THE KENYA ECONOMIC POSITION SINCE INDEPENDENCE

A COMPARATIVE STUDY

BY

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INTRODUCTION

This paper traces the Kenya economic development since independence. It critically looks at the economic indicators and compares them with other developing countries such as Korea and South Africa which were at the same economic level as Kenya in the 1960s.

HISTORICAL DEVELOPMENT

It is important to note that Kenya is a former British colony whose initial economy was an agricultural one designed to service the British industry. The cash crops initially grown in Kenya were for export to Britain and therefore agriculture for local consumption was not really developed. Consequently, the Kenyan manufacturing sector was not developed.

Shortly before independence, subsistence output in 1961 suffered from the disastrous weather conditions of that year which according to the 1962 economic survey “reduced production by as much as 40% in some parts of the country. In 1962 economic conditions returned to normal as is seen in the rise of over f13 million in the value of subsistence production (agriculture and livestock)! GDP rose by 2%: Gross product of livestock rose from f8.9 million to f9.3 million. Gross product in manufacturing, transport, trading and service industries was f89.5 million compared with f87.6 million a year earlier.”(1) The above increases in 1962 may seem minimal but the bad weather of 1961 had been partly the cause. Commerce benefitted from the increase in imports and exports. These led to improvement in infrastructure. This historical development shows that no matter how minimal the increases were, Kenya started off very well.
Soon after independence, the president could therefore say with confidence that Kenya would meet all her recurrent expenditure from her own resources... that foreign exchange and balance of payments positions had considerably improved... that there were numerous delegations and esquires about investment in Kenya in addition to the actual investments that had taken place.

At this particular time after independence, “small farmers increased the value of their gross marketed produce from f11.6 million in 1963 to f14 million in 1964, in an increase of 21 per cent. ...Primary School enrolment increased from 891,553 in 1963 to 1,028,000 in 1965 and secondary school education was vigorously being expanded. At this stage in economic terms, most things pointed towards rapid progress”(2).

The country would develop on the basis of the concepts and philosophy of Democratic African Socialism... having rejected both Western capitalism and Eastern Communism” thereby adopting a policy of positive non-alignment. It was declared that there would be Africanization of the economy itself. At this time, “Kenya was in a transition from a subsistence to a monetary economy, from an economic dependence to a more balanced growth, from a development of natural resource for others to a development of human and natural resources for the benefit of the people of Kenya. The best of Kenya’s African Social Heritage and colonial economic legacy must be reorganized and mobilized for a concerted, carefully planned attack on poverty, disease and the lack of education in order to achieve social justice, human dignity and economic welfare for all ”(3).
Given the paramount importance of ultimate objectives, African socialism must also confront and solve efficiently many immediate problems whose nature will change over time. In Kenya today, the pressing problems include “the rapid development of agricultural land, laying a basis for accelerated growth of industry, attracting capital domestically and from abroad while ensuring that it is used in a social desirable way, modifying the tax structure in the interests of equity and larger revenues, guarding foreign exchange reserves, … relieving unemployment, removing idleness reconciling pressures for expanding welfare schemes with the need to grow rapidly, and conserving our natural resources of land, water and forests”(4).

Kenya has not been without problems that have hindered its economy. Kenya has come through a series of economic crises:

- the oil price rises of the 1970s and the decline in Kenya’s terms of trade
- domestic inflation of the early 1980s
- the world recession of the 1980s and the

Kenya has coped with these crises … but the cost has been high: economic growth has slowed to the point where average incomes have barely risen.

In the 1980s economic short-term problems were under control. What remained was to focus ahead to determine what kind of an economy Kenya was going to have and how to get it. As stated in Economic Management for renewed growth 1986:
...this opportunity must be seized now, before the pressure of population growth overwhelms the economy’s capacity to produce and provide for its people. The urgent need is to renew economic growth in ways that will provide jobs for the growing labour force, prosperity for the mass of people in the rural areas, and equitable and widespread sharing of the benefits of growth, and a continuing provision of basic needs for all”(5).

