheme would once again force a strict adherence to the principle of private property and acquisition based on "prompt and

67. Holtham and Hazlewood, op. cit. p. 110; and for Germany's concern with "communism" in Kenya, see C. Leys, Underdevelopment in Kenya, Pp. Footnote 65. German attempt to keep Communist countries out of Kenya Industrial Kastates programme will be noted in chapter VI, and **WAS** part of the same activity which began in 19o0.

68. Mboya puts it at £19 million, Freedom and After, p. 136. Holtham and Hazlewood, op. cit.pp. 106-109, put it at £18 million, while another £3 million and £195,000 went to Low Density Scheme and Nandi Salient respectively. Also see Odinga, op. cit, p. 258.

fair" conpensation. This was particularly so as the British Government emphasized that it was not itself compensating settlers in the lr.nd purchase, but that they were being compensated by the Kenya Government as provided in the Constitution.[69] According to the British and th West German Governments as well as the IBRD, foreign loans were merely helping the Kenya Government to fulfill the requirements of its own constitution.[70]

In other words, a western backed international pressure was put on the incoming African Government through the use of aid in order to make it adhere to the principle of private property, the basis upon which capitalism thrives. In order to strengthen that basis, the British Government provided capital funds to Land Bank and AFC, the former to facilitate African and European purchase of European held farms intact, and the latter to facilitate the purchase of loose assets (stock, machinery etc).[71] This new approach to Land purchase was a planner's attempt to

69» Holtham and Hazlewood, op. ext. p. 106.

70. However, many Kenya African politicians, including T. Mboya, still felt that the British Government should be the one to compensate the white farmers she brought to the country. Mboya, Freedom ,nnd After, p. 1360

71.I3RD, Kenya, 19^2, p. 60 and C. Leys, Underdevelopment in Kenva, p. 85. The British Government had provided some »275,000 to Land Bank by I96*f. Holtham and Hazelwood, op. cit. p. 109.

circumvent the issue of Yeoaan Scheme previously turned dov/n by the IBRD/CDC. It was given a further boost under "Z" Plot Scheme. Under this scheme, although objected to by IBRD, the Land Bank assisted prominent leaders such as "public figures, persons in authority or high ranking civil servants", to buy the better class houses on largc-scale farms set aside for settlement schemes with a 100 acre holding planned around them, "regardless of the size of the plots in the remainder of the scheme."[72]

It should be noted however, that the programmes which were primarily initiated by the donors later on received enthusiastic support of the incoming African leadership at independence. The process of "intuitive socialization" on the one hand, and the personal and class interest which had now developed over the ownership of private property, especially land, no doubt combined to make a significant element of the new African leadership to view

72e Department of settlement, Annual Report, 1963-6*+, p. 5; V/asserman, 00. cit. pp. 155-157; and Carey-Jones, N.S., The Anatomy of Uhurn, (Manchester University Press, 1966)pp. 164-105. Hote that the IBRD was not irritated by the "Z Plot" scheme on any other grounds apart from the fact that the beneficiaries turned out to be leading loan defaulters and inefficient telephone - farmers.

European settlers as partners in the struggle against free land distribution on the basi.<j of blanket nationalization. The new African class interest in land ownership, and later on in other forms of ownership, was based on the availability of public loans the main sources of which were western bilateral and multilateral agencies and governaents. The new leadership, therefore, had little option, given the class interests, but to become almost "religiously" committed not only to protection of private ownership and western private interests and investments in the country, but also to fight against any views sympathetic to socialism or public ownership. A6 such, foreign aid towards settlement schemes in general did not only control and contain African popular cry for land, but it also created an African landed "bourgeois" class side by side with the dominant European settler farmers. Far and beyond the Swynnerton model of a "middle class" producing enough food for African reserves and incomes to employ the alienated and unemployed fellow Africans, the new African landed "bourgeoisie" were in possession of political and bureaucratic power which it wielded not only to get more land and property, but also to protect and promote the interests of the settlers and western private investors in independent Kenya.

Side by side with the settlement schemes, foreign aid was also being usod in the years immediately before and after independence to extend African participation in the production of European dominated cash crops for export. This exercise mainly covered tea and coffee , especially the Latter, which grew in areas under dense African population and hence under great land pressure. Without the new drive to promote small-scale African growing of tea and coffee, it was likely that there would be increased mass political pressure to subdivide and redistribute the tea and coffee growing large 6cale-farms and plantations. Such subdivision was viewed as anti-productive by the World Bank and anti-trade by the west. The British Government viewed the take over and subdivision of tea plantations as an affront to the British dominated tea industry in Kenya.[73]

Once again the main donors particularly towards small-scale African tea growing were the CDC, German KFVJ, and the World Bank.[7b] The implementing body for the

73. Brooke Bond and Kenya Tea Company as well as Inchcape London (Ltd), had the greatest share of tea growing and trading activities in Kenya by 1960, when tea was still a European monopoly. These firms therefore hurried to join CDC apparently in promoting African tea growing. However, they helped to regulate and control African full entry into the industry by devising hard regulations for African tea growing, and limiting the number of tea factories to be built. All this control was achieved through manipulation of the amount of aid available and the rate of disbursement, as well as providing management for small -tea growers factories. Also see Iiolthaa and Hazelwccd, op. cit.pp. 65-72.

7^. D.M. Etherington - Smallholder Tea Production in Kenya, (E.A.P.H. 1Q73) 61«t""bovelorrcnt Plan 1951-70, p. 179» I3HD, Kenya 1962 p. 86} ana Iioltham and Hazlewood, op. cit.,p. 6^-65.

programme was a CDC created Special Crop Development Authority (SCDA) which, like ADC, AFC, Land Bank and the Department of Settlement, was European operated until recently. CDC provided some £1 million in 1960 for SCDA towards factory construction, while the IBRD funded tea-roads construction in Central Province, and West Germany funded the credit to small-scale tea growing Africans.

The same applied in the case of coffee growing by Africans which had been initiated under Swynnerton Plan and firmly controlled in tenas of colonial regulations "which effectively limited African coffee production. Such regulations were passed and maintained by the government through the influence of the settler-dominated Coffee Marketing Board of Kenya and later on **by** Coffee Board of Kenya. In the case of coffee, however, little foreign aid was found necessary at the time of independence as Africans had been growing this crop in a limited scale for some time. Tea growing was a European monopoly up to 1959 when the Special Crop Development Authority which became Kenya Tea Development Authority (KTDA) later on in 196^ was set up, (see Table I). Urgent measures to create some African participation in tea production was therefore needed for the safety of capitalist tea production and trade. But, as it is indicated by a comparison of the increase in tonnage of large scale and small scale farm tea

Table I Small and large F.-'rms Tea ana Coff>e Production 1953-1966, in '000 Tons.

	1958	1960	1962	1964	1966
Tea:					
Small Farms	«•	0.1	0.3	0.6	(1.6)
Large Farms	11.2	13.5	15.9	19-3	(23.4)
Total	11.2	13.6	16.3	19.9	(25.0)
Coffee:					
Small Farms	2.3	4.6	8.1	15-3	25®7
Large Farms	18.5	18.8	19.3	28.2	25.6
Total	20.8	23.4	27.4	43.5	51-3

Source: Kenya Statistical Abstract, 1966, p. 6%

production vis-nvis coffee production, every effort was made to delay for many years the day when small scale production would replace or dominate agricultural crop, especially tea, for export. Although recent studies have indicated a higher rate of production per acre in small-scale agriculture than in large scale, (although the total input particularly real labour value, might be higher as well), the early 1960*s economises led by the World Bank believed that the only way to be assured of increased foreign exchange reserves w^s to preserve large scale, especially European, c?.sh crop farming for export.

Although the efforts to create an African participation in the prevailing economic system was concentrated in the area of land ownership and production of foreign exchange earning agricultural crops, other efforts had been initiated or were being initiated in other sectors of the economy. Thus the Central Housing Board initiated a tenant-purchase scheme to create African home ownership in urban areas in 1960, providing loans and technical assistance to various leading Africans to construct houses in the peripheral areas near, and to the protection of; European residences.[75] This effort was initially concentrated in Nairobi. Other projects included small scale African business promotion with assistance from the US AID, small scale industrial and business property ownership with aid from US AID and West Germany through the colonial European dominated Industrial Development Corporation (IDC).[76] These were however, not fully operational by the time of

75. Government of Kenya, Central Housing Board. Annual Renort. 1962, p. 2, and interview with Treasury officials in the Ministry of Finance and Flanning.
CDC and USAID also provided funds for the construction of African houses for "middle class" in Nairobi (Kariakor and Woodlev-Kibera areas) and later on for tenant-purchase houses in various main townships, especially Nairobi. CDC Annual Reports, 1965-1977*

76. See Chapter VI below.

independence. But they received a fresh boost after IDC was reconstituted as Industrial and Commercial Development Corporation (ICDC) in 1964. This will be discussed further in Chapter VI. But this attempt to involve a few Africans in small scale wholesale and retail trade, ownership of business premises, and small scale manufacturing enterprises was in effect to create an African - European (African-foreigner) alliance in commerce and industry as it had been done with land ownership and cash crop production for export.

It is clear by now that foreign aid had been used by the capitalist countries and institutions to provide the colonial economy with an African class b^se that would perpetuate the old order and provide continuity after independence. This exercise was continued many years after independence. As with land ownership in the highlands, the efforts of aid donors from the capitalist world were to concetrate commercial and industrial ownership by Africans on the individuals who already had political and bureaucratic power positions. The combination of political and economic powers produced the new class that we have called the ruling "national bourgeoisie". This new class was also subjected to the "intuitive socialization" through its interaction with foreign technical assistance personnel and other foreign private business executives or large scale land ana industrial owners who were representatives of international monopoly interests in the country. The consequence was that this class assumed a jealous attitude and thus turned to guarding its own interests side by side with those of their foreign financial supporters who had also becone its reference point. Indeed, it was this class alliance that fought very hard for the retention of the country within the domain of international monopoly capitalism under neo-colonial imperialism immediately after independence.[77] Once that happened, other forms of imperialist economy, including the use of the bulk of foreign aid for the direct and indirect promotion of large scale foreign private investments in agriculture, business and manufacturing sectors manifested themselves. The consequence was that Kenya lost more and more of her surplus value, or became underdeveloped and incapable of standing on her own economically• socially and even politically. This will be discussed again in subsequent chapters, particularly chapter VII.

The Role and Lo-ic of Aid in delation to Tr?.de as at 1962.

The efforts of the capitalist countries and agencies to maintain the country's relationship with international

77. For how the country was retained within western imperialism, see chapter VIII below.

monopoly capitalism was also hinged on their trade interests side by side with their political, and other economic interests. Over the decade before independence, several western countries had expanded their trade with Kenya tremendously. These were led by Britain herself and included the U S , West Germany, Italy, Japan, and the Netherlands,[78] Britain's role in visible trade had declined somehow, but she dominated virtually all the other invisible commercial and trade activities. She also retained her position as the principal consumer of Kenya's agricultural products and the leading supplier of Kenya's imports especially machinery, equipment and intermediate industrial and agricultural consumption inputs. Having so much at stake in Kenya, it was no wonder that Britain became the leading bilateral donor of aid to Kenya at independence and after. The other western powers also made their aid contributions for the peaceful transition from colonial to nec-color.ial system and also for the settlement and stability of the latter. But they also provided capital and technical aid related to the establishment and/or expansion of their commercial and trade investments. By so doing, the west was investing not only in Kenya but in the whole of

78'. IBRD, Kenya, 1962 pp.1c-19, and 266-26?. All these countries became important aid doners to Kenya after independence, see Chapter III below.

eastern and central African region.^0

The western powers, assisted by the World Bank as the • chief manager of capitalist interests around the world, would therefore do all they could to preserve a policy and structural status quo which would continue to protect and promote their economic and strategic interests* The socialist countries also attempted to disrupt the western built .structure not only in order to influence
and
Kenyan and Eastern African trade/politics in their favour, but also in a bid to lay a basis for ideological sympathy in the region. For both blocs, as experience had shown in Asia, Europe, Central and Eastern, .'urope, as well as in Latin America, aid was an important tool for the success of their objectives.

In order to support the huge imports related to trade and investments, Kenya needed foreign exchange which had for all the decades relied on agricultural exports. Manufacturing during the decade 1950-1961 mainly involved processing of agricultural raw materials, especially coffee, tea, pyrethrum, sisal and livestock products. But industrial expansion had also covered what the IBRD mission to Kenya in 1962 called secondary

79. Kenya, particularly Nairobi had become a focal point in £ast Africa. The East African Common Services Organization, Commercial Banks, and other private businesses had their headquarters in Nairobi for the entire region. 131-d), Kenya, 19^2, p. 13*

industry which "concentrated in the final manufacturing, processing or in consumer goods production".[80] It covered mainly import substitution of foodstuffs and textiles and such other products like cigarettes and cement. Most of these products were oriented to Kenyan and Eastern African market and did net therefore earn Kenya any foreign currency.[81] The pain earner of foreign exchange was thus the agricultural sector and had therefore to be preserved by all neans if at all expansion of manufacturing outside agriculture had to be maintained on existing lines. The use of thus earned foreign exchange would therefore be made by foreign private investor* who fully owned and controlled all productive manufacturing ana agricultural activities. Importation for public investments and services under existing system of development planning had to depend largely on external finances which by the end of colonial rule was increasingly becoming official external finances or aid.

In the absence of qualified African planners, and adequate teachers, administrators, agricultural officers and the like, the new independent government in Kenya had very little option of its own. Most of technical

80. IBKD, Kenya, 1962, op. cit. p. 15.

81. Kenya was a member of £,A. Currency Board and exchange between her and her neighbours did not involve foreign currency.

assistance personnel were provided to Kenya immediately before independence on grant basis and the leadership felt there was nothing to lose by accepting them at independence. The most active donors of technical assistance personnel, scholarships and advise were the U S , U.K. , West Germany and the I3RD. These were able to get into the control of Kenya economic, social and political planning. Meanwhile most of the African leading politicians and bureaucrats who were still under the process of "intuitive socialization" collaborated with, or simply copied,the expatriatesin implementation of policies the origin and implications of which they knew little about.

By accepting technical assistance in crucial areas of policy making and administration, and by accepting the principle of maintaining colonial structure of the economy, the leadership had also accepted continued domination of the economy by foreigners both in agriculture and in manufacturing and trade. This was also related to the great scarcity of finances that faced the indepedent government which became willing to bow to unfavourable conditions as long as aid kept flowing in. This was so where the aid enabled the new ruling class to own huge tracts of land, decent houses, motor cars as well as get access to formerly restricted

82. See the Case Studies, Chapters IV-VI, below.

high salaried positions, schools and public places.

3y the same token, the new leadership had bowed to the ideal3 of international capitalism.It would protect and promote foreign private investments and become a defender against socialist influence in Kenya. In this respect Kenya leadership became an ally of international capital under the leadership of the U S. On the British side, the leadership saved U.K. government an embarasr.ment which it would face in the event of mass exodus of British farmers and business interests in Kenya and the need to settle them in Britain or elsewhere. The powerful British multinational corporations in ownership of huge plantations ranches, manufactures, banking and business would be allowed to earn their profits in Kenya without hindrance. These were the ideals that contributed to capitalist prosperity in developing areas, and were the main focus of politics of order and stability which became another target[84] of the IBRD mission demands. In particular, the independent government should promote the maintenance and further development of production in private, especially foreign hands, allow investors to make "reasonable" profits and freedom to transfer them and repatriate original capital. Pursuit of such policies, tho mission advised% should encourage other governments and institutions to look more favourably on Kenya's requests for external

83. Chapters VII and VIII.
Kenya

84. IBRD/1962, op.cit .p.30. Maintenance of law and order as well as efficiency in all branches of government were among them.

assistance which would be necessary to meet its development needs.[85] ior their part tho U.S , U.K., and V/est Germany applied the pluri - annual approach to aid giving covering many years after independence in order to ensure that Kenya toed the line she accepted at independence.

Conclusion.

After World War II, Kenya increasingly became used to foreign aid as a source of a large part of development and recurrent budgets in-the colonial administration. The use of that aid was divided into two parts, the main one going to promote the expansion of European settler dominated agriculture and the smaller portion going to promote economic facilities within the African "reserves" with an aim of containing the African population there and preventing them from demanding a greater share of the country's resources, especially land. Promotion of the settler agriculture was itself related to metropolitan, especially British trade in manufactured goods and services the importation of which depended on increased foreign exchange which was in turn based on agricultural exports to the metropolis. It was mainly this status quo that the settlers, western capitalist countries and

85* loc. cit.

international institutions viewed to be threatened by the advent of African independence. And it was the sane statu.- r.no that they sought to protect and expand through the instrument of their aid by suppressing mass take over/of the country's resources, socializing and winning the support of the incoming African leadership, excluding socialist participation in the country*s development, and then by intensifying and expanding capitalist exploitation and control to cover every field of Kenya's life. Thus aid was used to promote capitalist interests and control over both large and small scale agriculture and industry, large and small scale land ownership, trade, communication, education and planning. In order to see how this was done, the next chapter will look at the terms, conditions and techniques of aid in Kenya at independence and after.

C II A P T K K III

Till: NATU1.'S, PATI.^.N AND T/.CIIN'I ,UES OF AID

By the tine Kenya got her independence in 1963, her new leadership was committed to the continuity of the kind of economic structure it had inherited from the outgoing colonial rulers. The years proceeding independence were marked by increasing dependence on foreign aid as a central source of governuent rovenue. The years after independence were not very different for they also witnessed continued dependence on foreign capital and technical aid for both recurrent and development public spending, .iost of this aid came from western bilateral and aulti lateral sourcos whose influence on the country's social and economic life has been reflected in tho manner in which their aid - and hence governmental spending - has been distributed.

This chapter is an attempt to identify the sources, volume and terms of Kenya's aid from 1956/7 to 1977, It also tries to analyse briefly the pattern, and techniques of that aid as a ueans of beginning to understand tho role of aid in Kenya's underdevelopment.

Sources, Volume and Terns of Aid

The period between 1959-1963 had confirmed that Kenya was getting her independence on the basis of compromise and that she was not ripping herself off from Britain, her former colonial master and ihe west as a whole. During the same period Britain had also committed herself to providing aid to Kenya in «n effort to pro-joto peaceful transition from direct colonial rule to independence. In this endeavour she was joined by West Germany, the U.S. and the world Bank. These wore the donors who pro\Tided the bulk of aid to Kenya at independence and ciany years after. At independence they had all contributed some £59,426,000 in loans and grants, of which British aid alone accounted for about 80/S between Juno 195C and Juno 19G3, (See Table I and II, Appendix I). These major donors, together with other minor donors, such as the U.N. specialised agencies, had committed themselves to providing much more aid over a number of years and hence by 19G3 they were in arrears of about 1135 million.' (See Tables III and IV, Appendix I).

1» <phe conversion rate is »• U.S. $ 2.5.

This huge lag in the disbursement of aid funds bccarnc a **jjattern** *in* **kae** years after independence and as we have indicated **in** chapter **II** above, it also becaue a harsh tool with which Kenya .fas aade to adhere to unfavourable policies which have increased **Jier** underdevel opMont and dependence."

Domination of aid giving by Britain, U i"*/ r*1"-4• . " r - * - * • •« it- West Germany, thu Uorld Bank and its affiliate, tho continued through 1377. Tliey accounted for nearly 80 per cent of total loans received by Kenya between 1956/57 and 1976/77. British aid alone accounted for more than 70 per cent of grants received by »-enya during tho same period. By sheer volume of their aid, t7ie extent of their influence on the country's socio-economic life cannot be undorestinated.

By I960, other donors had began **to** penetrate the arena **of** aid giving to Kenya, iiost **of** these entered the arena by way of providing technical **assistan** Japan, Italy and Sweden for example, provided seme

2. ijoo citor II,?1M59~1G3 and than the case studies below, all of which required many years to execute*

o. This lias oeon the normal way of new entrants to aid arena in . enya. It was norual with US aid and *«orld jJank aid in colonial days. oeo Chapter II and chapter *V-Vl* on Livestock development Project (I) and **uc**-nva Industrial ~st;rLes.

small awounts of technical assistance in 19G3, followed by Australia and Norway in 1UG4 art Denmark, Israel, New Zealand and Canada in 19G5, (:>te Table III, Appendix I). Belgium provided sore-. $50,000 j.n 19G7 and stayed out of the race until 1976. Meanwhile, the Scandinavian countries which were out to influence Kenya's economic and social way of thinking away fronj/the Sritish systeu, intensified their contribution of aid in 1067 and Rlter.[4] Canada did tho same. But Japan and Netherlands merely kept what could be called "contact aid" until 1971 when their contribution increased greatly. This, however, was more true of Japan than of Netherlands, (Table III, Appendix I).

Kenya received some £322,480,000 out of the promised £936 million between 1960 ma 1977. Cf that amount some £235,285,000 was in for.i of loans and £87,197,000

4. Concerning Swedish great urge t© influence Kenya's system of education towards technical education, for example, see University of tp.psala - A Sociological pedagogical evaluation cc Kenva Science Tcachors College Volu.iel, Phase I, 13G9, (Sweden 107Q) 2: 1. Socialist donors which also sought to do the same through t.-s-ir aid, have contributed very insignificant amounts to Kenya's aid. USSii, for example, contributed a loan of £200,000 and grant of same amount in 19G5, while People's Republic of China (Chin*) gave a grant of £1071,000 in the same year.

was in l'oru ox grants. The latter has been mainly in form oi' technical assistance personnel and training, most of it once a^ain coming from Uritain. Although they do not involve repayment, grants could have an adverse cost that is not normally taken into account when their full economic concessional element is quoted particularly by the donors. From a real development sense, grants may not always bo mere gifts. They could be tools aimed at attracting the recipient into some policy choices of the donor. They could be and indeed are, usad to proceed or accompany expensive capital loans or export credits of the donor country. Western multilateral grants from such bodies as UNDP, FAO, cr UN Special Fund in Kenya, for example, were also used to pave way for western foreign private investments and for other bilateral and multilateral aid programmes of interest to the west.[5] Thus, even though they cost nothing in direct pecuniary terms, grants are easily used by both bilateral and multilateral

5. UK3P aid towards Industrial Promotion Centre in Nairobi serves foreign investments. (Interview with African Staff at the Centre). Grants from UN, FAO, US and UK paved way for Livestock Development Project I, see chapter V, below. So was German technical assistance grant to ICI/C paving way for KILi project, chapter VI.

donor.; as tody to promote foreign investments, metropolitan e>c.»ort sale production of chcap primary products, as well i tools to]>ro«aotc good socio-political climate of interest to the donor,[6] While grants could ideally be very usoful toolw of recipient's development, troy too could and indeed do become tools of undo "development.

Loans and credits on tho other iiand involve a pecuniary cost to the recipient in terms of interest rate as well as expenses associated with tied aid. When the loans and credits aro used for unproductive ptirpones or when they are dissipated, repayment of the principal amount nay also bccoac a real cost to the country, This issue ie of particular interest in the case of Kenya where the returns of projects to which aid has been put may be economically as well-as socially negative. These forms of aid are all the same concessional in a sense that they involve repayment which has been deferred for some years. Thus, for example, British loans to

6, See also chapter II for the role of aid in promoting of status quo in Kenya 19G9-1963, Kenya have tended to involve a ten to thirty years of repayment, including between five to seven years of grace.[7] The '.-orld Bank (IiiiU)) loans to Kenya range from ten to thirty years of repayment including seven year grace period, while those of its affiliate, the International Development Association (IDA) require 50 repayment years and 10 years of grace.[9] Other donors vary from 5 years to 50 years of repayment plus some grace period.

As it happens that what is today's aid is tomorrow's burden, the issue of the cost of aid in purely economic terras becomes important. In principle, interest rates for loans and credits could range* from zero to as high as any commercial values. Loans and Credits from the Scandinavian countries, for example, are interest free. So are most of the loans and credits from China. IDA credits have only a 54 per cent service charge while IBiiD loans to Kenya had an interest rate ranging from 7 to 8½ per cent. Indeed, tho World Bank loans, though increasingly taking a big proportion

7. Republic of Kenya: External Aid Division, Files.

8. loc. cit.

of Kenya's total foreign aid, ha*<? he'n the most expensive element of aid to tho «»#trtry. The other expensive loans have come fro-j foreign non-governmental bodies including Commonwealth Development Corporation, the British Petroleum Company Ltd., tho Shell Petroloua Co-any Ltd., Scepture Trust of London, Barclay., Ltd., Standard Bank Ltd., Caltex Petroleu Corporation, Export-Import Bank of USA, r'irst National Bank of Chicago, Bankers Trust Company. and Arab League.[9] Loans from these donors have interest rates " " ranging from 9% to 12 per cent acd they also tend - to demand five to fifteen years repayment.

Loans and credits from Britain have also been expensive - ranging from to 65 per cent[5] interest and repayment period of ten to thirty ycars[4][10]. As those constituted tho bulk ox ienya's loans immediately before and after independence, it was not surprising that up to 1973 lao^i. oi her national external debt originated from Britain, (Table V. Appendix I). Thus, for instance, British loans

9. These have usually been providing aid to Kenya government under a guarantee of their individual governments. Interview with Ereasury officials in the Ministry of Finance ans Planning, 1977-78.

10. iixtornal Aid Division, Files.

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and crcdits alone accounted for nearly 87 per cent ®f Kenya'e external debt in 1963. This preponderance'of British aid in the ciuntry's external debt continued for n*ny years though at a declining rate until it dropped to about one fifth of external debt in 1977. The gap left by the declining proprtion of the British aid vac increaningly filled by IBRD and IDA whose leans and credits contributed about two fifths of Kenya's external debt after 1975.

The ether donors to command a big share in Kenya'fs debt after 1966 were the US and the West Germany whose loans and credits had an inttreet rate of and 2% respectively. Sweden and Japan also contributed to Kenya's external debt burden from the early 1970*e,though the loans from the former were usually interest free."[1]''

The obvious implication of heavy borrowing and on largely very hard terms as the cnes undertaken by Kenya is, of course, a preportionate heavy debt burden as well. As regards grants to Kenya, nearly 80 per cent have co*e in the form of technical assistance personnel and training

11. Sweden intended to convert all loans to developing c••antries intc grants in 1978.

and one notos that most of this form of aid counted in terras of finances or good*, remains in the donor country.[12] But tho loans provided to Kenya after 1964 in form of capital goods and services have largely enabled the countx^y to repay older loans, (Table VI. Appendix I). Thus, for instance, noarly 30 per cent of loans provided in 1953/66 went to repay earlier loans. Virtually 100 per cent of tho total loans that Kenya received in 1970/71 enabled her to repay existing loans, while in 1976/77 about 50 per cent of tho loans was the equivalent of servicing charges on external debts (see Table VI. Appendix I). Unless the loans and credits received by a poor country are used for the realizatioa of what we have called real development, the debt harden so incurred could be ene of the major sources of gross social

12. This is also exjiericncod under PPZU in chapter IV below.

13. A Comparison of fourteen African countries including Algeria, Zambia, Ivory Coast, Morocco, Ghana, Kenya, Nigeria, Uganda, Sudan, Tanzania, Zaire, Chad, Ethiopia and Somali io 1972 demonstrates that Kenya occupied a third position in terms of loans from Overseas development Association Countries but twelfth in terms of grant element 01 oi)A bilateral aid. Jhi* seems to suggest that the terms of Kenya's aid have been some of the hardest in Africa. See U-uCD, <u>l<eviow 1974: Povol orv.iont Assistance to ffcrelopim: Countries</u> (Paris 1974} Table 74.

and economic problems that must faco such a country. Unless such loans, and indeed sifts as well, "increase or act as a catalyst to the recipient's own efforts, they would not only bo weakening or distorting those efforts,[M14] * but they would also be manifesting what we have called underdevelopment, a process that includes attempts to undermine people's own efforts. This comes about becauso by occupying a large part of the country's budgetary deficit and a greater part of country's development revenue, as has been the case in Kenya, aid also influences the pattern of distribution of public expenditure and hence influences the country's entire social and economic life,[10] (see Tables VII and VIII. Appendix I).

It is notable that aid from Kenya's main donors has also been the most expensive form of aid the country has received. It has also been responsible for the country's mounting indebtedness. Those donors include U.K., U S» West Germany, Japan, and World Bank. What is ironical, however, is that those same donors have also had the greatest influence on economic and other policies in ICenya since independence.

14. Nyerere - <u>U.jatnaa: Essays en Socialism</u> (Oxford University **Press** iy71) p. **24**.

15. See alsopp.205-211 below.

16. Interview with officials of luxternai Aid Division, Ministry of Finance and Planning 1077-78.

This will become clearer in tho subsequent puges and later on in the chapter to coae. But suffice it to sxato here that it is our hypothesis that the leading financial donors have also the greatest influence on the economic, social and political policies of the recipient countries such as Kenya, Unless their aid is used towards what we have called real development, it could become a tool for distorting and undermining people's efforts and hence instrumental to perpetuation and intensification of underdevelopment and dependence of the recipient society.

Apart from the purely debt problem implied in the high interest rates, aid is also generally robbed of its concessional element through the practice of "tying". Tying is the practice of providing aid with conditions that all or a given proportion of goods and services related to the aided projects must be purchased or supplied from the donor or from the countries approved by tho donor. Under such conditions, one finds that nearly all bilateral grants and technical assistance are tied to donor supply. When such grants are provided side by side with loans or credits which may be said to be formally untied, they ond up in tying those loans and credits through what ;aay be called "linkage - tying". Thus, a country may provido technical assistance side by side with untied capital loans, ttut the technical personnel involved or the recipient's staff trained in the donor country, may only be capable of handling the type of equipment found in the donor country. If the project involved has to go on as planned, it also follows that the related equipment lias to be purchased from the donor, sowetines through capital loans or credits to be allocated by the same donor. In Kenya, for example, one also finds that the foreign technical staff provided by UNDP for Industrial Promotion Centre at Nairobi strive to have industrial machinery, equipment and intermediate consumption inputs imported from one's country of origin. [17]

Most of aid tying has been justified by the donors on the basis that they aim at reducing the adverse impact of foreign assistance flows (disbursements) on the balance of payments. This has been the case with France which is tho main source of aid for Franc Zone Africa. [18] Others have been out to

17. Interview with African staff at the Centre, in December 1977/78.

18, F.X. Colaco, ~cononic and Political Considerations jind the Flow of ufficial »or,uitrcos to Joveloping Countries (O.^.C Paris lU7o> p. 106. I'llis also applied to the U.S. aid. op. cit. p. 28, and llayter, op. cit. p. 29. Nearly all her aid was tied by 1909.

promote exports through deferred payments in the form of aid. These include tlis U S and Japan. ihus, for instance, Japanosc aid towards the construction of Mombasa isyali Bridge or expwnsion ot' i;ombasa Airport, was u means of sollin~ both their capitf.l machinery and technical servicca, nearly all of which came from Japan, British aid to Kenya has also been tied to British imports and in the case of aid for Land Transfer Programme, it was tied to compensating outgoing British farmers in Kenya, Other donors, including Canada, West Germany, Netherlands, i>enmark and oweden have formally or informally tied tJ»eii aid to their own supplies or to supplies by tlie locally based subsidiaries which have been raisleadingly referred to as "local suppliers". This issue will be explored more deeply in the subsequent chapters, but it should be noted that the end result remains to be promotion of donor exports and services.[19] In the more recent years, many donors, particularly those which have riimaged to set up their trade subsidiaries in recipient countries, or the ones which have managed to influence the policy makers in favour of their own goods and servict.^, have untied or relaxed the tying of their aid. Thus, the U.K., for example, reduced the value of aid tied to her oxports

19. See chapters VI and VII.

to 60%, an opposed to former 75% or more tying rate, "ew donors like liclgiuij and France, however, have tended to tie all their aid to Kenya.""

Althou-h Kenya has received very little aid from the .^astern countries relative to total aid, it should be noted that the terns and conditions of their aid have been given as the explanation i'or turning down that aid.[21] The most serious of all is the fact that virtually all aid frota socialist countries is tied to their exports and services. This is more so the case as these donors insist on supplying aid for goods and services which cannot bo found locally within the recipient country.[22] They also insist that a portion of local costs must be raised locally and in the case of China it is raised from the sale of Chinese goods in tiio recipient country.[23] But what has been most irritating to recipient countries like Kenya is the

20. Belgium gave some aid of about US ;,0.03 million to Ke in 1907 but it was not until 1976 that she made tiie next aid offer. The first French Capital aid to Kenya was offered in 1976. See OiiCb - Geographic..! Distribution o.f Financing l'^lows to Less-dov ' cou'itrios (i;ir.bur:,.».;u'n ts) V:>oo-07 J •'•l'ricu iLicii uiUetTiL 197G and 1977.

21. 3ee Sessional Paper No. 10/19G5, , Para. G8 and 09.

22. See Stokke op. cit. p. 73.

23. Tu, George T. China's African Policy: A study of Tanzania (Fraeger »'ub, 1973) p. 71.

fact that even the formally untied aid from socialist countries, especially the Soviet Union's, becomes practically tied in that their aid is provided in unconvertible currencies and hence all the relevant purchases must be made from the donors.[24] Soviet aid is thus conceived as containing an element of undue influence on the nature of goods and services Kenya may buy and thus on related economic and social policies.[25]

As indicated earlier, the technique of export credits is a tool specifically tailored to promote export trade of the donors. Credits are therefore fully tied to specific goods and services from the donor country. All deferred payments for external resources from socialist countries that are not included in the category of aid (loans, grants and technical assistance) are classified as credits. Western form of. credits normally involve private exports under the guarantee of the exporters' governments.

Unlike the official loans, credits require very little scrutiny of the donor upon the recipient' economic performance. They are hence used by some

24. The same applies to Japanese Yen aid.

25. For the would-be implications of socialist aid to Kenya's development anc trade policies, sec chapter VII below.

governments of developing countries » a bid to eecape scrutiny, control and influence of oi'ficial aid donors particularly the World tank t .it! the IMF.*[2'1] They are also used by bilateral donoi " a a means of by-passing multilateral uiu u'hici. cainot be tied to a specific member of the a :»*ncy» n o iher words, . it seems to bo another means of tyir»: the recipient country to the exports of the Jonor country. Thus in addition to tied loans and ,rant*, credits tend to intensify the recipient's >' pendencc on the bilateral donor country. floreuver, due to the fact that crcdit projects receive little donor scrutiny, and due to the fact that they also receive Jittle or no local political scrutiny, credi- system may easily lead to misdirected investment or to gross wastage and thus hurt developr-cnt.

i[k]

The system of tying aid :.as grave implications on the part of the recipient country. In the first place tying ensures that the recipient uses the aid in the agreed manner, even if • ibsequer.t now conditions would require amendments. In the second place, tying has the disadvantage of iorcing the recipient to make purchases from a particular country and of a particular typo of the goods. This moans that

26. Payer, op. cit. p. 48. In Kenya the Hnlal Heat Abbatoir aided by Danish credit is a good example of lack of scrutiny.

other type of the sane goods, fron otf countries and probably at cheaper price- cannot to purcharod with the tied aid for a particular agreed project. Thus the recipient suffers pecuniary lo in the form of higher prices and intercut ratvGoods from other countries may bo in line ith t: level of technological development of tho reci : ..t and if denied, tho latter is forced to acopt perhaps too advanced and locally irrelevant techno Loss of revenue in foreign exchange, loss o- technological relevance, and loss of freedom o! trade ;:.ay all mean less accumulation and technological ca;>«:'-ity for development.

Tied aid may also have great effocta on recipient's attempts to industrialize. As ilayter puf it, it may create "the possibility of waiving projects more capital - and import intensive than they Might otherwise be, and of distorting the pattern of imports so that existing capacity is not lully used."[27] But it becomes worse when tied aiti is provided peacemeal over several years to token manufacturing projects such as Kenya Industrial Estates - Nairobi, Machakos or Kisumu.'[28] It becomcs a tool for limiting the size of projects to be operated by local

27. Mayter, op. cit. p. 18, footnote (J.

28. See chapter VI.

entrepreneurs nearly all of vhora are dependent on aid capital and technical resources, AS such, tied aid also becomes a tool to limit the probabilities that the local small-scale nanufacturers will ever grow to a point where they could becoae a threat to the foreign large scale manufacturing. Development of independent and full fledged local industrial class is inhibited and in the absence of full state involvement in industrialization this sector continues to be foreign dominated. With the assistance of tied foreign aid, the type of industrial sector which emerges becoiaes a means through which the recipient country consumes more imports of machinery, equipment and intermediate consumption inputs to the detriment of national attempts to realize surplus value or capital accumulation as a basis for true national industrialization.[29]

The Pattern and Techniques of Aid

Being part of government revenue, foreign aid in Kenya is divided into recurrent and development accounts in keeping with the public accounting system inherited from the colonial adraini strati on.

29. iJee chapter Viand VII.

Foreign loans for recurrent expenditure tended to concentrate around the years immediately after independence, (Table IX Appendix I). Some of it went to supporting the day to day operations of the newly independent state whose public sources oi revenue vis-a-vis the demands had proved very inadequate, Most of these were also provided to enable the Kenya Government pay compensation to the British Civil servants v/ho were retired in Kenya at independence. The British had insisted on this payment being made by Kenya as one of the conditions for continued provision of British aid to the country. Unable to justify its continuation in the face of criticism on such illogical demand on the part of Kenya, Britain called off the compensation programme in 1970 and hence the termination of loans towards recurrent expondituro. As it can be seen in Table X, Appendix I, compensation expenses were greater than the British loans towards recurrent account and hence quite a large portion of the payment cane from Kenya Government's own sources,

Side by side with these loans were recurrent account grants nearly all of which were provided by Britain, Most of the grant funds went to pay the British personnel retained by Kenya Government at independence and after as technical and administrative experts under the Overseas Sorvico Aid Scheme (OSAS) and tho British Hxpatrlatoa Supplementation Scheme (lljiiio).[30] More than two thirds of the expatriate personnel involved were employed in the Ministry of education as teachers in Kenya's secondary schools, colleges and university. The rest were dispersed in nearly all the other ministries. The i-iinistries of Agriculture and Works took about 10 per cent of total each. This was understandable as it was in these ministries that the British faracrs, traders and manufacturers had the most interests. They were interested in safeguarding the farming policy concerning settler farmers in the country as well as maintenance of strong agricultural production for exports to produce foreign exchange in support of foreign investments particularly the ones concerned with trade in manufactured goods from Britain and the metropolis in general. The rest of the British personnel were mainly in tho office of the President, Home Affairs, Finance and Planning, and Health where they were involved in ensuring continuity in administration, defence and law maintenance, planning and economic management, as well as in health services. The grants were reduced in 1909 and were virtually terminated-

30, iioth of these schemes were operated within the Special Commonwealth African Assistance Plan (SCAAP) under which British nationals were paid local salaries and the British Government would "top up" to U.K. levels, bee iloltham and Hazelwood, op, cit. p, 63; Economic Survey, 1968 and 1972, by 197G as Kenya produced uore and more of her own toachers, administrators, financial managers and planners and medical staff, and she diversified lier sources of technical assistance,

-.v,- - - vi- -"v..

The total of loans and grants towards recurrent expenditure amounted to some £55,681,000 by 1977, about 16 per cent of total aid. This moans that the bulk of Kenya's foreign aid has gone into development account for the use in development projects, (Table IX, Appendix I).

Between June 1956 and 1977 Kenya received a total of £281,884,000 as development aid. Of this, £222,680,000 was in the form of loans, while £59,204 was in grant form, (Table IX, Appendix I). As it can b seen froia the Table, the grants tended to expand in the years 1961-1966 and 1972-1977. These were the years of great economic difficulties, firstly because of independence fever and secondly because of worsening inflationary rate that made Kenya less capable of maintaining or expanding her import level without a boost in the form of free grants. It has been seen in Table IIf Appendix I, that nearly 85 per cent of the grants between 195G and 1966 Came from Britain. The rest came from the U S while so^e i:if07Aft»Jo came ;ro:a China in 196*/;1

Thcrje 'ere unci- again associated with levelop»ont project.*- of that time, tho most important one beir.~ Land Transfer uuti Settlement • l'r^rammo which was managed through nuch institutions like the Agricultural Finance Corporation (AFC), Agricultural

31. The influence of the U.S. on Kenya's socio-economic life cannot be estimated from her own rid contribution. It must be remembered that the U.o. lias had a powerful say in the World Dank over tho years and as a U.S. AID official told me in an interview in 1978, tho U.o. prefers the projects requiring heavy capital amounts to be funded by that agency. Most of tiie senior staff in the agency beiny; Americans and having informal communications with U.S. AID officials in *»enya, the tforld Dank staff heve been easily willing to provide capital, aid "on behalf of[54] U.o. Again on tho side of technical assistance from U.o. most of the personnel have been in kea7a as volunteers especially as the so called Peace Corps. This reduces the volume of offical grants appearing in Kenya's Books. As already pointed out, Scandinavian countries, Canada, «*ipan and the USSK had contributed small amounts of technical assistance grants way back in 1963 and 1SG4. Most of the receipts are lumped together under "others" in colum of Table II. (Appendix I.). It Must also be recalled that they too had their personnel as technical assistance to Kenya, but whose payments were never disclosed to ienya government or indicated to it as financial v*lue of that personnel's work. Interview with Officials in Kenya Ministry of Finance and Planning, External Aid Division 1977/1978. For example, CIDA grant for use at University of Nairobi, Faculty of Commerce is not reflected in Public Development' Account. See UNDP, Compendium on Development .'»gsist-'tnce to Kenya, as of ol Decfctaber 197G, (Uii'iir, Kenya, July 1977;, p. 161.

Development Corporation (ADC) and Settlement Trust i'und (STF). Grants were mainly used to cover technical aspects of these financial and administrative agencies for the programme.[32]

The other increase in grants for development is reflected in the years 1972-1077. These were the years during which efforts to experiment in rural development were undertaken by several donors under what was called Special iiural Development Programme. After the failure of this programme, and in the event of a report by International Labour Organization team on "ijaployment, Incomes and Equality", revealing dismal poverty and inequality in the country, many donors, especially Scandinavian ones, rushed to try and correct, if not cover up, increasing suffering in both rural and urban areas, especially the former. They therefore provided grants towards rural and urban development projects which included rural and urban water schemes, health services, family and population control programmes, integrated rural development

32. As it will be seen in chapter VII$_t$ such agencies as these were the basis of what we call institutional dependence for underdevelopment.

schemes, rural industrial centres and rural electrification programme. But like those of tho early lOGO's, the grants of 1970's are in no way oriented to transforming tho country's socio-economic structure. If anything they serve to entrench it in the existing form. As it will be demonstrated later, neitiier these grants nor any other foroi of aid have helped the country to counter the ever increasing process of underdevelopment.[33] It ia therefore not surprising that in spite of increased development grants,[34] the problems they claim to help in solving have taken a very sharp-rising trend whether they are seen as poverty, unemployment or inequality.

The same thing could bo said of development loans to Kenya. Britain was also the main oource of loans to Kenya in the period immediately before and after independence. Host of her loans went to the purchase of land from British farmers willing to leave Kenya after independence under Land Transfer Programme. A snail portion went to minor constructions and purchases related to administration of law and

33., *See* chapter VII. below.

34. Note that the reference to development aid, loans or grants* concerns funds provided under Kenya's development account. This does not mean that they were provided or accepted with an aim to promote what we have called real development in ivenya.

order, defence land consolidation, agricultural training, and schools,[35] This patter* has boon p»aint:iir:od in the post-independence psriod.

The other donors to assist British endeavour in Kenya were Germany and tho li'orld Bank together with its affiliate the IDA, They boti contributed to settlement schemes under Land Transfer Programme in the period around independence, Taey also assisted in the British initiated programme of promoting African small tea growing is protection of lar^e scale (mainly European) tea jroduction in the **country**. Like many development loans, these ones were backed up by technical assistance grants which provided donor personnel to "advice" and/or operate the loan, projects. Indeed one price Britain had to pay for inviting Germany to participate in settlement and African small scale tea production schemes was to allow the Ministry of Agriculture and the institutions concerned with agricultural training to bo deeply penetrated by big teams of German advisers and experts. It was in this way that British monopoly in agricultural policy making in Kenya began to decline.

35, Odin^a, op. cit, p, 258,

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it will be seen in Chapter IV, these experts became BO powerful that by 1970's t.'iey were able
«
to keep off the Canadian personnel which had tried to penetrate that ministry's policy through their Project Preparation and Evaluation Unit - a technical assistance project to Kenya.

AltJ)ough Sweden and other Scandinavian countries a]so provided loans to Kenya after 19G7, they failed to dominate the arena of tht? country's foreign aid. Nor did the U S. dominate it. It has been seen that she "preferred"major capital loans to be provided by the World Bank agencies (UivD or IDA)•[36] Her increased contribution should therefore largely be seen in the enlargement of tho IBiiD and IJA loans after independence, (Table I, Appendix I.).

Japan and Netherlands have increased their loans to Kenya since 1970. This has been facilitated by their involvement in the country's hu-c construction projects such as Mombasa Airport iixvansion Project (Japan loan of i>14.7 million, 1974)

3G. See Footnote 31, p. 199 above.

Kan Nyali Bridge Project (japan loan of ^18 million, 1977) and rural health centres (Netherlands) or irrigation conatructiono (K therlands). Tnese were loaaa which were mainly associated with donor export sales of machiaery, equipment and services. They were also associated with donor attempts to have oontrol over techno-.osical set up af the related projects.

Distribution of aid by purpose or use in Kenya can generally be observed in Tables XI and XII, Appendix I, where agriculture dominates in the ca3e of grants, while agriculture, transport and co?»mu.nt cations as well as balance of payment support dominate in the loans. More than three quarters of all the grants are in the form of technical assistance personnel and some support equipments."[37] Capital graces towards rural development are dominated by the Scandinavian donors led by Sweden.

The loans on ths other hand, are virtually all in the form of capital goods and services. As already observed, British loans have mainly been used in the Land Transfer Programme and most of them never came to Kenya but were deposited in London ?ank3. The other main donor of loans has been the World Bank v«hich, according to the commitments as given in Table XIII, Appendix I, accounts far more than half of all the loana. What is most important to nole, however, is the great pull effect of the volume and the distributional

37. This applies to the West Germ?n grants to KIS and to CIDA grants towards PPJJU among others. See Chapters IV and VI below*

stress of the Eank's loans upon tho general pattern of public expenditure. Thus, more than 85 per cent of th© Bank's loans have been provided towards what are oalled economic and community services dominated by agriculture, transport and communications, and water development, (Table XIII).[4] This is the trend that seemo to characterize the general distributional pattern of aid in Kenya since independence. In its turn, the general distributional pattern of aid has had an enormous influence on the entire public expenditure system in the country during the period. For a better appreciation of this relationship an analysis of Table XIII, Appendix I, becomes important.

Table XIII, Appendix I, attempts to show the great relationship between functional distribution of public develop ment expenditure in Kenya and functional distribution of forei aid resources. The concentration of governmental and aid funds is around Economic Services and Community Services. Both of these cervices claim about 73$ o* governmental development expenditure and about 64% of total foreign aid commitments. Indeed, the equivalent of foreign aid loans alone is 94*2^. This no doubt suggests that there has been a strong pull by the availability of aid resources towards this form of distribution of public expenditure. What are called Economic Services have been domim-.ted by agricultural services teking an average of more than one third of the expenditure in this category.[38] The other main items in the category include commerce and industry, transport and communications (other than roads), and energy (electricity and petroleum).

Community Services are mainly road and water constructions. Together with Economic services, community services were the main focu3 of aid loan-;. The former claimed 57.5% and the latter 36.7% of total foreign aid loans. It was in these two categories that aid efforts were put in the promotion of economic status quo in which public expenditure was influenced to remain and continue as an instrument for the promotion of private (especially foreign) investments in Kenya. It was also influenced to continue to promote production of agricultural ite.s for export in support of imported services, manufactured products as well as raw goods such as cereals and life animals for food, from the metropolis.

38. Kenya Statistical Abstracts 19E7-1977. Social services deal with education, labour, housing and community development all of which concern socialization and preservation of working population in service of international capital, Other services relate mainly to maintenance of social/political control throucr. maintenance of law and order, again in protection of international capitalist ownership ar.d profit activities in the country.

As Table XIV Appendix It shows, there were three nain ways of promoting private investments through x>ublic development expenditure. The first ono was in public constructions of basic infrastructures which were usually shunned by private financiers. These included mainly roads in which nearly all capital formation was croated by tho government. The other one has been water, also largely constructed by tho government. So with transport and communication Infrastructures including airports, railways, and oil pipeline.[39] Only a small amount of development expenditure goes to commerce and industry for capital formation. This was true cf agriculture and veterinary services until late 1960'K after which direct governmental capital formation was expanded by availability of foreign aid funds to that effect under such programmes as the Special Kural Development Programme (several donors) and Livestock Development and National llango and Hanch Development projects (aided by Swedish SIDA, Germany, UK, USAID, CIDA, and the World Bank). All these so called development constructions were heavily backed by foreign aid and they were useful in

39. Mombasa - Nairobi Oil Pipeline was counted as part of communications development. See UftDP - Compendium on Dovf.lopr.pnt A^i^t.^ppo *.n. Kenya, p. 204."

attracting or promoting foroign and local private investments in Manufacturing, fanning, distr'.'u i. ,n trade as well as in quick collection of agricultural crops for exportation to the metropolis.

Tho other way of promoting private invv. w.-nts in Kenya has been through credit and technic services provided by governmental financial i f uitjt.v such as the AFC, KIE, ICDC, IDB, DFCK generally referred to as public corporations, (Table XJL'iA.. (>endix . These institutions are heavily dependent on ifc. • i.;n aid which they obtain through various government ministries especially agriculture, coi inerce, industry, and housing. They in turn re-lend to private firms in agriculture, manufacturing. ade or housing construction.[40] Sometimes they purchase shares or equity in foreign owned firv.s and thus enable such firms tobe treated favourably as local fir*:3 with respect to being providod with local borrowing[41] facilities and monopoly in their areas of ope, ions. They are thus afforded with encouragement anc' protection to make huge profits even vhen their actual investments are minimal.

40. Tor example, See Chapters V, VII, and VII, below.
41. See Chapter VII below.

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The third way of promoting private, especially foreign investment, has been where the government and private foreign investors engage in joint enterprises* This has been more common in commerce and industry and to some extent in transport and communications and onergy production. Tho pattern has been for the government through tho Treasury to acquire or buy shares in existing or incoming foreign firms such as East African Oil iiefineries (51% shares) iiast African Power and Lighting Company 75'^ shares), and motor assembly firms and textile industries. This kind of participation provides foreign investors with a feeling of security of their investments and profit making activities. The government does not have to participate in all firms, but the fact that it is involved in a few foreign ones provides security also to those which are wholly private.

That is in summary tho pattern of aid in Kenya. In it are implications of the aid techniques which have bcun applied in Kenya since independence. The emphasis has been on aid-backod constructions of physical, economic and social infrastructures - roads, railways, airports, electrical stations, oil refineries and pipelines, dans and irrigation works, water supplies, hospitals, schools and some community housing,[42] These are the of constructions which tho western donors. sti\> to encourage as they do not co.ipeto wit!i, but thiy promote, their foreign private invret- . entt. in directly productive and profitable o;-ration:: or trade.[43] Through such agencies as tl* AFC and tho DFCK, western donors also provide .'i i that promotes private production of raw material* related to their industrial development, food, or strategic armament interests.[44] Other bodies like 1CX, IJJTI and KIJJ are also founded on and largely fnii ' d by

42. In Kenya, Housing Finance Company of Kony–?. i 9 the main finance agency to encourage ownor.Vaip of private homes and houses, it works in liaison with National Housing Corporation whict also finances private housing.

43. This includes the World Bank and other multilateral donors Sec IBRD - Tito '.orld 3c IFC • • i IDA Policies and iterations, (UiuJ, »ashi;i.,ton 1902) pp. 43-44,

44. Brett, op, cit.Pp. 120-121, and Council of »iurope- The Strasbourg Plan, iiuropeari, American and .'orld Bank aid to oouth Africa, iihoicsia, Belgium Congo (Zaire) Mozambique anet .mgolu rftzr .vox-Id .ar II v;as primarily aimed at "extraction of raio metals (Cobalt, Chromium, copper and tungsten) which wore essential to tho American rearmament programme," op, cit.pp.52r53.

foreign aid for the promotion of local manufacturing by foreign multinational corporations and some small scale African entrepreneurs. They also promote trade in imported or locally made foreign products particularly machinery and equipment, as well as manufacturing and agricultural intermediate inputs.[45] The approach in promoting production of primary items for export or manufacturing and trade in imported goods is for donors to provide aid to the Kenya Government with specific conditions that it must be placed in the public financial institutions which must in turn lend or re-lend to private foreign and local enterprises. Alternatively, the government must use port of such aid funds to purchase shares or equity in private foreign companies which arc settled or wish to be settled in the country. As stated earlier this technique is security oriented as far as private foreign investments are concerned.

45. Sec Chapter VI on ICI^i.

40. Gee Chapters V & VI on Klii and LDP(I). IFC loans are especially meant to encourage private foreign investments especially in developing countries. In Kenya it contributed towards Webuye Paper Mills Lt. which is largely owned and operated by Jiirla Ltd of India, oee IBIW, The Uorld bank, Il'C and IDA, Policies and Operation*; Africa Kesearch bulletin: Economic. Financial and Technical Isoiics (London) 1070, 1972 and 1075. It also funded tiivatex Ltd. (1975) /Tourist Promotion /and Services Companies (1972).

What is important to note here is that this technique of aid management is calculated to pre-empt the state from nationalizing directly productive enterprises whether in industry or agriculture. It also rules out public based competition with private production.[47]

This approach is in sharp contrast with the one stressed by socialist donors, Socialist rich countries insist on directing their aid towards both basic infrastructures and dircct production within state ownership and control.[48] They consider state ownership and control of the entire productive activities in an underdeveloped country to be the only effective means of counterfacing the imperialist monopolies of the west and

47, Nationalization or large governmental involvement in directly productive and profitable enterprises are viewed unfavourably by the entire capitalist world. They are therefore strongly resisted and condemned. See IB.iD, The \.orld Dank, IFC, and IDA: Policies and Operations, p. 37,

48, Stokke, op. cit, p. 74 and 92; and Goldman, N.I. Soviet Foreign aid (Fredrick A. Praeger 1967) p. o3 and 85, in India, aussia funded Bhilai Steel Mills after U.S.A. and other western donors refused to provide aid insisting that a large part of it should be in possession of their own private investors.

ensuring development of truly national economy in which the total national resources are mobilized and used for production and satisfaction of the majority of the nationals.[49] Attempts by these donors to woo Kenyan leadership into this viewpoint and policy choice mot with big failure primarily due to the successful struggle by western bilateral and multilateral donors to pre-erapt the eastern bloc from participating in Kenya's attempts at social and economic development after independence*[50] The result was that virtually all capital and technical aid to Kenya came from tho western donors with a consequence that social, economic and political policies favoured by them have prevailed in the country so far*

Virtually all capital aid is linked witli technical Assistance. The latter could, however, exist without direct involvement of the former as in the case of British technical assistance towards Kenya's administration and training after independence.[51] In the case of capital projects,

49• Martynorv, V.A•, Soviet iCconomic Aid t.o the Newly Liberated Countries, op. cit. p. 71.

50. See chapter VIII, for the way this was achieved.

51. See also chapter IV below.

the donors require that their personnel be involved in the execution of projects, and in most cases, also in project appraisal and evaluation* Tho result is that aid projects are nearly always seen by donors as success, even when tho recipients doubt their real value*

Technical assistance also includes on the-job-training and advisory activities as well as institutional training, locally or in the donor country.[52] The western donors insist on training local personnel in developed countries either through formal institutional tuition or through familiarization and orientation tours. Training is also conducted in locally based western managed or supervised institutions* The sociulist donors do the sane, but r.lro insist on training the local people on-the-job at every stage of the setting up of the projects*^ Unlike the western donors who continue to run aid projects long after they are complete, tho cocialict donors insist on handing aid projects over - lock, stock, and barrel - to the receipient government immediately

52 * Chapter IV.

53* Stokke, op* cit. 58*

or soon after completion, Western long delay in freeing capital projects to the recipient governments and the subsequent delay in ending technical personnel assistance leads to prolonged donor influence or direction of recipient's economic and social policies. Their massive usage of direct technical assistance personnel variously called advisers, volunteers and operationals have a direct influence on recipient's policies.[55]

Most of the donors have shifted to providing aid on the basis of ovorall development situation of the recipient rather than on purely individual project basis. This is a shift from project to programme aid. The difference between the two is smal'lo Project aid involves aid agreements which specify the uses to which the equipment procured

5^, loc. cit. In Kenya, the Soviet aided New Nyanza Provincial Hospital has, however, continued to depend on USoU for the supply of equipment and some personnel several years alter its completion. This may be linked to lack of an iciustry to produce the relevant equipments -and spare pirts within Kenya.

55, Sec chapter VIII below. In i^enya there is a tendency to classify technical assistance increasingly as advisers and volunteers though they continue to serve in many operational positions* Kenya - Directorate of Personnel - <u>Staff Directory</u>, 1973-1977, <md Uural Water Supplies Phase I-III files in Ministry of Finance and Planning.

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through aid will be put.[56] It ties the donor to one project and leaves little room for its influenco on other social and economic spheres of the recipient As Payer puts it, this is rauch more the case when the project at hand is "dearer to the heart of the aid - giver than to that of the recipient. The aided country would accept the project, and then spend the rest of its budget on items which might not be •rational' in the eyes of the donorThis is what some writers have called fungibility and it is common in recipient countries which are capable of manipulating their budgets to fit their national interests without hurting the good will of their donors. A country could therefore get aid to purchase equipment which must be used for agricultural purposes only. In her turn, the recipient could adjust her budget in such a way as to divert her finances which would go to agricultural equipment and use it for the purchase of military equipment.[58]

In order to avoid this rather embarassing

56. J. White, op. cit. p. 166.

57. Payer, op. cit. p. 30.

58. Montgomery, 1967 op. cit. p. 33 and Holtham and Hazlewood, op. cit. p. 184.

situation, many donors, especially raany western bilateral and multilateral donors, are turning to programme aid, also known as budgetary support or balance of payments support. This involves aid agreements which specify the equipment or technical assistance to be purchased or provided in general terms, without specifying the use to which the equipment or services are to be put.[59] Programmes, unlike most projects, may involve many years and many different projects. This was the kind of loan the World Bank provided Kenya in 1975 to meet the foreign exchange required for the imports of raw materials, capital goods, and intermediate goods.[60]

Programme aid has been preferred by some recipient countries which want to know the amount of external resources to expect act! thus enable them to plan ahead. i3ut raany enlightened recipients

59. White, op. cit. p. 166. In Kenya, as we shall see below, technical assistance from UK and Germany was of this nature right from 1960 s. UK has always favoured programme aid to Kenya ever since colonial days.

60. For a further understanding of what these goods and materials could be see cnapter V and VI below. Note that this particular loan of $30 million was to be "disbursed arainst ;roods imported by the private sector thron.h normal commercial channels". UNDP, Compendium on Jcvelopif.ect assistance to Kenya, p. 398. oce also Chapter Vli p.^Io trclow.

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would avoid this type of aid in order to safeguard their freedom. This is so because, like the IMF stand-by arrangement, programme aid could give the donor leverage over the entire economic programme of the recipient, and disbursements could be tied to specified performance criteria.[61] As Payer puts it, programme aid could be used to "prop up a government that was not capable of supporting itself through taxation" in the sane way as the IMF does.[62] It therefore turns to be a means of supporting a government while ensuring its "obedient" behaviour at the same time.[63] This seems to have been a major input of western powers in Kenya at independence and one which ensures the government's "obedience" to donors.

Many donors have adopted a pluri-annual approach to aid-giving, even where single projects are concerned as in the case of agriculture, education, and training. This has had the advantage of cummulative assistance and expansion.

