

**INTEREST GROUPS IN THE GOVERNMENTAL PROCESS. THE  
CASE OF THE KENYA NATIONAL CHAMBER OF COMMERCE  
AND INDUSTRY.**

THIS THESIS HAS BEEN ACCEPTED FOR  
THE DEGREE OF **BY M.A. 1991**  
AND A COPY MAY BE PLACED IN THE  
UNIVERSITY LIBRARY.

**TORORI, OBINO CLEOPHAS**

Thesis submitted in partial fulfilment of the requirements for the award of the  
degree of Master of Arts in Government.

*Faculty of Arts  
Department of Government  
University of Nairobi*  
1991

UNIVERSITY OF NAIROBI LIBRARY



0101372 1

**DECLARATION**

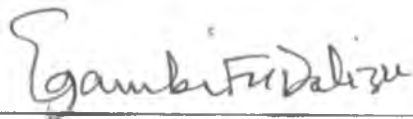
I, TORORI CLEOPHAS OBINO, hereby declare that this Thesis is my original work and has not been presented for a degree in any other University.



---

TORORI CLEOPHAS OBINO

This Thesis has been submitted for examination with my approval as University Supervisor.



---

DR. EGAMBI DALIZU

DEDICATION

TO

MUMMY AND DADDY

## Acknowledgements

There are a number of persons who helped me profusely in the compilation of this piece of work and to whom I owe my most sincere thanks.

First of all, my appreciation goes, to my supervisor, Dr. Egambi Dalizu, for his untiring guidance, direction and useful suggestions that went along way into making this Thesis what it is now. I am also indebted to Dr. Njuguna Ng'ethe, my initial supervisor, for his guidance in formulating the problem.

Special thanks also go to Edward Matianyi Sungura who spent sleepless nights in entering and subsequently printing the first Draft, assisted by Jane Mbulwa. The editing and printing of the final edition was done by Mrs. Edith Mary Dima, to whom I owe special thanks.

I also wish to thank colleagues who made suggestions and criticisms that were very useful to the writing of the Thesis. Ludeki Chweya deserves special mention in this regard.

Lastly, I wish to thank the University of Nairobi for having provided me with the Scholarship for undertaking my postgraduate studies.

However, all errors in this Thesis are to be taken as entirely my own and need not be attributed to any of the persons named above.

## Table of Contents

	Page
Abstract	(v)
List of Abbreviations	(vi)
List of Tables	(vii)
 <u>Chapter One. Introduction</u>	
1.1	Statement of the Problem 1-6
1.2	Research Objectives 6-7
1.3	Justification 7-8
1.4	Literature Review 8-27
1.5	Theoretical Framework 27-34
1.6	Definitions of Key Concepts 34-38
1.7	Hypotheses 38
1.8	Methodology 39-43
	Footnotes 44-54
 <u>Chapter Two.</u>	
	<u>Kenya: The Policy-making Process</u> 55
2.1	Policy-making at Local Level 55-61
2.2	Central Administration Policy-making 61-69
2.3	Legislative and Executive Level Policy-making 69-76
2.4	Role of the State in the Policy-making Process 76-80
2.5	Conclusion 80-82
	Footnotes 83-88
 <u>Chapter Three</u>	
	<u>KNCCI: Origins and Development</u> 8 -95
3.1	<b>CHAMBER COMMITTEES</b>
3.1.1	The Communications Committee 95
3.1.2	The Fairs and Exhibition Committee 96
3.1.3	Export Promotion Committee 96
3.1.4	Manufacturers Committee 97
3.1.5	Membership Committee 98
3.1.6	Legislation and Local Authorities Committee 98
3.1.7	The Economic and Development Committee 98
3.1.8	Finance Committee 99
3.1.9	The Retailers Committee 99
3.1.10	The Wholesale and Distribution Committee 99-100
3.1.11	The Education and Training Committee 100
3.2	<b>CHAMBER SECTIONS</b> 100
3.2.1	The Hardware Section 100
3.2.2	Petrol Station Dealers 101
3.2.3	Motor Spares Section 101
3.3.	THE CHAMBER ARBITRATION TRIBUNAL AND OTHER ISSUES 101-106

<u>Contd. Table of Contents</u>	<u>Page</u>
3.4 Chambers Sources of Income	106-109
KAM's Activities	109-116
3.5 Development and Role of Interests Outside Business. KNF	116-124
3.6 Conclusion	124-125
Footnotes	126-130