To accommodate Kenya’s rising population, the country must do the following”

- have rapid economic growth - GDP of 5.6 per annum
- create jobs
- increase productivity in agriculture to feed the nation, raise rural incomes, and provide export revenues
- create widespread rural non-farm activities to provide jobs and better living standards
- have a dynamic informal sector that creates jobs at low cost and caters for the needs of the people at all income levels and
- have a restructured industry capable of employing more workers at high productivity and of creating export markets for Kenya’s manufacturers.

Kenya has found herself trapped in processes of democratization some of which have affected the country’s population adversely. An example here is the structural adjustment programmes which have been felt more by the country’s poor people, even though it is hoped that economy stands to improve.
ECONOMIC INDICATORS: KENYA, KOREA AND SOUTH AFRICA

The Korean economy took three years to adjust to the second oil shock, but by 1983 the most serious difficulties were past, inflation had been contained, the balance of payments gap had been significantly reduced and the growth momentum restored. In the eighties the revised fifth plan projected a growth rate averaging 7.5% that was between 1984 and 1986. At the same period in Kenya due to Government budgetary discipline and improved management principles, the growth rate achieved was 4.8 per cent and 5.5 per cent in 1985 and 1986 respectively from the 0.8 per cent growth rate experienced in 1984. In 1986, agriculture and manufacturing grew by 4.9 per cent and 5.8 per cent respectively. The improvement in growth rates at this time was due to good weather and the introduction of some elements of Structural Adjustment Programme published in Sessional Paper No. 1 of 1986.

In the 1970s Kenya's growth in GDP was averaging 6.5 per cent and in the late 1970s with the Coffee boom the growth rate in GDP averaged 8.2 per cent. This comparatively shows that both Kenya and Korea were performing almost at the same level, in other words Kenya had a chance of growing economically just at the same rate as Korea. It is therefore hard to find an excuse for Kenya's growth rate in GDP falling to a mere 4 per cent in the 1990s and worse still to a mere 0.4 in 1992. An explanation has been given as poor weather conditions, decline in real output and value added in agriculture, sluggish growth in aggregate private domestic demand and foreign exchange shortages leading to reduced imports of intermediate goods, and - due to the immediate suspension of donor aid. Below is the Kenya growth rates of real gross domestic product 1964-1992:
<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Manufacture</th>
<th>Government Service</th>
<th>Others</th>
<th>Total GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964-71</td>
<td>4.2</td>
<td>8.2</td>
<td>9.8</td>
<td>6.9</td>
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<td>12.8</td>
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<tr>
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<td>1983</td>
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<td>2.9</td>
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<tr>
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<td>1985</td>
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<tr>
<td>1987</td>
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<td>4.8</td>
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<tr>
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<td>5.8</td>
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<td>1989</td>
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<td>5.5</td>
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</tr>
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<td>2.4</td>
<td>6.0</td>
<td>0.4</td>
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</tbody>
</table>

**Source: Kenya Development Plan 1994-1996.**

Statistical information above shows that the manufacturing sector remained fairly stable growth wise although a steady decline is well marked during the 1980s. This may have been due to the 1979 oil crisis and the collapse of the East African Community.

"Economic growth of 7.5 % primed by a 10% average increase in export volume, remains the Macroeconomics Centerpiece of the Korean revised fifth plan. Most of the gains in exports are sought in the steady maturing of heavy industries such as steel, machinery and transport equipment, and the ability of subsectors like electronics to achieve a degree of technological competence sufficient to deepen their penetration of markets in the OECD countries. Industrial policies aimed at modernizing facilities, promoting innovation and enhancing
competitiveness by way of refinements in quality and a continuing growth in labour productivity, will be buttressed by measures assuring price stability and an adequate volume of domestic saving”(6).