61. Payer, op. cit. p. 30.

62. op. cit. p. 31.

loc. cit.

It may be a fit thing to do as long as dovelopwont takes place. But, like programme aid, it becomes wasteful in terms of time and resources when it caters largely for the interests of the aid - donors and has very little relevance to the development of the recipient.

Tied to tho issues of programme and pluri-annual aid is the tendency of most aid donors to prepare country reports on recipient's economic position, expected trends and areas regarded as fit to be aided. Although they make reference to what they understand to be development priorities of tho recipients, the donors in tho final analysis come out with what they regard as crucial priorities of developing countries and proceed to provide aid on those lines.[64] As the OxXDReview of 1973 put it, a country aid programme usually incorporates the following essential elements:[65]

1. It is based on an assessment of the development situation, priorities and prospects of the recipient country as a whole.

64. CECJL) 1973 Review, op. cit. p. 58.

65. Op. cit. p. 55.

2. It is drawn up for the whole, or at least the essential part, of the aid activities of the donor in a given country.
3. It includes some qualitative indications of the overall level of aid to be given and its broad sectoral composition.
4. It places the aid activities of the donor in a longer perspective than one year.

It should be reiterated, however, that these "essential elements" are those of the donors and not those of the recipient countries. They arc strictly adhered to by the donors irrespective of the recipient's feelings and priorities, and the latter are indeed expected to adjust accordingly, more so whon they are deeply dependent on aid or when they are already very involved or have committed their countries'resources as part of their contribution to projects depending on programme aid.

France, however, does not use systematic programming on a comprehensive basis. This is usually used with respect to technical assistance outside the Franc aone. This exception is, however, understandable in the light of the fact that France has a long-standing economic and aid relationship with the countries in the Kranc zone, and, as OZCD Review 1973 put it, she has an intimate knowledge of the aid needs and problems of these countries* [66]

Other donors involved in country programming include the IBliD, UNDP, the U S AID, Canada, Denmark, Sweden, Switzerland, Germany and Britain, Some of them, like Britain, treat the resulting programme reports as a strictly internal document. Others, particularly the Scandinavian countries, prepare their programmes after negotiations with recipients on what could be conceived as a mutually agreed broad outline of the country's aid programme. The degree of mutuality in this connection should, however, be treated cautiously in view of the fact that recipient countries like Kenya are already aware of what constitutes each donor's preferences and try to adopt themselves to such lines. The probability of donor's reduction or withdrawal of aid is usually a basic factor influencing the behaviour of the recipient in

66. op. cit. p. 58. However, Britain which has a wide knowledge of Kenya still prepares country report and engages in systematic programming of Kenya's aid needs. Holtham and Hazlewood,op. cit.pp. 79-80,

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adopting certain social and economic policies.[67]

Lastly, the analysis of technique of aid-giving should look into the issue of aid coordination. Since 1959 the technique of aid coordination has been used by the western bilateral

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and multilateral donors to cater for tiicir interests. Since then the U'orld I3aulc organized and chaired aid Consultative Groups for the Philippines, Ethiopia, Zaire, Sudan, Peru, Columbia, Ghana, Morocco, Nigeria, Sri Lanku* South Korea, Thailand, Tunisia and the iiast African Countries. It also organized consortia for India and Pakistan.[69] A Consultative Group for Kenya was organized in 1964 and has sinco tiien met biannuall7 under the chairmanship of the World JBank. The Group meetings are comprised of the Government of Kenya and all western bilateral and multilateral donors.[70]

True of Kenya, particularly with respect to World Bank Group and the Scandinavian countries.

68* Payer, op. cit.pp. 33-34.

69. OliCU lieview, 1960.

nQt Interview with officials at External Aid Division, Ministry of Finance and Planning, Kenya, 1977/72•

It is during such meetings that a review of the overall priorities for external assistance to tho country is undertaken,[71] of course, in tho light of economic and social reports and recommendations prepared by the World Bank and the Iiir. Provided that Kenya accepts to adopt the recom^ndations of the World llank and the IMF, the donors share the required aid "burden" each indicating preferences of the kind of projects for which it would like to provide capital and technical assistance. It is also during the same meetings that donors officially make known their views concerning the kind of economic, social and political policies they would like or expect to see in Keoja* Although the country is not forced to adopt such policies, it is clearly known by Kenya's officials that failure to do so might greatly reduce the volume of aid to be expected from these donors. Thus, even though aid Consultative Group meetings are held in a friendly atmosphere, they are for all practical purposes and intents the main Command posts" from which Kenya's policies are directed or greatly influenced by these donors led by the World Bank. As one Kenyan official

71. IBIiD, Kenya Into tho Second Decade: Report of a mission sent to Kenya, by the .»orl'i Dank, (John iiopkins i^Jrcss 1975; p. 436.

put it, it is in these meetings that the Govornment of Kenya is either patted on tho back for good performance or " caned' for poor performance economically, sociully and politically.[72]

The other role of the Vorld Dank in aid coordination relates to the periodical country economic reports that the Bank prepares. Those reports are made of a comprehensive economic analysis and prospects of individual developing countries and include concrete suggestions (recommendations) for action to be token by both the recipient and the donors.[73] They usually form the background to guide the other wostern donors as they too prepare[7K] thoir own country reports and programmes. As pointed out earlier, the Bank's reports also become the basis for discussions during the Consultative Group meetings between the donors and the officials of the recipient governments.^

72. Intcmcw with officials of External Aid Division,

73. OiXD Review, 1973, p. 59.

loc. cit.

75. IBitD, Kenya Into tho Second Decade, p. 437, for the Kenyan case.

In Kenya, tho Bank's economic reports of 1962 and 1075 were largely expressions of the Bank's view of the social, economic and political policies the country should adopt and maintain if she expected aid from the western donors. They amounted to virtual directives from the Bank and consequently they were closely followed in the drawing up of the subsequent Development Plans of 1964-70, 1966-70, 1970-74, 1974-78 and 1979-83.. The other effect of having the Banks periodical country reports has boon great reduction in tho need for individual aid agencies to collect information from the recipient country in order to perform independent analysis and make independent aid policies.[76] Duplication and competition in the collection of data about the country is thus reduced.

Once these reports are made the I^iF uses them, and may add more if need be, in order to exercise tho responsibility of deciding whether a country is creditworthy, and thus whether the other members (particularly the US as the original architect of the fund) should aid particular governments of

76 . OiXi) Review 1973, op. cit. p. 59.

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developing countries or not. This technique, therefore, has the effect of coordinating and monopolizing aid flows from the entire capitalist world. As Payer again puts it, the IMF "good housekeeping seal" has thus become the precondition of receiving this aid.[78] The technique, as stated earlier, has managed to reduce rivalry among western donors, though not fully, much to the disadvantage of the recipients. It manages to keep recipient states from defaulting in debt repayments not so much because of the importance of repayment funds to the donors (especially bilateral donors) but more so because of economic and political conditions that qualify a country for more aid from these sources.[79]

77. Payer, op. cit, p. 31, The Ilhii) report on Kenya in 1975 was definitely aimed at telling the donors to continue to aid Kenya wore intensely and more generously. It also made definite demands on Kenya's social, economic and political policy changes as a precondition for continued supply of aid and particularly as a proof of creditworthiness.

78. Payer, op. cit. 31.

79. op. cit. p. 48. It is very doubtful if UK and German loans towards land transfer programme were ever meant to be repaid. It is possible that they were more instruments to shape economic and political policies of independent Kenya, and particularly the psychological aspect related to acceptance of the sanctity of private property. The US small credit schemes also served and still serve the same ends.

Most of those conditions, particularly the ones referring to political stability, removal of trade barriers, guaranteed encouragement and protection of foreign private investments, serve the core economic and political interests of international capitalism. It is primarily due to congruence of views implied in the western aid coordination techniques that there is also a strong congruence in geographical dispersion and concentration of western bilateral and multilateral aid in the world.

Donors also use reports and reviews of other international institutions such as the UN specialized agencies, particularly the UNDP. The latter organization has of late undertaken to coordinate the planning and flow of technical assistance. This exercise should not, ho\>ever, be regarded as being independent of bilateral interests as in not too few cases have some bilateral representatives been consulted by the UNDP during the preparation of the country programming.[80] Once complete, the UNDP report is freely available to bilateral donors.

Some countries, notably Canada, the Netherlands, and the Nordic countries have proceeded to coordinate

80. OECD Review 1973, op. cit. p. 60.

their technical assistance activities closely with the UNDP country programming.[81] This may have the positive effect of reducing duplication. It may ui,,> have the negative effect in that increased involvement of bilateral donors in the affairs of UNDP may lead to increased bias of aid programmes in favour of donors against the recipients. In Kenya, for instance, UNDP and other multilateral donors tend to follow on the footsteps of bilateral donors in project choices and thus end up merely backing interests implied in bilateral aid.

Conclusion

The leading bilateral donors - Britain, U tfest Germany, and multilateral donors - Iii-iD and IDa, have together contributed the bulk of foreign aid received by Kenya since independence. They have al;o generally been very hard donors with rcspect to their terms and also very demanding conditions. Both the volume and conditions of their aid have also been instrumental in influencing the public expenditure-patterns in favour of private, especially foreign

81. op. cit. p. 61.

investments. In this trend of aid givinj, these leading donors have lately been joined by others like Japan, Canada and the Netherlands.

The Scandinavian countries which have increased their aid to Kenya over the last few years have also been influential in diverting more attention to the provision of more social services, particularly in the rural areas occupied by the poorer sections of Kenya's population. Nevertheless, they too have effectively sought to entrench, not disturb, the socio-economic structural status quo. They have joined with other major donors, under the chairmanship of the World Bank in Consultative Group meetings, in finding ways and means of providing more aid in order to preserve that status quo on long term programme based arrangements. In this respect it has been noted that there is close coordination and co-operation of bilateral and multilateral aid donors as they conceived their interests to be ultimately one and vLa same thing.

So far, we have seen the sources^ terns, conditions, techniques and pattern of aid in Kenya, Ve have not, however, answered tho question of what role foreign aid plays in a backward and poor recipient country like Kenya, *how* it plays that role and with what effects on a country's development prospects. To answer this question will first require some detailed descriptive analysis of some aid projects, after which a detailed socio-economic analysis of the role of aid in the entire country will be undertaken. Descriptive analysis will now follow in the form of case studies as laid down in the next three chapters.

C II A P T S 11 IV

PRoJ1XT PLANNING AND LVALUATION UNIT
(York University Kenya Project)

Case Study No, I

For export-capital to be used with optiual returns to the capitalists in the metropolis, some institutional arrangements are required in order to facilitate adequate capitalistic management and planning in the recipient backward countries. Such arrangements are usually associated with what we have called technical assistance provided to the recipient countries in form of operational and advisory personnel or in form of training of the local personnel. In Kenya, one of tho area3 in which aid donors have put a lot of interest lias been planning both at the centre and at the project level. They have sought to control or greatly influence that section of governmental or state machinery and the Canadian funded Project Planning and Evaluation Unit (PPiiU), alias the York University Kenya Project, was one such an effort with regard to project planning or preparation at project, ministerial, departmental end at Treasury levels. The purpose of this Chapter, therefore, is to examine how and why attempts at institutional influence by the donor were realized or unrealized and with what effects on tho country's search for development.

Project Pricing:

Planning has been defined as an organized intelligent attempt to select the best available alternatives to achieve specific goals.[1] As Nyerere puts it, "planning means choosing."^ It is based on scarcity of available resources, and seeks to guide present and future human actions with an aim of the greatest human satisfaction.[3] Development Planning, on the other hand, is the kind of planning in which the government is deliberately involved in a continuing attempt to accelerate the rate of economic and social progress and to alter institutional arrangements which are considered to block the attainment of this goal.[4] It involves macroeconomic planning, sectoral planning and project analysis.^

1. Vaterston, A. - Development Planning: Lessons of Experience. (The John hopkins Press Third Printing 1969) p. 8.
2. J.K. Nyerere, Freedom and Development, (Oxford University Press, 1974; p. So.
3. Uaterston, op. cit.pp. 8-9 and Tinbergen, J. - Development Planning, (Veidenfcld & Nicolson, London, 1967) p. 43.
   To Tinbergen Planning is forecasting or "Thinking ahead" implying present manipulation of the future.pp. 43-44.
4. Waterston, op. cit. p. 21.
5. For general planning models and sectoral planning see Chonery, Ji.i). (ed.) Studios in Development Planningt (liavard University rress 1G71) i'arts 1 and III; and Judge, G.G. and Takavamar, T.L. Studies in liconomic Planning iv.JpLam, (i^orui Holland rub. i^o. ~Ij73, Amsterdam,) pp.44-45•

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Project analysis aspects of development planning involve consideration of alternative public investments calculated in terms of project cost - bonefit analysis.[g] It was primarily this kind of planning that Project Planning and Evaluation Unit in the Ministry of Planning and Economic Development was aimed to handle* In Kenya, project analysis was always an aspect of sectoral planning located in various operational ministries and local authorities, and if well executed, it could therefore become a basis of more "detailed representation of policy alternatives than is feasible in an analysis of the Whole economy."[7] But, as with development plans in almost all developing countries, the Kenya plans were weak in their "project content." As Dharam Ghai once put it,

6. Judge and Takaysrnar, op. cit. p. 44.

7. Chenery, op. cit. p. 219.

8. The first Ten-Year Plan in Kenya was published in 1946 and was followed by Three-Year Plans in Mid-fifties and early sixties. See also Development Programmes 1954-57, 1957-60 8c 19C0-G3. The first Independence development Plan was published in 1964 that is 1964-70, and was followed by others 1966-70, 1970-74 and 1974-78.

> .'itli the oxception of a few sectors,
> especially Agriculture, most of the
> sectoral plans are not sufficiently
> broken down into concrete projects.
> Lven when the projects arc listed
> they are often not supported by requisite
> feasibility and engineering studies

.v nee most of what would be called Kenya's development programmes and projects were dependent on foreign aid finances,[10] lack of detailed project analysis meant a great lag in the expenditure of allocated development funds. Most of the donors of aid to Kenya have insisted on detailed project analysis or appraisal before any of their funds can be disbursed, and also on a follow up evaluation at project implementation and after the project is completed. At independence, Kenya's capacity to do such kind of analysis was almost nil. Immediately before independence, particularly after 1959, various potential donort, began ,, utilizing their own personnel to conduct surveys and analysis of projects of their interest.

9. Dhar&m Ghai, The Machinery of Planning: in Kenya, (in Faber, M. and keors, D - i,'he Crisis in Planning. Chatto tic Windus, London 1972) p. 130, vol. 2.

10. Siuco 1946, Development Planning in Kenya was a conditional pre-oxpenditure justification of requests for aid under Colonial Development and Welfare Act of 1029 as amended in 1940 and 1945. 3ee Development Programme 1954-57 p. 5. Subsequent colonial plans 1954-63, including ALDliV and Swynnerton Plan, were heavily or wholly dependent on foreign, especially British aid. See also Ghai, op. cit. p. 120.

These included the World Bank, the US AID, the West Cermar.y, Sweden, Prance, Norway, Canada and varioue UN agencies.[1]' This trend continued after independence when the Kenya Government invited various potential donor? to conduct surveys and prepare project appraisal reports for projects of their interest in various ministries and local authorities. The effects of this approach to planning included domination of planning by expatriates, uncoordinated and usually competing projeots, lack of synthesis between social goals and planned projects, and ultimately the high rate of under-expenditure of allocated resources.[12] There was also not only general lack of adequate project preparation and coordination, but inclusion of local authority programmes or rural development projects in the national planning was also very inadequate. This total inadequacy in planning was generally accepted to be founded on the seriom shortages of p*ofeseional and technical manpower that prevailed in th* country. Such shortages involved not only planning economists, but also engineers, architects, agriculturalists and doctors required to design plans and execute projects and aid programmes.[1]"^ As the Development P);n I°7P-[7]4 put it, the need for technical assistance in

II. See Chai, op. cit. p. 127; and Project origin - the case of Livestock Development Project(l) Chapter V below,

12. op. cit. pp. 129 and 133; and Develnivnert Plan 1970-7* ,P« 71.

13. op. cit. p. 71.

these areas was not always anticipated in time, and in addition, there was difficulty in obtaining some grades of manpower undor technical assistance "because of their scarcity ia the world as a whole",[14]

lience in 1966 only seven of the entire twenty eight posts in the Planning Division of tho Ministry of Planning and Economic Development were local staff, (not necessarily Africans). The bulk of the senior staff was, therefore, made up of expatriate planning advisers, of whom there were twenty-one in 1968 spread to cover the then six units of the Division, including

(i) Manpower, Social Policy and Education,

(ii) Agriculture, Land Settlement, and Cooperatives,

(iii) Commerce, Industry and Tourism,

(iv) Basic Services, Natural ftesources and Physical Planning,

(v) Financial Analysis and Local Government, and

(vi) Plan Implementation.

14. Development Plan. 1970-74. p. 71.

15. Ghai, op. cit. p. 124. It should be noted that these advisers were actually operational in capacity and that future candidates for the training at York University had little or no conncction with then at all, for example in terms of being counterparts or understudying them. (Interview with Candidates). Among operational Ministries, only Agriculture and Commerce and Industry had planning units, while Natural Kesources and Tourism had planning offices. L'ovolopqeiit 1 lag 1,970-74: p. 73.

Meanwhile thoro was increased political pressure to Africanize all posts in tho civil servico and no doubt the Pi- ning uivision was one of the "laggards" in this respect. This situation was clearly observed by the Canadian officials, particularly CIDA officials, at their liiyh Commission and was definitely one of the reasons why Clt)A offered to sponsor the Project Preparation and Evaluation Unit, Canada was also eager to create a planning unit in Kenya capable of hastening the spending of her aid which had great short-fal.ls by 1963,[17] Some of the unspent Canadian aid would itself be allocated under this project.

It should be noted, however, that the entire arrangement, in terms of initiation of the idea of the project (PP1HJ), the aid funds required, personnel and the purposes to which it would be put, were done by tho Canadian High Commissioner and his stuff in Kenya, They, for examplot intimated their Government at home on what kind of aid Kenya might require (in their own view), and the probable amounts needed for various projects including technical assistance under

16. Interview with CIDA officials at Nairobi*

17. Letter, Canadian High Commissioner to Kenya's Minister for Planning and Economic Development, January 9, 1968, in Files found in treasury, Kenya,

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PP£U. ° Tho Kenyan Minister was also advised by tho high Commissioner on how to approach requests for Canadian aid in order to ensure success.This advice was contained in a note which continued to read as follows:

> Members of ray staff will initiate discussions with officials of your Mi nistry and others concerned in order to work out tho details of a satisfactory programme of technical assistance for 1969-70 to include additional Canadian experts and teachcrs and to fill additional training places in Canada with Kenyan candidates*
>
> Our present plan for 19G9-70 would provide for 14 now advisers, 18 now teachers or professionals and 3G new training awards.[1]**

From this communication it is clear that PPLU was largely a Canadian idea on how Kenya's planning jjroblems should be solved. It was not a mere idea auyway,for it iiad beon included within Canadian plan on foreign aid to Kenya, and the latter was merely being requested to accept and adopt the plan.

18. Canadian High Coumissioner to Minister for Planning and Economic Development, Jan. 9, 1968. Laxman lihandari - Technical Assistance Administration in Kenya - notes that the process of identifying technical assistance projects usually begins with informal contacts between user ministries and potential donors. See Y. Tandon, op. cit. p. 87.

Canadian High Commissioner to Minister for Planning and Economic Development Jan. 9, 19f>8.

Meanwhile Kenya officials had become uneasy about CIDA's aid with regard to tcrias and small sizes, and Canada was seeking to improve those terms and increase the volume of her aid, York University was seen as a tool of making Canadian[20] aid become used efficiently. Professor Tillo Kuhn at that institution therefore invited Philip Ndegwa, the Permanent Secretary to the Treasury,[21] to visit that University in September 1969, All costs were to be paid for by CIDA which was eager to reach an agreement on the project und possibly to sign the related loan agreement icmcd.:'a i ely. Ndegwa did not, however, take up the trip immediat- j,

20, Office of Canadian High Commissioner in Kenya to J, Gatuiria, Under Secretary in the Ministry of Finance, August 29th, 1902.

21, Office of Canadian High Commissioner to P. Ndegwa 1/9/69,

22, There seemed to be a strong pressure upon Ndo w>. from American and World Dank advisers to resist the York University Project. This would be a « attempt to resist change in the Planning Division already staffed heavily with American and World Bank advisers. See Letter of Canadian High Commissioner Office to Gatuiria, dated August 29th, 1969, and subsequent letter from Kdogwa to Professor Kuhn postponing the proposed trip to Ottawa after he completed a trip to Washington where he would be meeting US AID and World Dank Officials. Both letters are found in CIDii files held in Treasury, Kenya.

but when he had it later in the year <to was awarded an honorary degree of Doctor of Philosophy (in Economies) of the York University and immediately signed the loan agreement which paved the way for the implementation of the PPEU project. As such, a kind of improved working relations had been reached between Ndegwa and the York University Officials and consequently the idea and objectives of PPEU found way into the new Development Plan 1970/74. Inclusion in the Plan had made the PPEU a Kenyan project on the one hand, and had given it the legitimacy it required for implementation in a hostile environment on the other hand.[23]

23. Hostility originated primarily ***from*** existing Planning Division staff's ressistanc* to change as well as from unwillingness of operating ministries to change from their traditional ideas and values related to planning.

    One of the other approaches to salving these problems was training through the newly established degree course at the University of Nairobi, the Bachelor of Philosophy in iiconomics.lt was a Ford Foundation sponsored programme aimed at producing all-round planning ecoiomists to be based at Planning Ministry but cxpable of being seconded to various other ministries and local authorities at their Planning Dieisions or Units, Faced with planning problems as seen oarlier, the Kenya Government viewed the objectives of PPEU in terras of providing the country with capacity to prepare projects in greater detail such as was necessary to negotiate aid, to evaluate the benefits and to assign priorities adequately.[24] Although it would be located in the Ministry of Planning and Economic Development, the unit would bo expected to work in the operating ministries and other agencies to prepare projects and programmes. It would also be required to develop criteria and technique for project preparation and evaluation in order that the procedures might be consistent in all ministries and overcome the problems arising from lack of training in this specialized field.

In other words, PPE»J was effectively expected to do what the existing Planning Division in the Ministry had tried to do in vain. The existing Planning Division had vainly tried to prepare detailed and concrete project appraisals; it had called for

24. Development Plan 1970/74, p. 77.

evaluative reports but these were ntver ^iven from the ministries and provinces; it had not prepared the exact form and content such reports would take; and being largely expatriate, the Division lacked not only knowledge of local circumstances. or environment, but the degree of its commitment to serious planning could no longer be couuted upon.[25] PPiiU was therefore expected to compete with and replace the existing Planning Division, one of the factors that contributed to the limited nature of the project's success.[26]

The PPEU's objectives as seen by the Kenya Government were, however, rather understressod in the York University CIDA - Kenya Government Agreement of 1969. According to the Agreement, the project's aims were to[27]

25. Ghai op. cit. pp. 124 - 129; Development Plan 1970-74 pp. 70-72; Interview with CIDA officials at Nairobi and with Kenya officials at Planning Division, Treasury. For the meaning and importance of progress reports *nd evaluation in planning and plan implementation, See Waterston, op. cit.pp. 355-65»

2G. See pp.247 - 266, below.

27. Written brief kindly provided to me by PPfciU officials at Treasury, (PPEU Brief).

(a) assist various Ministries of the Kenya Government with the identification, preparation, evaluation and implementation of the various Development Projects;

(b) study the project preparation and. evaluation procedures (then) in use in Kenya and cxi>minr whether these could bo improved and formalized into a single coordinated system;

(c) nominate Kenyan counterparts for training in Canada in order for them to become self-sufficient in the skills required for effective continuation of the Unit;

(d) in general advance socio-economic development knowledgo, planning uethodology, policy and application through advisory activities, research, preparation of reports and publications, training and other suitable means, in close collaboration with the Government of Kenya, University of Nairobi, and other institutions and agencies.

It is thus clear from these objectives, in contrast with those of Kenya's Development Plan, that the Unit would be more concerned with academic activities than with setting up a credible ana viable planning unit capable of overhauling the pxocedures, organisation, nature and content of planning and evaluation that prevailed in the country prior to the setting up of the PPi^U. This much reduced role of PPOJ in planning activities was perhaps brought about by the nature of the organizational framework within which the project would be carried out, as seen below.

Organizational Framework for Project Implementation

The PPEU implementing agency would be York University and hence the projoct was called "York University Kenya Project". This was one of the donor institutions which had taken to specializing in research, model building and providing ready-made answers to problems of developing countries.[28]

Unlike the AFC or ICDC which became the implementing organizations of Livestock Development Project <i) and Konya Industrial Estates Nairobi, respectively, York University was completely a new organization in the Kenyan context. It was little known by Kenyans in senior government, especially planning, positions, and it was thus difficult to give it the sympathy it needed in the face of

28. Interview with Kenyan officials who attended training at tho York University under PPliU project.

opposition by American, British and World Bank expatriates in the Treasury and Planning Division, In th: - caeo ono can almost conclude that favourable attitudes of Kenyans towards the project were lacking. The scc«a.l environment into which tht York University was trvi»jg to fit in the Kenya Government had norms which did not favour change, and therefore the proposed innovation was faced with formidable constraints*[29]

But tho most crucial constraint of York University as an agency of change centred on the right and capacity to initiate change.[30] The institution itself was foreign and had little basic knowledge of Kenyan peculiar circumstances related to difficulties in effective and meaningful development planning, Such circumstances might include the economic interests of foreign settlers, traders and industrial investors; economic, social p.nd political interests of the rising African ruling

29, W.H. Starbuck, (ed.), <u>Organizational Growth and Development</u> (Penguin 1971) p,2o1*

30. J»G, March and 11,a, Simon, <u>Organizations</u>, (John Wiley & Sons Inc. 1938) p, 199,

"national bourgeoisie" and the masses of peasantry, petty-traders, and workers in general. The agency had little or unclear knowledge of the historical, social and political attempts to safeguard the inherited colonial socio-econoiaic structures. Like the missionaries and colonists of early colonial days, the agency therefore assumed a weak socio-economic system, with weak norms and traditions, and thus imagined that planning could be changed without necessarily affecting any other aspects of the system. Consequently, the York University project became yet another attempt at bureaucratic expansion, with little significance in terms of actual project preparation or evaluation.

The location of the change agency within the Ministry of Planning and Economic Development (later on to be joined with Finance to become Ministry of Finance and Planning in 1970), however, provided it with some amount of power and influence. This was the ministry that was in charge of all public planning activities, and Treasury normally depended on it for the preparation of forward budgeting and draft estimates. Particularly after the merger of the Planning and Finance Ministries in 1970, this became the most suitable locus for a planning unit in Kenya. However, the limitations of existing bureaucratic values and traditions, among other things, greatly affected the success of the kind of changes and innovations attempted under PPEU.

Project Implementation

Project Preparation and Evaluation Unit was a technical assistance project aimed at improving planning in Kenya. Having benefited from a CIDA grant of $4.6 million, the project sought to introduce new methods of planning, project preparation and evaluation for rapid economic development, as well as to rapidly develop local manpower through (1) on-the-job training and (2) institutional training at York University. An examination of the project implementation will therefore be based on the technical personnel capacity to introduce change as well as on the nature and effects of training involved.

When the PPiiU project began operation in 1970 it involved five Canadians who included one administrator, one project field director and three advisers.[31] The latter were mainly lecturers at York University who had been seconded to the Kenyan project, partly because of their qualification a3 planners and partly becausa of their own special research and academic. intercst'- in this part of the world, *ay* the end of 1970 the number had risen to twelve, and to 13 and 17 in 1975 and 1977, respectively. Throughout the period of the project 1970-77, tho average number of l Canadian technical assistance personnel in Kenya under this project alone was eleven per year. Of these the director was a professor of economics, while two officers were lecturers in the same subject at York University. The three economists hud some experience in the World Bank operations. Another of the eleven officers was au engineer by profession. There was a lady administrator who did not have **any** special qualification or experience and whose job was merely to handle simple Canadian staff natters

31. Intervi»* with PPEU officials at Treasury, Kenya. Back at York University, there was the overall project director and assistant director paid under this project.

and keep simple records.

Tho bulk of th other oix or so members of the team were a mixture of junior lecturers and students who, according to officials in Treasury used the project us a chance to be out in Kenya to do their own research for their higher degrees

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ana publications. They were in no way more qualified than most of the Kenya economists already in the Planning Division and in other ministries and local au thorities.[3^] Nor did they have any practical experience in planning or in project preparation and evaluation either in their own country, in other developed countries or in any other developing c o u n t r i e s I n other words, rather

32. Interview with PPEU officials in the Planning Division, Ministry of Finance and Planning, Xenya, 1977/78.

33. Interview with PPliU officials and with the Kenyan officers who studied at York University under tho project. One of these officers insisted that at least two of the team members did not have credible first University degrees.

34. Y/.O. Oyugi had similar findings rogarding the SiiDP and it seems that this is a general trend in the case of technical assistance personnel provided to Kenya by most of the donors. V. Ouna Oyugi, Ueloarnins Old Lessons: The case of the Special Rural Development Programme (SiiDP) in Kenya? in Mana-in^ tiara 1 Development in Africa, (African Association for Public administration and Management, Addis Ababa 1977}pp. 148-9.

than contribute towards increasing skills and knowledge related to planning, project preparation and evaluation, more than half of the Canadian personnel under this project merely increased the numbers in tho Kenyan bureaucracy. The consequence of having this type of personnel posed as experts was soon to manifest itself when they came into contact with the Kenyans who were responsible for planning in various sections of the public service. But before examining such consequences, it may perhaps be appropriate to survey briefly the pattern of recruitment and project management that characterized PPKU.

Within the Planning Division, and indeed within the entire Kenya Government, PPi^U was regarded as a Canadian affair. This situation was best reflected in the fact that the Canadian project director of PP£U conducted his staff recruitment in Canada without a single Kenyan really being involved.[35] The Kenyans considered him a responsible expert who, having been

35. Interview with PPEU officials. Also see the case of SilDP where the U3 AID Washington hod given a subcontract to the Florida Agricultural and Mechanical University (PAMU) to hire personnel for Vihiga project with a consequence that most of the nominees were either unqualified or qualified in the wrong fields. Managing Rural Development in Africa, p. 150.

generously provided by tho York University and acceptable to CIDA, was also believed to liavo tho interests of developing countrios, and Kenya in particular, at heart* Hence, whatever he recommended in terms of staff recruitment from Canada was always communicated to Kenyan top officials, usually tho Permanent Secretary or his deputy, who were theuselves little qualified and/or experienced in the selection of foreign experts, even at academic level. Moreover, the Kenyans considered that PPi^U was a Canadian grant project and did not thereforo entail significant direct expenditure on the part of the Kenya Government. They spared little or no timo to scrutinize the recommended recruitments in any detail,^ They therefore tended to givo acceptance and approval of the Canadian director's recommendations (sometimes demands) almost without question, Tho result was inadequacy of qualification and capacity of most of the Canadian personnel under PPKU

36. The only PP12U cost to the Kenya Government was in form of staff housing and transport. All other costs including salaries, allowances and equipment were met from the aid grant,

37, Seeking to have their own way as in this case of CIL/A in PPiiU, most of the donors insist on having their own directors of their aid-projects.

with regard to planning, project preparation or evaluation.

Given that Kenya's financial contribution was minimal,[38] the Government had very little hand in financial management of CIJA grant tovards PP.SU. This was in spite oi the fact that having bccooio part of government revenue, the grant had been allocated and approved for use by parliament, iiy 1974 the PPEU had spent about $2,577,000 of which about two-thirds went to direct salaries and allowances of the Canadian personnel in Kenya and those at the York University connected with the PPEU project, especially the training aspect of it.[39] The cost of student training was hardly more than 15 per cent of the total project cost. The estimates for the PPEU for 1975-1977 period, for example, were as follows:

38. Apart from providing housing and transport for the Canadian personnel, the Kenya Government also paid the air fares for the Kenyan Candidates who travelled to York University for further institutional training.

39. Host of these salaries were paid into their banks back in Canada. (Interview with ^PEU officials.) In case of technical assistance personnel grants, the Kenya Government's role is normally one of making book entries of bulk expenditures as provided by the donor-given directors of the relevant aided projects. Interview with Kenya Government officials in the Aid Division, Ministry of Finance and Planning.

TABLS Is PPEU Expenditure estimates 1975-77

Particulars	Amount in S
Salaries	1,094,000
Office Expenses	45,000
Field Expenses	111,000
Travol/iJemoval/Leave Storage, Education	520,000
Special Assignments	50,000
Training	322,500
Total	2,142,500

Source: PPKU files, Ministry of Finance and Planning*

Thus, unless it can be shown beyond doubt that the activities of Canadian personnel in Kenya positively and significally affcctod or influenced tho nature and content of project preparation and evaluation, only litilo more than ^322,500 or about 13 per ccnt of the total $2,142,000 spent in 1975-77 could be said to have been used on anything to do with Kenya or Kenyan* under the PPEU grant*

Mo3t of the equipment for PP*,U, especially the telex equipment and most of the project files,
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were removed to Ottawa when tho project ended in 1977. Hence, little of the ^>45,000 in office expenses could be traced in tho unit by the end of 1977. In like manner, all the other equipment including vehicles, provided in the estimates as Field Expenses were in bad state of repair and unusable after the project was concluded. They wore estimated to cost about 3111,000. Though some proponents of this form of technical assistance regard such equipment as an added capital to the recipient, it should nevertheless be pointed out that, like salaries and other allowances, the financos involved (together with some of the equipment) ultimately landed in Canada and wore of little or no positive consequence to Kenya. This situation would signify that tho entire technical assistance grant towards PPiiU was tied to Canadian personnel, related training and accompanying equipment.

As soon as PPEU was set up in Treasury by the Canadian staff in 1970, various Canadian officers were dispatched to various operating ministries to advice on planning. These officers were to operate parallel to the existing ones under the Planning Division which serviced various ministries and departments in matters relating to planning. In the Ministries of Agriculture and Commerce and Industry these officers had to operate side by side, or in sharp conflict, with the existing Planning units.[40] The same did happen in the Ministries of Natural resources and Tourism.

In nearly all cases, the first reaction by the operating ministries towards these officers was one of resistance and hostility before they could be tolerated in some ministries or rejected in others. In the Ministry of liorks, for example, the Permanent Secretary initially turned down any attempt by the Canadian officer seconded to his ministry to set up a planning and evaluation unit there.[41] But the Canadian officer, largely due to his professional qualification and experience as an engineer, later on managed to persuade the Permanent Secretary as to his good intentions and his capacity to hold to them in the face of any test. The officer was therefore finally given a chance to prove his worth

40. Development Plan, 1970-74, p. 73, indicates the i-iinistries of Agriculture and Commerce and Industry had Planning Units already, while the Natural Resources and Tourism had Planning Officers.

41. Interview with PP15U officials at Nairobi.

and after he did what was considered a good appraisal of Kenya's Koad Maintenance project, he become accepted and was allowed to involve in other projects as well.[42] But he did not train any Kenyan engineer on-the-job on how to plan, appraise and evaluate projects.[43] Like all his colleagues, the Canadian engineer therefore left the Ministry without having trained or produced qualified Kenyan planners or evaluaters.

The saiae thing happened to the Canadian economist who was seconded to the Ministry of Tourism and Wildlife, though the situation in other ministries ranged from indifferent toleration to total rejection of the Canadian team by the Kenyan officials and their advisers from other donor countries and institutions. In the

42. Canada had indicated her willingness to fund Kenya Icoad Maintenance Project and this n:ay have been the main reason behind MP. Mbugua's acceptance of this appraisal, CIDA files in Treasury,

43, Hence in 1975 it became necessary for yot another Canadian, this time a transport Economist, to be provided by CIDA to establish a planning unit in Ministry of Works and under the same grant send four Kenyans to train as transport planners in Canada. This was a separate grant from PP^U one and thus acceded to PRJUU's failure in this respect.

Ministry of Agriculture, for exanple, where the planning division (unit) was dominated by German advisers and experts, the Canadian PPiiU officials wore vehemently resisted* The PPLU officcr who presented himself as an expert in sugar production, for example, was rejected outright by the Gorman and local planners in the Ministry as being completely unqualified and lacking in relevant experience. As it turned out, however, the Germans thensolves had their own vested interests in sugar production and manufacture in Kenya, particularly in the Chemilil area of Nyanza Province. Though they had previously bowed down to the British funding of Kumias Sugar Factory and related sugar cane production, the German planners and advisers would not have other "intruders" especially in terms of new ideas in the area. This became true particularly if such ideas could ultimately interfere with Gercan trade in machinery and related services, and if they could affect German influence on Kenyan politicians, bureaucracy and society as a whole.

The PPEU Canadian officer who was sent to advise on education project appraisal and evaluation was also rejected by the Ministry of Education officers. They considered him inexperienced and completely out of touch with educational traditions in the country, and hence lacking in capacity to plan or evaluato educational projects in Kenya. The officer, who had established a working relationship with Treasury officials and advisers concerned with manpower planning and education finance, in turn sought to havo his ideas adopted or imposed on the Ministry of Education at all cost. Thus, for instance, lie proposed tho initiation of a University Students Loan scheme, a project he would prepare and if possible evaluate at a later date. When he approached the Ministry of Education, the Canadian PPEU officer met with stiff hostility from the local officers who maintained that the scheme was far from desirable in the Kenyan circumstances. The Canadian officer resorted to handling the issue from the powerful position at Treasury and argued that the scheme would be a sure way to raise the university student intake and training by core than double and would thus help the country satisfy her needs for qualified manpower in the shortest time possible given the resource constraint. But the Education officers considered the scheme as unacceptable and its implementation in 1975 had actually to be forced upon the Ministry by the Treasury. The debate involved, and the arms - twisting applied to force the scheme, caused serious conflict and strain between the Ministry of Education and the Treasury.

As a result the former has not seriously considered implementing the plans related to recovering the loans which have fallen due since the scheme started.

It should be noted, however, that the Ministry of Educati on officials were satisfied with an ovaluation report prepared by the same Canadian official on Mombasa Polytechnic. But at no aoment would they tolerate PPEU's intrusion into the Ministry's planning values and traditions.

Other Ministries were little affected by PPEU. The Ministry (Department) of Water Development, for instance, was mainly being planned and largely operated with Swedish technical assistance. Virtually none of the PPEU Canadian officials had any knowledge or experience concerning the type of water programmes that were coming up in Kenya. Hence none of them was capable of giving advise on project preparation or evaluation in that Ministry, particularly when it happened that the Swedish officers in the Ministry were actually doing virtually all project planning and evaluation activities.

Some of the Canadian officers were allocated to the Ministries of Commerce and Industry, Health, and Power and Communication. But they had little or no effect on planning in those ministries. Like in other ministries, one Canadian officer was usually allocated to study and evaluate two or three Ministries in terms of projoct planning, preparation and evaluation capacities. In 6uch cases it was assumed that the relevant officer was capable of making useful findings by doing brief research on the planning traditions and that he could subsequently advise on changes and improvements. But it happened that these officers did not. have any Kenyan counterparts to work with. Tho would-be counterparts were themselves busy officers who could hardly spare time to liston and watch what a normally less qualified and inexperienced (sometimes ignorant) foreigner was trying to say or do, idealizing their limitations es^ocially in terms of qualification and experience, most of the Canadian ITiiU officers became inward looking. They felt more comfortable when left alone to do their individual jobs with as little notice or interference of relevant local officials as possible.

Without Kenyan counterparts, the third objective of Pl'iiU project agreement could not materialize with regard to projcct preparation and evaluation. Thus, although several Kenyans were nominated for training in Canada, none of them had previously served as a counterpart to tho Canadian

PPEU officers* The majority of thou lid not even have previous knowledge of the existence of the project* They were "nominated" from several government departments and local authorities where they had been doing their own normal duties.which were usually unrelated to project planning, preparation or evaluation, and hence unrelated to the objectives of PPEU. Even tho Kenyan planning officers in the Planning Division of the Ministry of Finance and Planning had not served in counterpart capacities prior to being selected for further education in Canada*

While at York University in Canada, the selected candidates studied M.A. degree in Economics, M.B.A, degree and Masters in Environmental Studies*[44] No special courses wcro offered in project or national planning and evaluation and the training therefore

44* Thanks to Messrs Magari, Kuindwa, iiungu, Njeru, Mitine of Planning Division and Mr. Kigera of Nairobi City Council for their information on the nature of the courses they took at York University* Concerning environmental Studies, it should be noted that the same York Universitj is seeking to establish a Faculty of Environmental otudies at the University of Nairobi* becamo yet another of the many activities goarcd towards producing a greater number of foreign trained personnel. Mhile it produced a higher number of acadcmically qualified Kenyans, the training aspect of PPEU **vas** for all practical purposes and intents more or less a duplication of other locally available facilities (if funds wero made available) including M.A. in economics and MBA degrees offered at the University of kairobi.[45] Perhaps the Ford Foundation sponsored project,the Bachelor of Philosophy in Economics, would be moro practical and relevant to Kenya's planning and evaluation problems.

By June 1977 about fifty Kenyans had undergone a two-year training at York University as provided for in the project agreement. Of the 43 officers who had completed their training between 1970 and 1976,

45. M.B.A. Programme at University of Nairobi was also sponsored by CIDA in 1970 under a grant of tf 13 million in scholarships and technical personnel. Gathering from the students who went through the programme, and some of them are now lecturers in the Faculty of Commerce at the University of Nairobi, the programme had been used as a form of indoctrination of Kenyans in western capitalistic economic values. To theru, the programme was an exercise of Canadian sponsored western struggle for survival in the face of any socialist tendencies at the University and in public and private sectors. It is not certain that training under PPEU and under the proposed Faculty of Environmental Studied could not bo used for similar ends.

12 of them obtained H.A. degrees in tcononics, 11 obtained M.B.A. degree and 7 got a degree of !J.A. in Environment Studies, i'ablo II}, One candidate had undertaken an advanced course in computer programming while tho rost took general couroee in administration, economics, geography and transport,^Table 1$.

After such a genrral training, many of the candidates returned to Kenya and resumed the jobs they had been doing before they went to iork University, (see Table IX>. About half of them were given normal governmental transfers to other ministries and departments, though such transfers w*re not based on or related to their newly acquired academic qualifications. Nor did the ex-trainees necessarily acquire greater responsibilities in their old or new offices than the ones they had held tefore this training. As such, most of them still felt frustrated and unable to appreciate why they were ever provided with this particular training in the prevailing circumstances. Some of them felt better qualified and hence better equipped to enter private sector and therefore resigned from public service soon after they returned to the country. In otlwr words, the hope expressed in the project agreement that the ex-York University candidates would "tecoue self-sufficient in the skills required for effective cnnt.i n'iat i op.

Table II : York University (PPEU) Training Programme - Number of Candidates by Sponsoring Agency and Area of Study. 1970 - IQ7

Sponsoring Xini 8try, Department or Corporation	Area of Study and Qualification Received							Total Candidates Back in Kenya	Numbor of Candidates Back in Kenya that Ha a Resigned or Trano-ferred	Balance With Original Sponeor
	Aministra~tlvs rraining	MBA	Training in Economics	M.A. in Economics	M.A. in Geogra-phy	K.A„ In Environm-ental Studies	Training in Transp-ortation			
Ministry/Agriculture		2						2	I	I
Central Bank of Kenya			I	I				2	I	I
City Council of Nairobi		2				5	I	8	2	6
Ministry/Commerce & Industry		I		I				2	0	2
Ministry/Cooperative Development	I							I	0	I
Ministry/Finance and Planning		2	3	6	1			12	4	8
Kenya Institute of AdminiBtration	I							I	I	0

Table II Cont.

Sponsoring Mini Btry, Department or Corporation	Area Of Studv and Qualification RP^PIVPH							Total Candidates Back in Kenya	Number of Candidates Back in Kenya that Haa Rasi gned or Trans-ferred	Balance With Original Sponsor
	Aminiatra-tive Training	**MBA**	Training in Economics	**M.A.** in Economics	**M.A.** in Geogra-pfcy	M.**A.** in Environm-enial Studies	Training in Transp-ortation			
Ministry/Tourism & Wildlife	I							I	I	0
Kenya T.D.Corporation	I	I						2	0	2
University of Nairobi				3		I		4	4	0
Mini stry/Works	I					I		2	I	I
Office of President	I							I	0	I
Total	6	II	5	12	1	7	I	43	19	! i

of the Unit" became difficult to operationalize, (author's emphasis). As we huve seen above, there was little or no relationship or coordination between an attempt to set up project preparation and evaluation units in various ministries and departuents on the one hand, and the recruitment of Kenyan officers for training in Canada on the other. Nor was there any relationship between the nature of training that these officers got in Canada and the kind of technical skills that meaningful project preparation and evaluation in such Ministries like Works, Water Development, Agriculture, Power and Communication, Education etc. would definitely require. Thus, for instance, no Kenyan engineers, surveyors, agriculturalist, industrialists or educationists were trained under the project. As such, just as PP£U effective operation became largely impossible under mainly unqualified and inexperienced Canadian officials, its "effective continuation" under tho newly trained Kenyan generalists because impossible.

PPKU Project Assessment

From the foregoing it bccomos clear that the PPiiU objectives as per Development Plan 1970-74 and project agreement of 1969 were largely side-st.epped or greatly unaccomplished. Although the Canadian PP£li officers were dispatched to the operating ministries and other agencies, several factors greatly hampered their work and hence project objectives particularly with respect to (a) the preparation of projects in detail enough to be used in aid negotiations, and (b) the development of criteria and technique for project preparation and evaluation to be used by Kenya's planning officers in all ministries,, Such factors included lack of adequate and relevant capacity - qualification skills and experience ~ on the part of the change agents (PPEU Canadians); lack of adequate project preparation in terms of forestalling potential problems - resistance in -the Kenyan organizational environment*,end absence of measures to maximize cooperation or complete elimination of the then existing rival Planning Division which was theoretically trying to fulfil the same aims as those of the PPEU. Consequently, the most significant single •fechievement" of the project was academic advancement of York University lecturers and students themselves. They used their experience in the country to write papers, theses ana books.^

6© Interview with PPEU officials in the Planning Division, Ministry of Finance and Planning, Kenya, 1977/78.

However, this is not to say that PPOJ did not survive after June 1977, the time when the technical assistance project was schoduled to end.[47] Hut it would be worthwhile to see what the nature of that survival meant in the light of original objectives as they were variously expressed in the Development Plan 1970-74 and in the project agrecoent.

When the Canadian officers at last left Kenya in 1977, two Kenyans took over the running of the unit. One of them, who also became the new head (not director) of the unit had obtained D.A. and H.Phil, degrees in Economics at the University of Nairobi. He had worked in the unit since it was started in 1970 after being seconded to the project from the Planning Division in the Ministry of Finance and Planning. But he nover occupied the position of a counterpart at all. He instead performed his duties of coordinating the amount of foreign aid available and the various projects from various ministries and agencies vying for governmental resources. He therefore had little or no knowledge of exactly what the Canadian project director was doing while the technical

47. The training aspect of the project was renewed and extended for another five years under a new agreement of 1977.

assistance project was still in operation. V/hcn lio took over ho had to learn all he could from the few files that were left behind by the experts and advisers, or simply rely on the meoory of proceedings of some staff meetings ho had attended on the issue or merely rely on his personal initiative.

The officer who became assistant to the head of the Unit in 1977 had been trained in advanced computer programming at York University. He had a first B.A. degree in economics and was the only officer in the entire project who seems to have served in the counterpart capacity for tho few months during which a computer system for tho unit was set up.

By the end of 1977, the unit was trying to recruit additional Kenyans with second degrees mainly in economics. They were not necessarily those trained under the York University project.

What is significant of all these Kenyan officers who took over the running of PPEU is that none of them had any specialized training in planning, project preparation and evaluation. The head of the unit had picked some planning strategies and values from the Planning Division before he joiced the unit in 1970. But like raost of the Canadian officers

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in PP2U, all the six Kenyan officers who came into the unit by the end of 1977 had no technical qualification or experienco to carry out any meaningful project analysis and evaluation in such areas like education, tourism, works, (engineering), power and communication, agriculture, etc. Their capacity to carry out the original objectives of the Development Plan 1970-74 was therefore largely lacking*

Given this basic limitation the Kenynnized PPLiU altered its original objectives to a much reduced status than was anticipated in the plan. In the first place it changed its title to Project Appraisal and Monitoring Unit.[48] Its activities were also changed from project preparation and evaluation in various ministries and agencies to maintenance of forward budget on project-by-project basis and reviewing of project content of ministerial draft budgets.[49] By the end of 1977, the unit was keeping a project registry, a computer basoa

48. Interview with PP2U officials.

49. PPEU, Brief, op. cit.

inventory of all active Public Development Projects. This inventory identifies (a) all projects with external finances; (b) all projects with local finance; (c) all projects with mixed finance; and (e) all projects in particular districts, provinces, or ministries; separate stages of planning and implementation; different priorities; and separate grand totals (in terms of number of projects, amount of funds allocated, amount spent and amount still to be spent) for each donor of aid involved. As far as possible, this inventory is updated on a continuous basis "depending on availability of information".[50] This indicates clearly that after eight years of its existence, the unit has still not managed to develop an effective means of collecting all the information and data required for effective planning at the centre, let alone do any countrywide project preparation and evaluation.

The Kenyanized unit is also involved in annual budgetary review process through representation in the Estimates Working groups in the Budgetary procedures groupr These groups

50. PPEU, Brief, op. cit.

produce the Draft Estimates, the Programme lieview and Forward Dudgct, and the Revised and Supplementary Estimates for the Government. In other words, the Unit has become part and parcel of the traditional planning system which it has failed to change but which it has turned to servicing. Thus, the unit also prepares what it calls annual Plan Implementation reports (but now moving to bi-unnual reports). These reports involve the use of Auditor General's Report to compare the actual expenditure with the planned expenditure.

The new unit is now also involved in periodic consultations with External Aid Division of tho Ministry of Financo and Planning and the donors. Such consultations deal with a review of projects with external aid agreement in force but not yet implemented; reviewing of projects with donor interest in principle but no formal commitments; and holding discussions on new projects in search of external aid. From these consultations and discussions, the unit has been able to identify different donor tastes with regard to different types of projects. It has therefore developed an ability to advise, various ministries and local development committees regarding tho titlos and phraseological orientation of their projects depending on various donors.

Thus, for instance, ministries and local authorities are urged to load their projects with social-oriented titles and phraseology such as "rural development", "rural employment'", "rural education", "urban poor", "equal income distribution" etc. in order to raise the probability of getting funds from the Scandinavian countries. World Bank funding would depend on titles and phraseology reflecting heavy capital usage and returns, production, high incomes, and modernization.

Basically short of operational planning or evaluation capacity, the unit's role in regard to project preparation and evaluation has been reduced to a nominal level. Like the period before and during the ineffective PPEU Canadian advice and training in planning and evaluation, main project appraisals and evaluation are still undertaken by private (mainly foreign) consultants such as the Swedish VIAK. i>.A. Ltd., British Alexander Gibbs and Sons, American Chemonics International, etc. These consultants are nearly always funded under some forms of technical assistance by interested donors. They •write detailed project appraisals, conduct feasibility studies and write up review and evaluation reports. Some donors, for -example the

World Bank, engage private consultants or make use of their own personnel to conduct appraisals, reviews and evaluation reports. Meanwhile, the PPLU staff engage in what is mainly nominal supervision of some private consultants engaged in such appraisals and evaluation reports. hut/the institutional limitations of the unit, its reduction to a servicing agency of traditional Planning Division, together with its limited technical capacity, have all largely reduced it to what we have called nominal status as far as the country's planning, or project preparation and evaluation are concerned. Hence no donoro have yet considered depending on the unit for what they would accept as satisfactory project preparation and evaluation in order to release thoir aid.

Summary and Conclusions:

By the time of independence, in 1963, Kenya did not have a planning unit capable of drawing up comprehensive, detailed and properly coordinated development plans based on well analysed projects. The existing unit which had emerged over the decade or GO before independence, was mainly concerned with making general statements and bulk figures on expenditure expected to be incurred over a number of years given the expected governmental revenue, especially foreign governmental finances or aid. While the only or main donor of such aid remained to be Britain, detailed and specific project analysis was not regarded as being necessary. This was because the personnel to spend these funds and manage the relevant projects would also be British serving mainly British interests in the end. But when independence approached many other donors including the World Bank, US AID, SIDA, CIDA, NORAD, West Germany, etc. indicated their wish to fund various development projects in the country. These, however, could not bo satisfied with the kind of "shopping list" planning which the British had used as a basis of providing aid to colonial Kenya. They insisted on detailed analysis of every project they would bo funding.

In tho absence of qualified Kenyans in the area of professional planning, particularly in project appraisal and evaluation, these donors, usually on their own suggestion, were invited by the Kenya Government to survey around Kenya and indicate the projects they would like to fund. They were also to prepare project appraisals acceptable to themselves, provide the funds and implement the projects. The result was great confusion of priorities originating fro,a the fact that almost any project could be claimed by the donor to bo geared to tho national goals as provided in the over-generalized policy documents such as KANU Manifesto or KANU Constitution.

Thus, although tho World Bank had tried to help Kenya streamline her planning, the years after 1963 were characterized by donor competition, project duplication and overlaping, and complete lack of coordination in practical implementation of the vague and too-general development plans. This situation also led to long delays in spending of aid funds; sometimes such funds were never spent, thus suggesting lack of capacity to make use of available resources. To the officials of Canadian High Commissi in Kenya, this entire situation would never be corrected unless a specialized and Kenyanized unit for project preparation and evaluation was set up as a basis of viable planning for the country. They therefore planned the unit and put the idea before Kenya's Ministers and the top officials. What came to be known as the Project Preparation and Evaluation Unit was finally accepted and included in the Development Plan 1970-74.

From a Kenyan point of view, tho success of PP£U would have meant improvement in plannii;r, and hopefully an increase in .-id off;r«, luster rate of project implementation and therefore faster consumption of aid, and hence faster 'ivelopmc. t. From the expressed Canadian viow, such a unit would mean faster consumption of her aid. It *ould apt-ear that from the unexpressed Canadian point, major Canadian role in setting up the unit and training a huge number of Kenyans associated with it, would in the final analysis increase the probability of instilling Canadian values in the choice and content of development projects in Kenya whether funded by Canada or other bilateral and multilateral donors. This would in turn .increase Canadian trade with Kenya, and the greater the trade the greater the chance that Canada's influence in Keny-'domestic and international politics would also increase.

As demonstrated above, unfortunately, the JT10U project cannot stand out as an example of a successful aid project. This large measure of failure has been attributed to several factors including the non-involvement of Kenyans in the planning and implementation of PPiiU; and the use of the externally based York University as an implementing agent. This meant that the Kenyans did not become fully committed to PPSU

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as they would have done if they had beon involved in its planning right from tho start and if it had couie about as a result of planning, implementing and evaluation needs felt or recognized by Konyans themselves. The external control of PFiSU by the York University in Canada also meant that tho donor was out to achieve what she had solely planned right from the beginning and that s.\e became insensitive to the problems of Kenya's socio-oconomic and institutional environments, inclnding Kenya's bureaucratic traditions, other donor competition and boundary maintenance tendency of the entire planning system,

Most of the officers undertaking training in Canada were concerned with administration and not with project preparation and evaluation* Officers in technical and professional fields like education, road or industrial engineering, agriculture, health, veterinary, and survey were not included in the training programme. Nor was on-the-jiob training in planning undertaken for these officers. This meant that by the end of 1977, Kenya continued to depend on foreign technical personnel and companies in order to carry out project appraisal, project preparation and even project implementation and evaluation. Tho total consequence of this defoct in the planning, preparation and implementation of PP*£U was to reduce greatly the projected operational role of the Unit as a new major planning instrument of the Kenya Government in its development efforts. The unit was therefore finally reduced to a much less effective, nominal status of mainly servicing the already defective traditional planning system in the country. The failure of PPEU to create a viable national basis for industrial, agricultural, educational, medical, or technological planning both at project and national level was its greatest contribution to continued manipulation of the country by foreigners under the coVer of foreign technical advice and consultancy, the end result of which becomes intensified underdevelopment and dependence in Kenya.

While other attempts to change or improve planning might be made in order to put it in line with Kenya's massive problems - economic, social and technological, one main lesson emerges from the study of this project. That is, that a meaningful change in such a procedure as planning would require tc be proceeded by complete re-orientation of the societal goals which are implied in a country's socio-economic structure. As the architects of PPiiU never meant to bring about any basic changes in the socio-economic status quo, the only justification of the unit between 1970 and 1977 was in Canadian

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attempts to penetrate and dominate the various Governmental ministries and departments that had been under the influence of other donors. These included Education and Works under Jritish influence, Tourism and Agriculture under British and German influence, and Finance and Planning under British and American influence. The only success of Canadian officers in PPEU during these years was in searching around for capital intensive projects to be financed by the Canadian Government via CIDA. In this case the PPEU acted like the UNDP, JfAO and other technical assistance programmes to Kenya towards the search for a livestock development project acceptable for the funding of the -World Bank and later on of the USA, Canada, Sweden and Britain,[51] But it never attempted to prepare or train Kenyans to have tiveir own capacity for project preparation or evaluation independent of the donors.

51, See chapter V. This would lead to greater consumption of Canadian aid to be followed by greater consumption of Canadian manufactured products by Kenya in favour of Canadian trade interests.

CHAPTER V

LIV^'STGCK D.JV'XOFMJLNT PROJ'JC? (I)

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Case Study N_0, 2

Although a shift has taken place in favour of other sectors of the economy in Kenya, agriculture has continued to play the dominant role in the post^independence efforts to realize high levels of economic growth. Production of the "traditional" exports such as coffee, tea, pyrethrum, or animals and animal products, has not only been maintained, but great efforts have been made to expand that production. These efforts have been seen by the Kenya Government as part of its overall policy to maintain and expand the country's high level of agricultural exports as a basis for f^st economic growth. Since most of the agricultural crop production hns been dealt v/ith by other writers, this chapter will try to deal with an area which ha3 received little attention from the researchers, that is, the area of livestock production. The purpose will be to examine the origins and objectives of the first post-independence efforts in livestock development as represented by livestock Development Project (I), 1968-1974. The chapter will also look at how the project was implemented and by whcr., end what implications

1. Agriculture contributed 38$ of *CDi* is 196'f and 31$ in 1972 as compared to manufacturing which contributed of GDP in 196^ end 12?4 in 1972. <u>ifenva Stntistic?! Abstracts, 196^1??*+.</u>

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it had on the country*s agricultural development attempts in general,,
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LIVESTOCK DEVELOPMENT PPOJ.-ST (I)

Project Origin!

Livestock development in Kenya has been an attempt to improve or change range land with an overall aim of improving the country's livestock production, particularly in beef. A programme concerned with this kind of activity seems to hive been initiated in Kenya after World War II and was to become an important activity of the ALDEV programme.[2] People like Dr. Hersch, an American range expert,^ did research on range land and livestock in Kenya in '^O's and no doubt contributed greatly to the policy on rangeland livestock development.

But the programme received greater impetus when Kenya Meat Commission was established in 1950 as a

2* For the main objectives of ALDEV programme, see chapter II poJ 30-1 31, above, or Kenya Colony, ALDEV , 19^6-1955, op. cit.pp. 1-3.

% ALDEV, 1 9 p . 207.

statutory body, with a hope that the organization would expand outlet "for the disposal of surplus stock fron the African pastoral areas."[4] The organization, however, did not manage to attract sales from the rangelands occupied by Africans. To overcome this failure, therefore, African Livestock Marketing Organization (ALMO) was set up in mid-1952 to purchase stock dircctly from Africans, encourage local.cattle sales, particularly for local consumption, and employ licensed traders[5] under control to buy in the more remote districts; The objective of the programme, and of ALKO in particular, was to reduce overstocking and remove natural increases from areas not yet affected, thus raintaining stability of stock population.[6] This objective remained as the central target of livestock development programme even after independence in Kenya.