#### Chapter Four

##### The Representative Role of the Chamber 131

4.1 Chamber's Representativeness	132-144
4.2 Chamber's Role on Specific Issues	144-149
4.2.1 Export Compensation	149-151
4.2.2 Import Licensing	151-153
4.2.3 Local Authority Fees, Charges and Rates	153-156
4.2.4 Africanisation and Distribution	156-164
4.2.5 Interest Rates and Taxation	164-165
4.3 Internal Organisational Problems and their Influence on the Chamber's Role	165-178
4.4 Conclusion	178-179
Footnotes	180-186

#### Chapter Five

##### Government Response to Chamber Representation 187

5.1 Government Policy on Commerce and Industry	188-195
5.2 Government View of the major Business Interest Groups: KNCCI and KAM	196-203
5.3 Government Response to Specific Demands	203-212
5.4 Conclusion	213
Footnotes	214-217

#### Chapter Six

##### Summary, Conclusion and Recommendations

6.1 Summary and Conclusions	218-222
6.2 Recommendations	222-230
Footnotes	231

Bibliography	232-237
--------------	---------

Appendix A: Questionnaire for Chamber Members

Appendix B: Questionnaire for Chamber Officials

## Abstract

This study is designed to analyse and assess the role of interest groups in policy formulation. The assumption is that the outcome of the activities of interest groups (defined as groups which seek to influence government policy without taking part in actual governing) are meaningful for the understanding of the governmental process. The study is also based on the belief that any changes that may take place through the activities of interest groups is heavily dependent on the nature of the policy-making process. In this case, the general policy-making framework is addressed.

The study has adopted a case-study approach and examines the activities of the Kenya National Chamber of Commerce and Industry (KNCCI), the largest business association in Kenya. A field survey was conducted among carefully sampled members of the Chamber drawn from different categories of business. It was done in Nairobi.

The main findings are that the Chamber has not been able to realize fully its objectives as set out in its Memorandum and Articles of Association. The main explanation is that there has been some perceived inability on the part of its leadership to articulate its demands fully with the interests of its members at heart. Sometimes, internal divisions have come to bear on its activities, thus hampering its objectives. The overall assessment is that it has registered few successes but has exhibited weaknesses in crucial areas.

With regard to the policy-process, it has been shown that there is profound prejudice against corporate politics with provisions only for the organisation of opinion by interest groups.

The recommendations that this Thesis makes are that the Chamber needs to re-organise itself and streamline its activities. It should avoid situations of wrangles and intra-group fightings which are harmful for an organisation whose objectives are so crucial for the entire business community, ranging from the large industrial concerns to the one-man shop. On its part, the government needs to re-examine its policy stance vis-a-vis groups with a view to allowing more participation by them in policy formulation. The activities of interest groups should be seen as contributory to the whole fabric of policy-making.

## LIST OF ABBREVIATIONS

ACTS	African Centre for Technology Studies.
A. E. A. I	Association of East African Industries.
D. I. T	Directorate of Industrial Training.
D. F. C. K	Development Finance Company of Kenya.
F. O. B	Free on Board.
G. M. R.	Guaranteed Minimum Returns.
I. D. B.	Industrial Development Bank.
I. P. A. C.	Investment Promotion and Advisory Centre.
I. C. D. C.	Industrial and Commercial Development Corporation.
J. I. C. C. C.	Joint Industrial and Commercial Consultative Committee.
J. L. B.	Joint Loan Board.
K. A. M.	Kenya Association of Manufacturers.
K. E. T. A	Kenya External Trade Authority.
KENCEN	Kenya Cement Company.
K-REP	Kenya Rural Enterprise Programme.
K-MAP	Kenya Management Assistance Programme.
K-IEMP	Kenya Industrial Energy Management Programme.
KISMA	Kenya Industrial Scrap Metal Association.
KNAS	Kenya National Academy of Science.
KIRDI	Kenya Industrial and Research Institute.
KNCCI	Kenya National Chamber of Commerce and Industry.
K. C. A	Kenya Consumers Association.
KNFU	Kenya National Farmers Union.
K. C. B	Kenya Commercial Bank.
KIBT	Kenya Institute of Business Training.
KNIC	Kenya National Trading Corporation.
L. S. K	Law Society of Kenya.
MUB	Manufacture Under Bond.
NCCK	National Council of Churches of Kenya.
UNIDO	United Nations Industrial Development Organisation
UNCTAD	United Nations Centre of Trade and Development.
UNEP	United Nations Environmental Program.
USAID	United States Agency for International Development
WHO	World Health Organisation.