Free trade and allocation of resources mediated by market forces is supposed to assure efficient use of resources, tends to maximize welfare and lead to full employment. This is what is lacking in Kenya today. The authorities have failed to ensure this, although one might say the informal sector through its own initiative has led to self employment creation and subsequent expansion. Employment in this sector grew from 4.9 % in 1987 to 7.1% in 1993. Informal sector in Kenya has potential to create more jobs but substantial effort has to be channelled towards its expansion and development. The sector should expand their markets through links with large firms, exploit export opportunities and entry into the service sectors. There is an attempt at this but it is still very minimal. The sector has the problem of having to improve on their service and products to compete favourably on the foreign market. Training should lead informal sector (Jua Kali) operators to be equipped with skills and knowledge in finance and accounting, management and debt management. Jua Kali managers will need training in general management, production management, marketing and public relations to help them operate better and effectively bargain for their products and their rights. Well researched information on the potential of women in the informal sector would enable Kenyan planners and decision makers to provide avenues of assistance through funding and giving technical advice to the informal sector projects. This is yet to be achieved. Otherwise, the informal sector in Kenya can be said to be buoyant, a near success story in the Kenyan economy as it now caters for 58% of the Kenyan labour force.
In Korea other engines of growth in industries and international trading circumstances are:

1. Demand management which magnifies the part played by the domestic market with the smallest balance of payments penalty. Demand switching can sustain domestic economy.

2. Measures which raise industrial productivity. Here, structural change which increases the share of the manufacturing sector can raise average productivity so also can investment in mechanization, better management, heightened motivation of the work force etc. The two most important for Korea were labour - management relations and research technology. As industry has moved up the ladder of sophistication, human skills and experience have gained in importance. In machinery, an experienced labour force is valuable(7).

By effective harnessing its abundant supply of skilled labour for the production of manufactured exports, Korea, in the 1960s, overcame its acute scarcity of natural resources and through successful trading, swept aside the Constrains which a smaller domestic market can impose on growth. The national product doubled between 1963 and 1971. It expanded a further 112% in the following 8 years, so that by 1979, the country had attained a per capita income of $1,662, putting it a long and prosperous distance from the $80.00 income level of 1963. In the early 1980 economic growth was affected by the second oil shock and a poor harvest, and the necessity of adjusting to the industrial capacity created by a highly ambitious investment programme.
In 1983 buoyant export markets pushed Korea’s economic growth to its former high levels. The GNP, drawn by a 17% increase in exports and the brisk pace of domestic investment, grew by over 9%, raising per capita income to US $1,850.00, and with merchandise exports in excess of US $23 billion - 1.27% of the world total - Korea became the 14th largest trading nation. Korea has been able to go beyond the very high standards of performance set down in the five year planning documents.

The new South Africa is a democratic country with multiple economic opportunities. The country is facing economic transition. The success of South Africa’s political transition, the confidence the Government is able to inspire in its policies and a number of economic factors have combined to bring about a swift increase in fixed investment. Kenya having been politically stable for a long time has had a chance to have more fixed investment all along since independence; unlike South Africa which had economic Sanctions imposed on it during the apartheid regime. Kenya having had a good time politically had every chance to progress economically.

After the UN repealed sanctions in 1993, the new South African Government installed in 1994 quickly reduced the level of political and economic uncertainty and gained the confidence of economic actors e.g. by “keeping the budget deficit in check and adopting a pragmatic attitude towards privatization. ... the rate of increase of consumer prices dropped in 1993 to a single-digit level for the first time in 19 years, and remained at that level in 1994 and 1995 despite weather-related fluctuations in food prices”. The financial rand was abolished in March 1995 after the discount had been significantly reduced and foreign exchange reserves had risen to $1.800 billion as of the end of February 1995, giving a further boost to confidence in the
Government's economic policy. In 1993 South African economy began to improve. GDP growth was first from agriculture and later became broad-based. See tables below. Exports to developing countries rose from 12% in 1989 to 26% during the first ten months of 1995.