The programme was to be stepped up after 195^ ss provided in the owynnerton Plan. This plan particularly recommended the involvement of the U S. technical

4. HacGillivray, Sir Donald et. al., A Kcport. of t.he Committee on the Organisation of -riculture. (Nairobi,Government ^ress, 1960) p. 95.

5. Ibid. p. 95

6. Ibid. p. 95

assistance in research and training in Kenyc,[7] a step that formally opened the way for American Government supported active participation and influence in Agriculture and livestock production in African areas. By 1958, therefore, J.C. Moomaw of Fulbright Institute "of American St-te Department, for example, was already researching on Kenyan grasses, particularly in the drier rangelands.[J] He was followed by other American and British researchers and officers in the early 1960's, who worked hand in hand with UN Special Fund officers in producing research data that would form a basis of a cohesive livestock development programme in the whole country. Of spcciol interest here was what could be termed as the livestock development "bible" in Kenya - entitled "Rnnse Management in East Africa", produced by H.F. Heady with financial support from the Fulbright Institute in 1960. In Kenya, the people who assisted him in this exercise were H.J.M. Swynnerton, Director of Agriculture and author of Swynnerton Plan, and **L.H.** Brown, his

7. Swynnerton, op. cit.pp. 39-^1•

8. Heady, H.F. - R^nre Management in Sast Africa (Government Printer Nairobi 19&Q, & 1972) especially footnote on one of the two maps accompanying the report.

9.* Kenya Colony: Veterinary Department, Annual Kenorts (Government Printer, Nairobi) 1957-o1. F.A.O. and UNICEF also participated very actively in similar researches.

deputy.[10] The ultimate effect of the compositon of Heady's team was a massive reflection of the Swynnerton Plan and ALDEV programme, as a means of livestock development in East Africa, and Kenya in particular.

It should be noted, however, that virtually all these research activities v/ere conducted within the jurisdiction of the Ministry of Agriculture and Animal Husbandry (MOA). Their findings were therefore considered to be those of KOA and they no doubt formed a basis for future policy planning. One of the products of the accumulated research and need for planning and management of livestock production in the country was the creation of Range Management Division in MOA with financial and technical support of the U S A.I.D.[11] By 1966, a year before the World Bank did an appraisal of Livestock Development Project I, two-thirds of the senior staff positions and one third of the technical and agricultural officer positions in the MOA were still held by non Kenyans.[12] Most of these positions

10. Heady, op. cit. p. 2.

11. Kenya Republic: MOA, Range Management Division - <u>Ran/re News,</u> Issue No. I, July 19&7®

12. IBRD/IDA, <u>Livestock Development Project - Kenya,</u> Reoort IIo. TO-6l6a, p. 3. These included D.J. Pratt, Head of Range Management Division, J.J. Meadows, Senior R^nge Officcr, and U.:AID officers including F.L. Hoffartt, Senior H^nge Adviser, J.K. Slade and S. Goodloe, Provincial Ran^e Advisers at Coast and Rift Valley Provinces respectively. R-Ti^e Newa, op. cit.

were held by non-Africans. The project did not on3y have colonial origins and colonial intent: or 3 of controlling and directing livestock production in tho African areas for political and economic interests of basically foreign (European) commercial ranchers of supplying British-market-oriented KMC with b'ief dattle. But those same colonial capitalist intention were carefully sold to independent Kenya Government through the presence of heavy foreign input in the MOA particularly the Range Mana£ement Division and Livestock Marketing Division (formerly ALMO)• Indeed such foreign predominance in MOA was gre-itly responsible for continuation of colonial motives into independence era. In the following pages, we therefore seek to demonstrate that the availability of capital and technical aid for Livestock Development Project I no doubt served to shape the policy of t-iOA with respect to livestock development in post-independence period, and that, contrary to the views of G. Holthar. and A. Hazelwood, independent Kenya Government would not h~;ve adopted the same policy without that or similar aid.[13]

1J. Holtham and Kaselwood, op. cit.pn. 22'*-225.

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Project Objectives:

Right, from the early 1950's, the main objective of Livestock Development Programme was to raise livestock production in terms of milk and beef, especially the latter.[14] In 1960, H.F. Heady set a new objective standard on the basis of U.£> experience in which livestock development in range areas sought to manipulate "vegetational changes for greatest livestock production".[1^] In Sast Africa, especially Kenya, Heady recommended manipulation and control of African stock movement and stock rate by applying compulsory grazing schemes and other land use practices in order to realize increases in livestock production.[16] The same objectives were stressed by the I3RD Report on Kenya in 1962 which specifically pointed out that the principal target of the programme would be achieved in the case of meat production if the willingness of stockowners was obtained to market their livestock instead of retaining them for what the mission viewed tc be "unrenuraerative purposes".[17] Echoing the IBRD Tiews, the first Development Plan (1964-70) of the independence Government adopted the programme os the basis that

14. ALDKV, 1946-55, p. 11.

15. Heady, op. cit. p. 7.

16. op. cit. pp. 44-45.
Also Swynnerton, op. cit. pp. 31-36.

17. IBRD, Kenya, 1962, p. 49.

it would "be the only alternative to famine relief," which was expensive to the Government and degrading to the recipients.[18] This view tended to imply social dignity of the pastoral people based on self-sufficiency and independence from continued government support. The implication here was that the pastoral African peoples themselves would be the main beneficiaries of the programme in terms of having more food to eat and more money to buy extra goods and services. But this was more or less contradicted by the same Development Plan which sought to continue and expand the capitalist oriented livestock production in the country.

In fact, the main rationale of the post-independence efforts in livestock development programme of the type we are about to see was clearly put by the Development Plan 196^-70. It stated:

> A considerable portion of the beef animals received for processing by the Kenya Meat Commission comes from the large scale farms that are currently bein^ bought for the settlement schemes* As few beef animals are to be produced by the settlers, the Commission will have a shortfall of 26,000 head of cattle by 1966/67. To make up this deficit, efforts must be directed at improving the ranching practices of the pastoral people of Kenya.[19]

18. Republic of Kenya, Develorrent-Plnn 1°6^-70» p. This justification was repeated in the Revised First Tt Tl on. -Tvy - ^. p# 134.

19. Development Finn 196^-70, p. 57.

In other words, one of the rain objectives of the pro^raiiiine as a whole was to intensify large -:c production and to create a peasant base for li \ -stock production to fill in the gap created by e> «c :ed lowering of production in the large scale sector due to the take-over of some European farms for the African settlement schemes* In the African rangeland ireas, the objective of the programme was to produce an; ;,..ls which were free of disease in order to nake them acceptable in the European markets*[20] This meant that peasant areas were to be converted into direct producers for export in addition to continuing as supplier;, of cheap immature stocks to the European ranchers who •ould then fatten and rid them of disease before delivery to the KMC for subsequent export* Whether producin : for direct delivery to KMC or for supply to European ranchers and onward delivery to KMC the entire exercise amounted to production for market.[21]

In respect of the existing commercial ranches in the formerly European settled areas, the programme had two main objectives* These were, (a) to protect chem from contracting disease from African areas and (b) to intensify production of quality beef for export*[22] To

20o Development Plan 196^-70, p* 57.

21• Thin constituted the basis for capitalist under-development of rural Kenya* See chapter I above and chapter VII below*

22. _Poyelopmont Plan 196*4-70* p* 57; Develop;:^*, Plan 1966-70 p."

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do this, better marketing facilities would be provided in form of improved "sanitized" stock routes and small quarantine holding grounds to facilitate disease-free flow of livestock from African rangelands to European ranches for fattening and to KMC for slaughter. Such duality of supply of animals from African areas was to be promoted under the project in form of what was called destocking exercise.

Thus, the post-independence Kenya Government had decided on preserving duality in livestock production just like in other areas of the economy. In doing this it would invest more heavily in range pastoral areas than had been done previously.[23] The major investment in the range areas, according to Development Plan 1966-70, would aim at increasing average meat weight to the level of commercial (mainly European) ranches and to raise the annual percentage off-take (i.e. slaughter animals in relation to the livestock population) from % among pastoralists and among semi-pastoralists and subsistence cultivators, to more than the 19$ level of the commercial ranches. In this investment the Government therefore expected to realize about £10 million, or better than

23. Development Plan 1966-70, p. 13'w

six times the level of 1966, in value of livestock shipments from these areas,"[2b] Like all the previous aims, especially colonial aims of livestock development programme, the real target or objective was not to improve production as a source of food and true incomes of the pastoral areas but rather to raise the quality and quantity of animals that could be "siphoned" out of these areas mainly for KMC -slaughter for local consumption and increased exports,

Kenya and the aid donors for Livestock Development Project I assumed all the above objectives and therefore agreed that the purpose of credit from IDA and SIDA was "to assist in financing the range livestock development project"•^ This assistance involved provision of long-term and short-term loans and credits for ranch development in Kajiado District, Taita, Kwale and Kilifi Districts, Mnchakos, Laikipia, Nakuru, Nyeri, and Nyandarua Districts or other areas which may be agreed

2k. Development Plan 1966-70, p.

25. IDA-Kenyo Government and Sweden - Kenya Agreements - Livestock Development Project, dated 26lh September, at Washington iJ.C. round in Agreement files at Ministry of Planning and Economic Development Treasury, Kenya.

between the parties.[26] It would also involve development of livestock movement and marketing facilities especially in northern Kenya, Kajiado and Narok Districts; Range water survey and development of. range water facilities especially in northeast Kenya; and the provision of technical services ancillary to livestock development mainly in northeast Kenya,[27] These project objectives, vague though they were, would hopefully promote the livestock development programme as drawn up by people like H.F. Heady, and adapted by the Kenya Government in 1966-70 and 1970-7^ Development Plans. Both the Project ' Appraisal of 1967 and the Agreements did not therefore address themselves to the issue of how this project would contribute to development in the affected areas and in Kenya generally. They instead concentrated on ensuring efficient execution of the project for its own sake. The criteria for evaluation of this project, therefore, cannot merely be one of efficiency, but should rather concentrate on whether the ideals of the programme

26.j <u>IDA/CIDA/Kenya Government Agreements 1968.</u>

27. Loc. cit. These objectives represent operational goals which might help realisation of sub-goals in form of destocking in African Areas and marketing to KMC and private buyers, and finally might lead to increased production in the affected area. For the notion of goals structure, see J.G. March and H.A. Ziirjon, op. cit. p. 19^.

were realized, whether these ideals led or contributed to real development among the affected societies, and whether the changee that might have occurred were really caused or promoted by the presence of aid.[po] An attempt to answer these questions will be the central job of the ensuing pages which will, however, first toe preceeded by a brief examination of organizational framework within v/hicii the project had to be implemented.

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Organizational Framework for LDP (I) Implementation

The overall responsibility for LDP(Ii implementation was viewed to rest with Kenya Government, the official recipient of IDA/SIDA credit.[29] The specific institutions to carry out the provision of credit facilities and technical services related to the project were the Agricultural Finance Corporation (AFC) and the Ministry of Agriculture and Animal Husbandry (MOA).

The AFC was established within the Mfinistry of Agriculture in 1963 on the lines recorr.menied by the American IGA consultant, M.H. Williams, ia 1959.'^°

28. "Once acquired, the operational goal* will provide the basis for evaluation of the actica programme" March & Simon 1958, p. 197.

29; IDA/.ilDA/kenva Government Agreements 1968.

30. MacGillivray, op. cit. pp. 45-^9.

According to Williams' recommendations, the AFC would be operated on lines similar to American agricultural credit system oriented to promotion of private system of ownership and production. It would be responsible for most, if not all, public agricultural credit in Kenya. As it seemed to overlap with a colonial European and large-scale farm credit organization - the Land and Agricultural Bank of Kenya - it was merged with the latter in 1965» and thus Arc became the sole source of public credit to agricultural sector in Kenya.

The establishment and expansion of AFC between 1963 and 1965 was an important innovation which internalized the norms related to private property ownership and system of production in agricultural development supported by the Kenya Government.[31] Such norms became an important environmental factor for the adoption of livestock development project which, as we shall 6ee below, concentrated on promoting and enlarging the profit base of private ranching and livestock trading enterprises in the country. Being operated by American managers and American trained Africans, AFC was no doubt to be favoured

31. For the idea of environmental norms favourable to change and innovation, see L.B. Mohr, Determinants of Innovation in Organization" in W.H. Starbuck ed., Organizational Growth and Development, (Penguin 1971) p. 231.

in terms of being selected to become the credit implementing agency of LDPCO, a project which, as seen earlier, was largely a product of U S sponsored consultants and advisers at the Range Management Division (RMD) of tho MOA.[52]

Although the overall project implementation was the responsibility of KOA$_9$ one of the conditions for favourable consideration of IDA credit application was that institutional setting for credit management should be created within the AFC in form of Ranch Division (RD).-^ This condition was fulfilled in 1968.^ But the IBRD/IDA appraisal report required that the AFC, and particularly the new RD, be provided "powers, composition and functions" satisfactory to IDA. ^[35] This requirement was fulfilled by transferring the AFC from the MOA to the Office of President in 1970 in its reconstituted form under Agricultural Finance Corporation Act (No. 1 of 19&9) 1969.^ Though still reporting to the MOA, AFC was

32* Range Management Division of the MOA was created in 1963.

33. IBRD/IDA, Report No. To-6l6a.

34. Arc, Ranch Division, Brief No. RD51C4, in AFC files.

35. IBRD/IDA, Report No. To-6l6a.

36. IBRD/IDA - <u>Appraisal of Livestock Development Project in Kenya</u>, Report No. 193a - KE, Hay 9, 197^, Annex 5.

provided with additional institutional power base in that Presidential powers could be directly called for when and if the project faced difficulties, especially of a political nature.

The AFC's role involved an operation of credit to provide long-term loans for ranch development and short-term credit for working capital to ranching enterprises. These were identified as (a) "group" ranching enterprises in the Kaputiei Section of the Kajiado District, (b) "individual" ranching enterprises in the Kaputiei or adjacent sections of the Kajiado District, (c) "Company" ranching enterprises in the Taita District or adjacent areas in the Kwale or Kilifi District, and (d) "Commercial" ranching enterprises in the Kachakos, Laikipia, or Nakuru Districts or adjacent areas of the Nyandarua and Nyeri Districts, and ranching enterprises in other areas which might be agreed among the signing parties (IDA, oIDA, and Kenya Government). In its fulfillment of this main role, AFC would also provide supporting technical services to these enterprises. In order to accomplish its roles, AFC was allocated some U S $6.^0 million or about 60 per cent of the total U S $ 10.80 million allocated for the completion of the whole project.[37] Of that allocation

37. IBRD/IDA, Report No. TO 6l6a.

US t'ₜ„20 million was aid from IDA and SIDA, while the rest was made up of funds from the Kenya Government share of the i)P(l).

The Ministry of Agriculture wag the other agency for the implantation of LDP(l). Its role would be played by its various divisions and departments. Livestock movement and marketing[1] facilities would be provided or improved by Livestock Marketing Division and would concentrate on Norvheast Kenya, Kajiado and Narok Districts, and other ar^ia which ir.ifht be agreed between the Government and the donors. The Division would buy and sell cattle in Northeast Kenya develop, operate and maintain stock-routes and holding grounds; participate in making marketing analysis and coordinate ifaplerasntation of the policies based on such analysis; and ensure that screening and vaccination against th<! wore important endemic cattle diseases, including foot-and-moath disease, were carried out at collection grounds in Northeast Kenya prior to movement along stock-routes.

Range Water Division of MOA would oarry out water survey and development on a oountry-wide basis but concentrating on ar^as targeted for AFC operated loans and credits for livestock development.[39] The roles of

33. T DA/SIDA/Kenya Government Agreements, 1963.

39. Range Water Division was by then part of MOA's Department of Water Development which was made into a full Ministry of Water Development in 1973.

the Divi si on included water investigation and survey; v/ater construction and development, including supervision of works carried out on a contract basis; operation and maintenance of range water installations; and undertaking feasibility studies of two proposed range water development areas of V/ajir and Garissa.

The Hange Management Division and Department of Veterinary Services would carry out what were called auxiliary technical services. These would involve an expansion of normal field services to give fuller coverage in the Project areas, including livestock census and free veterinary services.

What March and Simon call "the level of integration", that is, the loweot level at which all activities relating to a particular operational goal enn be coordinated through the formal authority mechanisms - would be realized through the Unnge Livestock Authority. The authority would be composed of the Permanent Secretary KOA represented by Head of HMD (Chairman), the General Manager of AFC, AFC Project Manager for RD, Directors of Veterinary Services and Water Development, Heads of

*f0. March and Simon, op. cit. p. 195» and I3KD/IDA; Report No. TC-6l6a, and IDA/SIDA/Kenyn Government Agreements 1968.

LMD and RWD, the Chairman of Central Agricultural Board, Managing Commissioner for KMC, two representatives of Ranching industry and the Planning Officer (Livestock) MOA as Secretary. However, this Authority was never constituted.[41] instead a section of Livestock Development Project Coordination was set up in the MOA.

Meanwhile the Head of RMD, AFC's General Manager, Ranch Division Project Manager, Director of Water Development and Heads of LMD and RWD were all expatriates mainly Americans and British. No wonder the LDP(I) in effect tended to largely promote the same interests that the colonial livestock development in Kenya had tried to implement. Those interests included financial and governmental facilities for obtaining cheap cattle from the pastoral African areas and supplying them to European ranches for commercial fattening and/or ultimately supplying them to KMC for slaughter and export to Britain and other parts of the metropolis. * In other words, the entire organizational framework for the

41. Interview with Mr. A. Chege, Livestock Development Project Coordinator 1977/78.

42. See the next two sections below.

execution of this project would no doubt expand the export - oriented nature of livestock production in Kenya on the usual grounds, mainly that it would earn the country the foreign exchange needed to meet the import of essential goods which were not produced locally. As wo have seen in chapter I with regard to British system of aid to foreign territories, that kind of unequal and lopsided relationship of exports and imports constituted the core of western colonial aid retionale and a basis for colonial and subsequent neo-colonial underdevelopment and dependence of aid recipients like Kenya. This point will be taken up again in Chapter YII.

The fact that the crucial aspect of the project in form of credit administration was located in the AFC together with the fact that it accounted for the significant portion of the project funds, meant that AFC was the main implementing agency. Its policies an(* ideals were to be adopted by the MOA as the official livestock development policies. In the meantime the various departments of MOA involved in LDP(l) became mere supporting agencies, providing supporting technical services related to the success of the AFC directed production of livestock for market. Being dominated by American and British General Managers, financial Managers and other senior officers, and being assisted by the largely British influenced LMD in the MOA, the AFC as the central element in the organizational framework for the implementation of LDP(I) was to ensure the production of livestock for the metropolitan oriented export and trade* Its origins, ideals and policies were capitalistic and it therefore drove the entire project to the service of capitalist interests:. In this respect, AFC and other elements of implementation framework were not only proper but they contributed to the large measure of eucccss of livestock production for export after independence. As such, the organisational framework was instrumental in the exploitation and underdevelopment of the rangeland and the counti7 in general after independence.

<u>Assessment of LD?(l) Implementation</u>:

Implementation of LDP(l) involved two main parts, one being dealt with by the AFC and tho other by the MOA. Under the project agreement the AFC was charged with the responsibility of administering the credit towards the long-term investments and working capital for the ranchers. The credit item involved sone 3 5*80 million, while the administration costs referred to as costs of supporting Technical Services involved some $ 0.60 million, (Table I). AFC had therefore to implement the credit aspect of the project, supervising the use of that credit, and ensuring that the livestock involved were sold in time and loan repayments made as scheduled.

2£SyL£ IDA/SIDA and Kenya Government Projected Contribution to LDP(I) for 5 years, by spending Agency and Purpose to bo Funded

Spending Agency & Purpose	IDA/ SIDA Govt. Total	IDA/SIDA Years 1 - 2		3	4	5	Total	KEUTA GOVERNMENT Years 1	2	3	4	5	Total
	US 3 -s.	US $ million						US $ million					US $ m.
A, AFC	6.40	0.65	1.11	1.62	0.53	0.29	4.20	0.36	0.61	0.86	0.24	0.13	2.20
For Develo- pment Loan to Ranchers	3.40	0.28	0.56	0.88	0.46	0.22	2.40	0.12	0.24	0.37	0.19	0.08	1.00
Working Capital to Han che- ers	2.40	0.30	0.48	0.66	-		1.44	0.20	0.32	0.44	-	-	0.96
Supporting Technical Services	0.60	0.07	0.07	0.08	0.07	0.07	0.36	0.04	0.05	0.05	0.05	0.05	0.24
B. MOA	4.40	0.83	0.84	0.71	0.31	0.31	3.00	0.31	0.40	0.31	0.19	0.19	1.40
for Livestock Marketing and Marketing Facilit- ies	2.00	0.33	0.25	0.26	0.18	0.18	1.20	0.22	O.lo	0.18	0.11	0.11	0.80
Range Water Survey ancl Levelop- men t	1.50	0.14	0.32	0.18	0.13	0.13	0.90	C.09	0,22	j.13	0.06	G.C8	0.60

Table I Cent.

Ancillary Technical Services													
KID	0.60	0.24	0.18	0.18	-	-	0.60						
LVS	0.30	0.12	0.09	0.09	-	-	0.30						
Total	10.80	1.48	1.95	2.33	0.84	0.60	7.20	0.67	1.01	1.17	0.45	0.32	3.60

Source: IBKD/lDA, lio. T0-6l6a-KE, 1967, Annex 13, Teble I.

The other main part of LDP(I) implementation involved various departments of the MOA. Range Management Division was to provide extension services to ranchers regarding the various aspects of range management including persuading the Masai to accept individual ownership of ranches and to occept to change from subsistence production to commercial production. The Range Water Division would undertake water survey and water planning and assist in the installation of watering and dipping facilities once the ranchers were willing to hav them. Tho role of the Department of Veterinary Services was to control cattle disease in the ranches and in the stock holding grounds under Livestock Marketing Division. The department was to innoculate animals against rinderpest * Bast Coast fever, and foot and mouth diseases. It woo also responsbile for the treatment of sick animals. But most important of all, it was charged with tho responsibility of enforcing the quarantine regulations which restricted livestock movement from disease areas to other areas. Then, there was the Livestock Marketing Division which dealt with the buying and transporting of cattle from Northeastern, Eastern. Coast, and Masailand to the KMC or to commercial ranchers specializing in cattle fattening for onward profitable sale to the KMC. The whole part of the MOA role in LDP(I) included a total of $ 4.40 million shared as shown in Table I. But it should be noted that the most, important aspect of the MOA part was Livestock

Marketing particularly to KMC or to ranchers who would then sell to KMC mainly for export.

Before going into the details, it should be mentioned here that the entire LDP(I) was estimated to cost U.S. $ 10.80 million. Of this amount, some U.S. $ 7.20 million would be in form of foreign aid shared equally between World Bank (IDA) and Swedish Government (SIDA). Tho latter donor merely contributed the funds to be used for this project, but did not participate actively in its planning, appraisal, implementation or evaluation. From a donors' side, the appraisals, supervision and subsequent evaluation was done by IDA.

The other portion of the LDP(I) funds, some US 3 5.6 million, would be provided by the Kenya Government. This amount represented about 80 per cent of the S million that would be spent by the MOA in the implementation of this project. However, both aid and government funds were put together and distributed to various activities of the AFC and the MOA as shown in Table I. Of the total $ 7.20 million in IDA/SIDA aid, an equivalent of $ ^,380,000 or about 61 per cent would cater for foreign exchange

kj>0 AFC's proposed expenditure under LDP(l) represented about 90 per cent of IDA/SIDA S 7.20 million aid.

component of the project, including capital goods and technical services. In this respect, aid made the operation of LDP(I) possible by availing a large portion of tho funds to be used as foreign exchange which the Kenya Government would not have been able to meet from its coffers without affecting adversely some other areas of the economy. In addition, the rest of aid funds were used to cater for local costs of foreign experts particularly those associated with various Divisions of MOA - RKD, RWD, LMD and DVS. Once again the Kenya Government would have found it hard to provide for these costs - including transport, housing, education, etc. - without the aid funds$ In otherwords, availability of aid made the operation of the total project possible with only a third of the cost coming from the Kenya Government funds.

With these few remarks in mind, an analysis of the LDP(I) implementation can follow, with an emphasis on AFC's role* As indicated earlier, LDP(I) had nothing new in it which had not been either started or proposed by the officers of the colonial regime. It epeoifically aimed

Mu IBPD/IDA, Report No. TO-6l6a, KE, P10.

See for example, R.H. Brown - A Survey of the Grazing Schcmes Operating in Kenya, (Kenya Colony, Department of Veterinary Services, 1959-60), regarding individual and group ranches in Ukambani and in Masailand pp. ^8-71. Brown also suggested that the Crown land in Taita - Taveta areas should be used for controlled livestock production under proper rangcland management.

at increasing productivity in rangeland areas of northeast Kenya, Ukambani, Maseiland, the unallocated state-land in Taita, Kilifi and Kwale District, and in the established commercial ranches (mainly in European ownership).[46] This would involve the use of aid funds to increase and expand the colonial (ALD2V) initiated individual and group ranches particularly in Kaputei section of Masailand; using LD?(I) funds to open up the "unutilizod'btat® -land in Taita, Kwale, and Kilifi Districts; and strengthening of commercial ranching, especially the fattening aspect, in Machakos, Nakuru, Laikipia and the surrounding Districts.[47] According to World Bank appraisal report of 19&7 LDP(l) would be comprised of 10 individual and 20 group ranches, 10 company ranches in Taita and surrounding areas, and 20 existing commercial ranches.

LDP(I) was scheduled to begin in 1968, but this was not possible due to a number of factors related to the conditions demanded by the World Bank before IDA funds could be released. One of those conditions - the

46. Development Plan, 1966-70, p. 135? Development Plan 1970-74, pp. 268-269; IBK/IDA, Report No. T0-6l6a, K2, Annex 15-18; and compare with Brown, op. cit.

47. See specific areas stipulated by the Agreeements, on pp. 291-292 above.

strengthening of AFC and establishment of Ranch Division within it - has already been discussed above. The other condition was related to recruitment of international officers to head the Ranch Division of AFC, RWD and HMD of MOA.[48] This recruitment took some time to do. The third main cause of the delay after the World Bank LDP(I) project appraisal in 1967 was the condition that legislation had to be passed granting land titles to groups of people and vesting the management, including mortgaging of such titles, in a few group representatives. The latter condition, like the others, was fulfilled in 1968 when Land Titles Adjudication Act, 1968, and the[49] Land (Group Representatives) Act, 1968, were enacted. The new legislation thus enabled group ranches to be legally constituted and to hold group land titles which were acceptable by AFC as legal collaterals for its loans and credits to these groups.

48. IBRD/IDA Report, No. TO-616a, KE, p. 15. The people recruited to these positions had to be acceptable to IDA.

<u>Development Plan 1970-74.</u> p. 268. The practice of the Act would be proceeded by land adjudication and registration of titles. One of the other causes of the delay in LDP(I) implementation was the awaited findings of the Lawrence Mission 011 land Adjudications and registration up to December ' 1966. It should be noted that the request for IDA aid to LDP(I) had been submitted in 1965.

After the stipulated conditions were satisfied, the LDP(I) began some operation in 1970, though the actual operation began in 1971. Land adjudication and registration was stepped up in the Masailand, and group land was marked out in readiness for the issuing of group land title deedB.[50] In the meantime a few individuals opted to have their own private land portions outside the group area. They persuaded the rest of their members to agree to let them out of the group and the Kajiado County Council formalized the allotment after which these individuals could now be provided with individual titles. Side by side with project implementation in Masailand was also the allocation of land portions to companies and some individuals in Taita District on a twenty years lease.^ This allocation took place mainly on the generally "unoccupied" state land in the district.

When the allocation and adjudication exercises were over, the groups, individuals and the companies were expected to raise at least some 20 per cent of the estimated working capital requirements. This was also

50. Op. cit. p. 267. Two thirds of adjudication in 1970-7^ period was to be undertaken in range],and areas*

51# Interview with AFC officials at Nairobi. The lease was later on extended to years. Written brief kindly provided to me by the management of Rukinga Ranching Company at Voi.

required of the commercial ranchers who started getting their share of the AFC funds immediately in 1970. Most of the groups, individuals and the companies in Taita District failed to raise this amount and the impleme-ntation of the project was thus delayed until 1971. It was then realised by the Government and the AFC officials that many of them could not raise even the ten per cent of the required down payment. The AFC had therefore to bend the condition in order to be able to use the aid money at its disposal before 1973» the year by which the five-year project should come to an end.[52]

By March 1972, some 90 loan applications had been approved by the AFC as compared to the 60 projected in the World Bank Appraisal report of 1967c[55] Their distribution can be seen in Table II. It should bo noted that the number of individual and commercial ranches expected to be covered by LDP(l) increased from 10 and 20 to each respectively. The acreage to be covered trippled in the case of individual ranches, and doubled in the case of company ranches, (Table II).

The average distribution of AFC disbursed loans under (LDP(I) per ranch and per hectare in each ranch-type

52. Interview with AFC officials, Nairobi

53. IBRD/IDA - 193 - KE, p. 6

TABLE II: Estimated 1967 and Actual 1975 Number of Ranches and Acreage, Loans Disbursed by AFC by March 1975*

Ranch Typo	Number of Ranches		Acreage in •000 Hectares		Loans Disbursed by 1975
.	1967	1975	1967	1975	K.Shs. Million
Group Ranches	20	15	280	221	4.8
Individual Ranches	10		8	25	5.0
Commercial Ranches	20	41	2k0	166	18.O
Company * Ranches	10	10	256	520	20.0
Feedlots		4	mm	3	7.0
Total	60	112	78^	935	5^8

Source: IBRD/IDA - TC-6l6a, KB, Annexes 15-18

- ^77-KE, Annexes 4-6 and 23*

Chemonics, op, cit,pp. 159-163*

AFC Files, Wall Charts and Interview with AFC officials at Nairobi.

demonstrates a clear favour for feedlots, company ranches and commercial ranches vis-a-vis individual and group ranches, (Table III). In the case of average amount spent per hectare in group ranches, it is clear that this was the most disfavoured of all ranch-types. Since most of them survived and actually served many people in the adjacent areas not included in LDP(I)tthis would demonstrate how much resources could be saved per hectare from grouping - approach to developmental resource-use compared to all the other individualized and capitalist oriented ranch types.[54] The most expensive form of livestock production vae feedlot which required expensive capital-intensive operations. This was followed by company ranches, (Table III)#

The difference between individual and group ranches needs a further observation. That is, the expenditure per hectare in the former was about ten-times that of the

54. The low average expenditure per hectare in commercial ranches can be explained by the fact that most of their funds went to wording capital for the purchase of fattening immature steers, while only little went to infrastruciural constructions or installations.

TABLE Ills Average Distribution of Disbursed Loans
Per Ranch and Per hectare, 1975#

Ranch Type	Actual Number of Ranches 1975	Acreage Per Ranch in •000 Ha.	Total Loans Disbursed per Type	Average Amount Disbursed Per Ranch	Per Ha,
				K.Shs. million	
Group Ranches	15	221		0.320	0.022
Individual Ranches	41	25	' 5.0	0.122	0.200
Commercial Ranches	41	166	18*0	O.kbO	0,109
Company Ranches	10	520	20.0	2.000	0.386
Fecdlots	b	3	7.0	1.750	2.333
Total	112	935		N/A	N/A

Sourcet **IBRD/IDA**, ^77-KE, Annex 4-6, and
Annex 23; and Table II, above.

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latter, (Table III)* This clearly demonstrates an attempt by the implementors of LDP(I), (like their predecessors in ALD2V) , to make individualized ranches look as successful as possible whatever the cost.^ It was easier to destock and control subsequent stocking of individual ranches than group or communal ranches. Thus R.H. Brown wished to see 'Reactionary" elements of Masai people

> "replaced by young educated progressives capable of turning Konza into a compact block of four individual ranches."56

This effort was continued under LDP(I) as it can be seen from the numbers expected in 1967 and the actual ones of 1975t where individual ranches actually covered were compared to the expected 10, while the expected 10 group ranches were still short of 5 by 1975, (Tablo I D.

About 65 per cent of the AFC funds provided to commercial and company ranches were used for purchasing immature stock and other short-term inputs such as stock-feeds.[57] Commercial ranches concentrated on

55, See Brown, op. cit.pp. 48 and 70 where it is shown that ALDEV was doing everything possible to make individual ranches a success, for example, in the case of Daudi Makinyu.

56# op. cit. p. 66.

57. Development Plan 197*+-78t p. 215.

purchasing young stock for fattening and subsequent profitable sales mainly to KMC, while the company ranches,, all of which were relatively newly established, concentrated on stocking activities accompanied by laying such basic infrastructures like watering and fencing. Company ranches thus consumed a large proportion of the of total AFC funds to be invested in long-term improvements, especailly water supplies. The other proportion of the capital funds were used by the four feedlots which tended to be highly capital intensive, while a small portion went to individual small-scale ranches, and some token portion to fifteen group ranches catering for a greater number of both human and livestock populations.

The bulk of the Shs. 18 million provided to commercial ranches went to some twenty private individual ranchers and nine private companies. These individuals and companies were made up of European ranchers who occupied about one-thrrd/under commercial ranching, African politicians, senior civil servants, army and police officers, private company directors and executives.[58] These Africans were the people with power and finances

of the area

58. See Chemonic s,list of commercial ranches provided with AFC loans under LDP(l), op. cit.pp. 162-163.

to purchase the ranches from former European ranchers who at independence dominated the entire commercial ranching in Kenya, They were part of the group that constituted a mixture of senior bureaucrats, businessmen,, industrialists and land owners which has generally been referred to as the "national bourgeoisie" who form the core of the local ruling classes.[59]

Meanwhile all the four feedlots were foreign owned and were specialized units for buying and fattening immature steers from North Eastern Province either through LMD or directly from the nomads. They were geared to producing high quality beef for export only. Being highly capitalized, feedlots had also to rely on high prices being set for beef animals. Their owners and those of commercial ranches therefore pressed the government to put up the price of meat so that KMC could make additional financial revenue from which to pay yet higher prices to its suppliers - mainly feedlots and commercial foreign ranchers.[60] Y/hen the government resisted this pressure, the feedlots closed down and the KMC made huge losses a year as it paid commercial farmers very high

59. See chapter I pp. 51-52 above.

60. Part of the Pressure came fron IBRD team of 1976-77* and partly from Chemonics team. See IBRD 1976/77% passim; and Chemonics passim.

prices under the cover that their beef animals were of very high quality.

• In the meantime the KMC graded all animals from tho pastoralists or nomads very poorly. Most of their animals were rejected as being sick animals and their African owners were therefore paid nothing at all. Although KMC never returned them to owners, it rather increased its revenue by making animal feeds and fertilizers from such animals.[61] Indeed the small African livestock producers whether individuals or groups have for a long time been subsidizing KMC in order to pay high prices to European commercial ranchers and supply cheap food to the metropolis especially Britain, Netherlands, and West Germany, the external main consumers of Kenya*s meat.[62] It was lainly because of this unfair treatment by KMC that the Masai largely refused and continued to refuse to sell their animals to the Commission. Consequently, there has been very little activity by LMD, the main buying agent for KMC, in Masailand. The Hasai therefore cell their animals mainly at the county council auction sales that

61. Interview with Range Management end Veterinary Department staff at Kajiado and Sultan Hamud; interview with Masai individual ranchers and Group Ranch Managers; interview with KMC staff. The same thing happened with livestock sold by the newly established African owned Company ranches in Taita. - Research Survey 1977/73, for example Rukinga Ranch.

62. As note 61, above. See also Kenya Statistical Abstracts 1974 and 1976 pp. 64 and 71 respectively.

take place either weekly or fortnightly.[63] In this way they sell them to the highest bidder and realize nearly four times the price they would get from KMC for a healthy animal. Purchases in such auctions are by private butchers or livestock traders from Nairobi or the surrounding areas. Sometimes these private buyers make their purchases directly from the owners at the ranches themselves.

Company ranches which were established in Taita District and Kilifi were meant to be effectively commercial producers of beef as in the case of commercial ranches. People who are mainly Taita buy shares in companies created for ranch owning in the same way that they buy shares in land buying companies elsewhere in the country.[64] They employ managers and workers, but very few of the members actually live there.[65] Being new enterprises, most of the ranches under LDP(I) concentrated on stocking and breeding activities, together with setting up the necessary livestock infrestructure including buildings for the staff and workers, setting up water facilities, dips, tanks, roads and fire breaks.[66] They

63. Interview with Range Management officials at Kajiado and Masai elders at the same place.

64. Research Survey, 1977/78.

65. Research Survey, 1977/78.

66. Research Survey, 1977/78.

wore supplied with some breeding steers and bulls by AFC and LMD from the well established ranchers in Hanyuki and Naivasha. Part of their stock wao privately bought by the managers from the surrounding areas **Guch** as Tana River, while some of it camo from North Eastern Province. Largely due to the long drought of 1970-72 and due to the fact that most of their managers have no qualification or experience in ranching business, a lot of the stock in these companies died or wore sold to KMC and private buyers at a loss.[67] It then became clear that they could not repay the AFC loans which Mere &t 10 per cent rate of interest in eight years. These loans were therefore rescheduled to 25 years, a time thought by both ranchers and AFC to be sufficient to produce enough progeny from a breeding herd to generate enough revenue from which loans could be repaid.[68]

The company ranches have one thing that in common to other group-land companies in Kenya. That ic, many

67. Research Survey, 1977/78.

68. Research Survey, 1977/78 and a written brief from Rukinga Ranching Co. Ltd., Voi. Note that part of their working capital goes to pay land rent to Land office and land rates to the county council* For instance, Maungu Ranch Co. Ltd. pays Shs. 7,177 (rent) and Shs. 5i'>00 (rates) a year, while Rukinga pays 17,000/= (rent) and Shs. 12,000 (rates) for 21,79^ and 3^,413 hectares respectively.

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of these company ranches became a means for the leaders to enrich themselves from the ranch operations including unrecorded livestock sales, unaccounted for small revenue, and the use of company's property - vehicles in particular - as they wish and for their private good.[69] The success of these farms as they are operated so far, like group-land companies elsewhere, will be most unlikely in terms of paying divinaed to the majority or all the members.

A further note oil LDP(l) activities in Kaputiei Masailand is important in the light of continued aid-backed emphasis on raising livestock production in Masailand and the entire Kenya's rangeland. By the entire Kaputiei was divided into individual and group ranches.[70] All the people who opted to go private were either teachers, chiefs, civil servants, policemen, administrators in church organizations, or their relatives.[71] These included such people like Joseph

69. The same thing was found in Maundu Ho Meri Farm Company — group land company ranch - in Laikipia. Interview with farm staff and company members, 1978/79.

70. J.M. Halderman - An Analysis of Continued Serri-Nomadism on the Kar>utei Haasai Grouu Ranches: Sociological and ecological /'actors. (IDS Discussion Paper No. 1^2. Nairobi 1972). Also interview with Joseph Solitei of Sultan Hamud - an individual rancher under LDP(I).

71. Research Survey, 1977/79*

Jonathan Solitei a teacher and former employee of KMC, specialist in cattle-buying, and Ramaita Solitei and Koikai Solitei his brothers. They also included Joseph Napatao, former clerk to Kajiado County Council, Joseph Moshira Ole Leipa, Chief of North Kaputiei and Professor G.M.O. Maloiy of University of Nairobi, Faculty of Agriculture. These were established mainly with the advise of such former colonial British personnel like Meadow and Brown whose dream of consumating the Swynnerton Plan and Heady Plan was still very much alive. The newly independent government did not have its own funds at that time to spend on development projects and it therefore depended mainly on foreign capital and technical aid such as the one provided by IDA/SIDA towards LDP(I). It was he who paid the piper that called the tune directly or indirectly. As already indicated, it turned out that the people who became the managers of LDP(I) were foreigners, mainly British and Americans and they shaped the LDP(I) policy as they saw fit*[72]

The policy on LDP(I) in Kaputiei Masailand was both social and economic.[73] It aimed at increasing the

72* See pages 285-236 and298-30C above.

73* Chemonics, op. cit. p. 1^3*

offtake and reduce range destruction through overstocking and overgrazing. It also aimed at bringing change in social formation from traditional migratory to a sedentary, commercialized and class based society. A few Masai individuals, with education or serving *ih* the public or private sectors, would be assisted to set up their private ranches and thus lead the rest of the population in tho struggle for the remaining part of land. In this struggle land would eventually be owned by a small group of Masai, leaving the rest of the people alienated from it and subservient to the demands of a capitalist dominated backward economy* No wonder then, that individuals who chose to stay as private ranchers found maximum aid-backed government assistance in terms of getting virtually *nl* any loan amounts they requested from the AFC. They were therefore quick to set up individual watering points, dips, and fencing. Most of watering points and cattle dips were located near or at the convenience of adjacent group ranches.[75] The rationale was that these individual

Interview with Range Management officials at Kajiado and Sultan Hamud as well as AFC officials at Kajiado.

75. One wealthy member of Mbilin Group ranch went to an extent of constructing his own watering point and dip in adjacent Merueshi Group ranch. My thanks to Hr. J.N. Kairu and J.N. Kamande cf Veterinary and Range departments at Sulatan Hamud.

ranchers began to trade in these facilities, selling water and charging expensive dipping fees to their fellow Masai.[76] Thus in Poka Group Ranch, for example, County Council watering charges were fifty-cents per animal per month and dipping charges were fifty-cents per animal per dipping. The equivalents for private watering per month were Shs. 2/= per adult cow and Sh3, 1/a per calf or goat. Private charges for dipping services most of which were far too below the recommended standard were from 70 cents to Shs. 1/= per animal per dip.

Considering the huge herds that Masai are used to having, the individual ranchers with facilities for sale (including dry-weather grazing) make huge profits by their exploitative behaviour. In turn they turn to protecting those profits by obstructing the construction of many modernized communal facilities as planned under LDP(I). Such obstruction is achieved by persuasion fta<1 appeals to the Masai philosophy of oneness and sharing. The individuals insist that the sale of these facilities is part of sharing spirit, and that it is not exploitative at all~ Masai group members are thus persuaded to reject most of the proposals to set up water points, boreholes or cattle dips in their ranches on the basis that these would entail mortgaging or eventual loss of

76. I am greatly indented to Mr. 3. Shaabani of Range Planning, Kajiado, and hi3 entire team for making this information available to mo.

their land to creditors such as AFC, or that the foreigners (the government and the AFC are viewed by Masai as foreigners) might eventually take away their land. This once again m.litates against LDP(I) plans for modernizing group ranches as a basis for expanded commercialization of their livestock production.

Thus, LDP(I) set off a new wave of social formation in Masailand, Kaputiei in particular. A small group of people has become not only wealthy by exploiting the other members of the society, but also influential leaders and politicians of the area. These are the people with vested class interests to protect both as traders in cattle related facilities and as small scale commercial livestock producers for sale to KMC or private dealers, especially the latter. These are the factors that have been ignored by most researchers and evaluaters of LDP in particular or of the political economy of livestock production in Masailand.^ It is the individual ranchers who are both wealthy and politically powerful that become

77. Neither CheaonicB,IBRD team, nor Haldermnn were able to identify this vital aspect of Masai life as a result of LDP(l).

the centre of political struggle in Masailand today.[78]

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Consequently, group ranches largely turned down AFC's offers of loans. After a lot of AFC and BHD efforts to persuade them to take up the loans, they still had a balance of fc.2,885,000 out of ^3.6,897,000 approved AFC-development loan and to*4f661,000 out of sis.8,094,000 approved working capital loam by March 1978.[79] Mbuko Group Ranch did not spend any of the 65.422,600 (development) and to.36?,560 (working capital) loan approved for it by the AFC. Most of the other group ranches refused to spend any more loan money in any way. They instead struggled to repay whatever they had spent as quickly as possible in order to release their land titles which they had mortgaged with the AFC.

Several factors contributed to this large failure in the implementation of LDP(I) in Masailand. In the first place there were the social forces which militated against the construction of many communal watering and dipping facilities. This

78. Struggle between S.Oioitiotio and J. Solietei of Kajiado South centres mainly around the cattle politics. The former supports Group ranches while the latter opposes them. The former wins parliamentary seat mainly due to the support of the Chiefs who have individual ranches and individual watering and dipping facilities, by supporting Oloitiptip they therefore see themselves championing their main source of wealth, i.e. group ranches. Interview with Range and Veterinary staff at Sultan Hamud, 1977/78.

79. RMD, Files at Kajiado district Headquarters, Range Planning Department, 1977/78.

meant that, although more than twenty group ranches were already established in Kaputiei area, only fifteon applied for loan towards long-term capital investments. But nearly all of them were eager to get working capital loan which the AFC provided in form of immaturfe steerc. The AFC would not agree to providing the steers without being assured that each group ranch had adequate basic facilities (water and dips) to enable the members cater for the animals properly before they were sold to KMC (as expected by AFC). The tug-of-war continued for some time until the AFC yielded to providing a few animals to the fifteen ranches that had evidence of having at least one bore-hole or piped water facilities. But the main controversy concerning increasing the basic facilities still prevails between the AFC and Group Ranchers.

But more seriously, the very nature of group ranches meant that they operated like the type of cooperative groups in which the members owned land jointly cr communally, but owned the livestock and man-made watering (dipping facilities individually.[80] Thus, when tho AFC

80. Once again it should be noted that the idea of human-made communal facilities does not get accepted among the Masai largely. They would not at all contribute to the construction or maintenance of such facilities. However, they also believe that nobody can claim individual ownership of natural watering facilities like rivers, lakes, or dams. Interview with ranchers and Range Management official at Kajiado.

provided the first immature steers to the groups they vere shared among the individual members on the basis that the fewer traditional animals one had the more of "AFC steers" he got* This method of sharing was aimed at encouranging destocking and replacement of subsistence production with AFC-loan-based and"AFC steer" - based commercial livestock production in Masailand* Eut a big problem arose* Both because of the low prices paid by KMC for their cattle and because of the realization by the poor members that they had acquired many animals that might boost their subsistence production and high status, the Masai refused to sell their animals to the Commiesion* They turned either to selling them to private butchers without the knowledge of the AFC or to retaining them as a bsis of their expanded subsistence production. It took time before the AFC officials knew what was happening and to realize that if it continued unchecked, the trend would mean that the credit availed to the groups and shared among the individual members in form of eteers would never be recovered.

The AFC therefore immediately stopped releasing any more funds for these groups and demanded that the loans be paid forthwith. The Masai, on their part, felt that there was a relationship between the AFC loans and the KMC continued attitude towards the grade and hence the value of their animals, a thing they interpreted as en attenpt to Rake them producers of cheap or free cattle for the Commission. In the circumstances, they also stopped using or taking any more of the AB'C loans. There was therefore very little else the AFC could do to make the Masai produce livestock for the KMC or to make them repay the loans. The organization therefore threatened to sell the mortgaged group land in order to recover the loans. This threat caused panic among the Masai who not only stopped any more of such financial deals with any-body, but also decided to repay those loans and recover their land titles from the AFC as soon as possible. Just how repayment of the loans would be made became the problem as no member was ready to sell his animals and contribute towards such a common effort.

The AFC and the Range Management Division of the 110A found a way out of the crisis. According to their new approach to the problem, the AFC supplied more immature steers to the group ranches but this time the animals would not be shared among the members. T^ey were herded together on group land and under strict supervision of the AFC officials* After they were adequately fattened, the animals were sold at low prices to KMC and the payments vere made to the AFC. The corporation deducted its dues in form of part of old loan repayments and all the new loan repayment plus interests, and^£n passed the remainder to the groups to be shared among the members on similar basis as they had done with immature steers earlier on. The small funds the members got as a result of AFC sales of steers to the KMC raised a lot of complaints from the members who insisted on having future "AFC steers" on their land sold at the county council auctions where more money would be raised from private buyers. The AFC officials wanted the cooperation of the Masai and they therefore bowed to these demands. Subsequently all "AFC steers" were sold at the auctions in the presence of AFC officials who received all the money concerned and who, after the deductions of part of the old loans and new ones towards immature steers, gave the balance to the groups for the normal form of sharing.

Through these arrangements, it seems possible that all the original loans will be repaid after sorao time. That is the end which the Masai would like to sec after which they expect to have back their land titles from the AFC. But the AFC does not seem to be in a hurry to return those titles to the groups. It would rather continue using group land to fatten the steers for commercial sale. Althou^iit then pays some balance to the Masai, continuation of this practice would amount to a kind of money making business by the AFC which gets high interest for its loans for the immature steers in the group ranches. This will amount to definite alienation of Masailand by AFC for the purpose of commercial livestock production in return of a price that is for all practical purposes a token rent for the land.[81] Should the principle of'the fewer animals a Masai has the more money he gets from "AFC steer" sales' persuade the Masai to reduce their cattle, it will mean that more and more land will be available to or taken by AFC for commercial production. This will also mean that the future survival of the Masai might have to depend on the AFC which could always threaten to hold them to ransom and thus strengthen its control on them all the more.

Fortunately, this course may be averted by other factors, D. Ann Doherty recently observed in Narok District that there has been a tendency by the government to allow a break up of official group into a few individual ranches.[82] This has been the case with many group ranches in Kajiado as well. ^ Thus, for example, Poka Group Ranch

81. We are informed that this is what is happening in Mumias Sugar Scheme where the peasants surrender their land to Mumias Sugar Company in return of a "rent". Personal Communication from Mr. John Mulaa, M.A. Student in Department of Government, University of Nairobi.

82. D.A. Doherty, A Preliminary Report on Group Ranching In Narok Distr~~ict.~~ (IDS Working Paper No. 35Q» Nairobi W W). *

83. Interview with Range Management Staff at Konza and Sultan Hamud.

is for all practical purposes subdivided into individual ranch pieces whose boundaries are recognized and respected by all the members.[84] The same trend seems to be taking place in other group ranches where members set up permanent living houses and tend to settle in one place more or less permanently.

The Masai therefore seem to be acceeding to the social changes anticipated by the planners of LDP(I). That is, although they have resisted to take up loans on AFC terms of group ranches, the fear that the entire land might be alienated by a few educated, wealthy and powerful individuals has forced many Masai to set aside, within group ranches, what they consider to be their personal property. This began as part of their traditional practice of having some grazing ground around the homestead/manyatta, mainly reserved for calves and sick or expectant cows. Today such "reserves" have become the nuclei for extended claim of large land pieces to cater for onete all animals.

84. Interview with Range Management staff at Sultan Hamud and the manager of Poka Group Ranch Mr. Justus Morombi. The members have, however, been made to understand that subdividing group ranches is illegal. As they try to avoid any direct confrontation with the Government, they have carried out their own demarcation informally and try to hide that fact to visitors.

As such the trend of alienating Masailand to a few educated, wealthy and powerful individuals has been virtually halted more or less in the same way that land consolidation in Central Province largely confirmed owhership of consolidated land pieces by a much wider population than the one anticipated by the Swynnerton Plan.[85] Similarly R.H. Brown's wish to turn the whole of "Konza into a compact block of four individual ranches" in the ownership of young educated progressives[86] has not been heeded by the practical trends. In the same way, Chemonics could not be further from what is happening in Masailand, Kaputiei in particular, when they declared:

> We also believe that the present group-ranch system is an interim solution to the problem. We believe that either the strongest members of the group will eventually acquire most of the cattle and land, through purchases or other means, and the land will be further subdivided. Or they could evolve into company or directed agricultural company ranches, although this involves giving upg_ individual ownership of cattle.

85* See R.J.M. Sorrenson, Land Reform in the Kjkuyu Country, (Oxford University Press, Nairobi 19^7), pp. As in Central Province the resultant land pieces are becoming much smaller than might be considered viable for profitable commercial ranching. More so due to absence of technological development in favour of miniature ranching in dry and semi-arid rangelands.

86. See p. 31b above.

87. Chcmonics, op. cit. p. 156; See Brown's attitude, p. 3^4 above.

As a result of this frustrating reaction by group ranchers, the AFC turned its efforts increasingly towards the individual ranchers most of whom were allocated land in the neighbourhoods of European large scale ranches from where they were expected to learn the profitable effects of commercial ranchinr techniques including the use of piped water, boreholes, dips and exotic stock.[88]

Now turning to the role of MOA in implementation of LDP(I) , it should be briefly noted that Range Management Division was largely manned by U S AID Officers. It was mainly concerned with management of group ranching and supervising the setting up of new groap ranchesj within the prescribed conditions. The Division, again through the American officers, also tried to promote what were called Grazing Blocks, a type of group ranches for the Somali people of Northeastern Province.[89]

88. Halderman op. cit.

89. Interview with USAID officials, Nairobi. To Americans, thi3 LDP(l) project wouli represent an attempt at resource control which, together with population control, are necessary factors to defeat communism. American volunte-ers, Peace Corps and other USAID personnel represent the fighting personnel in what is cnlloi War Without Cuns against Communism. See George Tanham - V/ar Without C-nns: Americas Civilians in Vietnam. (Frederick A. Praeger, U960), p. 8.

The Range Water Division, also largely manned by British and Americans, was concerned with water survey activities and advising individuals and groups on where and how to set up watering points for their livestock. Though they opent a lot of effort planning watering and dipping facilities, the officers in the Division met with the kind of social forces that we have seen above which greatly reduced the effectiveness of the project in Masailand. Meanwhile the Department of Veterinary Services, the most Africanised of these departments and divisions at senior positions, dealt with purely technical animal health issues and regulation of animal movements in relation to disease control. In Masailand this role was mainly related to innoculation and to the advice the Masai might seek as to the drugs to give to tneir cattle. They also issued licences for livestock movement, and imposed quarantine wherever they found it neccessary.

The most important of these public services to LDP(I) Was Livestock Marketing by Livestock Marketing Division. It used about half of the project funds allocated for MOA participation in LDP(I). It renovated and built new stock-holding grounds and qparantine grounds, dipping facilities, provided transport trucks and other means, and managed the marketing of stock from nomads to commercial and eompany ranchers, to KMC and private abattoirs. In other words, it made it possible for these buyers to have clean, healthy animals at the cheapest prices,all at the expense of public funds thit maintained the Division.'[°0] This was the case in the Coast, Northeastern ana Eastern Provinces, but not so in Kasailand where individual and group ranches refused to deal with the Division or with the KMC.[91]

With these few observations, it say now be appropriate to see the achievements of LDP(I) as at 197^.

In summary, cne can observe that LDP(I) was successfully implemented with respect to commercial ranches which not only obtained huge credits as working capital but were also well supplied with immature steers from the Northeastern area by the LMD. Success was also realized in/establishment of small scale counterparts of privately owned commercial ranches. Success in this case is notable as the actual number of individual ranches established under the project rose froc the expected 20 to 41 and were mainly owned by educated, wealthy and politically well placed or powerful people or individual families.

90. LMD, like many other farmer servicing public bodies including KMC and KCC, has virtually always made losses ever since it was started. Chemonics indicated that the loss were acceptable as long as the Division did its job, which was the removal of aniaals from the pastoral area and the supply of animals to the ranches, feedlots and the KMC*Chemonics, op. cit. p. 229.

91. See Table IV whore the offtake for Northern Region remained high, while that of Coast and Machakcs and Kitui increased tremendously in the period

belo",?* offtake for N"ro", and K,Ji5d0 Ser p. &

In the area of company and group ranches, however, a large measure of failure has been noticed. Not only were the company ranches badly managed and planned by the inexperienced and ill-tr&in6d members of the companies, but they ended up in making big losses and contributing little to the total production of livestock in the country. Similarly, success of LDP(l) in group ranches was greatly reduced due to varioiis social forces in the related society as well as the very nature of cooperative-like organization which does not bind the individual to the repayment of AFC loans once the immature steers are allocated to individual members. But most important of all was the negative effect of KMC's attitude towards the animals supplied by the Masai. It has already been noted that the LMD did almost nothing in connection with buying of Masai cattle mainly because its prices were small. Thus while LMD in Somali successfully purchased cattle and quarantined or treated them in stock holding or quarantine grounds before delivery to KMC or commercial ranchers, the Masai initially dealt with KMC officials. As a result many of their animals might have reached the KMC without being disease free and they therefore fetched only token prices or nothing at all. This discouraged the Masai generally, who then turned to selling their animals privately, a thing that led to a confrontation with the AFC over loan repayments. The fact that AFC later on took over the direct production of livestock in group ranches meant that LDP(I) effort to poasantize commercial livestock production for export was largely a failure*

Assessment of LDP(I) Achievements:

Frora a statistical point of view achievements of LDP(I) are hard to measure largely because the figures for the areas covered by the project are mixed up with those from non-project areas* However, it can be noted that in terms of destocking of Kajiado District, for example, a large measure of success was realised not due to LDP(I) but rather due to the prolonged drought of 1970-7V'[2] (see Table IV). Kitui District which took little of AFC funds under LDP(l) seems to be most productive, thus posing doubt as to whether productivity is at all related to availability of aid or governmental funds.^ It was also in that district that the off-take more than doubled largely due to improved operations of LMD in the area. The off-take for the heavily AFC-funded Hachakos District improved from 5[1]*000 head of cattle to

92. Campbell, D.J., Coning with Drought in Kenya Masailand: Pastornlists and Farmers of the Loitokitok Area, Kajiado District, Tidj Working j^aper'uo. Nairobi, 1978).

93* See Chemonics, op. cit. p* 162. Only two ranches received AFC funds in Kitui under LDP(I) these were Ereri Co. Ltd. (3*026 ha. and 130 owners) and Mwakini Ranching (o,210, ha. and 50 owners).

TABLE IV: Cattle output 1970 and 1975.

Region and District	Cattle Population 000 Head		Offtake 000 Head	
	1970	1975	1970	1975
Northern Region	1571	1250	136	121
Southern: Narok District	649	400	40	
Kajiado District	687	330	43	
Total	1336	730	83	80
Coast Region	300	370	32	55
Hachakos District	350	450	51	80
Nakuru District	174	160	45	36
Kitui	430	950	23	47

Source: Chemonic3, op. cit. p. 96,

80,000 , while that of Nakuru District reduced from 4-5,000 to 36,000 head.

Little change occured in the total cattle population 1970 and 1975t (Table V). However, there was great reduction in number of cattle in range areas of Northern and Southern Regions, and in the light of the fact that the offtake remained more or less constant during the period, one is led to conclude that major buying and selling of cattle by LMD from these areas to KMC and private abattoirs must have taken place.[Olf] In general **it** is clear that although the larger part of AFC loans under LDP(I) went to large scale commercial farms and company ranches at the coast, their offtake remained lower compared to small farm and range area production. In other words, the greatest success of LDP(I) can bo said to be in LDM transport, stockholding, buying and selling activities in the pastoral range and small farm areas.

94. As noted above, Masai turned to refusing to sell their cattle to LMD or KMC. Again during this period they lost most of their cattle due to drought. As such, the bulk of LMD and hence KMC purchases in 1$70-75 must have originated from the Northern province.

TABLE V:
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CATTLE POPULATION, OFFTAKE AND BEEF OUTPUT,

1970 nw 1975

	Cattle Population 000 head		Offtake • 000 head		Beef Output 000 mt (a)	
	i m	I?75	2222		2222	*1211*
Range Regions						
Northern	1571	1250	136	121	14.9	12.1
Southern	1336	730	83	80	8.3	7.2
Total Range R	2907	1930	219	201	23.2	19.3
Small Faxra R						
Coastal	300	37c	32	55	3.2	5.0
Eastern	1090	1523	109	183	12.6	19.0
Central P	482	1081	57	139	8-7	19.3
Rift A	1145	1106	128	181	14.9	18.8
Nyanza P	1478	2327	155	264	17.2	26.4
Western P	756	760	131	129	14.5	12.9
Total Small Farm Regions	5251	7167	612	951	71.1	101.4
Large Farm R	553	550	121	133	20.9	21.8
TOTAL	8716	9697	957	1285	115.2	142.6

Source? Chemonics op. cit. p. 9o.

(a) Weight of meat and offal, which is equivalent to carcass cold dressed weight.

Meanwhile the large farms concentrated on buying immature stock and fattening it for subsequent profitable sales. Therefore very little change occurs in their cattle population, (Table V)/''[J]

Changes in the deliveries of cattle and calves to KMC for slaughter reflected little improvement, (Table IV)^

Table VI: Number of Cattle and Calves Delivered to KMC, 1968-1976.

Year	Head of Cattle
1968	184,200
1969	184,700
1970	196,100
1971	209,900
1972	199,100
1975	134,100
1976	228,500

Source: Economic Survey, 1973 and 1977, pp. 69 and 95-96 respectively.

95* See also Statistical Abstract 1976, p. 142, for large farms livestock numbers for the years 1966 to 1975.

In I97'3. however, LMD redact its buying on the grounds that the prices were too low, while KMC insisted that the quality of cattle was too poor due to poor grazing in the major ranching districts of Narok, Kajiado, Machakos and Kitui.'[6] Hence there was a sharp drop in the number of cattle and calves delivered to KMC during that year, (Table VI). Ironically, this same year saw a sharp rise in beef exports by KMC and I a continued fall in the amount of beef available for local consumption from the Commission, (Table VII)• This mixture of LMD-KMC manipulation forced the Government to raise the producer prices for beef in 1976.[97] The action seems to have persuaded the producers to sell many more of their animals to KMC than they had aold.durxng any one year before,(Table VI). But contrary to what might be generally expected, KMC did not increase the amount of beef it could make available for local consumption. In fact the Commission made further cuts on the amount of meat it availed to local consumers, while at the same time nearly doubling its exports from 11,300 tonnos in 1974 to nearly 21,000 tonnes in 1976,(Table VII).

Thus, the efforts of LDP(l), particularly those of AFC credit to commercial ranchers and those of LKD oupplying KMC and specialist fattening ranchers with stock from the Northeast Kenya, seem to have enabled KMC to expand exports at the expense of local beef consumption. KMC's decision -to deprive the country of meat after the 1970's was most probably prompted by Kenya's groat urge to expand her foreign

96, Economic Survey, 1977, p* 9^*

97» Lcc. cit.

98, As seen above in p. 317, moot of Kenya's meat and meat preparations were exported to Britain, Netherlands, and West Germany,

TABLE VIIs PRODUCTION AND DISPOSAL OF B23F BY THE KENYA MEAT COMMISSION, 1966~72.

Year	Total Production (metric tons)	Local Sales (metric tones)	EXPORTS Chilled or Frozen (metric tons)	Canned (metric tons)	Percentage of Production Exported
1966	27,867	13,315	2,848	11,704	52,3
196?	31,449	14,692	3,451 •	13,306	53*3
1968		16,575	3,376	10,494	45.6
1969	27,524	15,366	1,531	10,627	44.2
1970	29*395	15,615	2,680	11,100	46.9
1971	27,316	13,582	2 $780	10,954	50.3
1972	28,605	13.043	3,610	11,947	54.4
1973	22,694	11,732	3,068	7,844	43.1
1974	19,770	8,374	2,873	8,523	57.6
1975	16,600	8239	3,335	10,026	80.5
1976	26,861	5,903	4,457	16,501	73.0

Sources Kenya. Ministry of Finance and Economie Planning, Economic Survey, 1973, 1974 5 exchange earnings given the worsening economic conditions in the country and her difficulties in paying for imports.

Due to such behaviour by KMC, Kenya*s main towns received only meagre supplies from the organization. Urban privato butchers therefore resorted to buying cattle from the rural areas both near and afar. They turned to buyihg cattle from Masai and Somali and from other cattle keepers. The result was a sharp decline in the amount of meat available for consumption in the rural areas.[99] ' As in the case of other export crops like coffee and tea, rural areas increasingly became producers of yet another primary item - meat - for export or consumption in urban areas. No doubt they received some payments in return, but these were merely subsistence payments. They, like in the case of coffee, tea, sisal and pyrethrum growing areas, therefore lost their real economic surplus value, i.e. the real value of their production, to the metropolis or to the urban areas which are also exploited by the metropolis. This amounts to underdevelopment of the rural areas and the nation in general. Loss of economic ability or surplus leads to dependence on aid or metropolitan produced productc.

99« Research Survey, 1977/73. The popular view that increased beef production v/ill increase protein consumption in Kenya or any other developing country therefore seems to be false. Such increases of food only increase food availability in the metropolis in control of these countries*

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As observed earlier, the capitalist commercial ranchers, mainly foreign, were paid very high prices by KMC under the pretext that their animals were of high quality. This usually led to heavy losses on the part of KMC itself, while the bulk of the money earned from exports was deposited in foreign banks and not invested in Kenya. This again meant outright loss of economic surplus value of the nation from the rural areas to KMC or urban centres and on to the metropolis. What is surprising, however, is that the wealthy end politically powerful Africans who take over the large-scale commercial ranches from the foreigners do not behave very differently. They too have their payments paid at the metropolitan banks where they deposit their money and from whore they pay for their imported luxurious products of metropolitan manufacturing. Unlike the foreign capitalist ranchers who seek to deposit their money in the metropolis for the further development of capital accumulation there, the local "spiritual", "national bourgeois " ranchers help rob themselves and the country of capital which they add to the metropolis which increases capital accummulation and tumto dominating the local economic, social and political affairs. Hence, the local African large scale ranchers like their foreign counterparts are also responsible for Kenya's underdevelopment and dependence. This issue will be clearer in chapter VII in which the social consequences of such a situation will also be portrayed.

Lessons and Conclusions.

Post independence livestock development programme has not shifted from the colonial objectives of making Kenya a producer of cheap food for the metropolis and for capitalist dominated local urban centres. Nor has it shifted from making Kenya a source of profits that end up in facilitating greater capital accumulation in the metropolis. This is true whether production is being handled by foreign capitalist farmers or ranchers or by their local national imitators. The only difference from colonial times is that post-dndepondence programme has received enormous amounts of foreign aid from western bilateral and multilateral sources, especially the latter, rnaiDly geared to maintenance of such imperialistic status QUO in Kenya's land and agricultural policy.

The consequence has been increased underdevelopment of rural areas which have in turn been reduced to mere dependencies of the metropolis side by side with the local urban centres[100] This has in turn resulted in a situation

100. Quasi-Charitable Harambee (self-help) projects in rural areas receive the bulk of their funding from urban areas and aid from the metropolis. This is inspita of the fact that the rural areas produce the bulk of Kenya's foreign exchange earnings. *See* chapter VII.

of increasing landlessness due to the aid-backed policy of individualized ownership in such parts like Masailand. It has also lod to unemployment, poverty and inequality in the rural areas and in the country in general. This has come about as land became or continues to be concentrated in a few hands including foreigners, v/hile the remaining portion increasingly becomes unproductive due to intensified exhaustion as a result of the great pressure of population that it harbours. As land pieces and incomes of the majority of the rural population decline in size relative to the large scale and medium scale ownerships, class differentiation growsdeeper and wider. The poor become poorer, and in the absence of industrial and technological development the country becomes more and more incapable of employing, feeding, educating and housing its people. This spells an underdeveloped country whose agriculture, unlike that of other agricultural countries like Australia, Denmark or New Zealand, is also underdeveloped and dependent on the external markets and input supplies for its survival. Such agricultural underdevelopment and dependence becomes part end parcel of the country's underdevelopment and dependence which ic also manifested in industrial sector as we see in the next chapter.

C H A P T E R V I

KENYA INDUSTRIAL ESTATES:

Case Study No. 3

Industrialization has now been accepted to be a necessary condition for a country*s development.^ In poor and backward countries like Kenya which hare experienced a spell of colonial domination, the greatest part of manufacturing and agricultural products processing has been occupied by large scale foreign multinational corporations from the metropolis. These corporations have set up manufacturing enclaves in these countries, but due to the technological knowhow which they continue to monopolize and keep secret at the metropolis, and due to their protective conditions of patent, brand names, copyright and licencing system, they have not acted as a vehicle for true national industrial development that could lead to a great reduction of imported manufactured machinery, equipment and intermediate inputs. In fact they have inhibited this development with a consequence that Kenya continues to be primarily an

1© J. Bhagwati, The Economics of Underdeveloped Countries (World University Library,"London, 1966, nth Impression 1971) P* 1655 and 0. Rweyemamu, Underdevelopment and Industrialization in Tanzania, (Oxford University Pres3, 1973)1 Chapter III.

exporter of primary, mainly agricultural products. In **an** attempt **to** escape from this state of affairs, one of tho **means** of localizing industrial ownership and technological development has been considered to be small scale industries based on industrial estate models of U S ,, Europe, India **or** Puerto **Rico**. This chapter seeks to examine briefly **whether** or not this approach leads to localized industrial and technological development and whether the model could contribute **to** national industrialization in Kenya.

Our case study will be Kenya Industrial Estates - Nairobi, the first and the oldest of the industrial estates in the country. It has been financed by West German government through its bank for overseas development the Kreditanstalt Fur Wiederaufban (KFW). In order to reduce the margin i cf error, we also paid a visit to Hachakos industrial estates and Rural Industrial Development Centre and also interviewed personnel at KIE Headquarters at Nairobi who were acquainted with Kisumu and Nakuru estates. We found that they operated on the same principles and therefore the findings about the operations of the KIE - Nairobi could, to a large extent, help us to generalize about the working of industrial estates in the country.

KENYA INDUSTRIAL ESTATES: NAIROBI

Project Origins

An industrial estate has been conceived as a tract of land, subdivided into a number of plots with developed infrastructure (streets and reads, transport facilities, and installation of utilities), common services and, if desired, factory buildings for the use of new or expanding industries.[2] It is therefore a group of factories "deliberately" constructed on an economic scale and usually combining among themselves various schemes aimed at mutual assistance and integrated development. Once they are complete, the factory units in an industrial estate may be leased or sold to occupants.

In developed countries like America and Western Europe, industrial estates, parks, districts or tracts of land, were promoted by private investors with the obvious intention of making profit from the investment. In Northwestern Europe, however, and mere so in the developing countries, government agencies have tried to use industrial estates to guide, redistribute and stimulate industry, to overcome regional unemployment problems, and

2. W. Breddo - Industrial Estates: tool for industrialisation^ (The Free Press, Glencoe^Illinois, 19&0) p.l; and Republic of Kenya, Ministry of Finance and Planning, Files on Kenya Industrial Estates Treasury (KIE). The interpretations of the notion of industrial, estates in Kenya seems to be largely based on or heavily influenced by Eredds's Work.

3". Alexander, P.O. - Industrial Estates in India, (Asia Publishing House, London, 19&3) P* 5? In America Industrial Estates are called industrial parks, districts or tracts. Estates is a British term. Breddo , op. cit. p. 2.

generally to industrialize the economy.** In Puerto Rico the estates have been used to attract industries from outside, mainly from the United States.^ In India they are being used to stimulate entrepreneurship and to modernize existing industrial (especially traditional cottage) enterprise^. It was mainly from the Indian experience that the planning and operation skills of Kenya's industrial estates were borrowed. However, an attempt to set up some industrial estates was made some years before independence.

In the Development Programme .1957-60, the Industrial Development Corporation which had been formed in 1956 was provided with funds for what was called Crown Estates Development and African Industrial Estates Development.[8] According to the programme? Industrial Development Corporation (IDC) had been established as a statutory corporation to provide development finance to suitable industries which were unable to obtain their requirements through normal commercial channels. It would develop

Breddo, op. cit., p. 3

5* Alexancer, op. cit. p. 13* These would be branch units or new enterprises.

6* Breddo, op. cit. p. 13 and V.M. Dandekar - The * Role of Snail-Scale Industry in Economic Development: The Indian experience; (University of Nairobi, Conference on education, Enployment and Rural Development, 1966, Doc. 3)*

7. op. cit.

8. Development Pro?r^nr, p. 79. The idea of African Industrial Estates Development was however expressed, though not given allocations, in Dov?loTv~ent Prpgmnna lQ^-57, Pp. 108-9»

government land and provide finances for industrial development under Crown Estates Development ?und. But according to the programme,

> The African Industrial Estates Development Fund was established in 1956 with the special object of encouraging decentralization of industry to the African land units, and providing employment v/ithin these units* It is thus an important factor in the stabilization of labour and in the Central Province, the reabeorption of landless Kikuyu, Embu and Meru tribesmen* 9

In other words, development of African Industrial Estates was viewed as a measure to fulfil the objectives of Swynnerton Plan and particularly the hope that the number of people who would find employment in derivative - occupations as teachers, tradesmen, artisans, or employees in social services would greatly increase and therefore help to relieve pressure on land."[10] Unfortunately very little was done to implement the development of African Industrial Estates before independence in Kenya.[11] However, tho American ICA had availed funds for credit to African small-scale industrialists since 1955» This was some £16,000 in 1955-56 according to Expenditure and Development Esticates of 1957/58.[12]

9. Development Programme 1957-60. p. 79

10. See Swynnerton, op. cit. p. (i) and p. 14.

11• Development Programmes. 1957-60. p, 79 and 1960-63, p. 48. Crown Estates Development Fund received some allocations in 1956 and it used the repayments end interest to provide more funds to the clients all of whom were foreigners. This fund, like the proposed African Industrial Estates Development Fund, would be revolving, but both received only token funds cf between 1957 - 1963.

12. Kenya Colony, Expenditure and Development Estimates 1957/58 under Ministry of Commerce and Industry.

Little or none of thee© fundc was spent until 1963- when ICA provided another £25,000 as a revolving loan fund from which small African industries could now get credit for expansion. The idea of the industrial estates was in the meantime still dormant.

The advent of independence in 1963* and particularly the year after, witnessed great pressure to decolonise and Africanize all aspects of the economy. In the area of African land ownership in the highlands and cash crop growing by Africans, the pressure had been taken care of by settlement schemes and various activities to promote small scale tea growing by Africans, with foreign aid from the British Government, CDC, the World Bank, and later on from the West German Government.[14] Industrial and business sector, however, remained largely foreign and there was already a call by politicians for the nationalization of industry.[15] In order to diffuse this new crisis the preemptive tactics applied in land and

13. This fund is still operative even today, see ICDC Annual Sonorta 1Q66-1Q77.

14. G. Wasserman, op. cit. IBRD, Kenya, 1962, and Forrester, M.W. - Kenya To-day, (Monton & Co., 1962),pp. 74-75o

15. E.A. Std., 7/7/64

agriculture were to be repeated with regard to industrial and business sector.[16] In 1964, IDC was assigned the role of Africanization of business and industry. Three German advisers had joined the organization which had now become known as Industrial and Commercial Development Corporation (ICDC), and were joined by UN experts on industrialisation. It was largely due to the efforts of these advisers that ICDC prepared a paper in December, 1964 which became adopted as a Cabinet Paper in June 1965$ indicating the need to 6tart industrial estates immediately as a quick means to Africanize industrial sector. In the words of the Cabinet Brief,

> "A speedy implementation of the Industrial Estate Programme will hasten the Africanization Industry."

Project Objectives:

As already noted, colonial objectives of industrial estates were to develop a dual industrial system, one largely foreign and large scale, and the other

16. For preemptive activities of colonial government and settlers in Kenya before and immediately after independence, see Wasserman, op. cit. passim.

17. Treasury, KIE files.

small scale and oriented to decentralization of industry into African land units* The latter aim would give a new boost to the aims of Swynnerton Plan, particularly one of re-absorption of Kikuyu repatriates after they were expelled from the towns and the highlands occupied by the Europeans. But with independence, though the dual system would be continued, there was need to expand African presence or appearance within industrial sector mainly for the purpose of reducing antagonism against foreign monopoly in the area. One of the tools to execute such a plan was conceived as being industrial estates.

As noted earlier, industrial estates were viewed to be a tool to "hasten the Africanization of industry.!?[18] The Development Plan 1966-70 viewed the objectives of the programme as being "to stimulate industrial growth with maximum African participation".[19] But the ICDC saw the objective of Kenya Industrial Estates as being to

18. Treasury, KIE files

19® Republic of Kenya, TUy»-| np-pnt Pinn 1Q£6-70, Dp-
The rush to create African participation where it never existed or to expand it where it existed in too small an extent was directly related to the need to preserve and perpetuate political and economic stability. See Pffyolopmrnt Plnn 1Q6*f-70, p. and chapter VIII below.

intensify its assistance to African industrial entrepreneurs by erecting five industrial estates in Kenya.[20] This same objective was stated by the German-Kenya Government Agreement of 1966 under which West German would provide aid for the promotion of African email- and medium-scale industries at Nairobi through erection of industrial estates.^'"

From a West German point of view, aid to Kenya Industrial Estates (KIE) would also provide a link between German medium - and small-scale industrialists and their Kenyan "counterparts."[22] " As in the case of Swedish - Swaziland linkage, German small-scale industrialists would be assured of secure markets for their machinery and skills (or services) with their Government sponsored supply of capital.[23] At least the linkage would largely serve to keep Communist

20. ICDC, Annual Report, 1966/67, p. 9.

21. <u>Wcst-Gcrman-Kenya Government Loan Agreement,</u> 1966.

22. Interview with West German Embassy official. German mediua-and small-scale industrialists, however, are far too big to be compared with Kenyans in industrial estates factory units. This was confirmed by one of KIE entrepreneurs who recently visited West German and 3ritain to see what were called counterparts out there. The interviewee insisted that KIE units are mere tokens of real small scale industries.

    Sweden has had similar links with Swaziland and Botswana. See <u>E»A« Report on Trace and Industry</u>, March 1973,pp. 37-^0.

23. Op. cit.

countries from influencing development or attitude of Kenya small-scale industrialists. This objective was made virtually explicit in the German-Kenya Government Agreement of 1966. According to the agreement supplies of any nature related to the Nairobi Industrial Estates would not be obtained from USSR, Peoples Republic of China, Mongolia , North Korea, North Vietnam, Cuba, Albania, East Berlin or East Germany[24] JJor could any supplies for the estates be shipped or air freighted in ships or aircrafts belonging to or registered in those countries.[25] In other words, one of the objectives of KIE aid by Germany was to keep off the socialist influence frcm Kenya and thus assist in preserving the country as primarily part of western sphere of influence®

After the ILO Report of 1972 on Employment, Incomes and Equality in Kenya revealed gross unemployment, poverty and inequalities and hcnce implicit lack of real

2k• West German-Kenya Government Loan Anreement, 1966.

25. op, cit, Other conditions of the Agreement included non-interference with German shipping and air crafts, acceptance of German machinery and equipment for KIE wherever possible, and a tax waiver for KFW operations in Kenya.

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development[26] the objective of using KIE in order to increase employment, reduce poverty and inequalities, was included in the 1974-78 Development Plan* In the authors[1] words, the industrial estates programme would be "part of programmes to create jobs, promote African businessmen and achieve higher rates of industrial growth".^

It should be ncted here that all these objectives were vague and lacking in what they would specifically try to achieve. Location and construction of the estates$ what industries would be set up and by whoa and for what purposes, were all issues left to "the man on the job". British Engineering consultants located in Nairobi, Alexander Gibbn & Sons, undertook the construction consultancy while the actual construction was done by an Asian firm. The British and the Germans were to supply most of the machinery some of which were never used at all. As it will be seen later on, the effect of aid towards KIE was to give the Africans, mainly those in power positions, the satisfaction of being industrialists and

26. ILO - Report on Employment, Incomes and Tonality: a Strategy for increasing Productive Employment in Ken^a, (Geneva 1972). "

27. Republic of Kenya, Development Plan, 1074-73.. p. 93«

thus make them "partners" in the type of developmental approach that has characterized Kenya since 1950* mainly based on foreign private investments. As such, the objective of stimulating 'Industrial growth with maximum African participation" remained vague and suspect with regard to whether this meant that the African manufacture would become the major part of industrial growth activity.

In summary, tho setting up of KIE particularly in Nairobi had six main stated and implied objectives, as we have seen above and these included:

(a) to hasten the Africanization of industry.

(b) to stimulate industrial growth with . maximum African participation,

(c) to intensify assistance to African .industrial entrepreneurs:

(d) to link German and Kenya small-and medium-scale industrialists.

(e) to ward off socialist ideas from Kenya; and

(f) to increase employment, incomes and equality.

Institutional Framework for KI>; -rojecfc Implementation

When the U.N. advisers, Dr. P.O. Alexander and Kr. I. Krestovsky, visited Ko..ya in December 1964, they recommended that since J.CDC <as ths caain national agency for promotion of new entrepreneurship, "it would naturally be logical to vest thin body with the responsibility for establishment of Industrial Estates".[pO] Formerly known as Industrial development Corporation, the ICDC took its new title in 1966 allegedly in order to better describe its purpose ant functions - that is,

> to facilitate the industrial and economic development of Kenya by the initiation, assistance or expansion or by aiding in the initiation, assistance or expansion of industrial, cor: -«rci?.l or other undertaking or enterprises in Kenya.*-'9

The Corporation's financial ?ctivitiee were generally divided into large scale and s.vall-and mediuo-ccale sections* The largo scale arm of ICDC was usually handled

28. ICDC Paper No. 1081: **Ind-T.**<u>trial Estates* Progress</u> Report, 19-1-66o P.O. Alexander had published a book entitled "Industrial Estates in India", in 19&2 most of tli5 s team's advise was based on Indian experience. It would be logical, therefore, to conclude that invitation of the Indian team of two experts in the area was largely due to his efforts and influence. They arrived in Kenya at the end of 1965 - op. cit. All those advisers "prepared" the ICDC personnel and directors "for its anticipated change" and new ideas. See Katz and R.L. Kahn "Organisational Changey reprinted in J.M. Thomas and V/.G. Bennis, <u>Management of Chaafre and Conflict</u>, (Penguin 1972) p.

29 ICDC, Annual Report 1966/67 P. 7.

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by Development Finance Company of Kenya which was set up in 1963 with contributions from ICDC, British Commonwealth Development Corporation (CDC), West German Development Agency and Netherlands Overseas Financial Agency (NOFC) each paying some £500,000 to make up the company's investment cf £2 million.^[0] The company's role was to stimulate the flow of private large scale investments by providing loans or share capital to fill marginal gaps in private project finance.[31]

Meanwhile, ICDC would concentrate largely on "the encouragement of Africans in snail scale industry and commerce[1] o[32] It had begun to operate & fund to provide loans for African industrialists in I960, but by the time of independence its performance in this direction was implicitly viewed to bo too clow. This situation led to a call, mainly by ICDC advisers, for immediate implementation

30. op. cit. p. ?. Some £387,500 of ICDC'3 contribution was borrowed from a consortium of four largest foreign banks in the country?

31. Republic of Kenya, D ^ l o ^ n t Plan 1974-73. p. 8l

32. Ibid.

33. Treasury, KIE files.

of Industrial Estates programmes by a subsidiary company of the corporation. That company became Kenya Industrial Estates Ltd, (KIE)* but one which would be directed and regulated by the directors and managers of ICDC. Thus for instance, the then ICDC Executive Director, E. Matu Waroae, was also the Chairman of the KIE Board of Directors in 1970. ICDC Chairman of Board of Directors, together with F.J. Addly and A. Arap Biy - also Directors of ICDC, were the other members of KIE Boardo The Secretary of the ICDC was also the Secretary to KIE Board. Finally tho Board included KIE General Manager, who in 1970 was K.A. Ngeny, a former Deputy Secretary to Treasury. As such, KIE became a completely ICDC affair, with little or no control from outside the latter organization*

What became clear, however, was the paradoxical role the ICDC was expected to play in industrial and business promotion in Kenya. As an agency of the Government, JCDC was supposed to use KIE "to stimulate industrial growth with maximum African participation." This would imply that ICDC needed to make some efforts to reduce greatly the proportional large-scale share of industrial operations and expansions, or at least to divert greater volume of resources to KIE other than those coming from foreign aid alone. Such a role would no doubt contradict the overall national commitment to expansion of large scale foreign industrial investments with potential encouragement of DFCK of which the ICDC was a shareholder. Hence, as it is demonstrated by Nairobi Industrial ^states or any other Industrial Estates in developing countries like India, Nigeria or Puerto Rico, KIE cannot become an effective tool for national industrial growth with the nationals playing the major part.

34. However, the use of ICDC and its subsidiary company, availed a possibility of adoption of the innovation without destroying the industrial primary sector - the large scale sector*

KIE ~ NAIROBI - Project Implementation:

After the Cabinet adopted the proposals of ICDC with regard to the need for immediate construction and operation of Industrial Estates, West Germany through its bank the Kreditanstalt Fur Wielderaufban (KFW) offered some US 59,631,491 as a loan towards the construction of the first Industrial Estates at Nairobi.[35] The loan was planned to cater for fifty industrial estates factory units which were described as small-and medium-ecale industries. It would also cover the construction of an administration block for the KIE and a services centre* The main uses of the loan were (a) financing of construction consultants and contracts, (b) financing of machinery and equipment for these units, and[36] (c) prevision of credit funds to participating entrepreneurs. Meanwhile, it was expected that the recurrent costs of KIE administration would be provided by the Kenya Government through the Ministry of Commence and Industry vote and via ICDC, which

35* UNDP, 1976, op. cit. p. 147.

36. IbidjiI47f and West German eement, 1966. This agreement was much more specific than the first one of 1965 with respect to location of the estates and the uses for the loan at Nairobi.

owned KIE as one of its subsidiary companies.-[57]

The choice of Nairobi as the location of the first KIE constructions was, in the words of a Cabinet Paper of 1965, dictated largely by the following reasons*

(a) Proximity of markets, raw materials, labour, utilities, and ease of communication and distribution; and

(b) Nairobi was the main Industrial Centre of East Africa. But unfortunately the African participation here was almost nil, and Industrial Estate was seen ac the most effective way of facilitating an African breakthrough.[38]

As indicated above, the KIE constructions at Nairobi would be financed by German aid. It should be noted here that when the Germans provided their general aid in 1965* they had in mind a plan of assisting all industrial estates activities in Kenya. This was* however, resisted on the advise of Kurt M. Savosnick, a Russian-born UN expert adviser in the Ministry of Economic Planning and Development.

37. Treasury, KIE files.

38. Loc. cit.

According to him, it would be "desirable to spread the national origin of funds". In that case it might bo suggested that, for example, the Japanese and/or the Indians be asked to participate in the financing, detailed planning and extension services required for one estate such as Nakuru or Mombasa each.[7ft]

The use of funds provided in 1965 wasi however, delayed due to technical arrangements which needed to be cleared up. These included the acquisition of land plot for KIE at Nairobi, decision on the type of industrial estates to be constructed, report from engineering consultants, &nd finally preparation of feasibility studies for potential KIE industrial operations. Controversy as to whether the loan should be provided directly to ICDC under a Kenya Government guarantee, or be borrowed by the Kenya Government and then relent to ICDC for onward relending to KIE was resolved in favour of the latter alternative. Construction of KIE Nairobi Phase 1

39. Kurt M. Savosnick, letter to Minister for Economic Planning and Development, 1965* From the Ministry of Finance and Ministry of Economic Planning and Development, the officers who were most instrumental in the shaping of KIE included Miss J. Tyrrel, Messrs K.M. Savosnick and O.S. Knowles. These were all foreign advisers under technical assistance. See Chapter 1 for the notion of technical assistance and Chapter IV and Vll for its role in Kenya.

loc. cit.

was thus began in 1966 and was expected to end in

1967 or 1968'[f1]
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But it was soon realised that the country did not have skilled manpower to man the actual setting up of KIE operations, including machinery and equipment in various units; teaching the African entrepreneurs who hau been allocated units, or their workers, how to utilize machinery, purchase of raw materials and marketing cf finished products; and setting the KIE administration and the technical services and advisory centres in motion. This situation led to yet another German - Kenya Agreement in 1967 under which some US $ 3,029,313 in grant would be provided by Germany to cover the cost of two of their experts, cars and accompanying equipment related to technical assistance.[42] This technical assistance would also be ueed in Nairobi Industrial Estates only.

Phase 1 consisting of 24 factory units, of about 0.1 acre each, was ended in 1971• It included also an administative block for the whole KIE programme, a

41. ICDC, Annual Report 1966/67, p. 9*
Construction of Phase 1 actually ended in 1971.

42. UNDP, 1976, op. cit. p. 146.

Technical. Advisory Centre and technical eervices centre (or tool, machinery repair works centre). The cost of buildings by June 30th 1971 was Shs.3,020,696, while some Shs.8^2,277 was the cost of civil works.^ This totalled some Shs.3,873*973. The total industrial productive investment for the same period was Shs.4,885,000, including fihs.3t005,000 for machinery and equipment and some Shs.1,880,000 as working capital which was partly provided by the incoming African entrepreneurs. Machinery for repair and service workshop cost some Shs.525,000. The total cost of Phase 1 by 1971 was some Shs.9»283,973. Most of this cost, particularly constructions, machinery, and a large part of working capital loaned to entrepreneurs, (a total of Shs.6,563,280), was financed from the KFW capital loan.Lty

Phase 1 units were mostly taken up by people with experience from big employers or people who had small craft shops in what is popularly called "informal sector." Such people[46] included Mrs. D. Karanja who had been a teacher

43. KIE, Annual Rerort, 1Q70/71, p. 10

44. Ibid. p.10.

45. ICDC, /nm^T Ropnrt, 1Q70/71. p. 12

46. See KIE Annual Report 1Q70/91 pp. 22-24. A similar pattern exists for Rural Industrial Development Centres (RIDC) also operated by KIE in the rural urban centres such as Kisumu, Nyeri and Machakos. Observation at Machakos RIDC and Industrial Promotion Area (IPA) also of KIE and interview with Mr. B.I.O. Ayoro of KIE Nairobi on Kisumu RIDC.

for six years and later on joined the Railways Administration as an Accounting Machine operator* She undertook the manufacturing of paper pins. Mr. Y. Nyamolo Okal was formerly a sales representative with Longmans Publishers and he resigned to set up his own publishing house - The Equator Press-in November 1965. He moved his business to KIE at Nairobi in 1963. Such people also included F.K. Wamae a former electrician with East African Posts and Telecommunications and with East African power and Lighting Company, who set up F.K©W. Electrician at KIE; and Mr. Alexander Magio, a former technician with Kenya'6 Ministry of Works, who set up Bunyala Engineering Works in 1965 and later on moved to KIE at Nairobi in 1968® Most of entrepreneurs in Phase 1 were people of very small savings and could not obtain credit from the commercial banks or suppliers.[if7]

Phase 11 of Nairobi Industrial Estates begrn construction at the end of 1970 and ended in 1973. Tho total construction costs was about Shs.4,294,107 for this Phase, while the accumulated fixed capital (machinery and equipment) and working capital was Shs.5,769,000

47. Op. cit. p. 18.

She.3,840,000 respectively, for both Phase 1 and 11. From the construction cost alone, and allowing for price increases, it can be seen that Phase 11 involved bigger constructions than Phase 1. The factory units themselves were bigger in size, and as KIE annual Report, 1971/72, put it,

> Phase 11 of the Nairobi Industrial Estates represents a higher stage of technology within the programme. Most of the enterprises therein are larger in scale with more sophisticated technology involving fabrication and assembly. Successful implementation of this phase will in itself be an achievement so far as the transfer of technology to local entrepreneurs is concerned .

As for the transfer of technology, the case may be very doubtful as it will be demonstrated below. But Phase 11 operations of KIE at Nairobi represented a move to more modern and more capital intensive form of production than the one in Phase 1. This also meant that these projects were also aimed at, and were really allocated to individuals of more sound financial standing than the previous ones. The new entrepreneurs were mainly senior government officials sometimes in association with naturalized Asian and European citizens of

KIE Annual Report, 1972-73» P* 3

49. KIE Annual Reuort. 1971-72. pp. 12-13.

substantial capital, bank chainasn and senior executives, ICDC directors and senior officials, Ministers and Members of Parliament, and such other influential people.'[50] These were individuals who got high incomes as employees in public or private sectors or as farmers and businessmen. They wore politically positioned to wield power and influence which would earn them not only KIE factory unit allocations, but also public (ICDC for example) and private commercial credits, loans or overdrafts (from the banks ejid other financiers). They v/ere people who also managed to get suppliers' credits and ample markets for their products-

Except for differences in size and levels of modernization, the two phases however demonstrate a lot of similarities in terms of the nature of the items they produce, the form and sources of machinery and raw materials, and most important of all, the import-substitution orientation that characterizes them all. i^ccept for ownership and operation, most of these unite, particularly the more sophisticated ones oriented towards assembly activities, are similar to what P.C. Alexander calls "branch units" of foreign industrial enterprises. But in order to appreciate these conclusions it would bo proper first to look into a few specific cases at Nairobi Industrial Estates.

50. Interview with KIE officials, Nairobi.

I'ost of the items produced at Nairobi Industrial Estates arc listed in Table 1. Although the categories under which they fall are big sounding and might lead a distant observer to believing that Kenya is on the last stages of full industrialisation, the actual KIE produced items are largely minor and perhaps unworthy being attributed to the work of industries. In virtually ail cases, the so-called industries are merely concerned with only small parts of the very last stage of the relevant production and then with packaging. Thus, although KIE annual reports of 1970-1973 indicate an average added value of between 37.5$ in 1969/70 and 31% in 1971/72, many important factors are still left unsaid. For example, this calculation does not point out or consider that machinery and equipment is on a 100$ loan, about of working capital is also loan, machinery and raw materials are imported duty-free, the rent for the factory premises is les3 than half the economic level, repairs and other technical services including technical and marketing extension advisory services are provided free of charge or at J>% of what the units present as their profits (if any), and that they are largely provided with protection from competition.[52]

51. KIE Annual Report 1972/73t P»11 and interview with KIE officials and entrepreneurs, 1977/78.
52. KIE Annual Report, 1971/72 p. 5; Development Plan 1970^, pp. 317-8.

TABLB I

Categories and Examples of main items produced at Nairobi Industrial Estates:

Category		Items Produced
1*	Wire Products	Sfe]£e pins, paper pins, paper clips, bicycle spokes, etc.
2.	Ketal Products	
	(a) Assembly	Gas cylinders, weighing machines, water meters, electrical distribution boards, etc.
	(b) Other	Butt hinges, band saw blades, sheet metal goods, iron and steel frames, tower bolt6, cycle frames, bottle openers, and rewinding/repairs of automobile dynamos, alternators, starters, electrical motors and electrical installations, etc.
3.	Wooden Products	Furniture, coat-hangers, cloth pegs, panga and hoe handles, wooden rulers, etc.
	Textile Products and Accessories	Ready-made garments, buttons, zip fasteners, shoe laces, school uniforms, ladies handbags, shoes, elastic tapes and hoisery products, P.V.C. raincoats, woven fabric labels, shoe eye lets, etc.
5.	Printing and Allied Services	Carbon paper and typewriter ribbons, printing and Lithe plate making, silk screen printing, etc.
6.	Miscellaneous	Curios, gameskin articles, paper cups and plates, sunglasses and frames, body lotion and oils, paper egg trays, wood-wool cenent slabs, instant needles, packing of glue and scouring powder, etc.

Source: KIE Annual Report 1976-77: Research Survey.

The other factor to note in this respect is the rather misleading terminology of "raw materials" for these factories. Most of the materials for KIE - Nairobi are imported,[53] (Table 11). Such materials include wire, metal sheets, complete gascylinder or water-meter components; paper, ink, uncoloured cotton or nylon ribbontapes, and ribbon-spools for Crescent Investments, for example; thread,rubber-threads and rayon-threads for Karaka Hoisery manufacturers, and the like. These co called raw materials are not at all raw. They are manufactured goods which could be used for various last stages of manufacture, the value of which may be less than one per cent of the entire manufacturing process. As demonstrated by Crescent Investments Ltd. making carbon-papers and typewriter ribbons, Chui Enterprises making urea and polyester buttons, Hydraulic Meters and Equipment Manufacturers Ltd. making and repairing water meters, or Khweyorabokhe Co. Ltd. making brass window stays, the KIE as operated at Nairobi Industrial Estates provides a secure market and monopoly for their Suppliers in the developed metropolitan countries which provide the type of manufactured goods that KIE calls raw materials.

53. Our Survey of 11 out of 54 KIE units at Nairobi (picked at random) indicates that more than 70$ of the "raw materials" is imported mainly from the countries supplying related machinery and equipment.

TAB!2 II

Percentage of Machinery and "Raw Materials"

Imported, and Percentage of Imported Machinery

used for more than 3 hours a day on average.

Unit Title	Percentage Machinery Imported n=108	Estimated Percentage Raw material Imported	Est irnated Percentage of imported machinery used more than 3 hrs. a day on average n=103
Earaka Hosiery Manufacturers Ltd.	98	80	90
Chui Enterprises	100	100	10
Rae Furniture	100	80	70
Kip Precision	100	20	5
Hydraulic Metres	100	100	2
U.K. V/ah one Ltd.	100	100	50
Khweyombokhe Ltd.	100	100	5
Crescent Investments	100	ICO	90
African Culture Serajevo	5	70	10
Kenya Night Queen Products Ltd.	80	70	80
Slabs Systems	95		10

Source: Research Survey

Virtually ^ an the machinery and equipment used by Nairobi Industrial ^states are imported mainly from West Germany and Britain (TablesII and III). This has generally been explained by the KIE officials tobe a result of domination of ICDC and KIE decisions by the Germans and the British, the fact that funds for these purchases were provided by Germany, and that local suppliers and consumers have a habit of preferring British-made goods to any other due to the long tradition originating from the colonial periodo[5b] Again, since all imports of machinery and equipment for Nairobi Estates must be approved by the KFW officials, it has been normal for these officials to approve purchases in Britain or elsewhere only when the relevant items were not available in Germany. In most cases, an attempt has been made to transport such goods in German ships and aircrafts and to cover them under German insurance firms.^ This would suggest an attempt by Germany to retain most of returns from

Interview with KIE officials at Nairobi; Local suppliers are usually British or German firms located in Kenya and specialising in importing and selling their respective 3ritish and German machinery and equipment. The most familiar one is Gilfillan & Co. Ltd.,

55. Interview with KIE officials at Nairobi.

TABLE III

Percentages of sources of 70# of Machinery at KIE Nairobi, by country of Origin:

Country of Origin	Percentages (nw108
Germany Alone	18
UK Alone	18
Germany & UK	36
Japan Alone	18
Sveden Alone	9
Other	1
Total	100

Source: Research Survey

the • KIE programme.

As stated earlier, 100# loans are provided to the entrepreneurs for the importation and installation of machinery. But the importation of "raw materials" was originally planned to be covered from the working capital to be provided by the entrepreneurs themselves. However, it was realised that the project could adversely be affected by this requirement as it became difficult for the entrepreneurs to raise enough funds either from their savings or from the banks and other commercial financiers. As such, the KFW loan also included-provision for working capital credit which would cover about 80% of the required amount and the rest would come from the entrepreneurs.[57] Raising even this 20% became difficult to many of them, and in many cases the contrioution was only 10$ or less.[58] This was mainly so with Phase 1 of the project and as it was under experimentation, every effort was made by the donor and its agents at ICDC and KIE to make the project a success. In Phase II many entepreneurs were able to raise the needed 20$ either from mortgaging their \and titles to commercial financiers, or merely using their political

56. Treasury Files on KIE, 1965-1966.

57. Interview with KIE officials at Nairobi

58. Interview with KIE officials at Nairobi*

and high social positions to obtain loans, overdrafts or credits on good-faith (bona-fide) basis.^

To the majority of KIE entrepreneurs at Nairobi, working capital funds have been a constant problem.^0 Many of them started off with heavy debts and had committed virtually every mortgageable assets in order to raise the initial funds required for the purchase of initial "raw materials[1]'. This meant that they had no other securities, and the commercial banks and private financiers therefore became hard on them and would not advance any or any more loans or overdrafts® In virtually all cases, both local and foreign suppliers of "raw materials" also refused to avail these infant entrepreneurs with credit facilities and insisted on strict cash payment before delivery. Thus the operation of the infant KIE factory units became extremely difficult right from the beginning and the position has not yet improved.

Another related problem experienced by these manufacturing units has been ruthless competition from the large-scale foreign dominated legal and illegal importers and makers of goods similar to those made at KIE. These competitors are usually multinational corporations and Asian firms operating in the country under various pretexts, (Table IVi

59. Interview with KIE official at Nairobi and Research Survey.

60. KIE, Brief Project Report, June 1978, found at KIE Nairobi.

TABLE IV

Pattern of Competition against KIE-Nairobi

Source of Competition	Percentages (n»II)
Imports alone	37 %
MNC Firms in Kenya	18 #
Asian Firms in Kenya	18 #
Other/No Real Competition"	27 %
	100 i

Source: Research Survey, 1977/78.

These wore the firms with long and wide marketing experience as well as being capable of manufacturing high-quality goods. The 27 per cent shown in Table IV as realising no real competition have foreign (usually Asian) partners or managers, influential government officials as owners or partners, or have good and reliable sources of working capital. Asian or foreign component of ownership provides superior links with suppliers and markets and hence success of the unit3 as in the case of Haraka Hoisery Manufacturers Ltd. Government officials in the ownership, particularly the senior officials of the Ministry of Commerce and Industry, provided and enforced a ban on competitive import goods related to those produced at the KIE units of their special interests.

Lack of adequate working capital, difficulties in obtaining adequate supplies of "raw materials", competition from the well established and experienced foreign dominated firms, difficulties in manufacturing quality goods and in marketing them, have all led to very low usage of machinery and equipment at KIE factory units. Thus, as indicated in Table II above, only an average of 37 per cent of KIE machinery and equipment is used for more than three hours a day in a five-days week a year. In case of acdembly units such as Hyraulic Meters and Equipment Ltd. and Gas Cylinders producers which import complete components as their "raw materials", the usage of the sophisticated machinery is extremely low, (Table 1$. Most of their operations are manual and involve only a small number of workerso

Hence they reflect a high labour - fixed capital ratio, {Tabic *Vj.* The same phenomenon could be observed in the case of Chui Enterprises which, for example, has many fairly eodera machineries but requiring more workers than are revealed by labour - fixed capital ratio (1:121,500) if more than *10%* of their machinery operated for more than three hours a day, (Table II and V)0 This measure, however, could be very deceptive. Thus, for example, the sophisticated units, Haraka Hoisery Manufacturers and Crescent Investments reflect much lower number of workers than Hydraulic Meters and Equipment Ltd®, while in fact they employ a much larger number of workers. Nevertheless, it was generally observed that the higher rate of machine usage, the higher the probability of employing a bigger number of workers.

In cases where the labour - fixed-capital ratio is very low - for example, K.K. Wahome, African Culture and Kenya Night Queen Products, there were only a few and simple machineries which were substantially used. However, the Kenya Night Queen Products which has bigger fixed capital than the other two also employs a proportionally much larger number of workers than the others. This is mainly explained by the unit's large turnover and marketing skills,[61] as a result of which the rate of

61. .Development Plan, 1966-70,pp. 2^3-44.

TAB?. B v

Selected Unit's Labour - Fixed Capitol Ratio, 1977

Unit	Labour-Fixed Capital Ratio (Machinery & Equipment	No. of workers	Fixed Capital in Shillings
Haraka Hosiery Manufacturers Ltd,	1: 93,000	15	1,395,000
Chui Enterprises	Is 121,500	10	1,215,000
Race Furniture	M	32	
Kip Precision	1:. 229,600	5	148,000
Hydraulic Meters	li 23,000	10	230,000
K.K* Wahome	1: 1,600	10	16,000
Khweyombokhe	M	6	
Crescent Investments	1: 67,850	40	2,714,000
African Culture	Is 4,200	5	21,000
Kenya Night Queen Products Ltd.	Is 2,680	25	67,000
Slabs systems	Is 24,700	20	494,000

Sources: (1) Research Survey, 1977/78

(2) KIE, Brief Project Progress Report of Juna, 1978.

(3) KIE, Annual Reports 1975/76 and 1976/77.

fcachinery usage is also high (80% compared to 50% for U.K. l/ahor.e & Partners and African Culture Serajevo at 1C#).

According to Development Plan 1966-70 concentrating enterprises in industrial estates had the advantage of not only maximizing infrastructural, technical and advisory resource use, but of making it possible for visiting industrialists and prospective investors to do a quick survey of tho existing manufacturing activities and to get the information required to decide how those enterprises might fit into plans to produce or assemble new products. This plan worked out in the cases such as the Earaka Hoisery Manufacturers who made elastic tapes, other tapes and general hoisery products which were consumed by larger producers like Eata Shoe Co., large-scale clothing factories, smaller producers like Tiger Shoe Co. or Ken Shoes Co., and which also supplied hoisery materials to the armed forces in Kenya[62] The company has a virtual monopoly in the area of production and is strictly protected. The same thing was expected of Rae Furniture Ltd. or K.K. Wahome and Partner with respect to supplying of cushions, furniture,

62. Survey Research 1978. They also supply general merchants and shopkeepers with these items as well as other items like vest and swimming kit materials.

and construction frames. But these two industrial units do not get orders of this nature. The would-be large scale consumers prefer to import their requirements or to buy them from large-scale makers of the same items. Chui Enterprises, makers of urea and polyester buttons, would also be very successful in this respect were it not for the fact that the people who posed as "visiting industrialists and prospective investors" actually turned out to be competitors directly importing the same and more superior button-brands or setting up their own button making factories under various guises to compete with the KIE unit. Consequently, these competitors, most of whom were Asians competing for the Asian clothing factory owners (the main consumers of buttons), undercut and suffocated Chui Enterprises to a point of nearly forcing it to closedown.

Crescent Investors Ltd., the sole producer of carbon papers ana typewriter-ribbons, and thus supplier to both large and small private and public sectors, also suffers from unlicensed imports. However, the crucial aspect of competition against this producer stems from the fact that new brands of typewriters keep on being introduced into the country. Since ribbon making, packing and use are dependent on special ribbon-spools for particular types of machines, it has become extremely difficult for this firm to keep up with the rate of change in machines in use, particularly when only a small number of each machine type is required. Such machines would need many spools to be imported from many countries according to the sources of these machines* Bulk importation would be impossible if only a few of the spools will be needed and worse still if the probability of changing the models in a year or so is as high as it has been in Kenya. The spools would also need different sizes of ribbons and thus make the problem all the more complicated. Thus, due to lack of control of the types and models of typewriters to be imported and due to the lack of model control at the manufacturing sources, Crescent Investments experiences great difficulties for survival. In this respect, the firm is only a small service branch unit of the typewriting industry, but like Haraka Hoisery Manufacturers or Chui Enterprises, Khweyombokhe Co., Ltd., and other KIE units, it is not itself an industry.

With these few observations on the KIE-Nairobi implemented operations, the next task is to make a brief assessment of the KIE achievements in the light of the objectives which the project sought to realize.

KIS-Fro.iect Assessment

In assessing the achievement of Industrial Estates in Kenya, it should be clearly noted that the circumstances under which these estates were initiated were very different from those under which the idea and practice of industrial estates emerged and developed in the industrialized and developed countries. Ae pointed out earlier, industrial estates in the U S and Western Europe, for example, were developed in order to redistribute or decentralize the already developed and growing industries. The aim was to influence regional migration and population structure in a way that would expand and redistribute employment opportunities within the individual country. These industrial estates usually involved branches of domestic industrial system and not units of imported dependent operations. In these circumstances the estates increased better resource use, internul i>roduction was expanded, internal national surplus value and capital accumulation was realised and extended, with a consequence that development took place in the real sense.

In the cgse of underdeveloped countries like Kenya, however, industrial estates have been mere branch units of external, foreign industrial systems in search of profits.

It was also premature to try to copy the experiences of other underdeveloped countries like India or Puerto Rico with respect to experimental industrial estates they had initiated. There was nothing to show that the estates approach would help in the indigenisation or industrialisation of the economy. In the case of Puerto Rico, for example, the estates became branch units of American industries under local nominal operation but assuring the American home industries of secure - quasi-monopoly markets, high prices, and hence high profit returns. Thoy were therefore merely a method of maximizing profits at the expense of Puerto Rico which would be left with net-loss of capital and hence economically and socially underdeveloped.

In India, the first industrial estates were largely oriented to the uplifting and modernizing of traditional cottage industry by making them consumers of metropolitan produced machinery and equipment. But they would not avail the country of an internal development of large-scale and modern industrial growth capable of rendering the Indians independent of imported large-scale capitalist industries and imports which deprived the country of capital and thus reduced it to increasing levels of economic and social underdevelopment. To choose to adopt these two models, Puerto Rico and India, would therefore be the eame as choosing to reduce Kenya into deeper levels of underdevelopment characterized by mass unemployment and underemployment, poverty, and great inequality between the bulk of the poor and working population on the one hand, and the wealthy few local "national bourgeoisie", and comprador bourgeoisie and international-monopoly capitalists on the other.

A3 seen above, the choice of KIE as a means of Africanization of industry was largely the work of institutions, Governments and individuals with vested interests in maintenance of status quo and western control and exploitation in Kenya and the surrounding countries. As seen in the case of Livestock Development, the UN officers had been involved in perpetuation of colonial activities in Kenya for a long time, usuallj' under the cover of technical research or services. Some of them might not have had these intentions, but once in Kenya they were greatly influenced by informal contacts with the powerful foreign private investors here. Joined by other foreign interested parties such as the German KFV/ and the Indians who were themselves mere agents of international capital, as well as scholars such as Dr. P.C. Alexander who had just evaluated the Indian Industrial Estates, the entire team concentrated on ways and means of introducing a few Africans into token industrial activities. Their advise that ICDC should become the agency of KIE programme implementation as seen earlier, amounted to an automatic death blow to the idea of Africanizing or localising industry. As such, the choice of institutional framework for project implementation in the body of ICDC through its subsidiary,the KIE,effectively confirmed that the project would be limited in nature, and would not be allowed to overshadow the "primary sector", that is,the large-scale foreign investment industries.

From an implementation point of view, the limited number and sizes of KIE operations would never actually hasten Africanization of industry. If anything, it might slow down and, maybe, eliminate the move. This has been realized to be the situation in nearly all cases, except perhaps where Africans have joined with Asians as was the case with Haraka Hoisiery Ltd. In the later case, however, the African is merely an agent for Asian profit making and there is no sign that effective Africanization takes place.

On the issue of stimulating industrial growth, it has been seen that KIE units are smaller aspects of the large-scale import substitution based on imported machinery and imported industrial products which have erroneously been termed as "raw materials". The phrase "maximum African participation" does not seem to make any sense given the limited number and sizes of the XIE units, stiff competition from imports and locally made foreign goods, or lack of operation resources, though small in extent. KIE project is therefore just another means of metropolitan countries to obtain more profits/can be got from Kenya- In the eyes of ICDC, it was a means to intensify assistance to African industrial entrepreneurs, but definitely it was not a means of replacing foreign industrial investors with African industrialists.

Considering that a large part of the KIE machinery was imported from Germany, and given that KIE entrepreneurs have been offered free trips to visit their "counterparts" in Germany, the link of German and Kenyan small - and medium - scale industrialists seemsto be a success.[63] The Kenyans feel that they are/a mere token of German "counterparts" but at least they have developed a hope

63* Promotion of a link between metropolitan small-scale industries and those of underdeveloped countries is, like in the case of large scale foreign investments, undertaken by the state of the former as part of its efforts to expand exports. In this cas; :he state is directly involved because the great risk and uncertainty of investing in backward countries forces metropolitan small scale enterprises to shun undertaking investments there. As such metropolitan state-backed KIE and such other programmes provide them with a good measure of profitable outlet for their manufactures. See, Rhodes op. cit. p. 129 and R.F. Mikesell, The Economics of Foreign Aid. (Weidenfeld and Nicolson, London, 19o3) pp. 174-5.

(though this seems to be a false hope) that they will one day raeasureVio the size but not to the independence, of the Germans. That hope which is based on individualised *sense* of ownership and operation has worked out well against attitude socialistic^or public ownership with the greatest local resistance coming from these "wishful thinking" African entrepreneurs. As it will be shown in Chapters VII and VIII be}.ou, resistance to public ownership of the profitable productive operations in the country has always been and continues to be to the best profit-making interests of the metropolitan based international capital corporations, but to the greatest disadvantage of development interests of Kenya. Indeed one might conclude that African participation in token private business and manufacturing operations in the post-independence ere* has been the greatest contribution foreign aid has made to promotion of continuation and intensification of colonial initiated underdevelopment and dependence in Kenya.

Summary and Conclusions

Developed western countries used industrial estates to realize regional industrial distribution of already developed industrial system. But they never used the estates to develop industries. In some developing countries, such as Puerto Rico and India, these same developed industrial countries have utilized industrial estates as an easy method of setting up their branch units there. In the case of Kenya, industrial estates have effectively become a small-scale method of securing the market for machinery and industrial products called "raw materials" of the metropolitan capitalist countries on the one hand and of winning Kenyan African sympathies for capitalist-based nec-colonial system of exploitative private foreign investments in the country. In such a situation, the end result is not to save foreign exchange or to increase local capital accumulation, but rather to increase the net loss of capital to developed countries and thus increase economic underdevelopment of Kenya.

The German aid towards the setting up of KIE at Nairobi was a very important factor in shaping and involving Africans as supporters of a **neo**-colonial capitalist activities in Kenya. It thus helped create internal structures for **self**-perpetuation of capitalist exploitation of Kenya's, and maybe East Africa's, raw materials, labour and markets. FSther • than help in development, of national industrial and technological independence | the German aid helped to increase external dependence on machinery, technology and industrial products. Tho consequence has been token Africanization of capitalist industrial activity in Kenya but continued profit and capital net outflow to the capitalist world. The benefiting Africans do not become capitalists themselves as they do not manage to appropriate the real profits of their activities. They reap what could be called "commissions" for servicing of capitalist machinery and industrial goods on the one hand, and for providing political service to capitalist operations here in form of sharing capitalist values and protecting the accompanying social and economic policies.

In other words, industrial estates based on capitalist machinery and technology on the one hand, and on the principle of private system of production on the other hand, cannot become a tool for industrial development in developing countries. It can only reduce these countries to deeper levels of resource and capital loss to developed world, and consequently to greater incapacity to solve national social and economic problems such as unemployment, illiteracy, poverty, and inequalities.

For a country like Kenya to realize national industrial development, aid must be used to create national machinery production base and system; there must be the use of true raw materials nationally produced or imported; technological development must be institutionalized and actively encouraged. As we shall see in chapters VII and IX this strategy might not get realistic assistance from capitalist countries or institutions which would view it as tantamount to capitalist suicide. Kor can it talce place within a private system of production. It must be based on public system of production which is the only force capable of arresting capital and resource loss to foreign countries; - obtain relevant assistance from donors wishing to aid this strategy; and then mobilize all the national natural, human and capital resources to support this strategy and also share in its resultant production. As these points will be elaborated in the ensuing chapters, suffice it to state here that this strategy would end the rather misleading dichotomy of large end small industries, every economic activity such as livestock development and agricultural development would benefit from and give support to this industrial tfevelop^nt. Other social, political, cultural and technological activities would not only bo a reflection of this development, but they would also boost it up.

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CHAPTER VII

THE ROLE OF AID IN UNDERDEVELOPMENT AND DEPENDENCE IN KHIYA

Underdevelopment is a process and a socio-economic condition that is exactly opposite to development. It entails expXcitation and appropriation of economic surplus of one country by another or others; it suppresses an attempt by an underdeveloped country to evolve its own autonomous technological capacity and economic system; and it thus deprives the victim society of the capacity to realize its own industrialization the sine qua non for national development.[1] Underdevelopment is carried out through direct exploitation of a country's natural resources, labour and market by foreign countries. It is also maintained and perpetuated through wastage and laying idle of a lot of physical, natural and human resources which could otherwise be used for social, agricultural and industrial development of a poor and backward country like Kenya.[2] The consequences are

1. "Industrialization brings in its wake inventiveness, n modern outlook, the environment for rapid technological progress, indeed the v/hole complox of industrial civilization which is necessary for a progressive nation". J. Bhagwati, The Economics of Underdeveloped Countries, p. 165.

2. A.G. Frank, Capitalism and Underdevelopment in Latin America, pp. 6-7.

economic dependence on the metropolis, and a country's inability to respond significantly to such problems as unemployment, poverty, inequality, illiteracy or ill-health. How foreign aid has contributed to this situation in Kenya since independence is the focus of this chapter. It must be recalled that underdevelopment and dependence are the two inseparable twins of an underdeveloped society. But for our analysis we shall treat them separately.

Industrial Underdevelopment

Kenya is an example of a country where development of national industrialization has been emasculated by the process we have called underdevelopment. All the three case studies seen above are witnesses of this fact.

Drawing from the FPEU, one does not find evidence of the expatriate personnel involved being in^any^way concerned with industrial development in Kenya. In all the ministries they dealt with, we notice they were more concerned with identifying projects which would be ideal for the consumption of Canadian foreign aid than with advising or training in project preparation ana evaluation. That was how Secondary and Minor Roads Gravelling projcct was born and subsequently funded by Canada. This behaviour of the Canadian officials attached to the PPEU was nothing new in Kenya's relationship with her donors. Nearly all donors have a practice of sending in officials or consultants of their own choice to come to Kenya and hunt around for projects they might want to fund. It was this role that the Canadian personnel under PPEU tried to play. They also served as a vehicle to sell their ideas about projects to be adopted for priority consideration by various ministries including Agriculture, Education and Ministry of Works. Though they did not realize much success in this respect due to bureaucratic politics in general, it must be noted that their projects were always oriented to consumption of Canadian capital goods (machinery and equipment) and technical assistance. Rather than assist the country towards economic and technological independence, PPEU was a sales promotion project for Canadian manufactured goods and values. The Kenyans who attended institutional training at York University achieved nothing peculiar that would be of U6e in devising or planning projects that would lead Kenya towards national industrial development. Thus, the role of technical assistance in Kenya has not been one of assisting the country to be technologically developed and hence capable of national industrialisation. In effect it has been to promote consumption of expensive v/estern technological products and maintain the country as producer of cheap primary products for export. Thus, coupled with capital aid, an increase in Canadian technical assistance also led to a sharp increase in Kenya's imports from Canada in the 1970*s and in Kenya's exports, especially coffee, tea and pyrethrum, to the country*'[5] This signifies Canadian contribution to Kenya[5] s continued and increased underdevelopment - that is, continued role as producer of a few cheap primary products and consumer of capital goods as well as consumer of agricultural products and services of the developed world.[If]

Likewise, Kenya Industrial Estates, contrary to what is expected, cannot stand out as an example of a tool for either technological transfer or for national industrialization.[5] All the factories were dependent on imported machineries and "raw materials". They were

3. Kenya Statistical Abstracts, 1970, 1975 and 1977 Domestic Exports and Net Imports - under Trade. It must be noted that coffee and tea are the main crops to have received large amounts of aid since independoncA.

Kenya imports a substantial amount of agricultural products, see p426 below.

5* Small scale industries in recipient country were said to be useful as they would help in technological transfer needed for quick development of national industrialization. See Bredao, op. cit.ro.3; <u>Development Plan</u> 197^-78 , p.93; and chapter VI above small scale units which depended on large scale operations in the developed countries which supply KIE with both the machineries and "raw materials". Indeed they were mere small scale import substitution factories to run side by side with large scale import substitution production mainly by foreigners. They are also ready markets of inputs locally produced by multinational corporations, again in form of import substitution. Thus, for example, Crescent Investments is one of the main consumers of printing ink locally produced by Coates Brothers of Britain.^

Although Kenya's industrial policy has been oriented towards import substitution at large scale and small scale level, the effects of such a policy on autonomous industrial development in tho country are grave. It is clear by now that neither Crescent Investments Ltd. nor any other Kenyan firm has been able to evolve its own technological capacity for industrial production.[7] They have not been able to produce their own machinery related to production right from the stage of raw materials up to the final product. Thus, for example,

6. Interview with Crescent Investment Ltd. and Coates Brothers Ltd. workers.

7* <u>Development Plan 1970-74,</u>pp. 304-5 and <u>Development</u> Plan 1974-73, p. 295.