**TABLE S**

**SOUTH AFRICA: SELECTED ECONOMIC INDICATORS, 1988-1995**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP growth</th>
<th>Consumer Prices</th>
<th>Total Investment</th>
<th>Public Authorities Investment</th>
<th>Public Corporations Investment</th>
<th>Private Sector Investment</th>
<th>Total Investment</th>
<th>Private Investment</th>
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<tbody>
<tr>
<td></td>
<td>(Annual % Change)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>4.2</td>
<td>12.7</td>
<td>12.6</td>
<td>-2.1</td>
<td>-6.4</td>
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<td>2.1</td>
<td>20.6</td>
<td>13.2</td>
</tr>
<tr>
<td>1990</td>
<td>-0.3</td>
<td>14.4</td>
<td>-2.3</td>
<td>-14.8</td>
<td>3.0</td>
<td>0.4</td>
<td>19.6</td>
<td>12.9</td>
</tr>
<tr>
<td>1991</td>
<td>-1.0</td>
<td>15.3</td>
<td>-7.4</td>
<td>-11.4</td>
<td>-10.4</td>
<td>-5.8</td>
<td>17.8</td>
<td>11.9</td>
</tr>
<tr>
<td>1992</td>
<td>-2.2</td>
<td>13.9</td>
<td>-5.3</td>
<td>-15.4</td>
<td>6.4</td>
<td>-2.4</td>
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<td>15.5</td>
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<td>1994</td>
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<td>9.0</td>
<td>8.7</td>
<td>-1.8</td>
<td>-2.1</td>
<td>13.3</td>
<td>16.0</td>
<td>11.7</td>
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<tr>
<td>1995</td>
<td>3.3</td>
<td>8.7</td>
<td>10.4</td>
<td>-8.3</td>
<td>15.2</td>
<td>13.3</td>
<td>16.9</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Source: UN World Economic and Social Survey 1996 p. 209.

**TABLE W**

**GROSS DOMESTIC PRODUCT AND NET MATERIAL PRODUCE**

Million National Currency

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya: Shilling</td>
<td>3515</td>
<td>3983</td>
<td>4466</td>
<td>5043</td>
<td>5874</td>
<td>6558</td>
<td>7551</td>
<td>8495</td>
<td>10033</td>
</tr>
<tr>
<td>Korea: Won</td>
<td>54443</td>
<td>63833</td>
<td>72644</td>
<td>80847</td>
<td>93426</td>
<td>10842</td>
<td>12796</td>
<td>14300</td>
<td>16970</td>
</tr>
<tr>
<td>Singapore: Dollar</td>
<td>32670</td>
<td>36733</td>
<td>40048</td>
<td>38923</td>
<td>38865</td>
<td>42662</td>
<td>49694</td>
<td>56235</td>
<td>62711</td>
</tr>
<tr>
<td>S.Africa: Rand</td>
<td>80531</td>
<td>91457</td>
<td>10722</td>
<td>12312</td>
<td>14313</td>
<td>16452</td>
<td>19791</td>
<td>23313</td>
<td>26381</td>
</tr>
<tr>
<td>Uganda: Shilling</td>
<td>3350</td>
<td>5178</td>
<td>8300</td>
<td>21502</td>
<td>55064</td>
<td>17444</td>
<td>49143</td>
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<td>Zimbabwe: Dollar</td>
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<td>7297</td>
<td>8376</td>
<td>9273</td>
<td>11005</td>
<td>13067</td>
<td>15174</td>
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</table>

Kenya seems to fit well in Taylor & Taylor’s summary which is as follows:-

“In transferring technology, installing infrastructure and introducing governance, movement has Invariably been in the same direction: North to South ....Progress has been equated with the historical experiences and attainments of the North. Such…was accompanied by the North’s attitude of superiority and arrogance. It led to political colonialism in the past and continues today with economic neocolonialism”(8).

As shown in the above historical development, Kenya had a chance to build a positive growing economy just like Korea or South Africa despite the limitations of natural resources but there has been a lack of proper planning and strict implementation of the available plans. There has been a lack of professionalism similar to that exercised by ESAMI and Ethiopian Airlines (two success stories in the near past). There has been total lack of discipline in conducting public affairs.

As the population explosion placed demands on Kenya’s economy through demand for more food, schools, health facilities, on the other hand those entrusted with economy are accused of misappropriation of funds - funds that could have gone to service the above demands and to construct a near decent infrastructure.

The daily newspaper stories and scandals of land grabbing by the big people and goldenbag scandals have all interfered with economic progress.

There has been the inevitable rural urban migration as the population increased and there has been an influx of refugees from Somalia, Ethiopia, Sudan, Rwanda, Uganda all crowding most
of the urban centres and mostly Nairobi. These people have stretched thin the economic provisions Kenya could afford to give especially in urban centres, although, on the other hand, with a stable growing economy that is regularly planned and without corruption, such a situation should not be blamed for the poor performance of an economy of a country.