Cresent Investments Ltd, has not developed the knowhow for caking the kind of machinery they use. Nor can they make machinery to produce the ink or tapes they use instead of having to depend on Coates Brothers for supplies of these items under the guise of "raw materials". This is what one means by lack of technological capacity. What Crescent Investments Ltd, does, however, is to import machinery, equipment and some producer items like thin paper. The firm buys the other producer items, some equipment and 6pare parts from locally based multinational corporations or their agents. As a result the most that the firm can achieve is to learn how to operate and service imported irachinery and equipments. That is, it learns how best to be a consumer of products of foreign- technology. But it is not a vehicle to Kenya-nize technological capacity as one would expect from reading the Development Plans.

It would therefore appear that small scale industries such as the KIE units in Kenya are completely incapacitated and reduced to dependence on foreign industries or locally based large-scale and foreign manufacturers or suppliers. They lose their resl surplus value to these suppliers who have previously manufactured or imported the machinery, equipment or producer items and who in turn sell them at great profits. Foreign supplier-domination also incapacitates the local ssall-6cale industries in terms of ability to initiate and develop independent production ideas, machinery, equipment or the actual raw materials.

Their position is not exactly like that of large-scale foreign manufacturers in the country. As part and parcel of metropolitan industrial production and marketing systems, the foreign manufacturers in Kenya are not incapacitated at all. They do not seek to be independent of parent firms in the metropolis in any way as their yalaoa d'etre ig none other than to maximize the profit* of those parent firms. As such, continued dependence of local small-scale industries upon what are directly or indirectly foreign machinery, equipment, inputs, services and ideas has the basic effect of suffocating and stunting those industries and finally negatively affecting attempts at industrial development.[9]

By now it should be clear that setting up industrial units does not necessarily amount to industrial

8. Producer items or inputs include such things like fuels, lubricants, spare-parts, accessories, metal bars, wires, glass, thread, elastics, cloth, rubber, oils etc. See ftenvn Statistical Abstract 1977,PP. 75-80.

9. Also See Rweyemamu, op. cit. p. 85.

development of a poor and backward country like Kenya. As demonstrated by KIE, saall-ecalo industries in the country are largely small-scale counterparts of import-substitution production that is normally undertaken by the foreign corporations located in Kenya.. Like I multinational corporations, small-scale industries as they exist in Kenya cannot become vehicles for technological transfer from the metropolis, nor can they become a basis for independent industrial development.

Thus, Kenya's industrial policy of encouraging foreign investors as well* as small-scale manufacturers has not only contributed to the country's technological and industrial incapacitation and dependence, but it has also had grave implications on the country's economic, social end political life. For example, agricultural mechanization is also dependent on imports. So are agricultural inputs such as fertilizers, chemicals and veterinary inputs and appliances. The entire health, educational, transport and communication systems are also dependent on imports in the final analysis. This dependency does not only reduce attempts to achieve national industrialization to wishful thinking under the circumstances, but it also affects whatever political decisions Kenya makes with respect to the nature of social and economic strategies the country adopts. This will be clarified shortly.

To expect that Kenya's industrialization is promoted through small-scale factory units, as the policy is so far, is extremely unrealistic. It is no secret that the share of the country's manufacturing that they claim is very small indeed, (Table 1). Their role in the entire economy is therefore very insignificant. Thus, for example, their output as well as their total input costs including labour and capital is very small compared to that of large scale foreign owned and controlled manufacturing, (Table I). This does not, however, mean that small scale manufacturing units have no impact on the country's underdeveloped condition today. In fact they have two major roles. As we have seen above in chapter VI, they play a socio-political role as they enter into an alliance with foreign owned large scale corporations in the fight against nationalization, and, as we shall see later, in institutionalization of industrial stability in favour of the entire industrial production, trade, profit making, and hence in favour of appropriation of the country's national surplus value by the metropolis. They also act directly as producers of part of the surplus value that is appropriated by the metropolis.[10] But

10. See pp.413 - 417 below.

TABLE I

Contribution of Large and Small Scale Manufacturing in £'000 and Percentages in 1973*

	Labour Costs in £•000	Percent- ages	Gross Product in £'000	Percent- ages	Input in £'000	Percent- ages	Cutput in £»000	Percentages
Large Scale Manufacturing	35,970	82*	85,152	Z6%	215,169	83%	300,321	84*
Small Scale Manufacturing	8,046	18*	14,352	14*	42.926	17*	57,268	16*
All Firms	44,016	100*	99,504	100*	258.095	100*	357,589	100*

Source; Kenya Statistical Abstract 1977, p» 156-158.

before examining how this is done, one should look at the rationale behind the KIE - Nairobi type of small scale industries.

It seems that one of the reasons behind the establishment of KIE ana other small scale industries has been expanded employment.[11] Small scale industries are generally said to be labour intensive: they are said to use less capital per unit of output, and to be a tool of technological transfer as well as a means of evolving technology relevant to a poor and backward country.[12] The issue of technology has been dealt with and needs no repetition. It is also noticed that large, foreign owned, manufacturing firms employ less labour per unit of investment or output than the small ones such as KIE units.[13] Being capital intensive they are also more efficient and thus realize more units of output per unit of labour costs. In the case of Table I, fcr example,

11. Development Plan, 1974/78, p.295.

12. Dandekar, op. cit.

13. H. Hempel and W.J. House, The Kenya Employment Problem, (Oxford University press 19?o)pp. 33-41.

large scale firms in 1973 realized £ 8.3 million in output per unit of labour costs while small scale units obtained £ 7*1 million. This situation enables the large, mainly foreign owned, firms to realize bigger)

profits and p*y higher wages to the relatively smaller lumber of people they employ. Meanwhile the small units pay less wages to the relatively greater number of employees using less efficient but imported machines and equipments.

However, this should not be construed to mean that small scale industries such as KIE units require less capital input per unit of output than large firms.[14] As Table I shows for the year 1973, small scale manufacturing firms in Kenya invested more capital (£ 0.4m.) per unit of output as compared to large scale firms (£ 0.3m.).[15] Thus, small scale firms such as those in KIE-Nairobi or Maohakos utilize more capital relative to output than the large ones.

14. Dandeker, op. cit.

13* Drawing from KIE-Nairobi, this situation is caused by the- large number of capital machineries and equipments which are expensive and little used for production within the industries. This is further confirmed by the fact that the capital-labour ratios for large and small firms are the same (1:0.38)*

Crescent Investments Ltd., Haraka Hoisery Ltd., or Chui Enterprises Ltd. for instance, are to a large extent automated to more or less similar level as similar large firms are. Many others as shown in chapter VI above, have sophisticated automated and semi-automated systems, but which are largely unused for various reasons as seen above.

In the final analysis, if the aid-backed KIE is representative, then one can conclude that small industries do not at all significantly increase the level of employment relative to capital input.[16] Nor are they less capital intensive than the large foreign firms relative to output. Their role, therefore, is to increase inefficient production based on consumption of imported capital and producer goods. But they do not replace capital with labour, though they may slightly raise the number of people hired cheaply from the large number of the unemployed. As there is no intention in Kenya today to replace large scale with small scale production, the probability that the policy of encouraging small scale industries will help solve unemployment problem is rather too far fetched.

16. Thi3 seems to be the case with the entire manufacturing sector as well as most of the other sectors of Kenya's economy. This position is reflected inpp-461-468011 underdeveloped growth and social consequences.

The overall policy of Kenya Government since independence has been to realise econonic growth from which social welfare can be achieved.[17] But has the strategy chosen for implementation of that policy really been all that positive? Deriving from KIS operations one can see how both small and large scale manufacturing firms have actually become not agents of "real growth"[18] but of underdevelopment by the capitalist metropolis. The behavi our of the two types of firms is the same except that the small ones are owned by local enterpreneurs while virtually all large ones are fully owned by foreign multinational corporations. The small scale units, (and hence the country) are charged more for machineries, equipment and producer goods (usually of poor or second-hand quality) than the cost of importing a finished product would justify. This is more so when these items are supplied by locally based multinational manufacturing or trading firms or their agent s,These firms and agents are themselves subject to overinvoicing by parent or original-supplier company in the metropolis and thus by the time the items reach the small-scale industrialist they have assumed greater cost value than the~ones imported directly and escaping

17. See below p. 460 and Development.^^ ifffc^Q. Introduction.

18. For an idea of what we are calling "real growth", see p. 4^9 below.

over-pricing. In this way the country loses more foreign exchange through this fake industrialization - whether it is large or small scale. This is much more the ease when it is noted that although they form nearly two thirds of Kenya's Gross Output and earn more than 70% of total pre-tax profits, foreign manufacturing and trading firms hardly earn the country any foreign exchange.[19] Indeed as the World Bank team reported in 1975, these large and small scale industrial and trading firms do not save this foreign exchange (earned by other sectors especially agriculture) in spite of the fact that they are its jgreatest consumers and that Kenya has availed them of every opportunity to earn and expatriate as much profit as they wish.[20] This is also in spite of the fact that, apart from various types of governmental services that they enjoy almost for free, these large and medium scale, mainly foreign owned, trade and industrial firms have also enjoyed a big share of foreign aid backed credit facilities from local public institutions such as ICDC, IDB, DFCK, HFCK, side by side with ICDC small scale credit to some

19. See ILO Report, op. cit.pp. 441-446; IBRD, Kenva Into the Second Decade, p. 310.

20. IBRD, op. cit. p. 310. See also Chapter VIII below for Foreign Investments Protection Act of 1964.

African entrepreneurs and businessmen (Table II).[26] In addition they find the Kenya Government ready to assist them by providing part cf the capital for the new industrial enterprises and by entering into a joint venture with them.[22] In other words, these foreign companies have a chance of enjoying wide profit making opportunities without themselves bringing into the country any substantial capital and without contributing to the saving and accumulation of wealth in this country. If anything, they greatly rely on either local capital which they raise by borrowing from locally based foreign well &• local bank® andfrom the government, or on foreign bilateral and multilateral public finance capital also called aid. As it will be seen shortly in the case of

21. All these agencies were initiated aod have been mainly financed with aid from several western financial institutions and governments. These include West German , British, Swedish and U.S. governments, Western Banking consortia and the World Bank. Other financiers include African Development Bank, and E.A. Development Bank. Local Commercial Banks have also joined in lending to ICDCf ID3, DFCK, and HFCK, side by side with Kenya Government contribution. See ICDC Annual Reportsg 1966-77» DFCK Annual Reports, IDB, and HFCK Reports; and Ministry of Housin? and Social "Services, Annual Reports. Development Plan .197^-7.8. p. 292. In Table II Share Equity Holdings is a form of financing to large scale finis.

22. Kenya Ministry of Commerce and Industry, A Guide to Industrial Investment in Kenya, (Nairobi Government Printer 1972) p. 79.

TABLE II

Industrial and Commercial Development Corporation (ICDC) LoanG by type and Shares-Ecruity Holding by year,in £ 'COO

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/7
Large and Medium size loans		**254**	326	423	480	438	578	**846**	1,077	**1,217**	2,**528**	3,005	3,361
Caall Scale Loans:													
i industrial Loans													
Kenya Industrial Estates				176	311	374	519	629	1,132	1,523	2,942	3,574	4,041
Other		65	87	118	186	344	562	717	1,068	**1**,503	1,784	**1,829**	1,856
Total Small Industrial Loans		65	87	294	497	718	1,081	1,346	2,200	**3,031**	4,726	5,403	5,897
ii Commercial Loans		77	128	233	485	**883**	1,609	2,194	2,698	3,355	3,578	4,266	4,292
iii) Property Loans				**6**	217	**687**	1,284	1,923	2,770	3,901	4,372	4,664	4,494
Shareo-Equity Holdings		500	**684**	742	889	1_f184	1,705	2,553	**2,107**	1,661	1	1	1

Source; Industrial and Commercial Development Corporation, Annual Reports *1966/1977**

Associated Vehicle Assemblers (AVA), aid enables these foreign companies to get access to various forms of local finance with ease.[23] Moreover, most of aid to Kenya whether used by government for setting up or maintaining social and physical infrastructures or for onward lending to large-medium-and small-scale private firms has been specifically provided to meet the cost of imported goods and services. As it was put by UNDP in its Compendium on Development Assistance to Kenya, for example, the World Bank loans to IDB in 1974 and 1975 were to finance "the CIF cost of imported goods and/or the estimated foreign exchange component of imported goods purchased through normal trade channels, of civil works and of goods made in Kenya substantially with imported materials".[24]

Although the entire society is finally grfcatly affected by this gloomy reality, some of those who feel it most are the small scale, African owned, industries such as the ones at KIE - Nairobi. The consequence of being on heavy debts and of relying on the use of expensive industrial capital and producer goods and services is

23. See pp„ ^89-^94 below.

24. UNDP, Compendium on Development Assistance to Kenya, p. 157.

that their manufactured products of comparatively inferior quality end up being much more expensive to[25] the consumer than imported ones of the same type. It is only by such prices that they can break even, and sometimes make some profits as in the case of Haraka Hoisery Ltd., Crescent Investments, of Kenya Night Queen Products. In the face of competition from large scale (foreign) firms or from imports, as in the case of Chui Enterprises, Kip Precision, Khweyombokhe Ltd., KIE or any small scale industry can hardly survive. Firms with full monopoly and wide guaranteed market, such as Hydraulic Meters Ltd., and to some extent Crescent Investments itself, maintain high prices and make profits easily. All the other firms strive to have import ban enforced on articles they produce. They also seek to have local large scale manufacture of such items prohibited. Indeed, the notion of Kenya Industrial Estates is ideally based on total monopoly of KIE

25. Multinationals, usually importing directly from parent companies or subsidiaries, can afford cheaper prices, though again not as cheap as imported goods not affected by prohibitive import duties and overinvoicing by parent firms in the metropolis.

produced goods by KIE firms,[26] thus making the Kenyan consumer pay whatever price these firms nay demand. It is the price the largest part of which is paid to metropolis or locally based multinational corporations for their supplies, part of it going to repay the German loan, and the rest being shared between the workers and the owners of a KIE firm. For them to make higher profits or save themselves from collapse, KIE or any other small scale firms tend to cut on labour costs either by reducing the number hired or by underpaying them, especially the latter. In the case of KIE, entrepreneurs also met this challenge by hiring most or all of their workers on irregular or casual basis.[27] The consequence was that KIE firms were very weak or negative creators of employment, and it was not until June 1976 that all firms (54 in Nairobi, 25 in Nakuru, and 15 in Kisumu) managed to.employ 1,153 people.[28]

26. Kenya Industrial Estates, Annual Report 1971/72 and 1972/731 pp» 14 and 11 respectively. Also see Chapter VI above. It should be noted that monopoly is demanded by small scale firms sucit as KIE in spite of the fact that they get free technical services, easy terms of credit from £IE, and free research, feasibility study, and marketing advisory services. One might say that these free services are largely responsible for a large part of whatever profits they make.

27* Interview with KIE entrepreneurs.

28. KIE Annual Report 1975/76, p. 10.

KIE firms therefore realize little or nothing in terms of surplus value of their productive activity. The real surplus is expropriated and appropriated either directly by the metropolis or indirectly by locally based multinational corporations. It is taken away in the form of payments for goods and services supplied to KIE firms. KIE firms are in turn able to make such payments by selling their products at higher prices than similar imported goods would cost. These higher prices are paid by Kenyans who constitute the greatest part of the market for products of KIE and other small-scale industries. They are the prices the greatest part of which is KIE^ surplus to be ultimately appropriated ' by the metropolis. Alternatively, ability to make these payments originates in Kenyan tax-payers* support in form of exemptions from import duty for KIE imports and supply of free technical and other forms of services.[29] They also pay the Government much less than half of the commercial rent. In the final analysis, it is the Kenyane

29* These services include the repair and servicing of machinery andmanufacture of dies and jugs. Development Plan 197^-78, p. 299« They also include feasibility studies, market surveys and marketing, and buying of materials overseas on behalf of entreoreneurs. KIE, Annual Reports« 1972-76.

themselves who are deprived of their surplus value through the institution of KIE,^ As wo shall see shortly, the consequence has been Kenya's inability to increase employment, Gross Domestic Product <u>per capita</u> , improve income distribution or to reduce inequality especially on regional and racial basis. The other consequence is that with a loss of virtually all KIE'e[31] and hence part of Kenya's surplus value, actual "Africanization of industry" let alone industrialization of the country, becomes far too distant a dream. In other words, capital accumulation and increased consumption by the country's population relative to either private or public investments in production become completely absent. This is the situation of underdevelopment which suffocates any attempts at development.

<u>Agricultural Underdevelopment.</u>

As seen in Chapter I, agricultural underdevelopment refers to the expropriation and appropriation of a

3Q. This includes the entrepreneurs, workers and consumers of KIE and other small scale industrial production.

31. The greatest part of Kenya's loss of surplus value is carried out by foreign private investments in agriculture, manufacturing, commerce and trade all of which are promoted and encouraged through foreign aid. Seepp.450-453 [3]nd chapter VIII below.

country's agricultural surplus value by othor countries. The first step in that direction has always been to convert a country like Kenya from subsistence production to commodity production for market. The next step has been to institutionalize commodity production as the main productive activity of the country, thus giving it permanence. This means that the country is drawn into the capitalist system, and that the labour power of its population is exploited fully by the capitalist metropolis.

In Kenya, agricultural underdevelopment began during the colonial period with alienation of the land by Europeans and the use of cheap African labour to produce the surplus value. The Europeans got land for free or for a token price. They also got free or very cheap public services from the colonial administration including free or cheap railway transport, water supplies, telephone services and electrical supplies; duty free agricultural machineries and inputs; free or cheap government supplied technical services such as agricultural extension services or advice. All these services were paid for from the government coffers which had been filled mainly by taxing the African workers and peasantry. This meant that the little subsistence wages and incomes thi workers and peasants got during the colonial period were also dug into and further exploited by tho settlers and the colonial administration on behalf of the metropolis. We say on behalf of the metropolis because the settlers were part of the metropolitan system except that they were located in the colonial territory while the colonial administration was the political agent of capitalist interests in the colony. The total effect of the role of the settlers and colonial government in Kenya was exploitation of land and labour (of formally employed workers and of the peasants) in order to pay high returns to the settlers and to supply the metropolis with cheap agricultural products in return for expensive manufactured and raw goods and services from the metropolis. This relationship, of course, stimulated further industrial growth in Europe at the expense of Africa. It amounted to colonial agricultural underdevelopment which was based on what Colin Leys calls European monopoly of high-potential land in the highlands, monopoly of agricultural labour, monopoly of government services, monopoly of the most profitable crops and the most profitable markets, and virtual monopoly of banking services.[32]

The late years of colonial period witnessed an attempt to involve a limited size of African population in production of some profitable crops such as coffee or pyrethrum and later on tea. This attempt was calculated not to break

32. Colin Leys, Underdevelopment in Kenya,pp. 34-35*

the capitalist monopoly on Kenya's economic production and profits but to give it a firmer and more permanent ground afte:? independence. The same could be said of settlement schemes at independence which were in effect calculated to protect the larger part of European monopoly of land ownership in the highlands. These vere efforts to protect European monopoly in the country* underdevelopment on behalf of the metropolis which sought to have constant and expanding supplies of low-priced agricultural products from Kenya.

Immediately after independence Kenya's agricultural ' policy shifted from protecting European monopoly to a more basic policy of institutionalizing and expanding production of agricultural products for export.[33] The first move in that direction was the aid-backed creation and expansion of both foreign and African owned large-scale agricultural production. The second move was also aid-backed. It concerned determined effort to promote small-scale or peasant production of agricultural commodities for export, not so much to replace but to to supplement production from large-scale farm and ranch enterprises. Livestock development project studied

33» Institutionalization of metropolitan oriented agricultural economy in Kenya became the concern of what we shall be calling "problem of stability" in Chapter VIII below.

above was a clear evidence of these efforts. But it also demonstrates another uncommon fact. That is, although Kenya's policy as well as that of her western donors has been to encourage both foreign and local private ownership of the means of production such as land and industry, it seems that international capital is sometimes willing to cooperate with communal ownership as long as it does not militate against the interests of capitalist metropolis particularly the supply of low-priced primary products. Thus, the implementors of LDP(l) made special efforts to promote individual ranches in Kaputiei. Masailand, but they were also ready to operate with group ranching in Kajiado, Narok and Northeastern areas, and cooperative-like company ranches in Taita District. This attitude also seems to be behind the accommodation of cooperative groups that have been buying formerly European owned large-scale farms and ranches in Kenya since independence.[34]

34. The same could be said of those few Africans who "bought" land there. Of course, the rationale aS stated by the Kenya Government policy documents was that African individuals were inexperienced and lacking in capital to be able to operate such farms efficiently. One wonders if the cooperatives or companies were themselves any better. But it seems that to the technical assistance dominated planning quarters, the goal after independence was agricultural production for export,by whatever system of land ownership.

That Kenya has over the past few years expanded both large-scale and small-scale or peasant production of low-priced, metropolitan oriented agricultural exports as a result of the post-independence agricultural policy is demonstrated by Tables III and IV. These tables show great increases in the volume of production of coffee, tea, pineapples and animals mainly for food. The specific case of LDP(I) has been dealt with above with a clear note that beef production which has been channelled through the KMC has increasingly been exported rather than consumed locally.[35] Similarly, a comparison of Tables III and IV suggests that[1] more than of all coffee and about 88$ of all tea produced in Kenya since independence has been exported, mainly tc Europe and U.S.A. Indeed, more than 7C# of Kenya's agricultural exports (the main form of export) goes to these countries. Hot only are these countries, mainly Britain, V/est Germany, fietherlands, Sweden and the U.S.A., the leading suppliers of Kenya's imported machinery, equipment, chemicals and manufactured and raw agricultural products, but they are also the leading donors of the form of foreign aid that

35. See pages 3^2 - above

TABLE III: Volume of Coffee and Tea Production by Large and Small-Scale Farmers, by Year, 1963-1977.

Year	Coffee Production			Tea Production		
	Large fieri c (Estates)	Smale Scale (Peasant)	Total	Large Scale (Estates)	Small Scale (Peasant)	Total
	In •000 Metric Tons-			In '000 Metric Tons		
1963	27 .7	9.3	37.0	17.3	0.5	17.8
1964	24.8	16$_0$0	40.8	19.9	0.9	19.9
1965	23.4	15.3	38*7	18.0	1.4	19®4
1966	25.2	25 J1	50.3	23.5	1.9	25.4
1967	19.2	28.2	48.0	19.7	2.7	22.4
1968	1808	20$_o$8	39.6	26.7	3.1	29.8
1969	26.8	25.6	52.4	31.4 .	4.7	36.1
1970	27.9	30.4	58.3	33.7	7.4	41.1
1971	31.5	2800	59.5	27.2	9.1	36.3
1972	34.2	27.8	62.0	42.0	11.3	53.3
1973	35.1	36.1	71.2	42.0	14.6	56.6
1974	.	-	70.1	38.7		53.4
1975		-	66.2	40.6	16.1	56.7
1976	-		80.3	42.6	19.^	62.0
1977	-	-	97.1	58.3	27.7	86.0

Source: Economic Surveys 1967-78.

TABLE llVs Quantity of Main Agricultural Exports, by Year 1960-1977*

Year	Coffee	Tea	Sisal	Pyrethrum	Pineapples	Meat & Meat Preparations Metric Tons	Live Animals for Food No.
	In Metric Tons —						
1960	288236	10881	57956	3447	4886	7233	3400
1961	32666	9930	58328	2874	5497	7479	5000
9162	29785	13452	56940	1924	2028	9096	21800
1963	37352	14945	64752	2103	9527	8729	9800
9164	42304	16567	57888	1223	10583	6340	4000
1965	38399	15917	55750	1141	9073	6875	6100
1966	54461	22608	55750	1681	6106	8694	5100
1967	50748	18 480	4i44?	1896	6169	8280	8800
1968	37594	27499	41896	2168	5278	7094	20500
1969	50960	32835	35755	'2397	7959	5983	241000
1970	537225	35063	44291	. 1753	7465	6683	400200
1971	56426	33508	34713	2675	10805	7180	549500
1972	63142	47126	38764	3358	9734	10208	711200

TABLE IV Cont.

Year	Coffee	Tea	Sisal	Pyrethrum	Pineaples	Meat & Meat Preparations Metric Tons	Live Animals for Food No.
	In		Metric	Tone----			
1973	75317	51472	44800	3439	13352	6336	108,000
1974	71681	49594	72073	4566	8663	6564	1,377,000
1975	67615	52547	42717	4906	19990	8123	1,355,700
1976	77546	59267	29365	41?2	29907	9775	2,056,800
1977	94314	70220	24935	3694	45327	9344	758,200

Source: Kenya Statistical Abstracts 1970-1978 and Economic. Surveys 1968-1978 has helped to maintain and promote heavy reliance on a few cheap agricultural exports by Kenya in return for expensive imports.

Particular attention should be drawn to the fact that Kenya, like other developing countries producing agricultural exports for the metropolis, spends much of her effort to produce cheap foodstuffs and raw materials in return for substantial amounts of expensive agricultural products imported from the metropolis. In fact tie popularly held view that most of Kenya* s earnings from agricultural exports is in turn all consumed by imported machinery, equipment, chemicals and petroleum, may be very misleading. Thus, for instance, the value of Kenya[1] s imports made up of manufactured and raw agricultural products rose from £ 13,000 in 1966 to £ 23,359 in 19?1*^6 This meant that in 1966 and 1971 more than 3056 and 50$, respectively, of the value of Kenya's agricultural exports was in turn taken away through agricultural imports.[37] It also meant that about 22^ and 32# of Kenya* s total export earnings in in 1966 and 197[1] respectively, was in turn used to pay

36. IBRD, Kenya into the Second Decade, p. 5^7, Table 12.

37. loc. cit. and Kenya Statistical Abstracts, 1966-74.

1 '

for manufactured and raw agricultural imports mainly composed of such things as cereals and cereal preparations, sugar and sugar preparations, tobacco, live animals for food, vegetables, and animal vegetable oils.[38] All these were items which could be produced in Kenya very easily. At least their alternatives could be grown in the country. In other v/ords, expanded agricultural production does not reduce agricultural imports. Indeed it seems to facilitate greater importation of expensive agricultural products, side by side with expensive machinery, equipment, chemicals and services. This relationship spells agricultural underdevelopment as part of the country's total underdeveopment.[39]

It should be pointed out that agricultural underdevelopment in Kenya, as elsewhere, means basically the exploitation of agricultural workers and peasants. In Kenya, it might appear that the proportion *or* percentage of workers employed in private agriculture and forestry has declined since independence in relation to the rest of the private sector and government, (Table V). This situation should, however, be treated with a lot of

38. IBRD, Kenya Into the Second Decade, p. 517, Table 12.

39. For a similar situation in Senegal, see Samir Amin, Neo-Colonialism in West Africa,pp. 3-11*

TABLE V: Percentages of Wage Employees in Private Agriculture and Forestry, and the other Private and Public Sectors, by Year 1963-1977.

	1963	1965	1967	1969	1971	1973	1975	1977
Private Agriculture and Forestry	4o*		29*	29*	27*	29*	24*	23*
Rest of Private Sector	30%	33%	36*	33*	33*	32*	34*	35*
Public Sector	30%	32%	3%	38*	40*	39*	42*	58*
Total	10056	100%	100*	100*	100*	100*	100*	100*

Source: Computed From Kenga Statistical Abstracts,1963-1978.

caution. In the first place, some of the workers registered outside agriculture and forestry are actually employed in operations related to agriculture. These operations include transportation, building and construction, manufacturing and repairs (for example AVA) , water supply, commerce and banking. Most of such employees are in the public sector as agricultural officers and extension workers of various kind; they may be employed in such Ministries as the Works, V/ater Development, or in such parastatal bodies like the AFC, KMC, KCC, and the like. Governmental administrative 6taff in the rural areas also serves the agricultural sector. In the end one finds that the bulk of the country's workers are in one way or the other exploited through the kind of agricultural policy Kenya has adopted since the colonial period.

In addition, a decline in the proportion of wage employment in private agriculture and forestry should also remind us that more and more production of agricu- ltural commodities, particularly for export, are being produced through the labour of peasants, their families and casual (unrecorded) workers. This is true of the LDP(I) we have seen above, and it is true of coffee, tea, pyrethrum and sugar cane production. Although the absolute number of employees increased over the years in the private agriculture and forestry, tiiere also occurred a further increase in the volume of labour involved in. this sector by way of the peasantry community. This has once again meant that agricultural underdevelopment has been the main form of underdevelopment in Kenya since colonial period and it has been so in the post-independence period than ever before.

The question now is, what has been the role of foreign aid in the perpetuation of agricultural under-development in Kenya? In the first place, the role of aid in influencing Kenya's economic policy at independence has been observed in Chapter II above. Aid facilitated the establishment of African settlement schemes in the highlands^ it promoted preservation of large-scale, foreign dominated farming, and promoted participation of peasantry in the commodity production for export. V/hat should be stressed is that after the establishment of common class interests of the foreign and African land owners in the highlands, foreign aid was deliberately used as a tool for the establishment of another form of alliance of all agricultural producers. That is, the alliance of foreign and local, large scale and peasant farmers in production of cheap agricultural commodities for the metropolis. As demonstrated by LDP(l) above, the main concern of aid after independence has not been the protection of foreign farmers but the expansion of export oriented agriculture as well as the establishment of a local foundation for the continuation of ouch type of agriculture. As such, aid became a tool for change from the colonial method of exploiting the Africans as passive peasants or workers to one of exploiting them as subjective participants in market oriented production. In areas where such subjective participation had been initiated at token level by the time of independence, foreign aid was used to expand African involvement•

The general point of local participation needs some clarification. On the one hand aid-backed participation of Africans in capitalistic and neo-colonial economy concerned ownership. That is, aid was used to promote expanded peasant and large-scale African ownership of land on private basis. On the other hand, aid-backed African participation in the neo-colonial and capitalistic system meant {hat aid resources were used in order to facilitate a more scientific mode of production than the 'traditional, subsistence oriented one.[40] In the case of LDP(l), aid was used to provide credit to the Masai of Kaputiei so that they could set up reliable watering and diping facilities, erect fences, build quarantine grounds and stock routes, and reduce

40. Conversion of system of production from subsitence to modern type has been the main aim of metropolitan export-capital in search of profits in backward countries. See Chapter I above.

the occurrence of cattle diseases. All these were facilities to depend largely on imported machinery, equipment, producer items and knowhow. 7hey were nimeid at facilitating increased use of scientific or modern methods of livestock production in order to expand production over and above the capacity of subsistence or traditional technology alone. Such a change in itself would be developmental if it finally served the local people of this country. But in Kenya, that change towards increased use of machinery, equipment, and better producer inputs (wire, pipes, cement, fertilizers, chemicals, drugs, etc,) became underdevelopmental when the resultant increased production in coffee, tea, beef, and pyrethrum led to yet increased loss of the country's surplus through poor trade terms. In other words, expanded use of scientific methods in agriculturql production facilitated more and more exploitation of land and labour of the peasants and agricultural workers of this country. In this case, foreign aid is therefore a tool for reaching more and more land and labour and of exploiting them more by scientific methods of production.

But as it is shown in Table III above, peasant production has never really replaced the large scale production of coffee or tea. In the case of tea, the peasant production was far behind large scale production, while in coffee the peasants have equalled the large-scale farmers in production. Large scale plantation production has virtually replaced peasant production of pineapples for export while sisal and grade-beef production is still in the hands of large-scale, foreign dominated producers.

In other words, although there has been a lot of effort in Africanizing and "peasantizing" agricultural production for export, large scale sector has continued to dominate agriculture. This must be viewed as an effort to maintain high growth rate measured in terms of expanded exports and imports.[41] But the fact that most of Kenya's aid has been directed towards the areas of high agricultural production must also be seen as a deliberate move by the capitalist donors to ensure uninterrupted supply of cheap food stuffs and raw materials to the metropolis. The LDP(l) and subsequent livestock development projects have also been aimed towards the same ends. V/here aid promoted production of such items as sugar and some cooking oils, the idea has been

41. Growth has been the main concern of Kenya Government economic policy as provided in poot-indopendence Development Plans and sessional Paper No. 10 of 1965. However, while the quantity of exports has grown tremendously, that of imports has changed little, (Table IX) below.

to promote import substitution purportedly to save foreign exchange. The effect, however, has been disastrous particularly in sugar production in a sense that Kenyans end up paying more for the locally made products than would be the case of imported ones. This has mainly been due to dependence on expensive imported machinery, equipment, producer inputs and services related to sugar production and which sap the real surplus value of land and labour of the sugar belt of Kenya. Whether export oriented or import-substitution oriented, the present form of agricultural production in Kenya is therefore underdeveloped and has served to supply cheap agricultural products or huge profits to the metropolis at the expense of the country.

In promoting underdeveloped agriculture in Kenya aid has had a vital role in perpetuation of institutional structure for underdevelopment. In particular, the role of technical assistance and aid-backed agricultural credit system has been significant. The role of expatriate personnel from the U.S., Britain, the World Bank and F.A.O., among others, in surveying, research, planning and preparing the LDP(l) has been observed above. They manned the senior positions in the two implementing agencies, the AFC and KOA, either as operational or as advisers.[42] Such other agencies like KTDA, KPCU and Coffee Growers Cooperative Unions » have had a heavy dose of expatriate personnel of one type or tb» othor.. The role of expatriate personnel has been dual: that is, to lay down the pattern of these organizations in favour of metropolitan oriented production and to keep a constant watch over subsequent running of the organizations and production itself to ensure that deviation does not take place. The latter requirement has made the presence of expatriate personnel in "virtually all areas of government branches and in particular in agricultural oriented institutions become a permanent feature.

Technical assistance was also concerned with training of local personnel. This is usually associated with providing local officers with skills and values related to operation of the projects on the basis of the already laid down pattern. These offices are not normally expected to start projects on their own without foreign aid-backed personnel. That was why, for example, the World Bank insisted on having a new division, the Ranch

42» In practice there was little difference between operationals and advisers in LDP(I). Officers designated as advisers were virtually always acting as operationals or worked side by side with expatriate operationals.

Division established within the AFC and be headed by a person of international standard in livestock production and that such a person should be acceptable to the World Bank,[43] In fact, this amounted to calling for an expatriate and an expatriate team to set up the Ranch Division in terras of operational pattern and organizational values. When the Division and other departments related to the Project (LMD, RWD, HMD, and VSD) were Africanized, expatriate personnel were still retained as technical advisers to ensure adherence to the laid down practices. The /African personnel followed the footsteps of their expatriate predecessors at District Headquarters, but at .the AFC Headquarters they were simply personnel administrators but not technical managers in terms of making key decisions related to project policies,.[44] Virtually all senior African rang* management officers trained in tho U.S.A. as recommended by H.F .Heady earlier on.[45] But as demonstrated by PPEU, technical assistance personnel or trai ning does not increase the capacity of the local personnel in terms of being able to evolve independent ideas and operation of development

43. IBRD/IDA, Livestock Development Project - Kenya No. TO-6l6a.

44. Interviews with senior African Range Officers 1977/78.

45. See H.F. Heady, Range Management in East Africa, pp. 1-6.

projects free of donor influence and control. As such, even the U.S. trained African range managers ended up being mere local tools for the production of cheap meat for the metropolis under the subsequent LDP(II) and (III), 1973-1977.[46]

The other role of aid in promotion of institutional structure for agricultural underdevelopment has been related to aid-backed agricultural credit. AFC has been the main channel through which foreign aid resources have been availed to farmers on credit basis since independence. The agency has provided credit in such a way as to preserve the duality of large-scale and peasant production for market. Although LDP(I) suggests that AFC*a funds are still largely channelled to the large-scale farmers and ranchers, it would appear that more and more public finances are being directed to the peasant producers who are also the bulk of agricultural cooperative movement membership* (Table VI). Supply of public credit in favour of peasant in stead of large scale producers may be associated with the fact that the latter are more likely to obtain credit from the normal private

For Institutional Underdevelopment,see pp.478-482,below
Note for example that the prices of maize, for example, are much lower outside Kenya than they are locally.

TA31-S Vj t Public Agricultural Credit, by Type iad Ye, r 1970-1976.

Year	Type of Credit		
	Large Farmer Crcdi	Small Farmer Credit	Cooperatives Credit
		In £'000 —	
1970/71	1,092.3	1,213.2	1,049.5
1971/72	1.030.5	953-0	705.5
1972/73	1,882.1	953.0	940.9
1973/74	1.041.7	1.493.3	2.638.7
197V75	1.104.8	1,669*9	2.568.8
1975/76	2,272.0	3,934.2	2,508.0

Source: Economic Surveys, 1972-1977*

commercial financiers than the former. But the great involvement of aid backed public credit no doubt suggests great influence of aid on Kenya* s agricultural policy in favour of expanded production of low-priced agricultural exports. As such the institution of aid-backed public agricultural credit has therefore contributed significantly in perpetuation of agricultural underdevelopment in Kenya since independence.

In examining the role of aid in the agricultural underdevelopment of a poor and backward country like Kenya, one cannot avoid once again, to notice its contribution in stunting the development of truly local production of agro-machinery, equipment and producer items such as chemicals and fertilizers. In general, capitalist foreign aid agencies resist providing the kind of resources that would enable the poor country develop its independent manufacturing or industrial systems. Instead, they insist on assisting expanded importation of industrial products by such a country. They also insist on promoting continued and expanded production of the cheap primary products for the metropolis, but they strongly resist any attempt by the poor country to initiate and develop the production of agricultural products up to their finished stages independently.[47]

47. For example, the hope that sugar production at Cnemilil and Muroias would be undertaken independently by Kenya free of influence of tho Germans, the British or such other foreigners is still far fetched.

I&deed , **any** attempts to industrialize agriculture from the farm to last stages of production in the industry cannot be tolerated by the metropolis. This would amount to suicide with regard to metropolitan trade in manufactured goods and services. It would also mean loss of supplies of cheap primary products, as these would have to be fully processed and manufactured into finished products which would be much more expensive.

Consequently, the kind of manufacturing the metropolitan donor countries and agencies have tolerated in Kenya are the ones associated with import substitution whether in form of small scale, locally owned, industries like KIE, or as large scale, foreign controlled last stage manufactures or packaging of consumer items.[48] They have also gone into the assembly manufacturing where machine - or equipment - parts are imported and re-assembled into whole parts locally. As demonstrated by the KIE experience and as it will be shown below under the Associated Vehicle Assemblers (AVA) Ltd., rather than develop local industrialization, import substitution has served as a tool for ensuring secure and profitable markets for metropolitan goods and services.[49]

Meanwhile, the net effect of this multifaced role of foreign aid in Kenya has been the intensification of the colonial initiated exploitation of land and labour

48. The exceptional case of sugar has been seen together with related implications p. 434 . Similar cases include cotton, sisal, sunflower oil industries among others.

49. See p. 493 below.

of this country. It has al60 effected distortion of national efforts which have been directed towards enabling the metropolis to exploit Kenya and East African markets in which metropolitan industrial products and services are dumped. The total effect has been what we have called agricultural underdevelopment. Thus instead of making the rural areas capable of either producing a surplus to be used for national industrial!-zation,[50] or maintaining the majority of the country's population decently, what has been called agricultural development has led to an expanded production to cater for metropolitan food and material supplies as well as for international capitalist trade and investment in the country. Thus, neither LDP(I) nor any other agricultural development project has been aimed at the accumulation of national surplus.Any re*l surplus created by agriculture has been appropriated by the metropolis, '^his, as stated earlier, has always been production for export in order to earn more foreign exchange to enable Kenya to consume more of imported expensive industrial goods, finished and raw agricultural products, and the services

50. In Russia, agricultural surplus was invested in national industrialization which increasingly provided most of employment and source of national surplus to be used in (a) further investments and (b) increased and modernized consumption. See C.K. V/ilber, The Role of Agriculture in Soviet Economic Development, in .Vilber op. cit. p. 207.

of the metropolis* It is around this form of relationship between agricultural cheap exports and expensive imports that foreign aid has laid its greatest .influence in Kenya after independence. In turn, this relationship as we shall see in the next chapter, became the focus of Kenya's domestic and international political policies. The net economic effect has been loss of Kenya's national productive surplus value, thus making it impossible for the country to realize true national industrial and technological development, and hence making it impossiblo for the country to fully modernize, diversify and industrialize its agriculture.

It is true that some agricultural products such as coffee, tea, pyrethrum, sisal and beef or milk have been processed or partly processed locally before being exported. Such processing, however, has been motivated by the desire to reduce unnecessary weight or coarseness of the raw products. It has also been done with expensive machinery, equipment and services imported from the metropolis. But it has never been meant to be a beginning of autonomous agricultural industrialization in any way.

Finally, although they earn the bulk of foreign exchange the country so badly seeds in order to support the growing range of imports, Kenya's rural areas consume little of it in terms of rural oriented goods and services.[51] Thus, the valne of imports classified a3 agricultural inputs, for instance, ranged from only 6.1$£ of total retained Kenya's inport3 in 1966 to k.% in 197V"' (TableVII). It is therefore clear that the huge amounts of foreign aid resources that have been channelled to Kenya's rural areas mainly towards tho promotion of production of agricultural exports were also, in the final analysis, geared to obtaining foreign exchange that largely facilitated continued and expanded private importation of metropolitan industrial products mainly for trade and investment which exploits the Kenyan and East African markets. Indeed, the entire LDP(I) and the subsequent LDP(II) and LDP(III), as well as other agricultural projects in the country have been geared to serving those metropolitan exploitative and profit making ends at the expense of Kenya's real economic end social

51. IBRAD, Kenya Into the Second Decide, p. H9. It seems that the rural areas tend to receive only that portion of foreign exchange that maintain them as producers of export agricultural crops. The rest goes to paying for private imports related to metropolitan trade and local manufacturing inputs of the multinational corporations.

52. Note that the value of all Government imports near that small value of agricultural imports. This implies that the bulk of imports are private and oriented to activities other than those that would earn or save foreign exchange. See Table IV.

T/IBLT. VII

- USE 07 RETAINED IMPORTS, by year, in £'000

	1966	1967	1963	1969	1970	1971	1972	1973	1974	1975	1976
PRIVATE											
Investment											
Imports	76994	82913	83902	88386	109760	140079	147409	184775	300529	237002	319677
PRIVATE											
r*ir.al											
1 Consumption											
^ Imports	22420	18753	21636	21393	-26752	35637	33550	29660	35290	34261	41677
1 Commercial Imports											
Sub total	99414	101571	105533	109779	136512	175716	180959	214435	335819	321263	361354
Government Imports	6396;-.	4443	4386	4774	5317	8454	8538	9639	15811	17442	21695
TOTAL											
DETAINED imports	105310	106019	HO424	114503	142329	184180	189547	224124	351630	338705	383049
Agricultural Inputs Imports	6508	5738	6262	6508	8437	8208	6133*	8595*	8532*	11569*	IO846*
Pcrcent of Retained Total Imports	6.1c/1	5«4#	5*77$	5-7/-	5-9^	4-5%					

interests.[53] Rural and agricultural underdevelopment by metropolitan based international c pi.til an f.cr.ctimes through loca^. urban centres has therefore not c.ly been a reality, but it has also made it irtcreasily difficult for rural poverty to be reduced J.et alone eliminated*» Rural unemployment has b'^an to hi' such areas like Masailard as the aid backed pressure to integrate them fully into the exploitative capitalist system increases. Class based inequalities havc> *lso increased in such areas, while rural- urban inequalities have also mounted©[Rif]

Domestically, the terms of trade between agricultural and non-agricultural sectors were unfavourable against the former between 1964 and 1972.[55] This vas largely because 5< the bulk of agricultural production in Kenya was exported for very lew prices again leading to very poor terna of trade against Kenya internationally. This in turn mount

53. **Chapter V.**

54. For the situation in Masailand see chapter V above, and the next section below for natio.nal situation with respect to underdevelopment and dependence in general.

55. Jennifer Sharply, Domestic Terms of Tradf* Index, Kenya 196*1-1972, (Unpulishod Paper, Department of Economics University of Nairobi, 1974).

56. Op. cit.

that a large transfer of incomes from the rural to the urban sector and on to the metropolis had occurred, thus aggravating the underdevelopment of the whole country by tho metropolis. According to Central Bank of Kenya Annual Report 1979» the trend improved in 1973-77 mfavour of agriculture as compared to manufacturing.[57] This may be explained by price increases declared by the government for agricultural products, particularly grains, beef, and sugar cane, as well as by the rising coffee prices in the world markets. The latter was more so after 197^ than before. But this should not be construed to imply that exploitation of the rural areas did not take* place. It only means that higher prices were paid to farmers for their products than before, ^'hose prices were in turn consumed through imported and expensive items and services for manufacture and direct luxurious consumption mainly at the urban centres.

Without the surplus value due to them, the rural areas cannot have as many relevant and specialised schools, hospitals, and other social amenities as are due to them. Meanwhile, the western scholars and some western trained

57. Central Bank of Kenya, Annual Renort 1079< P* 9. Table 2. A shift against agriculture took place in 1978 with falling coffee prices in the world market.

local counterparts have called for redirection of governmental resources to these areas with an apparent attempt to equate such redirection with benevolent charity to poor areas.[58] They forget that after all, Kenya's wealth, most of which is appropriated by the capitalist metropolis and the rest of which is mainly retained in main urban centres to be enjoyed by foreign and local agents of capitalist exploitation, was actually produced in the rural areas.

Underdeveloped (frowth and Social Consequences.

Having seen the role of aid in Kenya's industrial and agricultural underdevelopment, some broad view of the nature of the country's underdevelopment becomes important.. This section addresses itself to the relationship between what is generally called economic growth and what we are calling underdevelopment. It also looks briefly at the social consequences of underdevelopment in post-independence Kenya.

58. Virtually all authors on foreign aid, the main source of governmental resources th**t are redirected to rural areas in form of credit, water, health, education, etc. projects, treat such resources as charity. They would expect people to be grateful forthem rather than be happ^/they are able to receive back part of their rightful dues for their productivity. See Holtham and Hazelwood, op. cit. and Streeton, op. cit.

__/that

Our analysis of industrial and agricultural underdevelopment in Kenya suggests that economic growth can occur side by side with economic underdevelopment. This rather paradoxical situation might be referred to as underdeveloped growth, meaning a situation of absolute expansion in economic investment and production along with increased incapacity to expand incomes, employment or social services relative to that investment and production. In most societies absolute economic growth keeps rising in terms of Gross domestic Product (GDP), Gross Domestic Product per capita (GDPp.k.), level of investments or capital formation, and general economic production. Such growth could also be demonstrated by increased number of employed people or the absolute increase in the wages earned. As far as this form of growth is concerned Kenya seems to have achieved a commendable performance, quite in keeping with her overall economic policy as provided in the Sessional Paper No. 10/1965 and in her Development Plans 1966-70, 1970-74 and 1974-78.

However, an attempt to relate• Kenya's expanded investment or production to the number of people recorded as employed, the wages they earn, or the volume of social services the country provides to her citizens suggentn an inverse trend. In other words, the aore the investment or production in the country, or the greater the GDP, the more the country finds it difficult to provide more employment, wages, or social services to her increasing population, '^his inverse relationship will be demonstrated soon here below, but it suggests that the kind of growth Kenya has experienced since independenc is not a result of relative or greater use of the country' human and natural resources for the benefit of Kenyans. On the contrary it has been a result of metropolitan capital investment or control of local capital, in a bid to expropriate and appropriate Kenya's surplus value by the metropolis. As such, this kind of growth is not what would be called real growth. It is underdeveloped growth in a sense that national productivity relative to national population is not only suffocated but is also declining. It is the kind of growth that must be heavily supported by foreign resources, especially foreign aid vhich in the case of Kenya has rarely made up less than 5095 of public development account revenue, (See Table Till, Appendix I). Hence, the creation of self-sustaining economic, social or political system as a requirement for development has become more distant in 1977 than in 1963.[59] This is more so when it is realized

59. As stated repeatedly in development Plan 1964-70« Kenya's policy was to "lessen our dependence on foreign capital", pp. ii and 26-27.

that Kenya's national debt has increased by about 674$ from £ 26t745,000 in 1963 to £ 209,296,000 in 1977, (See Table VI Appendix I). Rather than decline, foreign aid in Kenya ha3 become a permanent element of public revenue and expenditure with all the implications some of which we see below.

Foreign aid as part of government resource is not only reflected in recipient's public expenditure accounts but it also influences the shape and pattern of that expenditure. In Kenya, as it was shown in Chapter III, aid has had a particular influence on public development or capital expenditure. Thus, for example, it became instrumental in public allocation of resources towards KIE - Nairobi and LDP(I) with all the social, political and economic objectives that the donors wished to achieve through these projects. It facilitated a public based credit system to African small scale enterprise as well as to foreign-owned large scale enterpidse in agriculture, manufacturing and trade. As such it made it possible for the preservation and perpetuation of a colonial and imperialistic economic system which assumed the nature of a neo-colonial system at and after independence. This was the system under which Kenya continued to be a producer of cheap primary products for export in return for expensive metropolitan goods and cervices.

Foreign aid also availed finances which made it unneccessary for the government to call for big loans or grants from the commercial banks in the country.[60] The banks were therefore left alone to concentrate their lending activities to private, foreign dominated investors and traders. In addition to the aid-backed direct public financing of large scale private enterprise, the role of aid in minimizing governmental claim of resources from the locally based commercial financial institutions has itself been very important in encouranging and expanding the pperations of private foreign investments ana trade in the country.[61]

Foreign aid has been a very important resource in the construction of public utilities which have greatly encouraged and attracted foreign private investments. These included electricity, oil refineries and transportation, railways, roads, airlines, and harbours, as well as water supplies and agricultural and industrial/ commercial services.[62] These constructions and services

60. Holtham and Hazelwood, op. cit.pp. 194-196.

61. In 1972 for example, Commercial Banks concentrated their efforts on large farmer borrowers, who were also foreign borrowers. AFC also concentrated on the large farmers, while SFT was concerned with settlement of small scale borrowers. See G.F. Donaldson and J.D. Von Pischke, A Survey of Farm Credit in Kenya, (Washington D.C. 1973) Table 2, p.7.

62. See Chapter III above.

go a long way in the promotion of production of cheap primary exports and enabling easier distribution or marketing of imported or locally made foreign goods.Both activities rip the country of its entire surplus value and leave it underdeveloped.

Foreign aid in Kenya, perhaps like in other developing countries, has been an important resource in the construction of infrastructures related to the provision of some additional social services. It has actually been a major resource even in the provision of such services including education, hospitals,housing, water, electricity, and telephone services. Indeed, as the government officials in Kenya admit, the provision of such services would have been very much curtailed were it not for the availability of foreign aid reserves..[63] In effect, therefore, aid has filled in the gap in social demands which the country has found it difficult to fill as a consequence of underdevelopment or loss of her economic surplus which has been facilitated by post-independence aid-backed social, economic and political policies and strategies. Providing such services has been in keeping with the overall policies of KANU as the

63. Interview with Treasury officials 1977/73.

ruling party and the povernment. But it seems that from the donor viewpoint the provision of some social services is associated with the need to have some social and political stability within which continued expropriation and appropriation of the country's economic surplus by the metropolis isaccomodated. It also seems that provision of such services is favoured by what we called the ruling "national bourgeoisie" who are also interested in maintaining the prevailing kind of <u>status QUO</u> that enables them to continue amassing wealth as they continue to serve and service international monopoly capital.[64]

That inequality and relative poverty has increased in post-independonce Kenya in spite of expanded production has been partly demonstrated by Colin Leys and by the ILO Report, 1972. The World Bank mission in Kenya in 1973-1975 also seems to suggest that the country has grown poorer in the post-independence period than before. Thus, for instance, the mission observed that there was a rise in the incremental capital output ratio (ICOR) from 1964. In 1966 ICOR was 2.4 and it was estimated to be 3.2 by 1970.[65] This was attributed, through guess work, to "the encouragement of capital intensive production by

64. For a discussion on social and political stability, see Chapter VIII below.

65. IBRD, <u>Kenya Into the Second Decade,</u> p. 13.

distorted factor pricing, and the possibility that the efficiency of investment has fallen as some of the easier opportunities have been taken up". The rfport went on to state:

> Whatever the reasons behind the increasing ICORs in the past, the significant conclusion is that Kenya cannot really afford to let ICORs continue rising indefinitely. If Kenya wants to get the most out of her resources, the will have to seok new ways of simply getting more growth out of the very considerable investment effort she is making.[00]

This was one way of saying that the country was getting poorer as investment, especially foreign private investment, increased yearly. This is exactly what we have called underdevelopment through foreign pri^cte and public capital in Kenya. It can also be demonstrated **by** the falling GDP - Capital Formation ration of 7*5 in 1964, 4.6 in 1970 and 4.4. in 1974.[67] This means that the country is getting much less than its due from total investments. That the surplus value is lost overseas is demonstrated by the fact that the ratio of private investment imports to GDP per capita has fallen drastically from 0.65 in 1964 to 0.23 in 1974 (Table VIII)

66. op. cit. p. 13*

67. Computed from Kenya Statistical Abstract, 1975< National Accounts.

TA3LI5 VIII

Units of GDP per Capita per ill million of Private Investment Imports and Public Investments by year

Years	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Cm? Per Capita	36				43	44	46		55	60	69	77	91
Ratios:													
(i) Units of GDP per capita per £ la of Private Investments Imports	0.65	-	-		0.51		0.42		0.38		0.23		
(ii) Units of CD? per Capita por £ 1m. of Public Investments	6.0		-		4.2		2.9		3.2		2.1		

Source: Computed from Kenya Statistical Abstracts,1954-1978.

Thus investment imports have not helped Kenya increase her GDP per capita relative to those imports. It ha6 instead made the country to be robbed of its surplus and hence economic underdevelopment. As the government has also concentrated on encouraging the role of private, especially foreign investments in Kenya, the public investments - GDP per capita ratio also drops greatly between 1964 and 1974 (Table VIII). In other words, the government has effectively been a major instrument in Kenya's 1 inability to increase her per capita income relative to increased investments.

One method the government has used to increase the absolute value of GDP per capita since independence is through th« encouragement of increased agricultural production for export. Indeed virtually all increased quantity exports has come from agriculture. But due to the very low world prices of primary products from backward countries like Kenya, the increased quantity of exports was not[68] matched by increased earnings, (Table IX) • Meanwhile the quantity of imports has had a very gradual rise but the value has increased very sharply even in the short space of 1970 - 1974 (Table IX). In other words,

68. The probability of under-invoicing cannot be ruled out here.

TABLE IX

Kenya's External Trade Indices 1970-74 _10q)

1

	1970	1971	1972	1973	1974
EXPORTS					
Quantity	161	157	181	207	208
Value	105	101	107	127	168
Ratio	0.7	0.6	0.6	0.6	0.8
IMPORTS					
Quantity	170	200	177	179	107
Value	109	120	130	150	247
Ratio	0.6	0.6	0.7	0.8	1.3

Sources Kenya Statistical Abstract 197*).

although the world priceo for imported product®
rose between 1970 and 1974 relative to those of primary - product exports, the fact that the value of Kenya's imports more than doubled during these few years can also be attributed to a very high rate of overpricing by parent multinational corporations on their manufacturing and trading subsidiaries in Kenya. Hence, together with the fact that these locally based foreign firms also made huge profits by overpricing their relatively inferior quality products, the ratio, of GDP per capita to manufacturing and repair output more than trippled between 1964 and 1975, but investment - GDP per capita ratio fell during the same period, (Table X)t This means that, although Kenya was underdeveloped during colonial era, underdevelopment has increased and expanded since independence as it has been shown by the gap between investment - GDP per capita or capital formation - GDP per capita ratios. As table X shows, every £1 of GDP per capita has gone to increasing both the value of imports and exports, the former always being more, though its quantity has been relatively steady over the years while that of the latter has increased tremendously.

Thus, in spite of apparent absolute growth in Kenya's economy, the fact is that there has been continued and intensified economic underdevelopment that has made this country relatively poorer in 1977 than she was in 1965-

TABLE *

GDP per capita and Imports, Exports, and Manufacturing Output Ratios.

	1964	1968	1969	1970	1971	1972	1973	1974	1975	1976
Units of imports per £ In. of GDP per capita	2.1	2.6	2.9	3.1	3-7	3-4	3.7	5-2	5*6	5*4
Units of exports per £ In. of GDP per capita	1.3	1.3	1-4	1-5	1-5	1*7	2.1	2.7	2.7	3-7
Unit3 of Manufacturing & Repair Output per £ lm. cf GDP per capita	2.5	3.0	3-4	3.8	4.2	4-4	5.3	8.0	8.7	
Units of GDP per capita per £ lm. of manufacturing k Repair output	0.39	0.33	0.26	0.23	0.12	0.11				

S3Uroes Computcd from Kenya Statistical Abstracts, 1970-77.

The consequence has been increased unemployment, poverty and inequality as well as increased inability of the country to provide sufficient and specialized social services Euch as education, housing, health, or water relative to either the increased economic production or the growing population.

It must be remembered that the main policy of post-independence Kenya Government has been to promote rapid economic growth as a prerequisite for the provision of social welfare, particularly the provision of full employment.[69] Introducing the country's first Development Plan after independence, President (then Prime Minister) Kenyatta, for example stated:

> Ky Government has continually affirmed its determination to build a nation based on greater welfare for all its citizens. We believe that rapid growth is essential to our goal. ... However, all programmes to increase social welfare oust begin with the problem of unemployment. ... to eliminate unemployment we must have continuing, vigorous economic growth.[70] (our ecjpha8ic).

The subsequent plans reiterated that policy. Thus, Development Plan 1966-70, stressed:

69. One of the main pronia*8 both KAtfU and KADU made to Kenyans before independence was full employment.aee KANU Manifesto 1961. and KADU Manifesto 1961T

70. Development Plan 196^-70* Introduction by Prime Minister.

> to i/iprove the living standards of the raasees of the population as well as to create the necessary new >jobs, the Government must devote substantial resources toward increasing productivity, income, and employment in the peasant farming and pastoral areas.71

Similarly, industrial policy sought to expand employment opportunities in addition to ensuring profitability, assistance and protection of industrial projects (most of which were foreign owned). In particular, the government would, in granting licences to investors, also rate the proposed projects in terms of whether they were -

> reasonably labour intensive, so that every pound invested can be expected to result in a maximum degree of local employment.72

In other wordet the policy of the government was to realize increased employment, income earnings, and social cervices relative to the expected increases in national production and investment.

However, one is astounded by the divergence between policy goals and the strategies by which the government expected to realizo them. As we have noted earlier, the strategies chosen by the post-independence political system have contributed to industrial and agricultural exploitation and underdevelopment in particular, and to total economic underdevelopment and dependence in general Consequently, the relationship between economic growth

71. Development Plan 1966-70, p. 126.
72. op. cit. p. 235*

and the growth of social welfare has, on the whole, been an inverse relationship.

One of the indicators of a country's economic growth is the value of capital investment or capital formation realized over time.[73] In Kenya, such a value has risen rapidly since independence, (Table XI). But a paradoxical situation also accompanies such a rise as that growth is not matched by an equal or greater rise in either the number of people employed or the total wages they receive by year, (Table XI and XII). Indeed, the yearly increases of the Number of Employees to capital formation (N.E.: CF) ratio has declined sharply from 1964. So has that of Wage Bill to Capital Formation (W.B.: CF) though it has declined more in the public sector than in the private and foreign dominated sector which pays much higher salaries. If public and foreign dominated private investments were meant[74] to create or increase employment in a developing country, it wou?d appear from Table XI that Kenya stands out as an exception. And one might not have evidence to show that other underdeveloped countries could really be different. In Kenya this might be explained by the fact that* contrary to government policy,[75] investors

73. Development Plan 1964-70, p. 22.

74. Implied by Montgomery, Foreirn Aid in International Politics,pp. 11-15*

75. Development Plan 1966~70« ?• 235*

TAJ3LS XT

Capital nation and (lncreased/Decreased) Number of Employees
Ratios in Private and Public Sectors by Year

	1964	1966	1968	1970	1972	1974	1976
PRIVATE SECTORS .							
Capital Formation £rr..	34-74	45-84	65.80	81.58	121.37	149.85	221.44
Number cf Employees '000	14	-8	0	8	9	34	25
NE: CF ratio	0.4	-0.2	0	0.1	0.1	0.2	0.1
PUBLIC SECTOR							
Capital Formation to.	4.34	8.90	15.36	21.89	33.10	38.73	53.59
Number of ?Jaployeos '000	22	12	10	10	20	31	14
HE: CF ratio	5.5	1.3	0.6	0.5	0.6	0.1	0.3

Sources Konya Statistical Abstracts$_T$ 1964-76.

TABLE XTT

Capital Formation and Wage Bill Ratio in Private and Public Sectors by year.

	1964	1966	1968	1970	1972	1974
PRIVATE SECTOR						
Wage Bill in £w.	60.3	79.1	79.2	89.3	107.3	141«5
Wage Bills CP	1.5	1.5	1.1	1.0	0.8	0.9
PUBLIC SECTOR						
Wage Bill in £o.	44.9	58.0	67.1	79.3	99.5	132.8
Wage Bills CP	10.4	6.5	4.4	3.6	3-0	3.5

Sources Kenya Statistical Abstracts 1964-76.

tend to go for the highly capitalized projects which brim: them quick and big profits that they repatriate to the metropolis immediately.

Another measure of economic growth, according to Kenya's planners, is the expanding value or volume of a country's investment imports. But the fact that dependence on such imports which will normally contain what we called very high value of labour-content means that the country lose.v a lot of surplus value due to the low value of her commodities in the capitalist controlled world market. Secondly, the fact that the bulk of Kenya's imports ore handled by private manufacturers and traders has meant a big loss of the country's economic surplus through the normal legal and illegal practices of private profit seekers. Even when the imports are handled by the government, the actual agents in the supplying countries are usually private individuals and firms. In all cases therefore the loss of the country's surplus is enormoua.

Consequently, the relationship between investment imports and employment has been very poor and sometimes negative. Thus, for example, there has been a sharp decline in the number of people employed for wageo per yearpcr £ 1 million of both private and public investment imports since independence, (TableXIII). In the years 1965* 1967 and 1968 the impact of private investment imports upon employment was nil, while in 1966 and 1975 those imports

TABLE XIII: Increased or Decreased Number Employed for wages per £ 1 Million of Private Investment Imports and Government Imports by Year, 1964-1976*

YEAR		1954	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
PRIVATE	Increase or Decrease in numbers employed, in '000	14	0	- 8	0	0	5	8	26	9	30	34	-20	25
SECTOR	Number increased or decreased per £1 Million of private investment imports, in '000	0.26	0.0	-10	0.0	0.0	0.06	0.07	0.19	0.06	0.16	0.11	-0.07	0.08
GOVERNMENT	Increase or Decrease in numbers employed, in '000	22	6	12	12	10	16	10	20	20	11	31	12	14
SECTOR	Number increased or decreased per £1 Million of Government imports, in '000	11	1.5	2.0	3.0	2.0	1.8	1.7	2.5	2.2	1.1	2.0	0.7	0.6

Source: Computed, from Kenya Statistical Abstracts,1966--1978.

adversely affected 'iirnloyment in the private sector. fact, even the Tripartite Agreements of 1964 and 1970 had very little effect on employment. Thus, while the ratio of investments .,nd number of people employed ro6e in 1964 and in 1970, these were followed by sudden fall in number of people to be employed in subsequent years. Worse still, these agreements served to hurt the already employed workers mar? than ever before. Thus, although tho employers, including the Government, agreed to increase the number of people they employed by ten per cent, this was in exchange for a workers' agreement "for a wage freGze and a commitment to avoid work stoj>page."[76] The profits of the employers were not to be affected at all; in f:\ct they would rise due to lack of salary increases and due to actual lack of increased employment ns demonstrated by the years following these agreements, (Table.XIII).In 1970, the Tripartite Agreement w^3 followed by a Wages Guidelines under which the Government directed that no salary increases should be granted by the Industrial Court in excess of seven per cent. The totality has therefore been a decline in real employment and a decline in real wages for the workers.

76. Development Flan 1974/78, p. 93.

It should be noted that unemployment was accepted to be dangerously high in 1964, and for it to appear to be higher relative to investments which were 6aid to be aimed at ending it, becomes a real sign that the loss of Kenya's economic surplus has been on the increase since independence. It means that the country has not realized the benefits of expanded production which has evidently taken place since 1963* As such, in addition to the failure of employment to expand relative to investment, dependency ratio has increased tremendously, for example, in terms of student-wage-earner or the number of pupils per GDP per capita over the period, (Table XIV).

In Kenya what we have called underdeveloped growth has thorefore been accompanied by the country'^ inability to alleviate let alone eliminate poverty, income inequalities, as well as inability to expand social services relative to either investments or population increase® Absolute increases in the levels of incomes measured in terms of GDP per capita or per capita incomes have been realized in Kenya over the post-independence period. These increases do not, however, mean that the levels of poverty have decreased during the same period. Indeed poverty is viewed to be one of tho biggest problems Kenya is fading today. Thus, as Development Plan 1979-83 put it,

TABLE XIV

Pupil - Wage Earners Ratio by year and Number of

Pupils per £ 1 GDP p.k.

Year	Number of Pupils Enrolled	Number of People Employed	Ratio	Number of Pupils Per GDP p.k.
1965	1,065,000	582,100	2:1	26,900
1968	1,320,000	606,400	2:1	30,700
1972	1,850,000	719,800	3:1	34,000
1974	2,914,000	826,300	4:1	42,200
1976	3,187,000	857,500	4:1	35,000

Sources Kenya Statistical Abstracts, 1974 and 1977.

> Enough is already known ... to be certain that poverty in all its dimensions is both extensive and pervasive. In taking poverty alleviation as its ther.e, the Fourth Plan is attacking a central problem of Kenya's development.77

Hot only is poverty grave in Kenya, but the capacity of the country to improve the social services for the poor has reduced relative to both population increase and economic growth. As such, President Moi has openly stated:

> Our incomes are still very low and <u>the majority of our people are still very poor</u>, while the services available to them are below the desirable levels. (our emphasis).
> Sir

This amounted to/open admission of the fact that in spite of massive foreign aid and private investments, and in spite of huge increases in prinary product exports and the value of imported goods and services, Kenya's capacity to reduce, let alone to eliminate, poverty and social misery of the majority of her citizens, has actually been on the decline since independence.

Associated with the issue of poverty or income-levels are the issues of income distribution and equity.

77. <u>Development Plan, 1979-83</u>, p. 11.

78. <u>Development Plan, 1?79- 83,</u> Introduction by the President.

In th% first place it will be recalled that the ILO Report of 1972 demonstrated a clear situation of regional and rural-urban inequities.[79] This needs not be repeated here. But even the seemingly understated figures for rural income distribution for 1974/75 clearly indicate thai more than 54*73 per cent of Kenya's households were below what might be called the poverty line of Sh.3,000 per annum,[80] (Table XV). Most of the other households were within what the ILO Report, 1972, called the middle-income group between Sh.4,000/- and Sh.12,000/-/[ftl] (Table X7). This gieans that only an insignificant percentage of Kenya's households earn what the report might regard as high level incomes of more them Sh.20,0C0/- per annum. This suggests that income concentration around a few hands is the order of tho day in Kenya's rural areas. And, as tho ILO Report also indicated in 1972, there is an extremely high decree of concentration of income in the urban areas.[82] In other

79* ILO, Report, 1972, Chapters 5 and 18.

80. Note that the ILO Report of 1972, considered the poverty line to be Sh.?,000/- per annum. Anybody below thi3 line was viewed to be "in a state of roal poverty". Op.ci t.K7 that indicator the Eeport found the rural poor to constitute about 77^ of the rural population. ILO Report, 1972,pp. 74~75» especially Table 25- One wonders whether distribution contained in the Integrated Rural Survey 1?7'~75 refleots a sudden change between 1972 and 1974 At most, tho figures of the survey might indicate not real improvement but continued bad state.

81. Op. cit.pp. 74-75*

82. Op. cit. p. 76.

words, post independence economic growth has not been accompanied by distribution but by greater concentration of incomes held by individuals, households different social classes.

The case for racial income inequalities also continues to be as bad as ever. Trie per capita per reported worker has remained unbelievably low for Africans between 1964 and 1972, while that of the Asians has improved tremendously

• Table XV Percentage of Distribution of Households by Income Group, 1974/75.

Income Group		Percentage of Households.
Below	0 K.Shs.	60 67
000	999 K.Shs.	11.80
1000	1999 K. Shs©	22.44
2000	2999 K. Shs.	13.82
3000	3000 K. Shs.	11.73
'iOOO	5999 K. Shs.	13.52
6000	7999 K. Shs.	7.95
8900 K. Shs. and over.		12.08

Source: Republic of Kenya, Ministry of Finance and Planning, Integrated Rural Survey 1974-75? Basic Reportt (Central Bureau of Statistics, Nairobi" March 1977), p. 38, Table 6.10.

and that of the Europeans remains very high indeed, (Table XVI). This means that although the incomes of the African workers have improved in absolute terir.s, they hare,in real terras, remained ridiculously low and in many cases they have probably become worse* No doubt higher living standards have been ensured for the Asian workers who enjoyed about five times the income per capita in 1972 compared to that of 1964* Compared to a European worker, the wage earnings for the Asian worker had improved to nearly tvjo fifths as opposed to nearly one tenth that of a European in 1964* In the meantime the earnings of the African worker did not even double from the comparatively ridiculous level of £ 133 per worker in

It is also interesting to observe that the majority of European and Asian workers belonged to what might be called the upper income bracket. Thus, about 73$ and 937' of the Asian and European workers received a monthly income of more than shs. 1,000/= in 1972, while the equivalent for the African workers was 6$ only. In 1964 the workers earning more than 1,000/= per month included 2% of the African, 50$ of the Asian and 84$ of the European workers. But it is evident that apart from the of the African workers earning more than shs. 1,000/« pea* month in 1972, the rest of them remained very poorly paid indeed. n other words, the surplus value which the majority of Kenya*s workers have produced has actually not benefited them but the foreign investors

83* Given the inflationary effect, the real earnings of the African workers rr.uat have declined sharply.

TABLE XYT

Pattern of Irfogo r-~:] oyaent by Race and by Year*

Year	Employment Particulars	African	Asian	Eurcpoan	Total
1964	Sumber of Employees	451,534	20,699	9,952	482,185
	Percentage of total	94$	4$	2$	100$
	Number earning £3.000+	10,200	12,400	8,400	31,000
	Earnings in £m.	59.9	21.1	24	105.2
	Percentage of total	57 $	20$	23$	100$
	Earnings per capita per worker £.	.133	267	2420	
1968	Number of Employees	462,584	28,146	13,724	504,454
	Percentage of total	92$	5$	3$	100$
	Kumber earning M000+	16,700	17,400	11,800	45,900
	Earnings in £m.	93.3	27.1	25.9	146.3
	Percentage of total	63$	19$	1856	100$
	Earnings Per capita Per worker, £	201	967	1830	
	Number of Employees	582,460	24,876	13,000	620,336
	Percentage of total	94$	4$	2$	100$
	Kuaber earning sk&000+	39,000	18,200	12,100	69,300
	Earnings in £m.	146.8	26.3	33.7	206.8
	Percentage of total	71$	13$	16$	100$
	Earnings per Capita Per worker, £	252	1052	. 2592	

TABLE XVI Cont«

1974	**Number of Employees**	**672,956**	**19,948**	**8,647**	**701,551**
	Percentage of total	96%	3$	1$	100$
	Number Earning ^000+	60,300	16,200	8,100	**84,600**
	Earnings in £m.		-		
	Percentage of total	-	-		
	Earnings per capita per worker, £.	-			

Source: Kenya Statistical Abstracts, 1974 and 1975* and foreign employees in the country. In total, it is now clear that although absolute growth or what we have called underdeveloped growth is realised in terms of expanded GDP, capital investments, imports and exports, and absolute increases in the number of people employed or the wages they earn, the accompanying underdevelopment ha3 made it impossible for the country to expand her socinl welfare or even "real" economic growth as the African leadership seemed to expect at the first year of independence. Thus, for instance, Kenya has even suffered incapacity to expand her medical facilities relative to GDP per capita (Table XVIl) as one might expect from KANU's declaration in this regard in I96I.[84]

TABLE XVII: Number of Hospital Beds per £ I of GDP per Capita by Year

YEAR	1964	1968	I97C	1973	1975
Hospital Beds per £ I of GDP per Capita	333	-	316	303	317

Source: Computed from Kenya Statistical Abstracts, 1970-77*

Dependence and Underdevelopment in Ken/a

Dependence has been viewed as a conditioning which makes an underdeveloped society economically, socially, technologically and institutionally dependent on the underdeveloping and exploiting developed society or societies.[85]

84. Health and the family were very prominent in KANU Manifesto of I96l«

85. See Chapter I, above.

Economic and technological dependence of Kenya is clearly manifested by the fact that this poor country specializes in primary production and in importation of expensive manufactured and raw goods as well as services from the rich, developed nations. Based on such economic doctrines as the law of comparative advantage or the principle of division of labour and international interdependence, the fact that Kenya has to export more and more of very cheap primary (agricultural) products aud still not manage to pay for more or less tho same quantity of increasingly very expensive manufactured products means that the country's survival is at tho mercy of the developed countries which are also her main donors of aid. This dependence is itself founded on the underdeveloped nature of Kenya's economy tho continuation of which has greatly been assisted by the kind of aid she has received since independence.

One of the main factors of economic and technological dependence has been independent Kenya's accession in 1965 to the Paris Convention of 188? for the Protection of Industrial Property. Thus, under Patents Registration Act of 1965, letters Patents are not granted in Kenya nor are provisional applications accepted.[86] They are

86. Kenya, Ministry of Commerce and Industry, A Guide to Industrial Investment in Kenya, 1972, p. 27.

registered in the United Kingdom and then re-registered in Kenya. Such registration confers rights as though the patent had been granted with an extension to Kenya. The same applies to the registration of Designs and Trade Marks.[87] They all serve to reduce the probability that Kenya will develop her own industrial and technological base without revolting against Paris Convention and subsequent agreements and conventions, particularly with the United Kingdom. As such the country becomes reduced to a mere serviceman of western technology and a great[88] consumer of their manufactured industrial products. She must therefore again drain her economic surplus in order to pay for patent rights, royalties to original companies, and such other payments required by her dependence on technology, research, operation and management skills of foreign developed countries of the west.[89]

As underdevelopment takes root, one of the tools of its perpetuation to be developed by managers of capitalist activities in the poor countries becomes institutional

87. loc. cit.

88. Most of socialist countries had to revolt against Paris Convention of 1833 as a basic requirement for their industri and technological development.

89. Due to the highly monopolized technology by the West, and its deep control across the world and in the poor, underdeveloped countries in particular, the only answer according to one officer in Industrial Promotion Centre at Nairobi, will have to be a revolt against capitalism and hence west. Interview at the Centre.

dependence. In Kenya such dependence ic manifested by the creation of such bodies like ICDC, IDB, HFCK, AFC or KIE with the help of, nnd greatly dependent on,foreign aid from the capitalict donors. In many cases these are operated by foreigners or at least their operational pattern is set by foreigners with imperialist interests in mind.^c Thus, for example, the presence of some local Kenyans in ICDC management does not change it from being an institution that encourages co-existence and toleration of local small scale and foreign large scale business or industrial private investors. The same could be said of KIE cr AFC. Through the regulation of finance available to these institutions from external sources, the capitalist donors have succeeded in maintaining the kind of economic growth favourable to them, while industrial and agricultural underdevelopment in Kenya continues unabated. Availability of such funds nearly always requires that some additional foreign technical personnel should be seconded to these bodies by the donor whose main role becomes one of shaping its expenditure and allocation and in that exercise shape the economic policy of the country. The Canadian personnel and the York trained Kenyans under PPEU were finally aimed to serve this purposo.

Institutional dependence is also effected by the kind of international organizations a country joins.

90. For example PPEU, KIE and AFC especially Ranch Division under LDP (I)•

The effect of Kenya's accession to Paris Convention of 1883 has been noted. Her entry into the membership of such bodies like the World Bank, IFC, IDA, and the IKF opened way for direct influence by these bodies and the bilateral western donors on Kenya's social, economic and political policies. Influence has been effected through Consultative Group meetings usually held in the U.S. or some European countries, or through the disciplining activities of the IMF.[91] total effect of this relationship has been total domination by capitalism on which the society then depends for survival. In turn, capitalism tightens its grip on the country. It increases its investments, demands more land, more labour and more primary exports; it sells more of metropolitan manufactures; and it sends out more and more economic surplus from Kenya to expand capital accumulation and maintain high living standards in the industrial metropolis. In a word this form of dependence also increases and perpetuates Kenya's underdevelopment.

Virtually all aid donors seek to be involved in national planning of the recipient countries. They do so by offering technical assistance distributed in as many ministries as possible in the recipient's government. In Kenya, Canada tried to centralize and dominate planning and hence distribution of government finances undervthe PPEU. However, the PPEU's failure to institutionalize

91. See Chapter III, above, for clearer picture of the role of the World Bank, the IMF, or the Consultative Groups in a country like Kenya.

the proposed 21ev planning complex meant that the traditional Colonial and World Bank created model of national planning heavily dependent on foreign technical experts would continue. Moreover, it meant that rather than rave a central unit to do project apprainal and evaluation for ull development projects, each donor or its appointees would continue to carry out those activities. Thus, for example, when the World Bank wishes to give loans to reduce the country's economic strain due to world inflation, it sends its experts to the Ministries of Planning and Finance where they virtually dictate what social or economic policies the country should adopt forthwith. No wonder then that virtually all Kenya's development plans are in one way or another reproductions of the Bank's views on how Kenya's social and economic policies and choices should look likc.^2 Such institutional dependence

92. For examole, IBRD,/1962, on, cit. and Kenya Development Plans 1964-70 and 1966 - 70; or Kenya Into The Second Decade, 1975 (actually drafted in and Development Plane 1974 -?8 and 1979 - Not® also that IMF's economic conditions for continued provision of the World Bank's loans to the underdeveloped countries have been very oppressive indeed. They include severe curbs on recurrent government expenditure, wages freeze, abolition of consumer subsidies, the dismantling of price controls, increased taxation and removal of trade, particularly import, restrictions. For the negative effect such conditions have had in Egypt, Sudan, Ghana and Zaire economically, socially and politically over the last decade or so, see Harkishan Bha^at, "Mixed aiesslnrss The IMF Strives to Create a Situation in iiird world Countries Giving Western Governments and iiultinati onnls Maximum Opportunities" C in hew Africa - rla^azine - International Communications, London, February,1900, No.1^o).

hae once arjain contributed greatly to the liind of under-development Kenya h*»n differed sirce independence.

The other type of depend.-.jce that has perpetuated underdevelopment in Kenya, like elsewhere, is structural. Foreign aid has been mo3t instrumental in this respect • British, German and the World Bank loans towards land transfer from European to African ownership were most instrumental in expanding what Swynnerton had called African "middle class" as well is v/hat became the nucleus of African landed "bourgeoisie". This class shared private ownership of substantial pieces of land side by side with European foreigners and hence formed an alliance in protection of priv ~e property. Many of the new members of landed "bourgeoisie" joined the European farmers in production of export crops, especially coffee, and pyrethrum. The others also joined the Europeans in production of the government heavily subsidized crops such as wheat and maize or barley, and kept dairy cattle. Through such commonality of interests, the new African landed "bourgeoisie" were welcomed into what were formerly European only economic and social organizations such as Kenya National Farmers Union (KNFU), Kenya Farmers* Association Ltd. (KFA), Coffee Board of Kenya, Tea Board of Kenya, Pyrethrum Board of Kenya. As many of the Africans who formed the new landed "bourgeoisie" were also members of political or bureaucratic "bourgeoisie" as well as entrepreneurial "bourgeoisie" all made up of ministers, members of Parliament, political party (KANU or KADU) officials, private business executives, senior civil servants, police and army officers, as well as members of church and voluntary organisations, their class interests in alliance with those of international bourgeoisie became equated with the interests of the entire nation. Whenever maize or wheat prices were increased for the farmers, for example, the common excuse became that the farmers, needed incentive in order to grow food for the nation. Indeed the well being of these classes,the "national bourgeoisie",the cosprador bourgeoisie and international bourgeoisie, was considered by the political system as the basis of national prosperity which would lead to more employment, elimination of poverty and inequality, and improve national living standards.

Meanwhile, the export farming or export crop handling section of the"national bourgeoisie" was dependent on imported farm inputs - machinery, equipment, fertilizers, chemicals, etc. - for production. Foreign aid made it possible for them to acquire these inputs and have a v/orking capital on credit. Thus, for example, LDP(I) was largely a project involving credit to large and small scale ranchers for purposes of purchasing ranching inputs ana having operating capital* So have been the other farming projects involvi::- coffee ani tea production which have made use of foreign aid funds through such institutions like the A?C, K\ DA and Corporative Bank of Kenya* It is not fully clea:* how without the availability of aid funds, and in the event of cor.xercial banks being unwilling to provide farming credit to small scale units, the continued production of the export crops would have been maintained. Maybe r.ir trcpolitan suppliers night press for at least acceptance c?f suppliers' credit guaranteed by the government® Or thvy might provide credit under the normal risk-taking of businessmen* But this would mean strengthening of large scale farming and the suppression of the small farming* In <his case political, economic and social implications nipht not be in favour of continued control of farm production for carket by a few hands. Earlier on, for example, monopoly of profitable farming in Kenya by a few European farmers had led to eruption of the violent Mau Mau Rebellion in 1950*s. Together with the oppression that prevailed in order to maintain it, that monopoly further forced Kenyans to struggle for political independence as a prerequisite to attaining economic independence. After independence, again an enlarged take-over of large-scale firms and ranches for settlement schemes and the expected reduction in production would have negatively affected the colonial inherited economic system if the aid-backed expansion of peasant production for export market did not take place.

"Ondor such c ir'oumstancec, the profit interests of "national v-ourgeoie i.®" and thy comprador bourgeoisie as veil oa those o^ the international capital in production of cheap rt.v products or marketing of metropolitan goods and services couia hardly bo catsred for without the availability cf foreirn aid from capitalist bilateral and/or -*2ultilatoT-al doners in tho west. Contrary to what people like Holthaa aiid Hazel.:cod maintain,'[93] it is cost probable that the institution of private ownership of property such as land, together -with the continuation and establishment of tho colonial inherited economic pattern would not be adopted and sustained for long without the kind of capital and technical r-.id Kenya received from Britain, V/est-Germany, the U.S. arid the World l'ank immediately before and after independence. Th?t technical aid served to effect "intuitive social iration" among the leadership in favour cf continuity and institutionalization of that continuity. Together with capital aid, technical aid also helped in the creation of land and property owning "national bourgeoisie" as well as the well remunerated ccmprador bourgeoisie that became sympathetic to and found interest in the survival of international capitalist activities in the country. Aid therefore became the major instrument in the capitalist

93. Eolthan and Hazelwood, op. cit^> p» 134-135*

struggle to win the political will of the incoming and subsequent leadership in Kenya in favour of establishment of what has been called neo-colonialism as a prerequisite for post-independence underdevelopment of the country by the metropolis*

The beneficiaries of land transfer programme began with heavy debts based on foreign loans. Any production activities was also dependent on what was called development credit. This also depended and still continues to depend on availability of foreign aid funds. Likewise, the provision of supporting government services also depended on availability of aid. No wonder that virtually all grants and technical assistance grants went to facilitate training, planning, research and extension of agricultural services for crop and animal production for export,

Structural dependency was not limited to agricultural sector. Industrial and trade sectors were also the focus of Africanization as a means **of** broadening the local base of private property ownership in business and manufacturing. Thus, the setting up of KIE units was an attempt to provide an African presence in industrial sector and hence provide the entire industrial enterprise with an African protection. So was the case with the involvement of Africans in business, whether^in distribution, wholesale, or retail business. Those dealt with imported products or with products of mainly foreign manufacturing firms in .en/a. They provided a very important veil to the activities of multinational corporations in Kenya which as we have seen, are exploitative and instrumental in the underdevelopment of the country*

Both large and small scale industrial and trading firras make use. of foreign backed public finance in Kenya* In go doing, the foreign dominated large scale firms are not in effect using finance capital that is foreign to them. If anything, they merely use part of capital owned and/or controlled by the international, metropolitan bourgeoisie based at the metropolis. They are therefore not dependent in terns of capital. But they in addition mako use of local capital held in foreign banks with branches located in the country.

Small scale firmu$ on the other hand, are mainly dependent on foreign aid funds available through public institutions such as ICDC and KIK. Hardly flo they get access to commercial credit the ownership and control of which is dominated by foreign financial institutions. Their emergence and growth are therefore dependent in terms

What are called revolving funds for credit to farmers and industrialist/traders are usually very meagre and incapable of maintaining full production.

of capital. This also applies to local capital which is itself held and controlled by foreign owned banks in Kenya. The scarcity of finances therefore means that only a few, small local firms and individuals can be funded and hence assisted to emerge and grow. These as in the case of KIE - Nairobi, and as was the case with LDP(l) in agricultural sector, are in turn acquired only by those few Africans who happen to be in highly paid jobs or have occupied top political and bureaucratic power positions in the country. The same applies to the few who have a chanoe of acquiring credit for commercial and property purchases. In other words, there tends to be a local concentration of both power and property (land and business or industry) ownership in a few **people**, who effectively influence political decisions in favour of their own class interests and of their sponsors, the international, metropolitan based, capital. They therefore institute themselves as the ruling classes dependent for political and economic survival on international ruling class founded in the metropolis.

For its material operation in industrial and trading activities, the "national bourgeoisie" relies on the metropolitan made products. It could also depend on goods locally made by foreign manufacturing firms which are in turn dependent mainly on imported capital and producer

£*::teriale» '?hey are for all practical purposes, local ^snts for last part of last stage manufacturing and i.itribnticn of foreign products. Without that dependent ".rancy, and without foreign aid to enable them to enter the entire agency of exporting primary production and distribution of imported metropolitan goods, the economic se of the "national bourgeoisie" would be lacking. -hat economic base is itself dependent on international capital. Its social and political aspects are also largely s reflection of the interests of that international capital, particularly in the establishment of a favourable political climate for the perpetuation of private foreign investments and trade in the country.[95]

The commonality of international capital interests jf-d those of local ruling classes, and the role played by aid in it, can best be demonstrated by a joint venture project. In Kenya, Associated Vehicle Assemblers Ltd. (WA) is a good example. It was incorporated in 1974 as a joint venture firm originally to assemble tractors locally.[96] The ownership of the firm was made

95* See next chapter.

96. Associated Vehicle Assemberls, Project Description, Nairobi July, 1977 CAVA). The compaay now assembles vehicles but the pattern and implications of ownership, control and appropriation remain the same.

up of the Government with 51$ of the ordinary shares divided "between Tressury (26$) and IDB (25/«), and foreign investors including Inchcape (E.A.) Ltd. (24.5%) and Kenya Motor Holdings Ltd. (24.5$). Inchcape (E.A.) Ltd. was the sole importer of British Ford tractors through Hughes (Kenya) Ltd. in which Ngengi Muigai, President Kenyatta* s nephew, was the Chairman of the board of directors. Kenya Motor Holdings Ltd. was a subsidiary of Lonrho East Africa Ltd. to which Udi Gecaga, Kenyatta* s Son-in-law, was the Chairman, and represented the sole importers of British Mas3ey Ferguson tractors through a local subsidiary, the Farm Machinery (distributors) Ltd. in which Udi Gecaga was again one of the local directors. These two foreign manufacturers of tractors would be joined by another foreign firm - the International Harvestor Corporation (IHC) of USA represented in Kenya by Lima Ltd.[97] - and the throe of them would be the sole suppliers of tractor parts for the assembly plant.

What should be noted carefully as one looks at AVA is the political, bureaucratic and international capital linkages that would give the firm a lot of power and protection in a bid to make the British and American tractor manufacturers maximize on their profits in Kenya and East African region as a whole. In the first place

97. Lima Ltd. is largely owned by D. Arap Moi and is sole importer of IHC tractors and tractor parts, AVA 1977.

the IDB which was created at the pressure of and with aid resources from the World Bank in 1973 as a means of assisting large-and medium-scale industries, itself became a means through which foreign companies could make use of the foreign aid provided to lenya for their own profit. This reduces the competition of large and small industries for the meagre ICDC resources. It adds to the resources of DFCX which also gives credit to large manufacturers and thu3 makes large scale manufacturing and trading increasingly more dominant in the country. The fact that ID3 resources are international by origin also gives ouch companies the protection of international capitalist institutions like the World 3ank just in case the local government decided to interfere and nationalize them. The. IDB therefore servos as an attracting agent and security to foreign private investments in Kenya. This is much more so due to the fact that the chairman or at least some of the directors of IDB are ssually the same as those of ICDC.^ This means that IDB ezd ICDC are viewed to be complementary. Tho former takes to specializing in large- and medium-scale (mainly foreign) industrial credit while the latter is left to deal with small scale African industrial and trading enterprises as well as in investing e&jall protective shares and equity in foreign large scale firms.

98. At least the Executive Director of ICDC, and the Permanent Sec: taries of Treasury and Commerce an& Industry are directors in both institutions. Initially asd up to 1975» "the Kxecutive Director of ICDC was tho chairman of ID3. See IDB, Annual Reports 1974-78 and ICDC Annual &rr>orts 1974-77-

Political and bureaucratic linkages were important for the AYA to get the kind of monopoly and protection the British and American tractor manufacturers were trying "to realise in Kenya. Political linkage of these foreign firms with the country's President have already been noted above. Dui both political and bureaucratic connections should be made clear by looking at how the AVA directorship was composed. In the first place one notes that both F5KD and Eughes Ltd. are effectively branches of Lonrho Group (E.A.) of which Udi Gecaga has been the Chairman. In AVA Ngengi Muigai was the Chairman, vhile Gecaga was the second director. Tho other directors in 1976 were N. Ng*ang^{v}a$_{y}$ Permanent Secretary to the Treasury, L.M. Kabetu, Permanennt Secretary to the Ministry of Commerce and Industry, J. Gatuiria, Managing Director of IDB, C.N. Kamau, a director in CDC and the British citizens Vf.D. Goddard and J.J. Austen-Brown who were to represent and take care of foreign ownership and interests in the venture. Political power was based in Gecaga and Ngengi as well as in Koi'c ownership of Lima Ltd., while bureaucratic linkage was achieved through senior representations in AVA of Treasury, Commerce and Industry, and IDB. The presenoe of representatives of the National Bank of Kenya Ltd. as goae of IDB directors also availed the firm with a chance to borrow and uso of local capital fully.^ With such a powerful association of local representatives, foreign international finance capital and foreign private investor- f AVA was able to demand frcra the government the full nonopol' of icrporting all new and used tractors for FED, Hughes and Lima on behalf of British and American tractor manufacturers. Ii was able to expect monopoly of assembling tractors locally under the pretext that the Government was a majority share holder. Thiu would avail the foreign firms with the chazce and protection to exploit the country under guaranteed Kenya-: and East African laarket.

The AVA is an example of how multinational corporations eeek to localize the last stage of their production and localize their representative and political power base in order to influence public policy in their favour.[100]

99» In 1975, both the Executive Chairman rr.i General Manager of the National Bank of Kenya Ltd. were directors in IB?,. IBB, Annual Report, 1976.

For other ways in which multinational corporations mobilize local savings and capital, see James C^Connor, The Mcninr c-f Economic Imperialism, in Rhodes op. cit. p. 130 and R. duller, The Multinational Corporation and the Underdevelopment of the Third ..orld. in Wilber, op. cit. p. 13?.

100. Sacli local representatives as we have ©sen in the case of AVA constitute the core of what has been called the comprador bourgeoisie. Ac most of them are also land and business owners they are also part of what we call "netional bourgeoisie" that is dependent on international capital. But their fir©t and foremost obligation is to the international capital. As Mao put it, their intorests are inseparable from those of imperialists. See Stuart R. Schraro, ifre Political Thought of Mao Tse-Time, (Frederick A. Praeger, New fork, 1963, Hevised 1969), p. 223*

It is also an example of how ouch corporations are availed of a chance to mobilize and use both local and foreign public finance capital for their own profit making activities and for monopolizing the market. These are the corporations that exercise immense power over the local political system, while they rip the country of the valuable surplus value through overoriced assembly parts, machinery and equipment, as well as through other charges in form of royalties, and fees for management and technical services, patent and brand names."[101] Their free operation in Kenya further rules out any independent technological development as this is already suffocated by monopoly of imports, patent rights ana manufacturing systems which they control.

Summary and Conclusions

Underdevelopment and dependence is no doubt well manifested in industrial and agricultural sectors in Kenya. The so-called industrial development in the country is no more than an attempt by multinational corporations to set up last parts of their last stage manufacturing here in a bid to get access to local savings and capital, have monopoly over market, strangle local technological development, exploit and appropriate the country's

101. Also see Wilber op. cit. p. 139, and Rhodes, op. cit. p. 131

national surplus value. In this exercise they have got alliance of aid-created and perpetuated local small-scale African manufacturing and trading entrepreneurs who provide the local base for the perpetuation of the principle of private enterprise which foreign Investors exploit to rationalize their survival and operation in the backward country.

Similarly, agricultural underdevelopment has be<*n part and parcel of the overall exploitation, underdevelopment and dependence of post-independence Kenya, Spectacular growth has no-doubt been achieved in agricultural production and export over the past decade and half. But this has been underdeveloped growth which has contributed nothing to the emergence of the country's independent industrial or agricultural development. It has been growth oriented to the metropolis, facilitating continued and expanded supply of low-priced agricultural foodstuffs and raw materials to the metropolis in return for expensive machinery, equipment, intermediate inputs, foodstuffs, raw materials as well as services from the metropolis. It is the kind of growth that has rendered the rural areas and the country in general poorer and dependent than ever before.

Continued and intensified industrial and agricultural underdevelopment has greatly been facilitated by the availability of the kind of foreign aid Kenya has received from her western donors immediately before and all the years after independence. The two aspects of underdevelopment have also been mainly responsible for what we have called underdeveloped growth for the whole country side by side with Kenya's increased incapacity "to build a nation based on greater welfare for all its citizens." In addition, the relationship between western aid and Kenya's underdevelopment has also contributed to economic, technological, institutional and structural dependence upon which the country's underdevelopment is further perpetuated.

This state of affairs has been maintained through the efforts of western countries and institutions to convert the country into a neo-colony and to hold it as their sphere of influence by strict yet rathless subjugation of the entire nation under the mercy of international monopoly capital. How this has been done is the subject matter of our next chapter.

CHAPTSR VIII

THE PROBLEM OF STABILITY

Stability can be viewed as a condition of firmly established, coherent and adaptable social, economic and political system. As Samuel P. Huntington's view goes, stability entails high level of institutionalization, a process by which organizations and procedures acquire value and become relatively constant, ^ It also entails establishment of firm authority and political institutions upon which institutionalization of social and economic organizations and activities is founded.

At independence, the settlers, the British Government and its western allies feared that the colonially built socio-political and economic institutions would collapse soon as the colonial administration was replaced by the new independence government.[2] They feared that the institutionalized monopoly of Kenya's trade by the -west or the domination of Kenya's economy by the west would collapse. They also feared that the institutions of

1. Samuel P. Huntington, Political Order in Changing Societies, (Yale University Press, 1968) p.12.

2. Such fears constituted the main message of the World Bank mission to Kenya in 1962. See IBRD, Kenya,1962.

private property and foreign investments, would be interfered with after independence, and that the incoming independence government would not have the will, resources and authority enough to subjugate and control the Kenya people firmly enough to allow for poet-independence settling down of metropolitan, capitalist activities in the country. In other words, the west had realized that the stability of the colonial era was coming to an end and that a form of stability in the post-independence period was needed if at all western economic, trade and political interests were to be continued and expanded. As a basis for continuity of colonial initiated expropriation and underdevelopment of the country, that form of stability could be termed as neo-colonial stability and attempts to establish it were heavily backed by foreign aid from capitalist donors.

The role of foreign aid immediately before independence was to prevent the entire collapse of colonially built institutions and the related values. Aid was also used as a tool to pave way for post-independence institutionalization (not merely continuation) of colonially interited social, economic and political institutions and value system. The struggle to establish that form of stability constitutes What we are calling"the problem of stability" which is the concern of this chapter. This effort at establishment of neo-colonial form of stability had first to overcome the socialist threat to western political and economic influence and monopoly over Kenya's trade; juch efforts had also to deal with the issue of post-independence acceptance and full institutionalizati of metropolitan or capitalist oriented economic policies. Finally there was also the issue of creating sufficient political will and authority of the new independence government to establish or re-establish full social and political control of the peoples of Kenya in the interests of international monopoly capitalist activities in and around the country. This chapter will attempt to look at the relationship between aid and the various attempts to resolve the multifaced problem of stability after independence. It must be remembered that the main concern of the west was to have institutions, procedures and values related to the long-term metropolitan interests to become well entrenched in the post-independence political system.

East-West Competition

A3 Kenya's independence date came nearer, the Eastern countries, like many others, began their "push" to penetrate the country's political and economic life. The last years of colonial rule had witnessed the TJSS2 and Bulgaria, for example, offer hundreds of scholarships to Kenyan students to take higher studies in various fields in the donor countries on the same lines that America, Britain and the V/est Germany were doing. This step by the east alarmed the west which in turn struggled to discredit socialist education system as being backward and to increase the number of scholarships they themselves had to offer to Kenyans. This kind of struggle was conducted unofficially in the i960 - 1963 period as the official political authority was still the colonial administration.

As independence approached, the west felt more and more threatened by what appeared to be an imminent thrust from the socialist countries. As indicated earlier, the west resorted to using their aid resources in order to both avert this threat and further internalize the struggle against socialistic attitudes towards property by involving Africans in property ownership side by side with the capitalist investors in land, businesses, and estates. In particular, the west sought to discredit all ideas and attitudes that were oriented towards nationalization of profit earning property. More so this time that some sections of the upcoming African leadership were making public utterings in favour of nationalization of land and other means of production. This issue is taken up in more detail later.

The fears of the west were definitely net without grounds, for soon after independence in December 1963 socialist countries led by USSR, China, Bulgaria and Yugoslavia began their formal "push" in form of offers of foreign aid, economic and trade cooperation. Thus, for instance, Kenyan Minister for Home Affairs, Oginga Odinga, and Minister for State in Prime Minister*s Office, Joseph Murumbi, travelled to USSR and China early 1964 at the invitation of these countries' - governments and signed agreements for aid and trade cooperation with them in May that Year. These agreements were followed by visits to Kenya by Soviet and Chinese experts during which various aid projects and venues for trade were identified. These activities no doubt constituted a big threat to western economic and political interests in Kenya and Eastern Africa in general. They formed a basis for east-we6t competition in Kenya between 1964 and 1966. Indeed that competition was continued vigorously until 1969 when the Kenya People's Union (KPU) headed by Odinga and Kaggia was banned.[if]

Thus, for example, an agreement was signed between Xenya (represented by Odinga and Murumbi) and China in May 19o4 for a capital and technical assistance loan

3. Africa Research Bulletin, 1964, p. 83.

The east-west struggle of 1964-66 saw those politicians who were bent to socialism edged out of the ruling KANU party during the Limuru Conference after what appeared to be a US CIA managed elections left them out of party leadership. Se® pp. **540-5M below.**It should be noted here that KPU as a party had distinguished itself by making nationalization of all basic fseans of production its primary target. See Kenya Peonle's Union Manifesto, (Pan-African Press Ltd., Nairoci, 19o6;

of £5*2 million to cover the period between 1?64 and 1969 This loan would be repayable in ten years after ten years of grace, aid the repayment would be in form of export of Kenya goods to China or in Swiss francs or in any other convertible currency agreed between the two Governments* In addition, China indicated that it would be prepared to assist Kenya "regarding its present and immediate financial stress by way of some free grant amounting to US S3 million which would not be refundable.[1]

This agreement was followed by a visit to Kenya by Chinese economic and technical experts in September 1964, to **make a** survey of where and how Chinese aid would be spent.[n] It was again followed by the signing in Nairobi in December of a protocol agreement between China and Kenya, and thus paving way for the expenditure of the aid loan and grant.^

All these agreements, however, were "subject to ratification by the Kenya Cabinet" and it seems that only the grant agreement was approved. In the first place they were signed after the Chinese Prime Minister,

5. Africa Research Bulletin, 1964. p. 83. The Loan was interest free.

6. Ibid. p. 83. This has been the only form of aid received by Kenya from China since Independence.

7. Ibid. p. 158A

8. Ibid. p. 221A

9. Ibid. p. 83

Chou En-Lai, had greatly alienated the western oriented Kenya Cabinet with his famous speech in the Somalia capital, Mogadishu, on February 3, 1964 in which he said that revolutionary prospects were excellent throughout the African continent and that China supported Panamanians an* Africans against imperialism.[10]

In the second place, they were signed at a time when the west had strengthened its battle against socialism in Africa, and Kenya in particular. For example, on the day Chou En-Lai made his speech in Somalia, President Johnson of America nominated William Attwood to **become** US ambassador to Kenya. This nomination had been expected in the western circles to be ideal for western and American interests. Attwood had distinguished himself as a strong man against socialist infiltration in Africa. He was, for example, previously American Ambassador in Conakry at a time when Guinea was receiving aid from socialist donors and despite an attack of poliomyyelitis

10o E.A. Std. 4/2/64, p.1. A day before this speech Kenya formally restricted the number of persons in foreign embassies to ten as had happened with Tanzania and Uganda. Kenya had already began a crack down on the Chinese six of whoa had bees refused permission to enter Kenya a week before and were sent back to Tanzania in the next plane. £.A. Std. 3/2/64, p.1.

which threatened his life, he had helped restore Guinea to the west and Americans.[11] He was apparently the main tool that actively fought out socialist, particularly Chinese, interests in the Kenyan Cabinet, National Assembly, and ruling party KANU.[12] It was only the grant element of Chinese aid that was therefore approved by the Kenyan cabinet and no other Chinese aid has been spent in Kenya.

USSR - Kenyan aid and economic cooperation agreements were also signed by Odinga and Muruobi in May 1964. USSR agreed to provide assistance in the construction of certain agricultural projects, a textile mill, a fish cannery, a fruit processing factory, and a sugar factory which Kenya believed to be of primary importance for the development of Kenya's national economy.[13] She would also help Kenya construct a technical college, a hospital, a paper mill and a radio station.

11. EA Std. 7/1/64 p. 1 and 5/2/64, p. 3.

12. The struggle apparently included personal influence on President Kenyatta and creation of his suspicion on both Odinga and Murumbi; US propaganda against Chinese interests in Kenya particularly stressing that Chinese and communists in Africa sought to overthrow Governments there; influence on some Government Ministers by the US and US survelliance on Chinese and Russian movements in Kenya and reporting them to Kenyan authorities. Apparently, it was due to US struggle to combat communism in Kenya that G. Pinto, Odinga's ideological strongman, was murdered and Lumumba Institute for political ind economic training of KANU members was closed down. See C. Gertzel, The Politics of Independent' Kenya, (EAPH 1970 reprinted 197*0 pp. 63-64, and Odinga, op. cit.pp. 276-279, and 286-297.

13* Africa Research Bulletin, 1964, p. 83.

By August it was revealed that USSR would build a sugar factory at Mumias with an annual output of 30,000 tons.[1]** In November, agreements towards USSR's credit for construction of various industrial and agricultural projects were signed to include hydroelectrical installation in the Kano Plains; bu3h-clearing around Lake Victoria for tse-tse fly liquidation! cotton textile mill with **an** estimated output of 15 - 16 million yards of cotton textiles a year; and a short-wave radio station, among others.[15] Apart from the mere fact that a fear of socialist infiltration was rife among top Kenyan leaders and their western supporters, the failure to have these projects accepted for aid from USSR Must be found in the fact that nearly all of them had been previously identified as investment areas of western private capital.[16] Indeed these project* were later on (in 1966) passed on to the capitalist western donora and private interests to implement.

iJfo Africa Research Bulletin, 196^, p. 139*

15. op. cit. p. 200.

16c By 1958, for example, Alexander Gibbs & Partners ha* produced their report concerning irrigation development of Ahero on the Kano Plains initially at experimental level. ALDEV, Annual Report 195^-55, P* 151t and 1958, p. In 1962 another Gibbs report on the area was produced and it recommended irrigation development covering about 13^,000 acres. This being a Eritish consultant firm, it was likely that the British Government would be most eager to fund such a project or have it financed by some other weotern countries or institutions. But the British would do all they could to prevent the USSR from being involved in the project.

The enactment of Foreign Investments Protection Bill in **August 1964** did not deter the drive of socialist countries to penetrate what was already a western sphere of influence in Kenya.[17] Led by USSR and China, these countries went ahead with their plans to provide aid and open or expand trade and economic cooperation with her. Given that their aid would normally be counteracting the survival or expansion of capitalist investments inthe recipient country, it became clear that to allow that aid towards government owned and controlled productive and profitable capital projects would definitely amount to contributing to the institutionalization of socialistic public based system of production to the detriment of private enterprise. This would not only constitute a firm basis of state competition with potential foreign private investors of the capitalist world, but it would also set a precedent which might encourage future state nationalization of private property and business with or without prompt or fair compensation.

In order to avert such a possibility of state competition with, or nationalization of, foreign private investments, the capitalist countries and instituticns

17. For the contents of this bill, see pP*522-523t below.

straggled hard to pre-empt any involvement of socialist countries in aiding directly productive and profitable capital development projects in Kenya whether in agriculture, industry or trade. Thus, through the process of "intuitive socialization" and added technical personnel pressure on a large part of the new leadership in Kenya, the capitalist countries and institutions managed to persuade the Kenya Cabinet not to approve such aid from socialist donors. They also offered to finance all capital projects that these donors intended to fund and thus succeeded in reducing the competition of the west and east in the eyes of the new Kenyan leadership from being one of principle to one of mere source of funds and in what volume or terms of repayment. The principle of private based system of production would in the meantime continue, a situation in which foreign capitalist investments and exploitation of the country would continue and expand.

Related to the issue of foreign investments was the danger which would befall capitalist trade should Kenya accept huge capital loans and credits froc socialist countries. As repayment of such loans and credits would normally be made through exporting Kenyan traditional exports to the donor socialist countries, receiving them would be tantamount to accepting to divert a great portion of Kenya's export-import trade to the socialist countries. V/hen convertible currency was acceptable by the socialist donor such as China, accepting this aid would wean that a great portion of foreign exchange earned would be used to repay socialist loans for their industrial machinery, equipment, goods and services. In total, socialist capital project aid would therefore adversely affect trade between the west and Kenya and Eastern African Region for that matter. To counter this possibility, the west also used aid to promote the traditional export products in Kenya including coffee tea, sisal, pyrethrum and meat in order to forestall any possibility that any of such products would be available for export to repay socialist aid. Hence tho whole idea of repaying Soviet or Chinese loans and credits with Kenyan exports was not only discouraged by the World Bank report on Kenya in 1962,[ift] but it was rejected outright by the Kenya Government.[19]

Capital aid is virtually always accompanied by technical assistance, or the latter is included within the provision of the former. That means that

i8o IBRD, Kenya, 1962, op- cit. p. 41.

19. Sessional Paper No. 10/1965» Paragraphs 68-69.

having numerous socialist aided projects in Kenya would also necessitate the presence of socialist personnel and literature in the country. It would also require that some Kenyas "be sent to socialist countries for training at least for the fields related to the maintenance and running of socialist aided capital projeots. Thi s would create a basis for spreading socialist,. anti-capitalist and anti-west ideas and values in the country through donor personnel interaction with Kenyans, through literature (even technioal literature reflects value Mas), and through students returning home frox donor training institutions where they pi ok not only the pure technical material "but social and ideological-ideas and values as well*

Had Kenya accepted large capital projects with socialist aid, the west would no doubt have fought a great ideological battle with the east. The west, however, tried to pre-empt such a situation. Right from the late years of colonial rule, the west funded or declared intentions to fund various oapital and technioal projects in Kenya, and they also had several personnel attached to their aided projects. They had such personnel strategically located in such areas a3 the Planning Division of the Ministry of Finance and Planning, Planning Unit in Agriculture, Range Management Division and Livestock Marketing Division also in Agriculture, or

ICDC and AFC. Such personnel, together with the students returning from aid-sponsored training in the west, no doubt constituteda strong defence - wall againnt socialist attempts to penetrate Kenya in any effective way.[20] Virtually all local educational and training activities have been run or heavily influenced by the western trained personnel (local or foreign) and have been promoted by western aid in form of finances, teachers, literature, and equipment. These too, became effective defenders of western values and interests against socialist "infiltration".It was because of this strong and widespread technical assistance input by the west that aid from socialist donors was resisted at independence and after. Due to the same input, many of the Kenyans who received training in socialist countries like **USSR**, China, Bulgaria and East Germany were subjected to various forms of harassment by the Government on returning to the country. They were regarded to bear inferior qualifications and were therefore usually refused employment. But most important of all, many of them were treated as subversives and every effort was made to minimize their

20. American training had great impact on a large part of the leadership of Kenya Federation of Labour as was demonstrated by the leadership's subsequent opposition to radical and leftist workers' ideas about the country's economic policies. See pp. 53$ and 550-552, below. Training, once again, was part of "intuitive socialization" of Kenya's leadership in favour of capitalist interests in the country.

effective interaction with the rest of the society, thus minimizing the spread of socialist ideas, values and objectives.

The result of this struggle by the west to keep out socialist countries from penetrating the capitalist sphere of influence in Kenya was that only two small amounts were accepted as aid from these donors. They included a small loan and a small grant from USSR towards the construction of the New Nyanza Provincial Hospital, and the £ 1,071,000 grant from China towards budgetary support in 19&5* Grants would require no repayment^while the small loan would invole only a small ptrtion of Kenya's traditional exports or foreign exchange to repay. As such the traditional trade of the west and Kenya would hardly be affected at all. But more significantly, the fact that the projects funded by the socialist donors included (a) health, a social service already within public services, and (b) unspecified . governmental budgetary support, meant that their aid would not at all interfere with the institution of private enterprise as a basis for directly productive and profitable production in the country.[21] This was the form of aid from socialist

21. Except for these small acceptances, virtually all the other capital projects identified for financing by the USSR and China were either deleted or re-allocated for financing by capitalist donors. This exercise was .undertaken by both T. Mboya and Bruce McKenzie in February 1966 just a few days before the Limuru Conference in which the socialist oriented leaders were forced out of KANU and the government. See p. 5^0 below, and also a statement by the Minister for Economic Planning and Development on the Soviet/Kenya Economic Agreement quoted in C. Gertzel et. al. Government ana Politics in Kenya,pp. 5&5 ~ 538.

donors that would not affect the prevailing socio-economic structure and it therefore neither affected nor threatened capitalist exploitation and underdevelopment in Kenya.

Thus, even though she accepted this token aid from USSR and China, Kenya firmly decided not to stay ideologically and economically neutral or non-aligned. The institution of private property and the encouragement of private foreign investments from the west would continue and expand; Kenya-west trade would remain intact or would expand; and all capital aid for productive projects would come solely from the west.[22]

Having edged out socialist aid involvement in capital projects, And having obstructed widespread socialist funding of technical projects in Kenya, the joint efforts of western donors led by the US and local sympathizers within the new Kenyan leadership were now to be directed against local sympathizers or promoters of socialist ideals. G. Pinto, who was described by the west as the link man between the east and some Kenyans, as well as being the main brain behind socialist oriented leadership, was murdered in 19^5 under mysterious circumstances. Other socialist oriented leaders including

22. Tom Mboya's statement on the issue of rejecting socialist aid amounted to this. op. cit.pp. 5&5 - 588*

Odinga, Kaggia, Achieng Oneko, and Ochola Mak'Anyengo were to be edged out of the ruling party KAIJU in 1966 and subjected to massive government harassment after they formed KPU in May that year. This issue will be taken up in detail soon. But is should be noted here that there was capitalist engineered need to have those leaders removed from the party and the government in order to give the state the unity it required for full commitment to promotion and protection of private ownership, foreign private investments, and Kenya-west trade. The new political and bureaucratic leadership in the country also sought western support and assistance in order to stay in power and to grow wealthy.[23]

International Capitalist Economic Stability

Side by side with diplomatic and political attempts **to** keep the socialist countries as far away as possible from having close economic, trade or political cooperation with Kenya, the western countries and financial institutions **also** strove to preserve and entrench the kind of economic atability that guaranteed them **of** maximum returns both jointly and individually. That was the kind of economic stability that provided security and encouragement for international monopoly capitalist activities to prosper and draw profits which they converted into additional

23. See pP.527 - 530, below.

capital in the metropolis in their bid to increase and expand their capital accumulation. Essentially, that could simply be termed as neo-colcnial economic stability that was instrumental in the continuation and intensification of the colonial initiated under-development of Kenya.

Both KANU and KADU had declared their intentions to continue with the inherited colonial economic system provided Africans were allowed to share in it. The outgoing colonial system had through aid, began to involve a few wealthy or monied Africans in that system by enabling them to purchase land in the former white highlands and also promoting them to become small scale producers of export agricultural cash crops side by side with large scale, foreign dominated producers. This process was expanded at independence particularly under the Million-Acre scheme in case of land ownership, and under small scale African participation in the economy as small cash crop farmers, small traders, and small scale manufacturers such as those in KIE - Nairobi, Machakos, Nakuru or Kisumu.[24] These aspects of participation were all promoted by foreign aid mainly

24. After independence, the Government in Kenya emphasised the policy of greater African participation in the monetary economy in order "to preserve political stability" and to "further Government efforts to achieve greater national unity." Development Plan 1964/70n P- ^ Also see Chapter* IV, V and VI as well as VII.

from Britain, West Germany, the US and the World Bank.African participation was also promoted in the area of ownership of homes and houses in the urban areas. This was again done through aid administered through National Housing Cor?oration(NHC)or Housing Finance Company of Kenya (HFCK). Once again the effect of promoting African participation has been that due to the scarce aid resources available for this exercise, only a few Africans have had a chance to be involved profitably. This meant competition for these resources administered by such public financial institutions as the ICDC, KIE, AFC, HFCK, ADC, SFT, etc. As the conditions for getting access to such resources were that one should have proved his worth in terms of having a big salary, farming exprience, political support from the power holders, training or experience in trade and manufacturing, and that he must be having some income or savings to meet the requirements of working capital equity or down-payment in the case of purchases, it became clear that only a few could and did qualify. These were senior civil servants, politicians, colonial made small scale African cash crop growers and traders, and other high salaried workers. These constituted the new socio-economic and political group composed of landed, manufacturing, trading, political and bureaucratic elements all forming what we have termed as "national bourgeoisie" and comprador bourgeoisie.

What is significant is that these classes became allies of international capital which in colonial times was protected and promoted by the colonial domination of the African masses through colonial administration, Onoe the "national bourgeoisie" and comprador bourgeoisie were constituted through assistance of aid or aid backed foreign investments, and as they also assumed political and bureaucratic power, they turned to supporting and promoting the interests of international capital in private property and foreign investments in particular. As such they also became ideological allies of that capital from which they drew foreign aid resources, political sympathy and all economic, and technological theories and products. They also became the target of what we have called "intuitive socialization" which was carried out through the skills of foreign technical assistance personnel and other expatriates from western countries and institutions.' They therefore provided the main post-independence local class-base for the establishment of neo-colonial economic relations as a moans of stabilizing imperialist economic domination and exploitation Kenya. Consequently the "national bourgeoisie" and the comprador bourgeoisie with their political maohinery became the tools of continued suppression of the Kenyan poor and exploited people on behalf of international capital under what is called social and political stability.

What is ironical, however, is the fact that neo-

colonial economic relations in an underdeveloped country require that the same international capital aid that promotes "national bourgeoisie" should also be used to inhibit state policies which seek to promote or strengthen development of a true national bourgeoisie or ruling classes.[25] This becomes an important aspect of imperialistic economic stability in a backward country. Thus, as demonstrated in Chapters V and VI, African participation in LDP(I) (agriculture) and KIE (industry) is merely a small scale replica of large scale operations by foreigners. Small scale production remains dependent upon and merely complementary to large scale production and trade interests of multi-national corporations and individual foreign capitalists. But, as seen in Chapter VII, both national agricultural and industrial production remain and continue to be underdeveloped by, and dependent on, international monopoly capitalists based in the metropolis. Foreign
* aid from capitalist world can only promote that kind of production in backward countries, and anything more would be suicidal as it might produce a basis for

25. James O'Connor, The Meaning of Economic Imperialism, in Rhodes, op. cit. p. 141, and Cnapter I above.

development of true national industrial and agricultural capitalists in competition with or to the detriment of monopoly of international capital in profit making activities. As such the stability of international exploitation in Kenya has had to be maintained through foreign state finance capital of which small amounts are allocated towards the promotion and control of African participation in the economy while the bulk of the rest goes to maintain and promote large scale-foreign capitalist operations in the country.

However, international capital has also promoted small scale or peasant production when that meant protecting the foreign, capitalist large-scale farmers and ranchers and when it meant filling in the production gap expected as a result of one reason or the other. Thus, peasant tea production was promoted by aid in protection of the British tea plantations and tea traders, while the peasant livestock and coffee production was promoted in order to forestall a drop expected in the production of these export products as a result of African take over of large coffee estates and ranches under the settlement programmes. In other words, part of western efforts in establishing economic stability in post-independence Kenya was to promote continued and expanding production of cheap agricultural products for export to the metropolis, partly because the metropolis needed cheap foodstuffs and raw materials and partly because such exports earned the country oorae foreign exchange which supported the importation of expensive metropolitan goods and services.

The other aspeet of po6t~independenee institutionalization of capitalist-oriented economic policies was a new confirmation that the newly independent country would remain fully integrated within the world capitalism. The first thing international capital representatives in Kenya sought to do was to secure the country's membership in the leading international capitalist institutions including the World Bank and its affiliates the IMF,IFC and IDA.[26] Thus on January 28, 1964, less than two months after independence, James Gichuru, the Minister for Finance, and Bruce McKenzie, the Minister for Agriculture, proceeded to Washington reportedly to seek Kenya•s entry into the World Bank and to negotiate aid with that organization.[27]

26. Such people like Bruce McKenzie, the Minister for Agriculture in the independence government, and a whole set of technical assistance personnel - advisees and experts - were the main representatives of capitalist interests in Kenya. They also included E.O.Edwards (American) and T. Brough (British) who served as experts advisers in Kenya's economic planning and finance ever since before and after independence. Edwards in particular is said to have been the actual author of the controversial Government Sessional paper No. 10 of 1965- Interview with Treasury officials, Kenya, 1977/78.

27. E.A. Std. 29/1/6*+, p. 1. It is most probable that Kenya was informally invited to join the organization by the Bank advisers already in the Kenya Government ministries. As such, seeking or applying to beccwie a member of the Bank and its affiliates was just a matter of formality.

On February 1964, Gichuru signed the articles of agreement , thus admitting Kenya into the World Bank membership in full. This was the first formal agreement by the new Kenya government to the effect that it would by implication, be a party to promotion, encouragement and protection of private foreign investments from the west.[28] It had immediate pay-off in form of a soft loan of s 2.8 million from the IDA towards promotion of small scale African tea growing in Kisii and Kericho. Maybe Gichuru viewed this aid as a generous act towards Kenya , but it was very similar to the one provided by CDC, West Germany and IBRD much earlier in order to promote and control small scale tea production by a few Africans in protection of European, mainly British, large scale and plantation growers. It was also, as in previous cases, another attempt to expand and internalize favourable attitudes and protectionism towards private ownership among Africans as a basis of their intensified alliance with the foreign large scale "counterparts".