In a Nairobi seminar for Central Bankers, the Governor of Central Bank of Kenya emphasized that institutions in Africa need high discipline in order to succeed. He called for settlement of judicial disputes which can drag economic progress. He said objectives of progressive Central Banks was to maintain price stability and manage a stable banking system. He called for greater autonomy to be given to Central Banks and that Central Banks should collaborate with all interested parties to fight corruption which has put a major brake on economic growth and given Africa a bad image. He recommended economic reforms and appealed to developed countries to open up their markets to Africa’s goods so that these economies can move away from aid dependency. (Weekly Review Oct 25 1996).

For Kenya to be at par with other better performing developing countries like Korea, South Africa and Zimbabwe, the Kenyan Government should stop running parastatals in order to save money for improvement of infrastructure. Parastatals which are draining government funds can run privately.

**STRATEGIES:** Government should ensure constant flow of water and electricity for better production in manufacturing. As it is now, production has been reduced due to rationing of electricity and water.
Maintenance of roads is essential for better communication and for transportation of goods from one point to another, and to the airport for export.

As it is, investment in an Eldoret airport will not be cost effective or in a bullets factory and the presidential jet is an economic drain that was uncalled for, political driven initiatives that are unfortunate and without economic explanation.

Rural-urban balance. For Kenya’s development, it is important not only that economic growth should accelerate, but that it should take place as vigorously in rural as in urban areas. Balanced development as a government policy is almost being achieved through District focus.

The cornerstone of rural—urban balance is a productive agriculture and livestock economy that provides growing incomes and employment for rural families. This requires increase in agriculture and livestock production for there to be much employment in the rural areas.

Urban population explosion has posed another problem, where will these people in towns work and where will they settle. By the year 2000, urban population will account for 10 million of Kenya's population over 25% of the population.

Kenya has tended to concentrate on monumental structures rather than use the few available facilities and develop a better output through hard work. Examples can be seen in the health sector where extra wards have been built in many parts of the country and yet the health services provided at such centres are minimal due to lack of drugs and even equipment such as Xray machines etc.
Another example is misplaced roads which don’t serve economic hinterlands. Good roads have been constructed in places where they are not very useful; and yet the more useful road have been left potholled and in a pathetic state of repair thereby ruining vehicles and causing accidents. The country ends up losing its educated manpower on these roads. The idea should be to maintain the few available, economically useful roads rather than expand on constructions of new roads which don’t tap any economically viable products.

CONCLUSION

In India, the question of poverty and disability is quite pronounced in some areas. These two are closely related. While disability causes poverty, in a country with mass poverty it is also possible that poverty causes disability. The mechanisms are malnutrition, exposure to disabling disease, inadequate access to adequate preventative and curative health care, and an enhanced risk of occupation-related accident among the poor. “The relationship between poverty (economic disability), “weakness” (social disability) and medicalized disability result in a condition of simultaneous deprivation. This syndrome sets up barriers to the participation of all types of disabled people thereby putting them economically below the poverty line.” (Harris-White 199).

Disability causes poverty, it affects both the non-poor as well as the poor and the social and economic costs of a given disability will differ according to social and economic status. This Indian situation is not unique. Least developed countries, Kenya included can be said to fall under the same category because they have part of the population which is below poverty line. They have a disability. It is however society which is disabling rather than people who are
disabled. Development means social change which weakens forces disabling people, households and classes.

For economic advancement in Kenya, there is need for a well trained and disciplined bureaucracy which can effectively plan, implement and produce. There is need for that which is result oriented, need for effective professionalism and finally political will. There is need for manpower such as that heading Kenya Airways, Kenya Ports Authority and the Progressive Banks and NGOs which turn out millions in profits.

Repayment of World Bank loans have left the ordinary Kenyans poorer than ever before. There are hardly any jobs both in the public and private sector, although this could be attributed to population explosion which found a ground with poor planning in both Education, Health and Communication.