All this was mere manoeuvre to woo Xenya into

28. One of the main objectives of the Vorld Bank and its affiliates is to encourage and protect foreign private, investments. IBRD - The World 3ank, IJC and IDA Policies and Operations,pp. and IBRD, Articles of agreement, Article II.

full commitment to a neo—colonial economic system. Little capital aid came from other donors apart from Britain, West Germany and the World Bank. And whatever aid these donors had provided so far was largely related to Land Transfer Programme aimed at steppingdown the cry for land by Africans. In keeping with its tradition, the Bank therefore intervened and called on the existing as well as other western donors to provide more capital and technical aid to the country. This call was made during a Consultative Group meeting uhich took place in 19^4 under the chairmanship of the Bank. But before such increases could be made, the west led by the Bank demanded that Kenya should guarantee the security and encouragement of foreign private investments[29] through specific legislation and bilateral agreements. It was after such guarantees were legally provided that additional capital and technical aid began to flow into the country. But it should be pointed out that these guarantees, and in particular the Foreign Investments Protection Act, became the other most important factor, after the constitution, to confirm Kenya as a neo-colony of international monopoly capital under the

29. Britain does not seem to have pressed for such bilateral guarantees of new investments. Since most of the existing private investments in agriculture, industry, transport, banking, etc. were British, she was at the moment apparently content with the protection provided under the independence constitution.The fact that she also provided the main part of Xenya's aid in terms of volume of both capital and technical aid was a significant indication of her wish to protect and expand those investments by creating conditions of continuation of colonial economic activities and internalisation of values in favour of such continuity within the incoming political and bureaucratic leadership.

management of the World Bank soon after formal independence.'[C]

The Foreign Investment Frotection Act was passed by parliament in August 1964. It provided for the issuing of a guarantee certificate to existing and new foreign investors provided the Minister for Finance considered the object of their investment (or re-investment of profits) to be in the furtherance of the economic development or to be to the benefit of Kenya. It further provided that notwithstanding the provisions of any other law for the time being in force, the holder of a certificate could in the respect of the approved enterprise to which such certificate related, transfer out of Kenya in the approved foreign currency and at the prevailing official rate of exchange -

(a) the profits, after taxation, of his investment of foreign assets;

(b) the approved portion of the net proceeds of sale of all or any part of the approved enterprise, either in liquidation or as a going concern; and

(e) the principal and interest of any loan specified in the certificate.

30. For a brief idea of the role of the World Bank as the manager of international capital in underdeveloped countries, see Chapters.I and III above. Also see Payer, op. cit.pp. 26-49, and Hayter, op. cit.pp. 25-87$_f$ among others.

31. Republic of Kenya, Act No.35 of 1964,(Government Printer, Nairobi, 1964)pp. 1-4. The wide discretion given to the Minister for Finance in this Act has made the west, particularly the World Bank, the US, the UK, the West Germany and Japan, to take a keen interest in who occupies that position. Interview with Treasury officials, Kenya, 1977/78.

The Act further reaffirmed that no approved enterprise or any property belonging thereto shall be compulsorily acquired and no interest in or right over such enterprise or property shall be compulsorily acquired, except in accordance with the provisions concerning compulsory taking of possession and acquisition and the payment of full and prompt compensation contained in the Constitution of Kenya. .

Side by side with demanding a legislation towards foreign investments protection, the US and the West Germany also pressed the new Kenya Government to sign specific investment guarantees for each of these individual countries. As far as the U S was concerned this meant a renewal of an earlier guarantee provided by the colonial administration way back in 1949.[32] Such a guarantee would include currency inconvertibility, expropriation, war, revolution, and insurrection,^ and was signed on Hay 24, 1964, retroactive to April 20, 1964. Obtained through the US AID,this agreement provided American investors with guaranteed sound business in Kenya.[34]

A guarantee for West German investors was delayed until December 4, 1964. Apparently, the delay was

32. Kenya Colony, Ministry of Commerce and Industry files in Kenya National Archives, Nairobi.

33* Also see Rhodes, cp. cit.- p. 140.

34. Africa Research Bulletin. 1Q64. p. 18.

caused by the German demand on Kenya Government to the effect that the latter would actively struggle and legislate against any socialist activities or sympathisers in Kenya.[35] The Kenya Government, having declared itself non-aligned, seems to have declined such a direct demand^ which seems to be hedged on aid offers on lines pleasant to Kenya leadership. Such aid offers were made in September 196*f to include a German Government export guarantee to a German firm Gutehoffnungschutte (GHH) of about £ 1.5 million and a capital loan to Kenya of £ 850,000 both of which would go towards the construction of Chemilil sugar factory and development of sugar cane production on some 12,000 acres of "Luo and Nandi lands" then said to be "standing idle or underdeveloped".[37]

35* West Germany was deeply concerned about the "step which it might be able to take to counter communist infiltration" in Kenya and Africa generally. See C. Leys - Underdevelonment in Kenya, p. 61, footnote 63*

36. However, under the agreement on KIE •• Nairobi, it seems to have acceeded to the demand that no socialist or "communist" countries should be involved in the project. See Chapter VI.

37. Africa Research Bulletin. 196**.pp. 148-1^9. Both export credit and loan were ^uar^nteed by the Kenya Government. Initial ownership and operation of the factory and sugar cane growing would belong to GHH. It was expected that the Kenya Government would eventually buy it out by sugar sales. This, however, never happened in full as the factory constantly made losses mainly due to GIIH management financial and accounts manipulations. Interview with Treasury officials, Kenya^ 1977/73.

As expected., and as the government sought finances for agricultural and industrial development, this project no doubt endeared the Germans to the Kenya Government. It worked upon the new Kenya Government which agreed to provide special guarantees safeguarding the existing and expanding German private investments in the country. That project together with a promise of sore aid also persuaded the new Government to recognize and adopt all loan and trade agreements signed between Germany and Colonial administration during the last years of colonial rule.

The December 1964 German - Kenya agreement itself consisted of three separate but related agreements* These included German investment protection guarantee, financial assistance to Kenya, and German-Kenyan technical cooperation.[38] From the German point of interest as stated by the leader of German delegation in the negotiation and signing of the agreement, Mr. Schlitter, the most important part was the one covering

38. Africa Research Bulletin. 1964, p. 223» and E.A. Standard V2/64. It should be noted that in October 1964, West German Government had organized a visit to Germany by Kenya's Minister for Natural Resources, Mr. L. Sagini, and Parliamentary Secretary to the TreasurJj Mr. M. Kibaki in which they met various businessmen and officials there. E.A. Standard 3/10/64. Apparently they became wooed to looking favourably to German plans in Kenya. It should also be noted that additional German-Kenyq negotiations took place between November 22nd when the German delegation arrived in Kenya and December 4th when the Agreements were 3igned. See E. A. Standard, 5/12/64.

investments as it provided a sound basis for German investors. The agreement, he said, fulfilled certain requirements without which the West German Gov mment could not give the necessary guarantee to German businessmen wishing to invest in Kenya.

The financial agreement covered a total of about £4.1 million in respect of loans by the West German Development Loan Corporation and an -uuity participation in the DFCK.[40] Part of the lo-^ns in tns agreement related to contracts which had already been co-iduded for settlement projects,•tea development, road constructions water supplies, agriculture and industrial development. The balance of about £ 1 million related to loans for sugar-cane cultivation in Chemilil.

The technical aid part was general and referred to German assistance in industrial and agricultural development of Kenya.

Thus, whether it was British, American, German or World Bank, western aid in the years at independence and immediately after was negotiated and agreed upon as one

39. Africa Research Bulletin, 3964, p.223; and *E,A.* Standard 5/12/64 p. I

4"0. For the role of DFCK in promoting l^rge-scale industrial and trade, especially foreign private investments, and its relationship with small scale industries, 3ee Chapter VI, KIS p. 333 above, and Development Plan 1966-70, pp. 241-245.

package with negotiations and agreements concerning protect!on and encouragement of foreign private investments in Kenya and increased freedom of trade between her and the west.[41] As in the case of German aid towards KIE, attempts to block trade between Kenya and the Eastern bloc were made with some measure of success.

But the new leadership in Kenya also had an interest in the aid deal related to economic, trade and political stability of the new country. In the first place, this leadership had just acquired the reins of political power and the fear of losing it made it necessary to align with the world powers that were eager to defend the status quo at independence and thereafter. At a time when the country's foreign reserves were in London and as the country needed more and more imports to cater for the new state, the leadership had to cooperate with the west which would avail the financial resources that might keep the wheels of the state turning. In particular, the new leadership was eager to see that the machinery of the government was not paralyzed. In their part, the donor3 led by Britain, West Germany, the US and the World Bank were also eager to provide finance

41. Indeed as seen in Chapter VI, negotiations for KIE-Nairobi were being held as the same package of aid, trade and investments that led to the signing of December Agreement, 1964.

and their personnel in ordet to support tne government provided the latter recipr c *te<t ^ranti.j. the demands of the capitalist west as we h->ve ceen them above. Thus, when the west demanded firm social and political control of the Kenya people • the- post-independence government in order fchst ropoli! * investments and trade might not be interrupt ei by any form of social or political revolt the .Kenyan lender- ship responded accordingly.[bZ]

Keeping power after they had got it was necessary for the leaders in order to have political jjTjtrol over the allocation of valued things within the country. They would be able to obtain more land in the settlement schemes, they would be able to acquire some businesses, estates and possibly the industries in the ownership and control of foreign iJuropeans and Asians. Not only would -they obtain resources for themselves, but they would also allocate resources to their kith and kin as well as other social economic and political affiliates upon whom they might call for local support in ease of need. This has generally been referred to as patron- client relationship in politics and its material operation also depends on/the availability of foreign-aid based state resources.

b2m See the next section, below.

Once the Kenya leadership after independence had accepted the principle of private ownership, and given that it wanted to share in the ownership of land and other valued or profitable property side by side with foreigners, it had to crave to obtain the kind of resources that would satisfy its economic aggrandizement while still holding to the principle of "prompt and fair" compensation in the event of property appropriation. It had already witnessed how effective aid was in the buying out of European farms for redistribution to Africans immediately before and after independence. Given that post-independence government had little other resource with which to undertake similar take overs of land and business without affecting seriously the recurrent operations of the new state, the Kenya leadership, with full advice from the western donor technical assistance personnel located in all strategic areas of state machinery, appealed for more aid mainly from the western donors.[43] In order to obtain such aid this leadership had to assure the western donors about the security and future encouragement of their foreign private investments in the country. The leadership had to pass a legislation to protect these

43. For what happened to aid offers from socialist donors, see the section immediately above.

investments and also to make other arrangements aimed at encouraging foreign investors in land, industry and tirade in Kenya. Suc^ arrangements included the settling in or re-establishing of such institutions as the ICDC, the DFCK, the ADC, the AFC or the HFCK, into which the government put some finances as a shew of support and protection of the foreign dominated large-scale manufacturing, housing, business and farming. Thus, although immediate political control of the Kenyans was important for tho re-establishment of imperialistic ,economic relations, economic stability also assured the Kenyan leadership of western support regarding its stay in power and of financial resources necessary for economic expansion of that leadership in general.

It was acceeding to this neo-colonial economic system that was crucial for the maintenance of metropolitan-oriented economic stability. As in the colonial days and as demonstrated in Chapter VII, this was the kind of economic stability that was based on exploitation and domination of Kenya by the capitalist West. It constituted the cause of continued and intensified underdevelopment and dependence of the country which has consequently become relatively more and more unable to ameliorate her social problems including unemployment, poverty and inequality.

Social and Political Stability.

i

The victory of the western countries and institutions over the eastern attempts to penetrate their sphere of interest in Kenya, and the newly laid down neo-colonial economic conditions could not survive long without a complementary social and political stability in the country. This requirement was. realized by the west, and the World Bank team of 1962 did not hesitate to stress it in its report where it warned:

> But such measures will come to nought unless steps are first taken to restore confidence, to remove as soon as possible the present uncertainties as to political and social conditions and so arrest the declining trend in investment.

The country was further warned by the Bank that for it to attract more aid from bilateral and multilateral donors, it had to create social, political and economic conditions conducive to the protection of private property and encouragement of foreign private investments. The provision for legal and constitutional guarantees to private property and foreign investments was effected by the end of 1964. But social and political conditions for a neo-colony were not yet fully provided for by the

44. IBRD, Kenya 1962, p. 1.

the new African independent government. ?he struggle to provide them made the orientation of politics of the years after 1964 in Kenya to be politics of social, political, and economic stability. 'This uainly meant depoliticir.ing the masses and silencing or alienating political and interest groups that were opposed to the already laid down tenents of neo-colonial Kenya.[45]

The first struggle for political and social stability in Kenya centred around the policies of political parties and around increased conflicts between the government and its critics. The second form of struggle centred around an attempt by the government to control and suppress the workers in general in the interest of the foreign dominated private employers in agriculture, manufacture and trade or commerce.

At independence the main concern of the ruling party, KANU, was both to contain its radical members and to woo the opposition, KADU, into the government side. Apart from differences over constitutional arrangements to safeguard ethnic minorities, there was very little

45. For the notion of depoliticization of the masses by the ruling classes in Africa, see Claude Alee, <u>Revolutionary Pressures in Africa</u>, (Zed Press Ltd., London 197o) p. 78.

other difference in the outlook of KANU and KADU with regard to domestic and external social, economic, and political policies.^ After persuasion, pressure and intrigues from the KANU government and after a year's harrassruent by the administration, KADU did not find it useful to remain as an opposition any longer.[47] Its leadership therefore dissolved the party in November 1964 and joined KANU, some of them later on being given important ministerial positions in the government.

The dissolution of KADU and the decision by its leaders and followers to join KANU did not, however, mean an end to politics in Kenya. Right from its formation, KANU had been characterized by sharp conflicts ever ideological, social, political and economic issues. Such a split was also manifested within the Kenya Federation of Labour leadership, whose members were influential KANU members as well. KADU therefore joined a divided party and served to strengthen the "moderate" forces against the radical elements, a thing Sir Michael Blundell and other proponents of western interests

46. A. Mohiadin, The Formulation and Manifestation of Two Socialist Ideolociec;democratic African Socialism of" Kenya and Arusha i/eclaration of Tanzania, (Ph.D. Thesis, McGill University, 1973).

47. C. Gertzel, The Politics of Independent Kenya, (EAPH 1970 reprinted 1974), pp. 29 and 34.

definitely wished to see.[48] The spirit of radicalization in Government and the ruling party did not, however, i decline as a result of the amalgamation of KANU and KADU. If anything, it seemed to grow to a point where, for example, the formation of a new opposition party, the Kenya Socialist Party, was announced in June 1965.[49] The proposed party included "prominent mesbers of the ruling party", and its overall aim was to bring about a revolution in the leadership of KANU. **The** Kenya Socialist Party (KSP) was, however, not granted registration, but it was a clear and open sign of increasing politico-ideological differences within KANU.

Intra-KANU differences increased after the publication of the American drafted Mboya's version of African socialism in the form of a Government Sessional Paper in April 1965. The moderates who included most of the former KADU members strongly supported the contents of this paper which was described by a visiting American columnist as being "about midway between Lyndon Johnson's Great Society and the conservative wing of British Socialism".[50] The paper stressed the Government's

48. Mohiddin, op. cit. and K. Blundell, Hou^h a •/ind, (Weidenfeld and Nicholson, London, 1964) Chapter 17.

49. Daily Nation, 26/6/65; or Africa Research Bulletin 1965, P. 316.

50. Quoted from C. Leys, Underdevelopment in Kenya, p. 223.

commitment to encourage and protect private, especially foreign, investments and to continue trade with the west. It once again ruled out nationalization without prompt and fair compensation, and reaffirmed the control of the workers' unionism on behalf of employers.

The radical group within KAIJU on the other hand made clear its views in an address by Kaggia during Parliamentary debate on the paper when he said:

> ... whatever prefixes we use, it must be socialism and not capitalism, and I believe that the Government is really intending to implement socialism as applied to our own conditions and environment, but not to bring capitalism under the cover of socialism...

Kaggia did not mince words with regard to what he and his group considered to be^the primary condition for a socialist society, that is, nationalization. He said:

> ... I think the Government is becoming too timid to change its own Constitution, because one clause in the Constitution imposed on us at the Lancaster House Conference when KADd and the Colonial Government insisted that before anything could bo nationalized, prompt payment must be made, must be amended. But, Mr. Speaker, Sir, I think that there are very few countries who can give prompt payment whenever they want to nationalize. I think this clause should be changed. The Government should be in a position to pay compensation on their own terras, because if we retain this clause, then tomorrow the Government may decide that this commodity is vital to the people of Kenya. But Mr. Speaker

> Sir, it is so difficult to make prompt payment and therefore you cannot nationalize. It means that we are going to allow ourselves to be tied by our own Constitution. I think this is wrong and I also think that the Government is failing in its duty, if it doe6 not change that clause which is tying us up unnecessarily.51 (Our emphasis) &

Such a clear indication that in the event of forming the government the progressive or radical group would definitely effect change to that fundamental aspect of Kenya's constitution forced its opponent moderates and western supporters to condean the group, as Kaggia had expected, as being Communist.[52] Odinga retorted by saying that it was the Americans and the British who were creating tension in Kenya. While they were fighting for independence the British called them Communists. Now, the British were working through Mr. Ngala and Mr. Mboya who were warning against Communism.^ On June 3, 1965, the Minister for Home Affairs, Mr. Daniel Arap Moi, then called on Odinga to resign from the Government immediately if he believed that President Kenyatta was a "stooge" of the Americans and British.^^ Ironically, on the same **day** some 54

.51. Hansard, Vol. IV, 7 May, 1965. Quoted from C. Gertzel et. al. p. 141.

52. For Kaggia[1]s expected reaction, see op. cit., p. 141 and S.A. Std. 4/5/65.

53. Africa Research Bulletin, l'965i p.'2°6.

54. £.A. Std. 4.6.65.

additional US Peace Corps arrived in Kenya to begin two years of work in programmes of Community Development and land settlement.[55] And on the previous day, June 2$ 1965, the Government had just announced free medical programme to include free medical treatment for all children at Government hospitals and clinics, and free medical treatment for adult out-patients at the same hospitals.[56] This decision, together with the increased U S involvement in the Community Development and land settlement schemes were aimed at endearing the government -to the masses of the poor landless, squattersjpetty-traders,[57] peasants and the workers, as well as depriving the political opposition of issues, in the light of increasing possibilities of a showdown between the moderates and radicals within KANU. Such a showdown nearly occurred with the attempt to form KSP which the Attorney General refused to registar at the end of June.

55. E.A. Std. 4/6/65. This represented U S efforts to step up western struggle against development of widespread socialist sympathies in the country.

56. E.A. otd. 3/6/63.

57. America had used financial and personnel aid for the same ends during colonial days. See Chapter II.

Another chance for a showdown became imminent when Kenyatta appointed pro-KFL ministers only to constitute the Commission of Inquiry to look into ways and means [eg] of reducing or ending disunity within trade unionism. This was, however, also averted when he yielded to Kenya African Workers Congress's (KAWC) demand that two of their supporting ministers be included, and appointed Oneko and Murumbi.[59] The recommendations of the Commission which included changes in the constitution of COTU's committee, sounded the first major blow against the progressives or radicals within KANU who had drawn most of their support from KAWC's leadership and the rank and file* Driven out of effective influence on the workers, the next move was to remove these radicals from the party and the government, or from the policy Baking and implementing institutions. Refusal by Kenyatta on November 11, 1965, to legislate towards making Kenya a one-party state,^ left some room into which those radicals (now called dissidents) could move if they were removed from KANU and government in the next few months.

58* Odinga, op, cit. p. *307•*

59» Ibid, p.307.

60. <u>Africa Research Bulletin, 19&5</u>, P* 399.

-In what might appear to have been a warming up exercise in preparation for a calculated move to fcrce a showdown on the leftist wing of KANU, Mboya introduced a motion in parliament cn a vote of cofiaence in Government. Moved on February 15$ 1966, this motion became the first of the direct battles to come against what Mboya referred to as "dissident and confused groups". The motion asserted that the Government

of Kenya under President Kenyatta had carried out faithfully the mandate approved by the people in the 1963 General Elections and that all its activities and policies had been based on a faithful interpretation of the democratic vill of the people as expressed in the Constitution, the KANU Manifesto, and Sessional Paper No. 10 on African Socialism and its Application to Planning in Kenya.^ Moving the motion, Mboya stressed that the President and the Government had spared no effort in securing the unity of the Kenya people under KANU, to create political stability. As expected, the Government won the vote that also gave the Eenyatta-Mboya group the clear confidence it required to go ahead and clean up the KANU Party and Government of "dissident

Apparently guided by that confidence vote, President Kenyatta announced on February 23, 1966, that the next KANU Conference would be held on March 12 the same year and it would take place at Lirauru Conference Centre. Officially the conference was scheduled to discuss Government policies,[62] activities ar-d the role of the party and its constitution. On the day following this announcement, another motion also seemingly aimed at slapping the face of the leftists was

61. Africa Research Bulletin, 1966, p. 470.
62. Ibid. p. 470.

i

moved by the Kenyatta-Mboya followers. It called on the government to break diplomatic relations with China or any foreign governments conceived to engage in subversive activities in Africa.^ The motion waa once more carried and made to appear as yel; another defeat on Odinga and his supporters. When the Limuru Conference took place in March, all the leftists in KANU found themselves forced out of the national party leadership hierarchy in an election said to bring about party re-organization.[64] Although Odinga, their leader, still remained as the country's Vice-President,his exclusion, and that of his main followers, from the team of KANU's national office bearers became a disillusioning fact that effectively forced him out of the ruling party and the government.

Odinga therefore resigned from KANU and the government on April 14, 1966, to be followed later by B.M.Kaggia, Achieng Oneko, the Minister for Information and Broadcasting, J.D. Kali and J.K. Tanue, MPs for Nairobi East and Baringo South respectively. On April 26 alone, some two assistant ministers and 26 members of parliament resigned from KANU.[65] They declared their intention to set up a formal opposition in the National Assembly led by odinga as

63# op. cit. p. 476.
The motion also condemned Chou En-Lai's Somalia statement on Africa being ripe for revolution in February 1965*

64. E.A. Std. 14/3/66.

65. The two assistant ministers were Mr. Okelo-Odongo and Dr. Munyua Waiyaki. The latter, however, later on explained that he had only resigned from the government but not from KANU, adding: "If Jomo Kenyatta was not leading KANU and KPU started working under Kaggia and Ondinga, I fibre say there would be an awful lot of people moving over to it." Sunday Nation, 8/5/66.

tlieir leader and Xaggia as deputy leader of opposition. Gie new party became known as the Kenya Peopled Union.

Kenyatta may not have been surprised by the aassive resignation from KAI7U and joining of the new KPU party, but he and his supporters ware determined to ruthlessly exclude KPU from the national assembly and from having offices and mass following in the country. KHJ conaaitted itself to pursuing truly eocialiet policies and to share the nation*3 wealth equitably among tie people, extend national control over the means of production and break the foreigners' grip on the economy.^ Kith such declared socialistic goals, KPU was not only going to struggle against Kenyatta and his African supporters; it would also be facing the power of the entire west, whether committed capitalists like USA, U*£« and Germany, or the liberal socialists like the Scandinavians. The formation of KPU was therefore followed by a massive increase of aid from the entire west from 1966 (see Tables I, II and III, Appendix I). Part of this aid was in support of the Government against socialist

66. Kenya People*e Union Manifesto.

oriented KPU. Thus, assured of international support from the west, materially and morally, the government was now strong enough to declare that it was -

> ••..vigilant and determined to deal firmly with any person or group who may be tempted to undermine the stability, progress and authority of the Government.*^

The first, thing the government of KANU did in this direction vac to recall Parliament in the following week to pass a law requiring MPs who resigned from KANU to seek a new mandate from their constituents at by-elections.[69] After this law was passed, it was immediately followed by what came to be known as Little General Elections in Jane 1966 involving twenty nine members in eighteen districts.[70] In spite of massive

67. Also see Hollis B. Ghenery, "Objectives and Criteria for Foreign Assistance", in Goldwin, R.A. -<u>Why Foreign Aid</u>, (Rand McNally & Co., Chicago, 1962 & 1966)pp.39-[1]+1 • Scandinavian countries, for example, took to building and running the Cooperative College of Kenya; UK stepped up land consolidation and settlement schemes, hospital construction and housing in African quarters of various urban areas,Kano Plains scheme, and City Water Project; while West Germany supported the government by providing a loan to enable it become a share holder in Chemilil Sugar Mills Company and thus make the government appear to be nationalising, or owning new industries. See <u>Africa Research Bulletin</u> for 1966 and 1967- The US, UK, and the World Bank as well as Sweden were also bussy preparing for the LDP(I), and West Germany in setting up Industrial Estates for Africans at Nairobi.

68, E.A. Std. 20/4/66.

69*- No such a requirement was made upon the KADU crocs-over in 1964.

70. C. Gertzel- <u>The Politics of Independent Kenya,</u> p. 78. Note that the Constitutional .amendment, as explained by Tom Mboya as KANU Secretary General, required resignation of those who abandoned the party

(ctd)

JiiaraesQent by Provincial Administration end Police in the hands of KAXU government, and in spite of intensive campaign "by all KA!IU Ministers and President Kenyatta hinself, KPU won seven out of twenty nine seats in the Lower House, and two out of eight seats in the Senate.[71] From that time on KPU leaders and members became the focus of Governmental harassment until 1969 when the party was proscribed and most of its leaders placed under detention after the Kenyatta-Odinga showdown at Kisumu apparently because of the murder of Tom Kboya in July.that year.

After they had been removed from KAliU and Government, and after th.e limited success in an attempt to exclude them from the national assembly through the Little General Election, detention therefore served to effectively exclude KPU and radical politicians from/the political arena. In effect it seemed to suggest that Kenya would henceforth become a one-party state in which the masses would be deprived of a choice between policies and they would be subjected to the whims of a newly united party comprador leadership in the

that they supported or that supported them at a General Election. This did not, however, includo the cases where Ilembora were expelled from a party. E.A. Std. 12/5/66.

71. "E.A. Std. 18/6/66.

service of private foreign capital.[72] The exercise was a forceful means by which the Government would achieve what Mboya had earlier on called unity for political stability, or what Ake called, "the persistence of the political structure, particularly the relationship of the dominant and subordinate systems of roles which express the class situation politically."[73]

I

The detention of KPU leaders and the ban on KPU as a party was followed by General Elections in December 1969 in which KANU was the only political party in the race* But the absence of open political disatisfaction, disagreement, conflict and competition did not, however, lead to the expected unity.[74] On the contrary, variOUB groups and individuals had come to realize that with KANU as the ruling party, there would never be any constitutional means of changing the country's policies and hence the neo-colonial, capitalist dominated system. It was on this basis that an unsuccessful plan for a coup d'etat in 1971 seemsto have developed involving groups and individuals in civilian and armed forces sections of the

72. Also see, Claude Ake - op. cit. p. ?8o

73. Ibid. p. 78.

74. The Kenyatta led KANU leadership under the western influence did fully recognize the fact that conflict was a permanent and recurrent feature of politics. But this leadership turned to using suppression as a means of conflict resolution. Note also that before elections political competition had increased and suppressed by the government as characterized by the Nandi Hills Declaration (E.A. Std. 2/10/69) which was followed by Seroney prosecution, and by the formation of another party, the Kenya Democratic Congress, which was refused registration. Daily Nation, 30/10/69.

society•

In yet another attempt to suppress political competition against the powerful Kenyatta - led KANU leadership and its policies, the ruling "national bourgeoisie" formed ethnic based associations the most ones
powerful/being the New Akaraba Union (NAU) and the Gikuyu ximbu'and Meru Association (GiiMA) to represent the Kamba and" Central Kenya ethnic groups. This effort was effectively aimed at using ethnic affiliations to paint grey the wide and growing class divisions which out across all ethnic groups and which were mainly made up of the oppressed and exploited peasants, petty traders and workers on the one side, and the "national bourgeoisiej[1] the comprador bourgeoisie and the international bourgeoisie on the other side,Such aaattempt to cover up class differences and interests through stressing ethnic similarities and differences, did not get very far given the increased poverty, unemployment and inequality as depicted in the ILO Report of 1972. This report also revealed that huge profits were being repatriated overseas by the very same foreign private investors that the Kenya Government had undertaken to protect and encourage in the country. It made it clear that whatever extra resources and profits were to be found in the country were concentrated in the hands of a few powerful individuals, concluding that unless

immediate efforts were taken to correct class, regional, rural-urban and ethnic imbalances, any other efforts aimed at economic and political stability in Kenya would sooner or later boil down to nothing.

The ILO report therefore became a new basis of awareness which led to the enlargement of an informal group of new radical nationalists led by people like J.H. Kariuki , Martin Shikuku and J.M, Seroney. These new radicals turned to persistently criticizing the Kenyatta - led KANU Government policies, particularly the ones that had made it possible for the country to be. deeply exploited by foreigners and for the other wealth and profits to be concentrated in the hands of a few powerful and corrupt politicians, bureaucrats and business executives or farmers,[75] Kenyatta reacted to this challenge with a call for unity within the party and strict adherence to the Government policies as laid down in Sessional Paper No. 10 of 1965» KANU Manifestoes of 1961 and 1969, and national Development Plans. In this call he got the support of the leadership of the new ethnic groupings.

Meanwhile, a World Bank team came to Kenya in an attempt to help the Government find ways and mean3 of

75. See for example, J.M. Kariuki Sneaks His Mind, 1974 Election Manifesto.

responding to the ILO Report's embarassing revolations and recommendations. This led to the writing up of another sessional Paper No. 10 in 1973 on Employment in which most of ILO Report's views and recommendations were either refuted or rejected, others being said to be in the "original" government plansto be implemented when funds were available. But the central issue of the role of aid and foreign investments and trade in the country's exploitation and underdevelopment by foreigners was completely side-stepped. Problems consequential to this underdevelopment including mass poverty, unemployment and inequality were also underplayed in this paper. The ensuing Development Plan of 197^-78 therefore failed to address itself to these issues and problems and instead became a mere expansion of the previous plans.

In the meantime the new radical nationalists had grown very popular with the masses. They were referred[76] to as the MPs of the poor. This popularity enabled then to rise beyond the newly initiated ethnic groupings, and it became difficult to silence them either by those associations or by the normal government machinery. As the General Elections of 197^ approached, harassment of

76. They had assumed the kind of economic and social nationalism which international capitalism or imperialism does not tolerate. They were therefore to be struck as hard as the leftists through the obedient agents of imperialism, the ruling "national bourgeoisie" and the comprador bourgeoisie which also sought to retain power.

those new radicals was stepped up by these associations and the entire government machinery. Additional appeals and insinuations were made against them by President Kenyatta who personally referred to them as ungrateful dissidents and called on the electorate not to-return them to Parliament. But all these harassments and appeals were defied by the electorate who returned all these "dissidents"[77] sometimes with a big majority, Kenyatta then responded by dropping those among them that were assistant ministers including J.M. Kariuki, Burudi Nabwera, Charles Rubia and Martin Shikuku. But this new radical group had been joined by other old and new members of parliament including Waruru Kanja, Shariff Nassir, Nahashon Njuno, Miss Chelagat Mutei and George Anyona. When the new Parliament opened in November 1974, this group allegedly confronted the Government and the President ohallenging hin and his supporters for their deep involvenent in corruption and wealth grabbing in the faoe of deplorable mass[78] poverty and unemployment in the oountry. This challenge by an expanded number of radical parliamentarians allegedly forced the na* parliament

77. E.A. Standard, 16th and 17th October, 1974.

78. The oharge of corruption is alleged to have been levelled against the President as the M.P. for Gatundu by people .like J.M.Kariuki and Chela^at Mutai.

to be prorogued a few hours after its official opening,When it reopened in February 1975, a combined effort of the Government and the powerful ethnic associations seemed determined to use maximum force to meet this challenge that undoubtedly posed a fatal threat to Kenyatta's Government. This was followed by the arrest of J.M, Kariuki by security men and his assassination on March 2nd, 1975,^ to be subsequently followed by detention and imprisonment of his leading supporters including Seroney, Shikuku, Miss Mutai and Mark Mwithaga. It was also followed by .anonymous death threats on people like Rubia and V/aruru Kanja. This wave of elimination and harassment was yet another bid to silence or get rid of radicals of every kind within and without the ruling party. It also represented another attempt to depoliticize and disenfranchize the iaasse3 and whoever identified with them as a class against the "national bourgeoisie", the comprador bourgeoisie and international monopoly bourgeoisie. This was one of the last efforts by the state to contain opposition to existing economic and social policies, containment which has been regarded as political stability.

Alongside with the government's struggle to alienate and silence political criticisms over social and economic

79* Report of the Select Connittee on the Disappearance and Murder of the Lnte iienber for Ny^naaria North, the Hon. J.M. Knritiki, M.P., ^Kenya's National Assembly Nairobi June 3rd, 1975) i Passim.

policies after independence, there has also been an attempt to emasculate and contain the power of the workers vis-a-vis the neo-colonial economy. Radical elements with leftist utterings had become very powerful within the country's workers' movement as they threatened to become within the ruling party - KAiflJ. In *\96k they broke off from Kenya Federation of Labour on the grounds that it was ideologically dominated by the American backed International Confederation of Free Trade Unions (ICFTU), and formed Kenya African Workers' 'Congress (KAWC) which in turn became affiliated to the more leftist All-African Trade Union Federation (AATUF). This step, together with increased policy criticism from radical members of KANU leadership, and also together with the increased "push" by socialist countries to have a ground in Kenya, was no doubt viewed by the western powers as a significant threat to their political and economic interests in the country. Politically they saw it as an attempt by the east to win Kenya away from the western camp in international politics. Economically, the move was viewed as a threat to existing and future private property, as well as a threat to western trade with Eastern Africa. Western fears were confirmed when the debate ori African socialism beoame open early in i965.lt was then that the KAWC,like the leftist group in KANU.opposed T.,Mboya»s expressed version of African Socialism putting forward what they thought it should be. Contrary to Mboya's view, KAWC insisted at Mombasa Dockworkers* Union Conference in April 1965, that "the goal of African socialism must be eventual state control of all industries, schools and hospitals", and that the economy should be planned in such a manner as to make the najority control the country's wealth and restrict "aggressive massing of wealth by a few African leaders."[80] This stand no doubt echoed Kaggia's views towards large scale private ownership which was incidentally, foreign dominated. It did not escape the notice of the architects of Sessional Paper No. IO/1965 which was about to be tabled in Parliemant as a KANU Government basic policy statement on April 27th, 19&5-

In contrast to what KAV/C might have expected, Sessional Paper No. IO/1965 did not only reiterate the Government¹3 stand in continued provision of all necessary services, protection and encouragement necessary for the expansion of private foreign investments

80. Daily Nation 12/4/65 or C. Gertzcl et. al, Government and Politics in Kenya (EAPH 1969 reprinted 1972)pp. "183-189. Mombasa Dockworkers* Union was one of the powerful unions affiliated to KAWC and was led by very influential radical people like D. Akumu. Sandbrcok, K.H.J. Proletarians and African Capitalism*. The Kenyan Cnse 1960-1972, (Cambridge University Press 1975)PP- 132-153- for Mboya's views on African Socialism, see T.J. Mboya, Challenge of Nationhood, PP.73-105.

In Kenya,[81] but it also officially ruled out the acceptance or use of capital aid from socialist countries towards Kenya's development.[82] The paper also particularly declared the government's future policy towards the trade union movement, including its intention to impose rigid control on unionism. It stated:

> In order to avoid abuses of union power legislation will be introduced providing for compulsory arbitration of major issues not resolved through the regular bargaining process, together with any other measures that may be needed to prevent strikes.
>
> <u>In the Interest of economic stability</u> and good industrial relations, one central organization for all trade unions, and another for all employers, v/ill be established.83 (Our emphasis)

By the end of the year the government had managed to set up one Central Organization of Trade Unions (COTU) dominated by the "moderates" who were favourable to <u>status quo</u> in economic structure.[84] As it was usual with him in times of unresolved debates,

81. Sessional Paper No. 10/1965, Paragraphs 73-77.

82. op. cit. Paragraphs 68-69.

83. op. cit. Paragraphs 142: 52-53.

84. These included Clement Lubembe, (General Secretary, Shadrack Njoka (President) and Wilson Mukuna (Treasurer). Oainga, op, cit. p, 307, C. Lubembe - <u>Labour Movement in Kenya</u> (Equatorial Publishers, Nairobi 196S).

President Kenyatta once again ordered the debate on COTU•s constitution closed.85 This move silencedfche workers with respect to the kind of trade union organization, leadership and policies they should have vis-a-vis local and foreign private investors who formed the bulk of private employers.

The other steps taken to control the workers concerned prevention of strikes and walk-outs. Steps to that effect had been tried ever since the colonial days. They included a trade dispute agreement between the workers* union and Federation of Kenya Employers (FKE) in 1961 under the auspices of the Minister **for** Labour who was then Tom Mboya, and the enactment of Trade Disputes Act of 1964 providing for the creation of an Industrial Court as a basis of compulsory arbitration between the employers and the workers. The other important step was Trade Disputes Act of 1965 which gave the Minister for Labour the power to declare strikes illegal if in his view all channels of voluntary negotiations had not been exhausted. The establishment of COTU also required that affiliated unions should get its endorsement before going on strike, a rare thing to get from the government controlled body. All these steps are well documented by various authors particularly by

8,5. See how Mboya also terminated debate on foreign aid, Chapter 1, p. 100 above; or how Kenyatta closed debate on African Socialism, Sessional Paper No. 10/1965, Introduction.

K.S.J. Sandbrcok" and need not hold U6 here. "i

V/h^t should be noted, however, is that the investors and their western governments and institutions feared, not the loss of profits due to reduced production because of strikes, but rather the mass movement and protest that might acoompany strikes, walkouts and demonstrations. ' It was mainly because of the fear that such strikes might lead to national mass protest against foreign private exploitation - hence against neo—colonial domination and exploitation - that the Kenya government, at the advise and persuasion of both private and public foreign personnel, ruthlessly suppressed any such possibilities at the earliest stages possible.' Any attempts by workers to go on strike however good their case might be have therefore been put down with rapid and maximum force through the use

86. K.R.J. Sandbrook, Politics in ~mer~ent Trade tJnions[1] Kenya, 1952-1970, (Ph.D. Thesis, Jniversity of Sussex, 8 England 1970) , and Proletarian? *nd African Car»it--»lirp! The Ke^v Carje 1?~0-1??2.

87« Fear of mass protest led F.K.S. to accept Tripartite Agreement of 1964 in order to create employment and establish a basis for political stability. This would in turn have the government protect investments by suppressing workers demands ana this hopefully would attract additional foreign investments, .See Leys, Underdevelopment in Kenya, pp. 216-219-

of police riot squad and/or the more notorious para-military force, the General Service Unit (G3U). That is because strikes, protests and demonstrations by workers and peasants or any other groups in developing countries are generally equated with mob behaviour which the west view as the ground for communist influence against private ownership of property without the respect of which, as James Gichuru put it, it would be hard if not impossible for a country like Kenya "to get loans from other countries .to U6e in development projects which benefit us."[88]

Thus, political opposition or any form of protest against economic, social or political status quo in Kenya has been regarded by the"national bourgeoisie "or comprador bourgeoisie generally and by the international bourgeoisie in particular as undue interference with the normal socio-economic pattern?^ It was regarded as subversive

88. East African Standard, 1/3/65. By"other countries" Gichuru no doubt meant "western countries".

89. Note that Miss Chelegat Mutai was imprisoned in 1975 after she was found guilty of inciting rural workers in a sisal plantation. Protests by University Jtudents or by other students and workers have nearly always been met with maximum police force.

and hence suppressed with all force necessary. All the time the rationale has been stated to be the need "to protect and encourage foreign investments as a requirement for getting yet more foreign aid from Kenya's traditional donors of the developed capitalist ifforld. Once again, this type of roasoning was a result of "intuitive socialisation" on the one hand, and of aid-created class interest of the ruling "national bourgeoisie and comprador bourgeoisie in alliance with international monopoly bourgeoisie. The "national bourgeoisie" had realized that its creation and continued survival as a class depended on foreign aid from tho capitalist countries and institutions which in turn demanded protection and encouragement of their foreign investments as a price for their aid. The survival of comprador bourgeoisie heavily depended on presence of foreign investments. Protection and encouragement of such investments required a n4ev form of economic and political stability to be provided by the local ruling classes in what became a neo-cclonial system under international monopoly capitalism. One of the vital aspects of transforming colonial stability to a neo-coloni&l economio and social stability was the presence of expatriate personnel in the country, particularly under technical, assistance.

Technical Assistance and Stability in Kenya

Concentration of expatriate personnel and the consequent continuation of influence by former colonial powers has been described as "the calculated cost of political stability in the years following independence" in the underdeveloped countries.[90] The primary initiative in the provision of sach personnel has usually come from the former colonial masters and their allies and not from the independent recognition by the newly independent countries of the need to have that personnel for their own development interests. On the one hand this situation is related to the struggle by imperialist countries to prevent the newly independent underdeveloped countries from adopting political ideologies that might free them from being[91] within the sphere of influence of imperialist west. On the other hand, it is related to the caintenance of the kind of economic and social structure that makes it possible for the capitalist metropolis to maintain and expand the supply of cheap primary products from the underdeveloped countries and the

90. B.C. O'Brien, White Society in Black Africa: The French of Senegal, (Faber & Faber Ltd. London 1972) p. 165.

91. Socialist countries also use their personnel to try and win new nations out of imperialist western camp and if possible bring them within the socialist sphere of influence.

marketing of metropolitan expensive industrial produots and services there. In other words, the foreign technical personnel becomes a tcol for the promotion of transition froa colonial to neo-colonial socio-economic system, and a **Beans** to supervise and ensure the stability and continuity of the neo-colonial system in particular. This role is achieved mainly through direct involvement in policy formulation and in the running of day to day operations of key or strategic public departments and agencies by the teohnical assistance personnel whether they are under the label of operational, advisers, or volunteers*[92] In doing this, the expatriate public personnel liaise with expatriate personnol in the foreign dominated private seotor in a bid to avoid duplication and contradiction in their activities in terms of policy and values to be promoted.

When she got independence, ne«»ly all Kenya'» publio and private high and middle level personnel were non-citizens. In 1967 out of a total of 113,077 personnel in this level, some 2,089 Africans, 26,796

92. As observed earlier, the label of expatriate personnel in Kenya is immaterial in terms of what they actually do. In practice, the majority of them end up being operationals than anything else.

Asians and 17,171 Europeans were non-citizens."^ They made **up** 46,056 non—citizens private and public employees in the country. In 1972 this number had declined to 25,560'[94] and they were involved in running government services and in operating European and soce Asian firms. That all these had a hand in preservation of <u>status quo</u> associated with political stability is highly probable. But we shall be more concerned with the role of official technical assistance in attempts at the perpetuation of political stability in the country.

By the time of independence, Kenya had some 5050 British, more than 350 Americans, and some 300 technical assistance personnel from other bilateral and multilateral sources making up a total of about 3700. Little change had taken place by the end of 1960's. Thss, the total number of technical assistance personnel - operationals, advisers and volunteers - was about 3979 in 1971| 2854 in 1972,2791 in 1973 and 2398 in 1977,^ (Table 1> More than

93. <u>Kenya Statistical Abstract 1970t</u> P* 1?6.

94. <u>Kenya Statistical Abstract. 1976.</u> p. 278.

95. Records on technical assistance personnel before 1970 are very difficult to come by in Kenya as they were nearly always kept (some tines not kept at all) by individual ministries or departments. Interview with Mr. Njama, Executive Officer in charge of records in the Ministry of Finance and Planning, Foreign Aid Division, 1977-79.

TABLE I

Number of TAP in Kenya by Years

	1971	1972	1973	1977
UK	2497	1467	1565	905
West Germany	85	67	109	110
US	363	281	212	293
Sweden	8	99	73	73
Japan		71	72	71
Denmark	150	184	208	161
Norway	147	130	107	9^
Netherlands	162	202	139	193
Canada	65	57	56	132
Australia			5	21
Austria	2	1	a*	4
Finland	13	11	10	8
France	10	16	29	29
India	3	2	1	15
Israel	3	5	m*	-
Italy	-	17	32	39
Poland	-	-	mm	1
Sri Lanka	-	-		48
Switzerland	9	'12	15	41
USSR	15	15	3	7
Yugoslavia	4	5	3	-

Table 1 Cont.

	1971	1972	1973	1977
I.P.P.F.				6
I.L.C.A.	mm	mm	mm	2.
I.L.R.A.D.				27
Ford Foundation	1 0	7	. 4	b
Friedrich E. Foundation	lb	19	-	19
Rockefeller Foundation	25	16	6	8
Nordic Advisers				2*f
U.N.D.P.	1^1	127	102	63
W.IUO.	29	bj>	33	
	3979	285^	2791	2398

Source: Kenya, Ministry of Finance and Planning, Files on Technical Assistance 1971-77.

two-thirds of these were British up to 1973 after which year that proportion dropped. The other dominant donors of technical assistance in terms of personnel were theus, the Netherlands,the West Germany,the Scandinavian countries and the United Nations specialized agencies especially UNDP.[96] As we have seen in Chapter 111, all these donors were also leading in capital loan commitments and disboraeaents to Kenya, and no doubt a lot of their technical assistance was related to preparation, implementation and evaluation of their capital aid - backed projects. The UNDP, FAO/WHO and American foundations - 7ord, Rockefeller and Friedrich foundations'- acted as preparatory agents to preceed capital aid from the World Bank and it3 affiliates the IDA and IFC or to preceed foreign private investments. This was the case with Livestock Development Project seen in Chapter V. UNDP sponsored Industrial Promotion Centre in Nairobi effectively promotes foreign investments.[97]

About half of the technical assistance personnel (TAP) working for the government in 1971 were in the

96. Interview with Staff of the Ministry of Finance and Planning, Foreign Aid Division 1977-73-

97. Interview with senior officials at the centre and in the Ministry of Commerce and Industry, 1977-78-

Ministry of Education, while 21% were in Agriculture, 9% in Health and 5% in Worka . The British personnel were concentrated in the Ministries of Education, Finance and Planning, Administration,Agriculture and Works up to 1970 as these were concerned with value shaping, decisions relating to expenditure, agricultural and construction policies in all of which the British private investors and industrial traders had a lot of vested interests.

Although statistics about the size of TAP in the country yearly might suggest their ineffectual influence on policy when compared with the much greater number of Kenyan high and middle level personnel, it should be remembered that their impacf'lies less in the numbers of personnel than in the continuation of structures and attitudes derived from the colonial period which permeate the public service."[99] Many of them are related to various capital

98. J.R. Nellis, Expatriate Influence and the Decision-Making Process in Kenya, (Paper Presented at the 15th Annual Meeting of African Studies Association, Philadelphia, 1972)pp. 4-5.

99. O'Brien 0. cit. p. 164. In 1967, for example, there were 55,484 African, 9*367 Asian and 1670 European citizen employees at high and middle level in the public and private services compared to non-citizen equivalent of 2,089 Africans, 26,796 Asian and 17,171 Europeans./ Kenya/ Statistical Abstract 1970* p« 176. In 1972, the equivalents were 74,261 citizen and 25,560 non-citizen. Statistical Abstract 1976, p. 278.

aid programmes and projects all of which are funded from the west. Such projects include settlement schemes, Kenya Industrial Estates, Livestock Development Project, road construction in small holder tea growing areas, school, hospital and housing constructions. The others were direct technical assistance projects such as PPEUj CIDA KBA project at University of Nairobi; British, American and World Bank personnel in Treasury and Planning Division; and West German personnel in ICDC and in Planning Unit of Ministry of Agriculture.

'Although many of TAP have increasingly been classified as advisers and volunteers, advisory activities related to on — job-training of counterparts have not actually worked in Kenya. As indicated in the case of PPELJ this failure was brought about by the fact that no counterparts were provided by the Kenya bureaucracy for training, and those who would have been seconded for cneh a training always felt more qualified than the co-called advisers. Having met with stiff resistance from Kenyans, and being largely technically inadequate for advisory work, the PP5XJ Canadians became introverts and in some cases turned to doing normal operational jobs just like any other officers in the Government. The Canadians then developed yet other projects for further Canadian aid including Road Maintenance Project and Technical Teachers Training College at Nairobi. Thus they became tools for further Canadian involvement in Kenya's development attempts but not for ending dependence on external capital and technical aid.

At times top Kenya officials have themselves been eager to produce projects, reports, and recommendations leading to expanded production in Government. In turn, they put pressure on TAP to produce operational decisions rather than take time in giving advice or training. Taken further, this practice leads to a situation in which those meetings which handle the important data and take important decisions on policy are usually attended exclusively, or dominated, by TAP.[10]is such the TAP who hold advisory titles but who carry out actual operational jobs increasingly "become an independent force, losing the perspective of 'assisting the nation', and directing it instead."[102] Once its advisory and counterpart - training

100e Nellis, op. cit. p. 18

101. See Nellis, op. cit. p. 27, on how this happened during a planning session to prepare Second Development Plan. Range Management Division is characterized by this problem. Also see O'Brien, op. cit. p. 200, for the same idea: In Senegal, "Among the drafting Commissions of the First Plan, Frenchmen were in the majority on four out of six sections." Note that TAB were numerically predominant over either Senegalese participants or other Frenchmen in the Commissions fcr Industrialization, Education and Training and Rural Economy, loc. cit.

102. O'Brien, op. cit. p. 183.

role is reduced or completely ignored, technical assistance tends to become self perpetuating as part of general activity to maintain what is viewed a> optimal efficiency and stability of the political system.[10']

One of the most effective roles of TAP in maintenance of economic, social and political stability in Kenya is in planning. It has been seen in Chapter IV that Canadian personnel under PPEU met with heavy resistance from both local and other foreign officers in various ministries as they were viewed to be "geared to disturbing the status quo upon which the prevailing public resource use and allocation was based. The ministries in which they sought to introduce change were already well-guarded by other donors who had managed to establish their interents in them much earlier. These included Education (with British interest), Agriculture (British, US and German), Works (British) Tourism (German, British and U.S.) and Health. (British). It had become clear that replacement of existing policie® with Canadian drawn policies implied in their proposed projects would affect the flow of imports of manufactured products from these countries to Kenya thus affecting

103. Op. cit.pp. 166-167.

the volume of their trade with the entire Eastern Africa in favour of Canada, This, it seems, waa regarded as an ungentlem^nly behaviour on the part of Canada which van seen as trying to displace everybody else abruptly. But it was not at all a case of interrupting the kind of economic and socio-political stability that all western powers and institutions sought to preserve in Kenya, Some of the capital projects that PPEU officials had managed to identify for aid from CIDA

were therefore not blocked by the other donorw as they too promoted the same stability for the common interest of the entire west.[10^]

Meanwhile the established donors in the planning sections of various ministries continued to protect their donor special trade and economic interests as well as promoting the overall social and political stability. From the Ministry of Finance and Planning TAP assisted in preserving

10*4, Donor competition was characteristic within the western donors after they had managed to edge out the socialist donors. This was mainly related to donor investments and trade interests (British, West Germany, US, Canada, Scandinavians) as well as donor interests for support at international forums (US, Britain and the World Bank).

105.Road Gravelling Project served the production of agricultural crops for export and the marketing of imported goods and services, while Technical Teachers Training College would ultimately help the expansion of local technicians to service international capital interests in the counrty.

the kind of government expenditure sjbten that finally s-rved to encourage private, especially foreign investments. Thus, for instance, the bulk of capitzrJL expenditure for infraetructural constructions such as road3 and airports was used by the government to fund private contractors hired for the purpose. In the case of Agriculture and Commerce and Industry, the bulk of capital funds were lent to Public Corporations concerned with re-lending to private small scale (local) and large, scale (mainly foreign) enterprises in agriculture, manufacturing and trade. This meant preventing the government from taking a direct part in profitable productive activity in competition with private, especially foreign investments. The main role of TAP in this regard has been to shape or help maintain such policies. They, for example, determined the nature KIE-Nairobi operation should take emphasising private ownership by Africans who would constitute an alliance with foreign large scale manufacturing by multinational corporations. Not only did they assist in preserving the consumption of imported manufactured machinery, equipment and intermediate inputs by Kenya, but they also created a social - class base of African alliance in that exercise. It was this class of Africans that held political and bureaucratic power positions in the country and it was the one that became the local champion against leftism and radical nationalism within the ruling party and the workers' union.

The interaction between TAP in public service, other foreign personnel in private sector and local political and bureaucratic officials, was an important aspect of TAP role in the promotion of the kind of stability Kenya has tried to maintain since independence. It was in the elite and bourgeois golf-clubs, horse racing and other recreational and drinking places that TAP and local senior politicians and civil servants met and discussed policy issues. These local politicians and senior civil servants also shared with foreigners the membership of various interest groups in farming (Kenya Farmers Association, KFA), industry and trade (Kenya Chamber of Commerce, Manufacturers Association, Kenya Federation of Employers), as well as directorships in foreign campanies, and public corporations such as ICDC, KIE, IDB, DFCK, AFC, or ADC.[106] In these kinds of sharing of membership, the local public and private individuals pick up the attached institutional values, including the need to protect and encourage the existing economic structure, the need to suppress opposition to it, and the need to keep a substantial nunber

106. For example in ICDC and AVA seen above in Chapters VI and VII.

of TAP and other expatriates to help operate that kind of structure. Not only do these individuals pick up values to that effect, but their interaction with foreigners locally and abroad on study tours keeps them from deviating from the laid down course of thought and action. Indeed such clubs maybe described as "the supervisory or observation posts" for foreigners upon locals in their effort to preserve economic, social and political stability as we have seen it.[107]

TAP also specialises in writing numerous reports which the local personnel finds it difficult to do. Whether they are in government or in semi-autonomous institutions like the university and other public corporations, TAP's capacity to produce massive reports contributes to the maintenance of stability in the country. Most of these reports are the ones referred to or quoted by both loeal and foreign planners and advisers on policy issues. Thus, the World Bank, for example, or the US AID officials have been very used to adopting reports produced by foreigners nearly all of whom are their own employees strategically located in various key institutions such as the Institute for Development Studies (IDS), Nairobi. Such reports are in turn taken and adopted as the authentic representations of socio-economic

107. TAP and other expatriates also become a reference point of the "national bourgeoisie" and the comprador bourgeoisie. They provide guidance and counsel needed to preserve and safeguard class interests as well.

realities in the country.[108] Since these institutions are largely operated or mainly manned by the peraonnel of the very 6ame donors with vested interest in stability as seen above, or by their trained local personnel with basically similar values, the emerging recommendations do not temper with the overall neo-colonial structure of the society at all. They are merely concerned with reforms which may cover up the realities of underdevelopment and dependence and intensify metropolitan domination of agricultural, manufacturing and educational production locally.

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108. IBRD, Kenya into the Second Decade, and Donaldson and Von Ficchke. op. cit. make use of a lot of IDS materials.So did ILO Report of 1972. Such other reports are IBRD/IDA LDI&) Appraisal report, 19^7, and Appraisal report 197^; Chemonics, op. cit; Heady KacGillivray, op. cit. all, as *seen* above, being very instrumental in shaping and perpetuating policies concerning Livwstock Development upto the present day in Kenya.

Summary and Conclusions

One of the main effort*.in the establishment of economic social and political stability after independence involved western influence towards exclusion of eastern countries from seriously influencing the country in favour of radical changes in the kind of economic, social, political and ideological relations Kenya would have with the outside world. Western efforts in this direction began before independence and they were intensified soon after. They included application of capital and technical aid as well as diplomatic and private efforts in a bid to manipulate the new political and bureaucratic leadership. The result of such manipulation of aid and diplomacy was that this leadership was influenced to adopt and make efforts to establish or re-establish colonial inherited and metropolitan oriented economic, trade, social and political policies that in turn led to what we have called intensified underdevelopment and dependence in Kenya after independence.

Side by side with efforts to confirm and institutionaliz post-independence Kenya as a western economic and political sphere of interest, there was also capitalist aid-backed involvement of Africans in a neo-colonial system. This involvement was in effect meant to provide a local support, encouragement and supplement to the foreign dominated and metropolitan oriented economic production or trade in Kenya. It was also meant to protect international capitalist interests against nationalization as well as against the emergence of local competition strong enough to replace international capital and thus capable of diverting Kenya's efforts from serving the metropolis to serving the national development interests. This protection was not only provided for under Foreign Investments Protection Act of 1965» but it has been repeated or reiterated in various public statements and policy documents especially all post-independence development plans. The totality has been legalization and institutionalization of what we have seen are exploitative and oppressive international capitalist activities in the country since independence.

The independence leadership, in its turn, also sought external financial, political and moral support in order to stay in power as a basis of gaining access to resources related to enhancing their economic and social well being or that of their close affiliates. This need for power or to hold on to power in order to get access to resources, led the new leadership to a virtual compromise with colonialism and imperialism. They virtually compromised the ideals of the pre-independence nationalism of the exploited and oppressed masses. They compromised freedom from economic exploitation and domination ac well as freedom from social and political oppression by capital. Indeed, they even went ahead and became part of the effective neo-colonial tools of post-independence economic, social and political exploitation and domination by international capital based in the metropolis.

In an effort to create and establish a neo-colonial stability in Kenya, the role of western-dominated teciinical assistance was vital in form of socialization, operational,training and advisory activities. This form of aid was instrumental in the adoption, continuation and institutionalization of a value system related to planning, and economic, social or political policies considered c to be vital for the continuation, protection and perpetuation of the interests of international capital in Kenya and in the entire East African region.

Foreign aid from western countries and institutions has therefore been very instrumental in promoting the kind of economic, class, social, political and ideological stability Kenya has experienced since independence. Such stability has in turn enabled the west to continue to exploit, underdevelop and dominate the country while the majority of its nationals remain and continue to suffer under increasingly severe unemployment, poverty and inequality. It is the kind of stability that is founded on class oppression and exploitation of the Kenyan masses by the metropolitan based international monopoly capital with the support of the ruling "national bourgeoisie" and comprador bourgeoisie. As experience from other underdeveloped countries with the same kind of stability has shown, the masses can be kept under such conditions only for some time after which they rise against that class alliance and neo-colonial system in a new form of liberation struggle. Once they are no more able to contain such an uprising, the same western donors and institutions seek to hijack the new liberation struggle, ingratiating themselves to the rising new liberation leadership through aid offers which they try to manipulate in a bid to re-establish new relations[109] ***tor*** exploitation and domination. The question is, what should be done by both a country wishing to come out of neo-colonial relations peacefully and one which has chosen to fight neo-colonial relations violently - relations which continue to cause and intesify , underdevelopment and dependence of the backward world ? An attempt at finding an answer to this queetior. constitutes the subject of the next and last chapter.

109. Such attempts have been made in Vietnam, Ethiopia, Cuba, Angola, Mozambique and more recently in Nicaragua•

C H A P TEE IX

DEVELOPMENT ALTERNATIVES

This study has been an attempt to demonstrate the significant and vital contribution which foreign public finance capital generally called aid has made to Kenyan continued and intensified underdevelopment and dependence after independence. It has tried to show that foreign aid from vestern countries and institutions has been instrumental in the promotion of western foreign investments and trade in Kenya in several ways. These include promotion of African participation in imperialistic and neo-colonial economy; controlling and inhibiting the development of a truly national bourgeoisie; "intuitive socialization" of leaders in independence government; promotion of alliance of values and profit interests of the "national bourgeoisie", the comprador bourgeoisie and the international monopoly bourgeoisie against socialistic or nationalistic leanings; forcing legalization of neo-colonial protection and encouragement of exploitative foreign investments; and pressurizing the ruling "national bourgeoisie" and comprador bourgeoisie to disenfranchise and suppress opposition to neo-colonial economy by the exploited and oppressed masses of Kenya. All these activities of foreign aid in Kenya have been aimed at creating the kind of economic, ideological, social and political institutions and value system that made it possible for international monopoly capital to continue and intensify the colonial initiated exploitation and domination, and hence underdevelopment and dependence in this country. One wonders if all this was really inevitable after independence. This chapter looks at this question, seeking to show that the illusion of peace and stability has led this country to forgo development and independence, with a consequence that it continues to lose its surplus value and becomes increasingly incapable of ameliorating the mounting crisis of unemployment, poverty, and inequality, among other problems® Lastly, the chapter looks at possible development alternatives.