There is hardly any marketing of commodities due to poor infrastructure. The top down planning by the World Bank has not helped the situation. Those at the top plan for villagers whose problems they do not fully understand or maybe they do not care about. Corruption is at the top, not with the masses who are economically handicapped. In most third World countries plans are formulated but never implemented. What with the developed countries creating jobs for themselves: they bring machinery to the developing countries like Kenya plus spare parts but they also bring their experts to handle these machines. As it is then, developing countries like Kenya continue to have a tendency of neocolonialism which basically is aimed at economic exploitation and the vicious circle begin again.
In 1995 most developing countries experienced strong economic growth with their aggregate GDP increasing by over 5 per cent. Investment and exports were the main sources of growth. The high growth rate reflects the performance of South and East Asia and China, which currently originate about 50 per cent of the output of developing countries as a whole. In Africa output growth was equal to population growth in 1995. Since 1994 there has been a continuation of declining inflation in the developing countries.

In 1996 economic recovery is expected to emerge in Latin America and significant economic growth is foreseen in Africa. For Africa 1996 will mark the first increase in per capita income since the mid 1980s. With economic conditions improving in a large numbers of least developed countries in Africa, Kenya included, the average rate of growth of GDP in the least developed countries as a whole is forecast to reach 4.75 per cent in 1996.

By the year 2000, Kenya will have a population of about 35 million. That population will include a work force of 14 million creating the necessity to double the number of jobs in

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**TABLE Z**

**Developing Countries: Rates of Growth of GDP 1981-1996**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Korea</td>
<td>8.7</td>
<td>5.1</td>
<td>5.8</td>
<td>8.4</td>
<td>9.0</td>
<td>7.25</td>
</tr>
<tr>
<td>S. Africa</td>
<td>1.3</td>
<td>-2.2</td>
<td>1.3</td>
<td>2.7</td>
<td>3.3</td>
<td>4.0</td>
</tr>
<tr>
<td>India</td>
<td>5.0</td>
<td>4.0</td>
<td>3.9</td>
<td>5.4</td>
<td>6.2</td>
<td>6.0</td>
</tr>
<tr>
<td>China</td>
<td>8.9</td>
<td>13.2</td>
<td>13.4</td>
<td>11.8</td>
<td>10.2</td>
<td>9.0</td>
</tr>
<tr>
<td>Kenya</td>
<td>-2.1</td>
<td>-3.5</td>
<td>0.9</td>
<td>5.8</td>
<td>-0.1</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: World Economic and Social Survey 1996. UN
Kenya. This is practically not possible but the hope is in the informal sector as mentioned elsewhere in this paper.

Boutros Boutros-Ghali says:

"Low rates of economic growth and recession still afflict too many economies and, in too many places, unemployment and poverty rates remain inordinately high. Moreover, we live with the continuing social and economic dislocation of violent conflict, civil strife and war. He also says to overcome these problems peace and prosperity are essential and to achieve these two investment must be implemented. Investment raises productivity and income, it embodies development and economic transition; it is a central element in post-conflict peace-building. (UN World Economic and Social Survey 1996).

The characteristic response to economic crisis and insecurity by groups has been to pursue multiple survival strategies. Farmers, workers, state employees, informal sector operators - even some professional academic personnel - have sought to counter declining and insecure incomes through diversification of their economic activities. "This leaves a people who do not concentrate on their jobs as they are busy trying to survive by looking for other jobs elsewhere. The result is poor performance, poor production, neglect of their jobs and hence poor economy for those hired in economically viable projects. As stated by Dharam Ghai, "The economic crisis and the livelihood strategies adopted by difference groups have had four consequences which are relevant for this inquiry: Economic polarization, multiple social identities, truncated modernization and stalemate in the configuration of political power."
These in turn have contributed to social tension; divided loyalties; erosion of work place identities; loss of legitimacy for the state; search for security in religious, traditional and ethnic movements; and lack of a broad alliance of political forces behind economic reform" (9). (Bangura 1994).

The institutional reforms that have been attempted - retrenchment of state activities, privatization of enterprises and encouragement of NGOs - have had limited success in restoring growth, arresting social conflicts and promoting political stability.

The economic crisis is very complex as it has affected all strata and sectors of society and has been compounded, in some cases, by civil strife and environmental pressures.
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