Underdevelopment and the Illusion of Peace

Although the leaders in Kenya Government have consistently denied ideological leanings in the policies they carry out, it must be recalled that the class alliance of the "national bourgecisiey the comprador bourgeoisie and tho international monopoly capital definitely served to retain the country within western imperialism at the time of independence and after. This, ae we have seen, was made possible by the availability of aid that the western leading capitalist powers and institutions offered the country towards promoting that class alliance as well as re-entrenching and expanding their private foreign investments here. The "national bourgeoisie" and comprador bourgeoisie bought the principle of private ownership of property as viewed by the west and thus began to share the western view that any challenga to that principle on any grounds represented subversion and a threat to the kind of peace upon which the emergent post-independence system depended to thrive. But hardly did anyone state clearly what would become of the Kenyan society if it failed to get, or if it rejected the offer of aid from capitalist donor countries and multilateral agencies. The only assumptions were that Kenya could hence not be able to get aid from any other sources, the maintenance of "law and order" in terms of preventing mass appropriation of European farms without compensation would be impossible, and the protection of investment climate based on a policy of adherence to private property would not be possible either. According to these assumptions, there would be no other alternatives to the kind of land policy, maintenance of disoipline and creation of wealth. The African power holders at independence vho had been subjected to that kind of value system through "intuitive socialization" found themselves on the defensive when presented with these choices. Host of thern seemed to have no idea at all as to what they would do with the country after independence. Indeed most of them believed and have continued to believe that development was taking place in Kenya during the colonial times and that oncc direct racial discrimination was ended, then development would be realized for all nationals in terms of wide scale employment, elimination of poverty and inequality. They were _ made to imagine that this would be possible once they excepted and enforced implementation of various development plans drawn for the country by various technical assistance personnel who came mainly from the west - IBRD, U S A , Britain and V/e3t Germany. After accepting these plans, these leaders were then exhorted to maintain peace and order - and the country would develop. They therefore turned to doing exactly that. They accepted the status of squatters, for example, in an independent Kenya as it was in colonial times and treated them ruthlessly, expelling them from both European held and newly acquired African farms. They prevented the moneyless aiid landless Kenyans from getting access to land to produce their own food and means of livelihood, let ailone to own it. And they turned to the workers whom they suppressed ruthlessly when these tried to lay down their tools protesting against oppression and exploitation mainly "by their foreign eaployers. The workers were not freely allowed to protest against poor wages naintained throughout the country under the guise of encouraging foreign investors and preserving a steady economy. It was this form of suppression that the new leaders were made to believe and accept as constituting what they equated with peace, "law and order" or "stability".

In other words, as it is in all capitalist and especially colonial and neo-colonial capitalist dominated countries, peace and stability means subjugation under the capitalist made laws and pattern of behaviour. No wonder that the new African leadership that adopted the colonial laws wholesale (replacing the title "colony" with "Republic" and "Governor" or "Queen" with "Prime Minister" or "President" and so on) turned to enforcing those same oppressive laws under the guise of suppressing violence, or maintaining peace and stability. They used extreme state and basically colonial means of violence in order to maintain the colonial initiated subjugation of the masses after independence. Whoever opposed such state activities under the government of independent Kenya was classified as a "communist" and subversive in tho same way that colonial state had done therebofore.

However, what is clear is that such state activities after independence would not have been possible without foreign aid from western donors. Indeed the Kenya masses would have been fully aobilized to seize independence and be fully employed in national reconstruction and development had it not been for the kind of aid manipulations that we have seen in this study. None of the Kenyans really strove to bring or cause mass violence in the country at independence and after. But none wanted or still wants to be loft out while others including foreigners acquired and kept huge private land ownerships, or had well paid jobs- and heavy concentration of wealth around them. Unfortunately the kind of peace that aid promoted was one which reduced the majority of Kenyans to a relatively worse state of continued exploitation and increased poverty, unemployment, inequality and hopelessness in life after independence.*

That is what one would call illusory peace. One that is hinged on protection of what are basically and ultimately the interests of international monopoly capital

1. It is worse because, unlike in the openly oppressive colonial regime, exploitation and oppression after formal independence has been execute* under the guise of freedom and assumed interest of the Kenyans themselves.

against dewnrifl by the rasses or exploited peasants and workers to have their full benefits for their productivity as a result of which their economic and social problems would be overcome and national development realised. In order to strengthen their side of the struggle against the masses, international monopoly bourgeoisie have created imaginary enemies for the country's leadership to fight against, including "communism", socialise and subversion, and have persuaded the National bourgeoisie to join the struggle on their side. 3ut it has not been demonstrated even theoretically how these enemies are related to the country's underdevelopment and domination by imperialist metropolis.

It must be pointed oat that from the foregoing study, we 'have not found any evidence that "communism", socialism or nationalism was ever out to disturb the true peace of the majority of Kenyans. But it is clear that "bourgeois peace", one based on suppression and exploitation of the masses through state and local-foreign class alliance, has been and continues to be seriously threatened by continued and intensified underdevelopment and domination of the entire country by the metropolis under neo-colonial imperialism which has been promoted and perpetuated by massive foreign aid from capitalist countries and institutions. That has been the kind of aid that ha3 been used to mystify the reality of neo-colonial domination in Kenya through promotion of controlled African participation in its manifestation economically, socially and politically, while at the same time promoting expanded exploitation, underdevelopment and dependence.

However, once this mystification fails to counter tho increasing problems of the majority of Kenyans, the masses will discover that communism or socialism have been mere shadows used by the ruling and exploiting classes in order to scare away any attempts by the peasants and workers to assert themselves as the owners, controllers and ultimate full beneficiaries of means and process of production. At that stage mass violence will no more be a thing to fear but their only means of countering the class-cura-state violence that has been used to oppress them for easier and maximum exploitation by the international monopoly capital. In this case, mass violence becomes an asset and a means to put a stop to the aid-made and aid-backed class-cum-state violence against the masses; it becomes a means to put a stop to underdevelopment as a process, destroy institutions and structures of dependence and pave way for real development in which all the nationals share. Thi6 is the stage we have called new liberation which is based on a new form of class struggle.

But one still begs a number of quections. What becomes the role of aid after new liberation is realized? Would aid be required at all; and if it is, in what form, conditions, techniques, pattern and fcr vhat practical development objectives? The same questions apply I if all of a sudden, a government of an independent underdeveloped recipient country decided of its own to put a stop at underdevelopment and dependence and to start the country on development and truly free road.

i

Developrent Alternatives

An attempt to present development alternatives for the future will be based on the assumption that v© have succeeded in assembling and analysing data on Kenya's past and present socio-economic process and that it will now be possible to draw logical theoretical conclusions regarding possible and required change. We subscribe to the view that theory is a necessary pre-requisite for change. Even when a claim is made that one is being practical rather than being theoretical, it is always the case that a known or unknown theory is behind what is called practical behaviour. A conscious attempt to realize a clear theoretical understanding of a system, however, becomes a firm ground upon which to build real and meaningful social change.

One of the conclusions we have arrived at is that Kenya is now a neo-colony of western imperialism. The process of its neo-colonization began immediately before formal independence and at no time did the country really becQme independent of western imperialism. That process was greatly assisted by foreign aid from the capitalist donors. But soon after independence the concern of tho west and the new leadership concentrated on institutionalization and consolidation of the neo-colonyf It was at this stage in time that aid waa concentrated on the eatablishf* -.r.i of a firm class alliance between comprador bourgeoisie :r i international capital as well as setting up and promoting what we have called the "national bourgeoisie",

Consolidation of dependent "national bourgeoisie" and comprador bourgeoisie on the one hand, and the institutionalization of capitalist activities and v*lua system on the other, enabled the international monopoly capital to exploit this country and render it more underdeveloped and dependent. Consequently, the problems which emerged out of colonial underdevelopment and Je^endenc* - including mass poverty, unemployment, inequalities, illiteracy, malnutrition, and hunger - h&ve been on the increase since independence under the neo-colonial system*

That poverty,unemployment, inequalities and other soci- l problems have assumed extreme magnitude in Kenya today has therefore become clear in political, bureaucratic, academic, national and international circles.[2] What has not been agreed upon, however, ie the root cause of these problems, though "the need for change in development strategy" has been realised by all including the World Bank^as the manager of imperialist interests in the world.

20 ILO Report, 1972, passim; IBRD, Kenya Into the Second Decade, 1975»passim; and Development P3nn 1979-o3«r ssirc*

3. IBRD, Kenya Into the Second Decade, 1975, 2*t.

Most of the literature on Kenya's economic and social problems has avoided or covered up the crucial fact, which is, that imperialism has been responsible for these evils.^ This includes the famous ILO Report of 1972, the IBRD Report of 1975» Holtham and Hazelwood, among others. The country's development plans which have been drawn under the influence of or solely by expatriates have notably also avoided this basic fact in plotting Kenya's development path. The result has been that all of them have been dealing with peripheral or consequential problems of raising growth rates, increasing income per capita, alleviating unemployment, poverty and inequalities. But having avoided to address themselves to the problem of imperialism or the underdevelopment and dependence which it causes in Kenya, these writers, planners and international teans have made recommendations and plans which have been incapable of solving the country's social and economic problems. Instead, their recommendations and plans have plunged Kenya into deeper levels of underdevelopment and dependence than she was at independence. They too have realized this, but have turned to blaming high rate of population growth, lack of capital (equated with lack

C. Leys, however, is exceptional in that he reckons the presence of neo-colonialism, although he later on covers it up instead of exposing it and recommending measures for its total elimination. Leys, <u>Underdevelopment</u> in Kenya, Passim.

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of local cntrepreneurship), and poor terna of trads.-[5] The World Bank has even insisted that Kexja has not exported enough, even though we have sees that her exports have nearly doubled since independence.^ It ur^es the country to increase her exports and utilize core of her own resources, particularly land and labrur, arid f^wer foreign inputs, in the production process.'[n] But it doe-, not say who will own or control these resources. Nor has it said who will appropriate the surjlus valua of the production involved. It only insists- that the country should encourage more and more foreign private investment and mobilize her savings in order to sustain or accelerate the past high rate of growth within the resources likely to be available, and at the same time to Increase employment opportunities and provide rising inconr>s to all her people. More and more efforts Could directed towards the rural areas both to produce more foreign exchange and to supposedly reduce rural poverty. The Bank report does not, however, look a- the ie3ue of neo-colonial imperialism and the country's loss of her economic surplus. It notes economic surplus has been lost, but rather than blame imperialism it turns the blame[9] on the country's inadequate investment and trade policies.' The

5.- <u>Development Plans, 1964-70 and 197.*</u>^.

6. I3I\D, <u>Kenya Into the Second Decade,</u> T%75» p. 24.

7. Ibid. p. 24.

8. op. cit. Port 1, Chapter 4.

9. op. cit. p. 310.

question is who manipulates the making of 6uch policies? It has been seen that the Bank itself, together with other capitalist powers, were behind these neo-colonial and imperialistic investment and trade policies in Kenya after independence.[10] Why should the Bank then pretend not to know the source of the problem?

Having clearly analysed the past and present socio-economic reality in Kenya, two basic pre-requisites for beginning an analysis of development alternatives therefore seem to emerge. In the first place, the existing political leadership could decide to understand that reality and then decide to put an end to it. This would, of course, mean a kind of class consciousness on the part of the "national bourgeoisie" who, together with the lesser classes of the petty-bourgeoisie, petty-traders,peasants and workers, might realize that the prosperity of the country will depend on independence from exploitation, underdevelopment and domination by international monopoly capital. They would be condemned by western imperialism as being unconstitutional dictators simply because they

10. Chapter VIII above.

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decide to end or strictly control foreign interests of monopoly capital in their bid to liberate themselves and the whole country from exploitation and oppression under capitalism.[11] This would amount to what coald be called true nationalism, that is, nationalism against imperialism, based on struggle between the "national bourgeoisie" and the masses on the one side, and international monopoly capital and the comprador bourgeoisie on tie other®

The other alternative of ending neo-celonial exploitation and oppression in Kenya would be class assertion by the masses of peasants and workers* This would altimately and inevitably become a violent struggle as it would involve a revolt against the combined efforts of the "national bourgeoisie", comprador bourgeoisie and the international monopoly bourgeoisie. Examples from Ethiopia and Cuba indicate that the masses would first aim at defeating the comprador bourgeoisie as a step towards the ultimate victory against the core enemy - the imperialism of internatioc.il monopoly capit 1. The unfolding of the struggle for class assertion might start by way of spontaneous revolt or protest by all or some sections of the armed forces, peasantry, workers, students or traders against social or economic hardships resultant from harsh economic, social or political policies.[12] The leadership and direction

11• For example Iran and Nicaragua.

12» In Ethiopia revolt began as a protest against mass starvation and death among the peasants; in Cuba it began as a proteet against poor wages, high prices and governmental oppression.

of tho struggle might come from anv of these rrcups hut in moot .4 oases the support of "national bourgeoisie" *ill be forthcoming initially. However, most of the actual developments of the struggle will depend on the circumstance* at the material time.

Whichever method is used to f.nd neo-colonial imperialism, it must be ensured that this imperialism does not re-establish itself in a nev; form. This moans new epproad:?c to development must bo devised. Our concern hcr= is the now approaches to foreign aid.

From the foregoing study, it has been s^wn that the? kind of aid Kenya has received fron capitalist donors has not and cannot assist this poor and back<*ird country to develop. A similar fact was also acknowledged in the case of E&ypt by Kuhammed Hasaanein Heikol, an ijgypticn journalist and former information and foreign affairs minister during Canal Abdal - Nasser[1]s rule. When for example it was pointed out to him that several economists in the west said that only through close economic links with the US could E&ypVc problems be solvod, Koikal replied*

> Not at all. Our first need is development in agriculture and industry and this *ca^* only take place within the framework offered by the Arc.b world. Ok, so the US gives us 51 billion a year, but I fail to see one single country where US aid went into real

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> development. He don[1]* need to be flooded with Coca-cola, cornflakes or kentucky chicken there is only one class, and a s/aall one, of people that make huge profits out of cornflakes end the like. There are of course people who can afford to eat cornflakes at breakfast or smoke cigars at press conferences, but they are not the ones that natter. The real decisions are matured elsewhere. 13

When he was again asked how the Soviet Union and the United States development aid policies for rjgypt compared, he replied!

> Prom the point of view of cash, the United States and the West generally nay be more useful. But for development, the USSR contribution is by far better. The US, for instance, would have never helped us to build the Aswan Earn. The Soviets, in helping us in our industrialization, might have hoped to build up a strong labour force which they expected to carry out a revolution along their lines, but this kind of development fitted our requirements well in those days.

13. <u>The Kiddlo East,</u> (international Communications Kagazines Ltd., London), Number 52, February 1979

> What the United States can offer is very expensive end discriminatory pattern of consumption and, though I have criticised many aspects of Soviet policy towards Eorpt, their contribution wa3 much hotter for our development. Nasser used to say that iferpt and the USSR could walk together for 50 per cent of the road, particularly for that part of the road that was needed to get rid of the colonial heritage and put down the basis for industrial development. Prom that point onward our ways Keren* t the came any more.

In other words, while foreign aid reoains to be vital for real development to take place, it must be the kind of aid, with the kind of conditions, terms and techniques that do not subvert that development and that does not facilitate deeper underdevelopment and dependence. As Heikal observed about Nasser's Egyptian aid-needs, aid for development of a poor and backward, formerly colonijed country oust be the one that helps it "to get rid of the colonial heritage and put down the basis for industrial development". It must be aid that promotes freedom fron external ownership and/or control of a country's economy; one that helps to reduce a country's industrial dependence cn the external worldj

14. op. cit.

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and one that promotes a self sustaining social, economic, and political system. That kind of aid, as demonstrated above, cannot any more be expected from the capitalist donors whose efforts are oriented to subjugating the entire mankind under the exploitation and oppression of international monopoly capital. The alternative might be sought in the socialist and non-aligned donors which, though also interested in winning ideolcgical and trade benefits, are nevertheless also committed to promoting the factors that are related to development of an independent economic system in a backward and underdrveloped country. Once what is largely independent economic system i6 established, then trade links with other economic systems could be created and expanded on the basiis of mutual agreement in freedom. Thus, it is possible today for countries like Cuba, China and Yugoslavia to establish trade relations with capitalist countries without necessarily being exploited and underdeveloped by th« latter. After the anti-imperialist revolutionary wars zn Angola, Iran and Nicaragua - that is, after the establishment of the fact that they want to be economically and hence socially and politically, undominated by the foreigners these countries can now negotiate trade in goods valued ky others on the basis of what they freely want from outside and what they want to cell. This situation is different from the one of imperialism whereby the real decision on what is produced, what is to be exported and what is to be imported are largely made at the metropoli s on the basis of increased monopoly of economic, and hence social and political, production by international capital. It is a situation that comes as a result of conscious and determined political will to terminate imperialist grip on a country. It is not so far possible to 6ee how that situation can be arrived at without a revolutionary struggle against the imperialist west as analysed earlier on.

After a socio-economic class base of imperialism is A eliminated, foreign aid resources, and any other resources for that natter, should be directed towards public economic and social production and consumption based on plenty and not on poverty. This choice would require that immediate measures be taken to increase real national wealth production, accumulation and consumption with full participation of the entire nationals. The <u>sine-gua-non</u> for this goal as shown by the history of all developed countries is immediate and effective move towards true national industrialization. This would mean not simply capital formation but capital formation directed to the capital goods industries*^ which would motivate true national

15» Rweyemamu, op. cit.Pp. 82-8^.

technological development, increase labour productivity and utilization of national natural, physical and human resources for yet greater production of wealth, increased accumulation and consumption at the same time. The result would be reduction and then complete elimination of imported capital goods as a basis for independent technological development covering industrial, agricultural, social and cultural sectors of the country.

It may not be possible to execute such a policy when the basic large scale means of production are in the private ownership or control and serving appropriation needs of that private ownership. Indeed it should follow that another class struggle between the ^etty-bourgeoisie, traders, peasants and workers on the one hand and the "national bourgeoisie" on the other, would lead to an end of the institution of private large scale property which is the basis of class exploitation and national underdevelopment and dependence in an underdeveloped country like Kenya. What should be disputed is the method of public appropriation of the basic means of production - industries, businesses and agriculture. It is doubtful if an attempt to compromise with the foreign owners and controllers of investments in Kenya would not be self-defeatist. At least Cuba learned this lesson after a few years of Castro

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led take over from American imperialism.[16] But to borrow loans in order to compensate such owners as it happened with Xand Transfer Programme in Kenya is no doubt a crime against the nation. It adds insult to injury to borrow loons or get grants to maintain such owners to exploit, underdevelop and dominate a country like Kenya which is full of untold natural and human resources that would normally be used for real development of the country's people.

Directed towards true national industrialization rather than towards setting up manufacturing and business enclaves of multinational corporations, the roots of development would be established. It would lead "to real development of agricultural and other forms of production v/hich go to supporting and being supported by such industrialization. This would in turn require all the nationals to be fully employed and be fully compensated for their work if at all the programme is to succeed. Being fully compensated directly through increased real wages, and indirectly through low priced but quality consumer products, universal and compulsory free education from nursery school to university level and after, free hospital services, free water and housing services, free or truly low-cost

16. E« Boorstein, The Ecoromic Transformation of Cuba. (Monthly Review Press, lSbojpp. 14 - lo and Chapter 3 passim.

energy, transport and communication services and free or low priced recreational facilities, national mass poverty and inequalities would be greatly reduced in the short run and eliminated in the long run while national wealth increases tremendously. The specifics of how this can be achieved become a matter of debate if only the basic principle is accepted and embarked upon.

APPENDIX

A P P E N D I X I I

TABLS I

! in:, rccoiyod **by Kenya by** Sourco and. YCVJ* **1956/57 - 3976-77 in £'000**

YEAR	B I L A T E R A L S O U R C E S										I D U t LATERAL SOURCES			Total	Total	Total
	UK	U.S.A.	West Germany	Japan	Sweden	Nether- land	Canada	Den- mark	other count- ries	No n Covert 1 mcnt	IBRD	IDA	ADB	Bilat- eral Loans	Multi- late- ral . Loans	Loans
1956/57	-								-	W			1	50		50
1953	1500	-	-	-					- -	250	-			1750	-	1750
1?59	750	—	-	-					30	540	-			1320	-	1320
I960	3800	-	-	-					-	370	-	-		4170	-	4170
1961	5330	-	-	-					-	394	394	-		5724	394	6118
1962	44 45	-	-	-					-	161	689	-		46G6	689	5295
1963	5636	-	682 -	-					-	34	642	-		6352	642	6994 >
1964	9732	-	734	-					-	-	273	-		10466	273	10739
1965	8932	- ·	1215	-					30	250	271	-	-	10427	271	10698
1966	6122	2220	199	-					170	68	135	513		8779	648	9427
1967 '	4501	696	530	-	.		.		231	100	?,63	1419	-	6058	1782	7840
1968	4439	608	538	-		.			576	121	81	1471	-	6279	1552	7831
1969	2291	33	277	-	-	-		-	287	50	230	3947	-	2938	4177	7115
1970	6585	34	166	-	-	-		-	519	202		3268	-	7506	3268	10774
1971	2437	235	942	-		-	-	-	4163		1533	1631	-	7777	3164	10941

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YEAR	BILATERAL SOURCES UK	U.S.A.	West Germany	Japan	Sweden	Nether-lands	Canada	Den-mark	other coun-ries	Non Cover mcnt	MULTILATERAL srilRfiws IBRD	IDA	AD3	xotc.1 Bilate-ral Loans	Total Multi-lateral Loans	Tctal Loans
1972	3227	1261	200	-	-	-	-	-	2475		3242	I084	-	7163	4326	11489
1973	4005	15	230	-	2076	56	-	36	2435	7185	2625	56?8	364	16038	6617	24*55
	n*0		1303	-	332(5	1175	-	55	1262		2001	27 20	666	8986	5467	1/453
1975	2031	11	1808	1503	1859	24	454	775	I064	1305	5121	.3763	348	10834	9232	20066
1976	1022	648	1320	3709	2857	897	1876	471	310		18792	4931	47	13110	23797	36907
1977	1526	7127	1439	1776	2404	356	438	I684	164	2529	4225	5498	607	19443	10330	2V773
tal	76429	13385	11580	6988	12722	2508	2768	3021	13685	13340	40697	35873	1029	156327	77597	233924

Source: Kenya Statistical Aba-tracts ,19^0-197^
and Kenya's Economic Survey ,19^0-1973

TABLE II

C3A21TS Roceived by Kenya by Source and Year 1956/57 - 1976/77 in £'000.

YEAR	SOURCES								TOTAL
	UK	USA	West Oerroany	Sweden	Denmark	Norway	China	Other countries	GHAUTS
1956/7	5822	9						50	5381
195®	3245	701						154	4100
1959	1815	83	-					86	1984
I960	1642	112	-					147	1901
1961	5870	16.	-				-	73	5959
1962	7070	79	-				-	126	7275
1963	6382	136	-				-	ill	6629
1964	9542	274	-				-	111	9927
1965	8374	174	-				1071	121	9740
19 66	4865	17	-				-	230	5112
1967	3366	2	—				-	160	35^9
1963	1806		-				-	102	1910
1969	731		—	-	—	—	—	230	961
1970	1159		-	-	-	—		250	1409
1971	581		-	-	—	—		237	818
1972	1237	1	-	—	-	— •		571	1809
1973	207		62	43	96	74		57	539
1974	1711		19	1132	195	342		114	3513

(ctd.)

Y5AR	SOUHCSS								TOTAL
	UK	USA	Wect Gcrnany	Sweden	Denmark	Norway	China	Other countries	GRANTS
1975	2026		11	2381	558	735		2559	8270
1976	834		124	2342	278	968		2809	7355
1977	1470		667	4950	838	1776		818	10519
Total	62238	1618	883	IO848	1127	2119	1071	8592	88496
Per-centages	70*350	1.3 £	1.05&	12.356	1.31*	2.4#	1.25®	9.7#	10($

Source s <u>Kenya Statistical Abstracts*1960-1978</u>
and <u>Kenya's Economio Survey*1960-1978</u>

TABLE III t Main Official Bilateral and Multilateral Aid Donors to Kenya, by Year and Aitounf In Million US S, 1°60 - 1977

fL*«[1]	1 -to	mi	1	1963	1>04	1965	1966	1967	1968	1969	19 70	1971	1972	";9 73	1974	1975	19 76	19 77	1V7AL
• i'vU»CL	B X L A T E R A L S O U R C E S																		
1	JO.I1	41.94	47.25	S3.20	SO.20	68.35	54.30	32.15	54.00	·	34.50	–	–	51.00	–	7.50	94.00	36.00	670.00
	0.01	7.10	0.66	13.60	7.SO	9.60	15.50	5.20	2.50	3.03	-	28.00	-	13.00	39.00	10.20	21.00	48.00	224.00
!us	0.(0	23.00	-	-	4.20	, 7.62	16.00	32.00	-	-	1.73	6.35	-	15.87	14.24	25.85	5.71	1.00	154.00
i;*(btt						0.37	1.47	2.69	3.90	-	4.20	9.90	14.70	25.50	39.90	15.40	-	3.00	125.00
JAP AM						0.16	6.60	0.33	-	-	0.77	IS.60	-	1.10	4.50	22.35	-	-	51.00
J ILMff.						0.22	0.12	3.67	6.20	-	1.75	2.40	1.10	7.50	8.10	5.33	10.60	3.64	SI.00
| Mca>r					O.OS	0.16	0.46	3.16	-	1.50	1.30	3.16	2.50	4.10	10.20	4.50	0.70	7.30	39.00
| *i.TWi						0.14	-	1.46	-	-	1.60	3.00	5.10	4.SO	9.30	8.10	23.20	20.30	77.00
						0.70	1.22	1.27	3.10	4.60	13.00	-	3.00	-	3.30	14.30	28.80	-	73.00
Sub-Total																			1.4&4.SS
M U L T I L A T E R A L 3 O U R C E S																			
. 2B«0	s.to	3.02	·	·	–	–	6.50	14.39	-	26.10	-	-	29.00	29.00	-	100.50	31.00	64.00	309.00
ISA					7.30	3.00	7.00	8.90	16.40	-	6.10	12.60	28.00	-	33.50	25.50	14.00	36.00	198.CO
!IfC					0.18	-	-	0.20	5.20	-	11.90	-	2.40	-	-	6.30	2.50	-	28.00
																	112.75	-	113.00
Sud-Total																			648.00
	G.4B	1.S6	2.87	2.22	0.22	1.89	10.40	19.40	-	-	1.90	0.90	5.47	4.58	10.08	2.03	1.77	2.94	68.00
Sub-Total																			716.00
TOTAL	28.00	97.00	SI.OO	69.00	70.00	92.00	118.00	123.00	92.00	36.00	80.00	83.00	90.00	158.00	174.00	246.00	348.00	225.00	2.18C.OO

(Contd.)

Source* 1. Republic of Kenya - Bxrtornal Aid Division of Ministry of Finance and Planning

2. **Africa Research Bulletin; Economic, Financial and Technical Issues, (London) 1964-1977**

3« **OECD** - G^crraphical **Distribution** of **Financial** flows **to** lenr, developed countries - rEtTburjcncntal JLogOrliifa, (Parin)

4. UNDP - Compendium on Development Asoitanco to Kenya up to 1976

5» IBRD - Kenya 1962 , and Kenya Into the Second Decade, 1975«

N.B. 1. Guaranteed Private Credits to Kenya are not included.

NO

2. Guarantees to IBRD by Kenya Government amount to about 3160 m. thus raising total IBRD credits to £469m.

TABLE IV

Foreign Aid Commitments, Disbursements and Balances bv Year 1960-77

in £ million

TEAR	Total Aid Commitments	Total Aid Disbursement	Total Aid Balances	
I960	11.2	4.5	6.7	
1961	38.8	12.1	26.7	
1962	20.4	12.6	7.8	
1963	27.7	13.6	14.1	(53.5)
1964	27.7	20.7	7.0	
1965	36.8	20.4	I6.4	
1966	47.2	14.5	32.7	
1967	49.2	11.3	37.9	
1968	36.8	9.7	27.1	
1969	14.4	8.1	6.3	
1970	32.0	12.2	19.8	
1971	33.2	11.7	21.5	
1972	36.0	13.3	22.7	
1973	63.2	25.2	38.8	
1974	69.6	18.0	51.6	
1975	99.2	26.7	72.5	
1976	139.2	44.5	94.7	
1977	90.0	40.6	49.4	

Source: Tables I, II and III, above.

N.B. A standard rate of S2.5 = £1 has been used in conversion of dollars to pounds and vice versa for all the years.

Tft^l-.tt V:

:>cterne1 National l>ebt by Source and Year 1960 - 1977« in '000

YEAR	B I L A T E R A L Q 0 U I? c E •5												I-iULT ILAT ^ic AL SOURCES			TOTAL		TTAI
	1TK	USA	WEST GERMANY	JAPAN	SWED-EN	NETH-ERLA-NDS	ITALY	CAN-ADA	DENM-	•SWIT-ZERL-AND	OTH-ER	HON GOVER MSNT	IBRD	IDA	AD3	BILA-TERAL	I1lTLTI-LA72-RAL	,Y.7 r: \L U^BT
1960	$000																	
1961	10193												39**			10193	394	105P7
1962	14406												1083			1'***06	10q3	154P9
1963	194?8		682										172?			20160	17?5	21oo5
1?G4	29039		1579										1S81			3061°	1°?1	32^99
1965	37566		2632										2014			4019?	201^	42212
1966	43060	4793	2793										1785	542		50646	2327	
1967	46950	4047	3297								652		1373	1961		54946	383^	53780
1963	43929	4581	3563										1661	3441		52073	5102	57175
1969	47293	4759	3622								772		1497	7380	119	55674	3996	64670
1970	52213	4890	3896	149							921		1195	10633	278	6207^	12106	7^180
1971	41616	4919	^583	598				52	213		1036	5511	2498	11987	386	58792	14871	73663
1972	44047	5938	' 4889	599	1119	272	739	52	1078		1037	4495	6640	13048	595	64265	20283	84548
197,3	4^459	5888	4869	690	295'»	1245	2797	52	1131	190	979	10339	9132	18676	885	76593	2*633	10S?76
197^	4514$	5689	6319	1058	6678	1674	2647	508	798	480	364	9768	11143	21371	1508	81101	7-4022	1151P3
1975	42551	8836	14223	2738	10004	5187	2331	949	2035	1604	242	9626	16296	27739	1970	100296	46005	146301
1976	39726	11062	16122	6710	11981	44Q1	1877	2938	2788	2046	144	9396	39101	37531	2?43	109781	78875	188656
1977	36311	145f!0	20530	11384	12245	6134	1579	1067	3948	1014	6828	7636	42423	40946	2672	123256	86041	209^97

SOURCE: Kenya Statistical Abstracts, 1960 - 1978

TABLE VI

Kenya's Foreign Loans and Grants, External Debt, and External Dobt Servicing Charges by Year, in £'000.

Year	Total Loans	Total Grants	Total Aid	External Debt Servicing Charges	External Debt
1956/57	50	5881	5931		
1958	1750	4100	5850		
1959	1320	1984	3304		
I960	4170	1901	6071		5674
1961	6118	5959	12077		12741
1962	5295	7275	12570		19037
1963	6994	6629	13623		26745
1964	10739	9927	20666		35964
1965	10698	9740	20438	2050	44751
1966	9427	5112	14539	2540	53940
1967	7840	3549	11389	4020	58955
1968	7331	1910	9741	4530	58188
1969	7115	961	5076	4400	65979
1970	10774	1409	12183	4180	74737
1971	10941	818	11759	10870	73664
1972	11489	1809	13298	6386	84550
1973	24655	539	25194	8155	105285
1974	14453	3513	17966	8023	115123
1975	20066	8270	28336	9980	146300
1976	36907	7355	44262	11839	183656
1977	29773	10519	40292	14653	209296
Total	238405	99160	337565	91926	-

Source <u>Kenya Statistical Abstracts. 1960-1978*</u>

TAPLE VII

Pcreifrn Aid as n Perc^t^e of Public Budgetary Deficit in Kenya by

Tear	1966/67	1967/63	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76
Aid An a Percentage of Public Budgetary Sefioit	61£		41£	5# •	372	34^	4#	4$	38£	42#

SOURCEJ Computed from Kenya Statistical Abstracts,1967-1977.

TABLE VIIIS Aid AS a Percentage of Kenya's Develoament Account Revenue by year, 1963-1977.

Year	1963	1964	1965	1966	1967	1968	1969
Percentage	96.4*	90.0®$	82.0&	102.C&	46.3£	45.6*	46.1*

Tear	1970	1971	1972	1973	1974	1975	1976	1977
Perce-ntage	80.5%	$5.5!^	50.0*	58.0*	52.0*	69.5^		61.0*

Source: Computed from Kenya Statistical Abstract196^1978

TA3LS IX

Recurrent **and Development Loans and Grants in 1*000 by year 1956-57 - 1976-7**

YEAR	Recurrent Loans	Recurrent Grant	Development Loans	Development Grant	Total Loans	Total Grant	Total Aid
1956/57	-	4000	50	1881	50	5881	5931
1958	1500	1500	250	2600	1750	4100	5850
1959	750	797	570	H87	1320	1984	3304
I960	800	862	3370	1039	4170	1901	6071
1961	-	4336	6118	1623	6118	5959	12077
1962	-	4870	5295	2405	5295	7275	12570
1963 -	250	2677	6744	3952	6994	6629	13623
1964	3871	5194	6868	4733	10739	9927	20666
1965	2723	4940	7975	4800	10698	9740	20438
1966	2169	2587	7258	2525	9427 '	5112	14539
1967	2221	2908	5619	641	7840	3549	11389
1968	1267	1697	6564	213	7831	1910	9741
1969	105	788	7010	173	7115	961	5076
1970	69	510	10705	899	10774	1409	12183
1971	-	621	10941	197	10941	818	U759
1972	-	769	11489	1040	11489	1809	13298
1973	-	245	24655	294	24655	539	25194
1974	-	327	14453	3186	14453	3513	17966
1975	-	300	20066	7970	20066	' 8270	28336
1976	-	28	36907	7827	36907	7355	44262
1977	-	-	29773	10519	29773	10519	40292
	15725	39956	222680	59204	238405	99160	337565

Total Recurrent 55681

(ctd.)

Total Development Aid	28)8^	
Total Aid Received upto June 1977 y(1		337

SOUrCe81 Kenya StatiHt^m -1^60-197^

TA3LE T

Public Compensation Expenses by Tear 1960-78 and External Loen3 to Current Account, in Cnillion.

Year	Compensation Expenses	External Loans
1960		0.8
1961		
1962	0.26	
1963	1.65	0.25
1964	5.59	3-87
1565	3.60	2.72
1966	3.25	2.17
1967	2.98	2.22
1968	2.30	1.27
1969	0.14	0.10
1970	0.07	0.07
1971	0.03	
1972	0.02	
1973	0.02	
1974	0.01	
1975	0.01	
1976		
1977		

Source: Kinietry of Finance and Planning, Economic gurvcyg»1964-78.

TA5LS XI

DEVELOPMENT ASSISTANCE TO KENYA

COKKIHIEKTS AS AT 31 DECBtSER 1976

GRANTS

(in thousands of US $)

Donor	Agric Liveotock Forestry Fisheries	Water Dev.	Induct, Dev.	Educ. & Train- ing	Trans- port & COffiO.	Health	Energy	Natural Resources	Tourism & Wildlife	Populat.	Urban Dev.	Multi- Sector	Balance of Payment Support	Hi sc.	Total Grants
Austria				64	283	51		608	/ —	nm	115		nm	98	1.219
Australia	639	-	-	-	-	-	-	-	-	-	-	-	—	—	839
Canada	3.142	1.259	-	33.224	3.201	-	-	1.154	-	—	-	5.414	-	26	47.420
Denmark	8.549	-	2.401	8.382	-	2.545	-	-	-	-	411	4.417	-	-	26.705
Finland	2. 251	-	-	-	-	-	-	-	-	-	-	-	-	—	2.251
Germany (F.R.)	17- 249	4.234	6.879	-	-	-	-	-	701	-	-	1.173	-	-	35-964
Iceland	105	-	-	-	-	-	-	-	-	-	-	-	-	-	105
India	-	-	-	-	-	-	-	-	-	-	-	120	-	-	120
Italy	-	-	-	113	-	n. a.	-	"1	-	-	n.a.	-	-	-	113
Japan ,	197	-	-	1.483	-	-	-	-	-	-	-	-	-	217	1.097
Netherlands	5.220	7.014	-	1.362	-	-	-	-	-	-	-	1.002	-	-	14.590
Norway	5*539	8.595	-	9.436	15.280	*707	-	-	-	-	-	6.590	-	-	46.147
Sweden	19. 237	29.964	4.400	19.143	-	7.848	1.831	-	-	5.945	-	1.594	-	595	90.557
Switzerland	-	-	-	2.691	-		-	-	-	-	-	-	-	-	2.691
United Kingdom	26.561	6 .	-	2.438	172	14	-	-	-	-	-	21.319	-	420	*50.933*

(ctd.)

TA?!.E XTCont

Donor	Agric. Livestock Forestry Fisheries	Water Dev.	Indust. Dov.	Educ. & Train-ing	Trans-port & Corns•	Health	Energy	Natural Resources	Tourism Wildlife	Populat.	Urban Dov.	Ihxlti* Sector	Balance of Payment Support	I'dsc.	Total Qrcats
U.S.A.	11.063	300		4.722		23.000				5.476		4.810			49.371
				223											223
FAO	2.720	978													3.695
IMP												50			50
ITC												1.330			1.330
CPHC													5.000		5.000
UU													7.050		7.050
UIWP	4.148	853	1.924	15	967		800	120	1.760			1.093			11.680
UKZP		200	-			732									932
UNSSOO				642	38							110			790
tram										5.356		922			6.278
uincEP				193		83						30		35	341
WHO				792		202									994
World Bank					400										400
Ford Founda-tion				131											131
IPPF										412					412
Rockefellwo Foundation				592											59:
	100.820	53.403	15.604	91-374	20.341	15.1S2	2.631	T7SI	2.461	17-169	523	49.974	12.050	1.391	410.oil

Cctd.)

TABLS XI Cont.

Source: UNDP - Compendium on Development Assistance to Kenya up to 1976.

N.B. Assistance shown hero does not include loans which are repaid or under which projects have been completed. They do not therefore tarry with Table I.

TAYLp XTT

D E V E L O P M E N T A S S I S T A N C T 5 T O K E N Y A

CCKMIBIBfTS AS AT 31 DECEMBER 1976

L 0 A N S

(in thousands of US S)

Donor	Agrio* Livo-stock Forestry Fisheries	Vater D«v.	Indust. Dev.	Educ. is Trai-ning	Trans-port & Comm.	Health	Energy	Natural Rcaou-rcen	Tourism & Wildlife	Populat.	Urban D«v.	Kulti^ Seotor	Balance of Payment Support	Hi sc.	Total Loan*
Canada	1.154	2.729	-	5.615	11.964	-	-	-	-	-	-	-	-	-	21.462
DcnntArk	1.425	-	-	-		-	-	-	-	-	-	10.000	-	-	11.425
Finland	-	-	-	-	-		2.631		-		-	-	1.942	-	4.473
Germany (F.B)	6.826	25.419	9.631	-	15.494	-	-	-	-	-	-	4.183	-	-	61.558
Japan	-	-	-	-	32.368	-	-	-	-	-	-	-	-	-	32.363
Netherlands	1.803	22.829	-	301	1.603	5.370	-	-	-	-	-	-	-	-	31.906
Swedon	-	-	-	-	7.372	-	-	-			-	-	-	-	7.372
Switzerland	-	-	-	4.724	-	-	-	-			-	-	-	-	4.724
United JCJjp-	69.652	3.960	-	3.817	715	-	-	-			-	494	-	-	78.638
U.S.A.	25.850	-	-	-		-	-	-			-	-	-	-	25.850
AZffDA	5.000	-	-	-		-	-	-			-	-	-	-	5.000
ADS	-	-	3.600	-	7.200	- ·	-	-			-	-	-	-	10.800
EEC	-	-	2.226	-		-	-	-			-	-	-	-	2.226

TAJL5 XII Cent.

Doner	ACT Live-stcck Forestry Fisheries	Hater Dev.	In dust. Dev.	Educ. & Trai-ning	Trans-port & Ccmm •	Health	Energy	Natural Resources	Tourism & Wildlife	Populat.	Urban Dev.	Kultiv Sector	Balance of Payment Support	Misc.	Total Loans
XXF	-	-			-	-	-	-					112.700	-	112.700
World Bank	69.500	35.000	15.000	16.100	120.600		63.000		17.000	12.000	16.000	-	30.000	-	414.200
TOTALS	201.210	89.937	30.457	30.557	197-316	5.370	65.631		17.000	12.000	16.000	14.682	144.542	-	824.702

SourceJ UNDP - Compendium on Development Assistance to Kenya up to 1976.

^.B. Assistance shown here does not inolude loans which are repaid or under which projects have "been completed. They do not therefore tarry with Table I

TABL3 H I !

Kenya*8 Functional Classification of Development Expenditure for 1972/73 to 1975/76, and Ccneral Distribution of Aid Resources.*

Category	1972/73 - 1975/76 Government Dev'1 Expenditure in US $'000	Total Aid Received in US t'OOO		
		GrantB	Loans	Total
Economic Services Mainly Agriculture Electricity & Power Commerce & Industry Transport (except roads)	412,8*93	192,813	473,522	666,335
Community services Mainly **Roads & Water**	234,750	74,273	303,253	377,526
Social Services Mainly Educations Health, Housing Labour & Community Development	132,140	143*745	47,927	191,672
General Services Mainly Administration, Defence & Unallocable8	63,470	-		
Recurrent Financial Obligations, especially Debt repayments	20,072	-		

*Aid figures do not include projects which had been completed by December 1976.

Sourcesi (1) <u>Kenya Statistical Abstracts, 1975 and 1977</u>

(2) UNDP, <u>Conpendiua on Development Assistance to Kenya, up to g7g:</u> ~

t

[1] ovn of Development Public Funds Expenditure by Purpose classification by Year

	Use of Development Fund3 - Particulars	Arriculture		Commerce Sc		P U R P O S E				C L A S S I F I C A T I O N					
										Roads		Water			
		£•000	>	£•000	%	£•000		£•000		£•000	>	£'000	<s>	£* 000	
1964/65	Cross Capital jrorRAtlon	323	6	17	100	70	100	-	–	1619	100	187	100	5	1
Lo&na	to Public Corporations and Government agencies	5115	94											480	99
	Investment in Enterprises	. -	-	-	—	-	—	—	—	—	.	—	.	—	—
	Total	5438	100	17	100	70	100	-	-	1619	100	187	100	485	100
1966/67	Grose Capital Formation	732	16	12.	2	125	93	-	–	4062	100	140	16	51	4
	Loans to Publio Corporations and Government A^cncieo	3686	84	539	98	-		-	–	-	-	753	84	1286	96
	Investment in Enterprises	-	-	-	-	10	7	—	—	—	—	—	—	—	—
	Total	4418	100	651	100	135	100	-	-	4062	100	893	100	1337	100
1963/69	Gross Capital Formation	1271	25	16	1	138	100	—	-	6499	100	367	85	212	10
	Loans to Publio Corporations and Government Agencies	3654	75	4109	99	—	—	—	—	—	-	64	18	1893	90
	Investment in Enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	4925	100	4125	100	138	100	-	-	6499	100	431	100	2105	100

(ctd.)

TATLE XIV Cont.

YEAR	Uso of Dovolopment Funds - Particulars	P u R P 0 S E C L A S S I F I C A T I 0 N %													
		Agriculture		Commerce & Industry		Transport &		Energy		Roads		Water		Housing	
		£'000	%	£•000	*	£•000	%	£•000	*	£•000	%	£•000	%	£•000	%
1970/71	Gross Capital Formation	2267	56	394	9	833	100	-	-	14157	92	590	100	534	19
	Loans to Publio Corporations and Government Agenoies	1720	44	1237	29	-	-	-	-	160	8	-	-	2180	81
	Investment in Enterprises	-	-	2643	62	-	-	3970	100	-	-	—	-	—	—
	Total	3987	100	4274	100	833	100	3970	100	14317	100	590	100	2722	100
1972/73	Cross Capital Formation	964	21	377	6	2276	99	1145	99	19581	100	1501	100	681	16
	Loans to Publio Corporations and Government Agencies	3699	79	4899	67	—	-	6	1	—	-	—	—	3490	04
	Invostmont in Enterprises	-	-	1971	27	3.	1			-	-	-	-	-	-
	Total	4663	100	7247	100	2279	100	1151	100	19581	100	1501	100	4171	100
1974/75	Crocs Capital Formation	3098	20	... 610	7	9160	85	286	20	14608	100	2036	100	903	
	Loms to Publio Ccrporationo and Covernnont Agenoieo	12890	80	4043	53	40	1	1161	80	-	-	-	-	3930	81
	Investment in Enterprises	-	-	3681	40	1560	14	-	-	-	-	-	-	-	-
	Total	15988	100	9135	100	10760	100	1447	100	14608	100	2036	100	4843	100

(ctd.)

xtv cont.

TEAR	Use of Development Funds - Particulars	PURPOSE CLASSIFICATION													
		Agriculture		Commerce & Industry		Transport &		Energy		Road3		Water		Housing	
		£'000	*	£'000	£	£'000	*	£'000	*	£'000	£	£'000	*	£'9GQ	
	Cross Capital Formation	7822	45	950	7	13249	93	3208	88	16565	100	7905	96	713	16
	Loans to Public Corporation and Covernmcnt Agencies	9605	55	23256	87	–	–	430	12	–		339	4	3690	84
	Investment in Sitcrprises	-	-	3908	10	1000	7	–	–	a.	as	mm			–
	Total	17427	100	28114	100	14249	100	3638	100	16565	100	8244	100	4403	100

Source* Kenya Statistical Abstracts 1966-1977,

APPENDIX II,A.

At PKNDIX II, A. INTERVIEW SCHEDULE I

Interview Schedule for Senior Government Officers in the Ministry of Finance and Planning, External Aid Division, Planning Division and Finance/Treasury. 1977/78

Number interviewed - 10

1. **(a)** How is Kenya's aid relationship with her donors initiated?
   (b) What does the Kenya Government regard as foreign aid?
   (c) What would you term as Kenya's foreign aid policy?
2. Who have been Kenya's leading bilateral and multilateral donors since independence? Briefly indicate changes in the amounts or proportion of their aid through time and explain the reasons behind those changes.
3. (a) Which of these donors have had most influence on Kenya's policies since independence and which have had least influence? Rank order their influence in terms of very much, much, some, none. In which areas of the country's life has the influence of each of these donors been most concentrated?
   (b) What type, terms, conditions and techniques of aid has each of them availed to Kenya through time since independence?
4. Who have been the other donors of aid to Kenya since independence and what has been the significance of their aid?

What do you think have been the Objectives of donors in providing aid to Kenya? Explain in detail*

i) Which donors have (a) rescheduled their loans (b) written off Kenya^ve debtB or I (c) converted loans aftd credits ihtO grants so far?

ii) Why do you think they took sUgh ah action?

What would you consider to be development In a country like Kenya?

(a) What have been Kenya[1]§ development priorities since independence?

(b) How do these differ froffi eolohial development priorities?

(a) What have been donor priorities in Kenya*s development?

(b) How do these differ (i) frofn post* independence Kenya Government'§ priorities (ii) from colonial Government'§ priorities?

What have been the relationship feetv/eeh development planning in Kenya and availability of foreign aid?

(a) Give an assessment Of donor influence on Kenya's planning since independence*

(b) Would you say Kenya's policing haVe influenced the flow of aid in arty W«y? Explain, When were planning divisions, departments or sections e .tablished in various ministries 'in Kenya?

(a) How many Kenyans have there been in Kenya' planning divisions by year since independence?

(b) How many expatriates have there been in these divisions yearly and where did they come from?

(c) In which ways have they influenced Kenya's social, economic and political policies?

(d) Which people have been most crucial -in the production of final versions of development plans since independence?

(a) Why would you say Kenya will continue to need expatriates for many years to come?

(b) What conditions could Sring to an end the need for expatriates?

(a) Give your assessment of the role of technical assistance personnel in training and advising Kenyans.

(b) Which development projects have been initiated, planned and implemented without any participation of technical assistance personnel at all?

(c) In which areas of Kenya's social and economic system are the expatriates most concentrated and why?

(d) What kind of relationship has there been between the local and expatriate personnel in the government?

In which development programmes has aid been most concentrated and why?

How does foreign aid promote Kenya's

(a) industrial development

(b) agricultural development

(c) urban developmemnt

(d) rural development

(e) trade development, and

(f) social development?

(a) What efforts have there been in industrial and agricultural development in Kenya since independence?

(b) How successful were those efforts? Explain in detail.

What has been the role of the following institutions in Kenya's development:

(a) ICDC and KIE

(b) ID3

(c) DFCK

(d) AFC

(e) ADC

(f) HFC and HFCK

14. Give your assessment of th2 following aid-backed projects:

    (a) Project Planning and Evaluation Unit

    (b) Livestock Development Project

    (c) Kenya Industrial Estates.

15. Name ten politicians v/ho have been most influencial in Kenya's economic and political policies. Explain the source of their influence.

16. How has aid helped to shape this country' s economic social and political policies?

APPENDIX II, A. INTE1YIEW SCHEDULE II

Interview Schedule for Aid Donors who included:

(a) West German Ofiicials

(b) Canadian (CIDA) Officials

(c) U.K. (ODM) Officials

(d) U.S. (AID) Officials

(d) Sweden (SIDA) Officials

Interviews in connection with

(a) general **aid** policies, conditions, terms, techniques and relations with other donors; and

(b) specific case studies including Project Planning and Evaluation Unit, Livestock Development Project (general) and in particular LDP (I) and Kenya Industrial Estates - Nairobi.

Number interviewed - **9**

A. GENERAL

lo 'How and when did your country start aid relationship with Kenya?

2. Hov/ much aid has your country provided to Kenya in grant and loans (credit) separately since independence?

3. What proportion of (a) grants and (b) loans (credit) has been in form of technical assistance

4. What have been (a) the terms (b) the conditions of your aid to Kenya?

5. What proportion of your (a) grants and (b) loans (credits) have not seen tied to imports from your country?

(ii) What proportion of your (a) grants ar
(b) loans (credits) have gone to importation of goods or services frc~i outside Kenya?

6. (a) Has your country considered writing off debts owed by Kenya? Why?

(b) If the answer to (a) is "Yes", please explain how ability or lack of ability to repay by Kenya has influenced the debt waivsrs or rescheduling if any.

7. What do you consider to be Kenya's development priorities?

8. How has your country assisted in promotion of such priorities?

9. (a) In which areas of Kenya's ;Uevelopment has yojr country's aid been concentrated?

(b) Which do you consider to be Kenya's most serious social, economiciand political problems sine-; independence?

10. Given your aid performance in the past, how do you view the future of your country's assistance to Ktnya?

11. How would you summarize your country's (institution's) aid policy to a country like Kenya?

12. What kind of aid reports on Kenya do you prepare and/or regard as important to you as a donor?

13." (a) What importance does your country attach to foreign private investments and trade in developing countries' like Kenya? Explain in detail.

(b) How does your country's aid promote such investments and trade?

(a) Explain the importance your country attacf.es to economic, social and political stability in Kenya.

(b) How is your aid used to promote such stability?

Relationship with other donors

1. Describe your relationship with other donors of aid to Kenya, including the World Bank, U.S.A., U.K., West Germany, Scandinavian countries and Eastern countries.

2. What importance do you as donor attach to t^e Worl< Bank reports on Kenya?

3. In which areas and in what ways have you had competition or conflicts with other donors of aid to Kenya?

Project

We understand that your country (institution) has been involved in aiding________________________project. Our next few questions will concentrate on this project.

1. How and when did your country come to be involved in aiding this project? Explain in detail.

2. What were (a) Kenya's objectives in this project; (b) your country's (institution's) objectives in this project? Please, explain the answers to these questions in detail.

3. la what ways was your country (institution) involved ir. the initiation or preparation of this project?

4. Which other donors were involved in the initiation and/or preparation of this project?

5- (i) How much money was involved in this project?

(ii) a) How much was provided by you?

b) How. much was provided by other donors? (specify)

c) How much was to be contributed by Kenya?

How much of your money to this project went to (a) capital grant/loan

(b) technical assistance grant/loan.

T. Indicate briefly, the amount of grant/loan to this project was used for (a) capital imports: machinery and equipment, inputs, other (specify) and (b) technical assistance imports: personnel, equipment, other (specify).

8. (a) What was the number of your technical assistance personnel to this project by year?

(b) How were they recruited?

(c) What were their qualifications?

(d) What jobs did they actually do?

(e) V/here in the country were they located?

(f) 'What were the numbers of their local counterparts if any?

How were the capital goods and services obtained from the supplying country(ies): Please explain in detail the role of your aid agency and private agencies in this respect.

(a) What did the planning and implementation of this project entail? Explain in detail.

(b) If other donors were involved, what was the role of your country (institution)?

(c) What was the role of the other donor(s)? (if any)

(d) Who else was (were) involved in the planning or implementation of this project and what role(s) was (were) involved?

(a) Looking back at the project,, what achievements can you cite?

(b) Hov; are these related to Kenya's development?

What problems (frustrations) did you experience at planning and implementation stages of this project?

(a) Has your country (institution) been involved in similar aid projects in other developing countries? If yes, which ones, when, and what were your experiences there!

APPENDIX II, A. **INTERVIEW SCHEDULE III**

Project or Case

Interview Schedule for Goverr-ntal officials in various departments, divisir-- And sections of various ministries including Ministry c: Finance and Planning, Ministry of Commerce and In~U -ry, Ministry of Agriculture, ICDC, K.I.E. and A.F.C. in correction with Project Planning and Evaluation Unit, livestock Development Project (I), and Kenya Industrial Estates (Nairobi, Machakos, Nakuru and Kisumu).

Number interviewed - 22

(a) What was the crigin of tie idea about this project?

(b) What were the objective cf this project?

(a) How, when and by whom was this project initiated?

(b) Who did the project appraisal, preparation and implementation?

How much money was involved in this project and how much was in form of (a) foreign aid grant and loan each, (b) foreign aid capital and technical assistance each; (c) local fu.ics?

(i) In which ways were the capital (a) loans (b) grants used in this project?

(ii) In which ways were the technical assistance funds used?

How would you describe the status of technical assistance personnel involved in this project? Consider such factors as (a) Recruitment, (b) qualification (c) the jobs they did, (d) location in the country/ministry, department, and (e) their influence on their local counterparts or senior officials and politicians.

How would you compare the qualification, experience and working capability of technical assistance personnel in this project with that of local officers in the project or available elsewhere in the country?

What was the role of your ministry/department agency in the planning end impleir.-. ntation of this projectl Please explain in detail noting organization for project implementation, achievements realized and problems encountered.

In which ways has this project contributed or failed to contribute to this country's development in industrial, agricultural or technological fields?

What is the present status of the project in the light of original objectives?

What changes would you want to see in the use of foreign capital and technical aid in the planning, implementation and. evaluation of a similar project in the future?

APPENDIX II,A. INTERVIEW SCHEDULE IV

Interview Schedule for Kenya Industrial Estates
Entrepreneurs and/or Managers or Accountants and worker
Pilot study at Machakos' Industrial Estates and
main study at Nairobi Industrial Estates.

Number interviewed

Entrepreneurs	-	7
Managers/Accountants		7
Workers		26

PART I

A. 1. Title/Name oL the Business

2. (a) When did you st. r^ this factory?

(b) What do^s it produce?

3. Who are the owners of the factory?

4. (a) What was their occupations before they opened up this factory?

(b) What are their occupations today?

PART IT

B. 1. How did the owner(s) of this factory come to start it?

2. How did they raise capital, that is,

(a) Investment capital, and

(b) Working/operating capital?

3. How much (a) investment capital, and (b) working capital was raised by the entrepreneur and how much was raised through a loan or credit from KIE?

4. (a) What other finances have you received after this factory started functioning?

(b) What was the purpose of such finances and who were the financiers?

5. (a) How did you use the investment and working capital when this factory started?

(b) V/hat machinery, equipment, and producer materials did you purchase, from which country(ies) and/or locally based firms?

6. (a) V/hat proportion of working capital id yo aside for the labour costs?

   (b) How many workers are employed her^ now an.: how many were employed in 1976?

   (c) How many of the present workers have beer, employed on permanent basis in the past cm year?

7. (a) Which are the main machineries here?

   (b) Indicate the number of hours during which each machine operates per day, per week, per month,

8. (a) What percentage of your machineries and equipment is imported directly?

   (b) How and from whom do you obtain the rest?

9. (a) What producer materials/items do you import and which countries are the main suppliers?

   (b) How and from v/hom do you obtain the rest of the producer items?

10. (a) How much competition do you face:very much, nuch, not much, none at all?

    (b) Indicate the source of competition in percentages in terms of conpetition from:

    (a) imports alone

    (b) imports and local MNCs

    (c) local MNCs alone

    (d) imports and local Asians

    (e) local Asians alone

    (f) other locals

    (g) Other, specify.

11. (a) What percentage of your procjcts is exported and to which countries?

(b) Who are your local main consumers?

12. What assistance do you receive from the government agencies, e.g. KIE, ICDC, etc.?

13. What assistance do you receive from commercial financiers such as banks and other credit institutions?

14. (a) What problems have you faced since this unit began?

(b) Where do these problems originate and hov; do you go about solving them?

15. You might have visited small industrialists in some European countries.

(a) Which countries did you visit?

(b) How would you compare their small industries to KIE industries?

16. Would -you say KIE really contribute to Kenya's industrial development? Explain in detail.

17. What other methods/approaches for industrial development would you propose apart from the KIE method?

APPENDIX II, B.

Ranch/Farm title
NameC s)/Owner(s)/Main owner(s)/Ranch

Acreage

Year acquired

Status of the Ranch/Farm - Freehold

- Leasehold

Previous owner/holder - Government

Company (name it)....

Individual (name it)..

Method of acquisition - Purchase

Government allocation

County Council

Purchase Price

Lease Price

Lease Price

Other (Specify)

Contd.2/...

If purchased since independe. - :, indie » source of funds and the amount:

e.g. Personal savings Shs

AFC Loan Shs

ADC Loan Shs_

Bank Loan Shs

Other (Specify)

B.

1. Indicate amount obtained from AFC for "ivestock development Shs__

The year loan was obtained__

Amount for capital development Shs

Amount for working capital Shs

2. Describe in detail how capital funds v.— e used in terms of amount for:

Consultancy Shs

(Name of consultants)

Buildings Shs

Machinery Shs

Piping Shs__

Boreholes Shs

Other (specify) Shs........-

3. Indicate the type and source of main machinery (source - country from which it was imported) and value:

I

4. Describe **in detail** how wording capital funds were used, for exampl - **in** tern, of stock purchase employing worker 'number of workers and salaries), paying for other services (name them).

5. What services did the ranch get from the government departments, including:

   a) Veterinary Department

   b) Range Water division

   c) Range Management Division

   d) Livestock Marketing Division

6. Describe how **the** ranch buys its stock

7. Describe how the ranch sells its stock

Contd.4/

8. . What problems hns tr I^ : .^ch experienced since it was acquired?

9. What assistance do y u c;et from the local administration?

W

10. What other assistance would you wish to have from the Government?

11. . What happened to the people who lived in this farm before you acquired it?

b i b l i o g r a p h t

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B I B L I O G R A P 11 Y

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