## List of Tables

	Page	
3.1	Membership Growth in the Chamber 1977-81	104
3.2	Account for the year ended on 31st December, 1984	107
3.3(a)	Cost Increases of Commodities	119
3.3(b)	Price Variations of Commodities	119
4.1	Distribution of Chamber Members	133
4.2	Membership in Nairobi between 1975-76	134
4.3	Latest Potential Membership in Nairobi	136
4.4	Consultation of the Chamber by Members 1987-88	137
4.5	Relationship between Attendance of Chamber Functions and Member Commitment	140
4.6	Attendance of Chamber Functions correlated with Commitment	141
4.7	Attendance of Chamber Functions correlated with Commitment	141
4.8	Attendance of Chamber Functions correlated with Commitment	142
4.9	Members' Assessment of Chamber Performance	145
4.10	Frequency of Member - Chamber Interactions	147
4.11	Members' Perception of the Role of the Chamber	163
4.12	Extent to which Government Policy Caters for Business Interests.	176

# CHAPTER ONE

## INTRODUCTION

1.1

### STATEMENT OF THE PROBLEM

For close to ninety years now it has generally been accepted that one way to understand the process of government is by studying the activities of groups, especially organised interest groups. Thus the phenomenon of interest articulation through interest groups is not new. However its academic study has received very little attention in developing countries. In the western countries, the activities of interest groups has been the concern of scholars and policy makers for a long time.' Yet, it is clear that this phenomenon permeates all societies, developed and developing.

In Britain and the United States, public policies reinforce the tendency of government and group structures to produce negotiation as the dominant form of decision-making. In the United States, interest groups have participated actively in politics since independence in the late 18th century until they have come to be viewed as intrinsic to the political system. They are fully recognized as participants in the decision-making process. The deeply established constitutional attitudes do not prejudice against the organization of interest groups. Among these attitudes, two are of particular significance. First, there is a widespread belief that technical experts have some singular competence even in regard to the social policies and administrative forms related to their fields which politicians do not

possess. Secondly, social attitudes and a conception of society as consisting primarily not of individuals, but of sub-societies and groups is not uncommon.<sup>2</sup>

In developing countries, especially in Africa, it is difficult to find intense interest group activity because basic political questions have not been solved and also because the vast majority of criss-crossing of groups existing in more advanced societies do not exist. At the same time, political consensus and social differentiation have not been attained. Nevertheless, it is important to note that in every political system, developed or developing, political choices regarding broad policy decisions have to be made. In making and enforcing these decisions, all political systems have some way of articulating, aggregating and communicating demands and translating them into policy. Since interest groups have a role to play in this process, it is necessary to collect and analyse data on the activities of groups in developing political systems as well.

Kenya is not blessed with many effective interest groups. There are, however, a few interest groups whose activities and influences may illuminate the general arguments of interest group politics. Some fruitful investigations have been done on the activities of the trade union movement. This is probably due to the unions' past history of militancy.<sup>3</sup> The labour movement played a very active role during the nationalist struggle. A number of studies have also been undertaken on electoral behaviour with particular reference to party politics.<sup>4</sup> Case studies of interest groups such as associations of commerce,

manufacturers, farmers and employers are rare. This is not to suggest that their influence in the Kenyan political process is in any way peripheral. In fact they may be playing a very significant role in determining the outcome of policy decisions. Yet little is known of how they go about articulating their interests. Neither is there adequate knowledge of what determines their mode of operation and the principal channels and means through which they act on government and its organs.

Besides, we want to argue that the heart of government is public policy and its life blood is policy-making. Interest groups have operated in Kenya since independence and one is tempted to believe that they have now assumed the role of shaping policy by seeking to influence the basic premises underlying policy-decisions. Unfortunately, and this constitutes a problem of research interest, this important role does not seem to have been performed or if performed, it has not been appreciated by policy-makers to become apparent. Whatever the situation is, the reasons for that is quite intriguing and has prompted this study to be undertaken.

In an attempt to address ourselves to this discrepancy, several questions arise: what forms do the articulation of interests take? How are these interests transmitted to the political and government structure and translated into choices of personnel and public policy? Under what circumstances do interest groups make some conscious attempt to influence the government? What method(s) do they use to do this? Finally, to what extent and in what form do governmental

activities and decisions result from organised group activity? In other words, to what extent does the government change its behaviour or action in response to some influence attempt on the part of interest groups? These questions can be answered only through empirical investigation of group activities in Kenya to establish the factors, in the group structure and functioning, that motivate or constrain their activities as they bear on government.

The main case study with which this study is concerned, the Kenya National Chamber of Commerce and Industry (K N C C I), has its history dating back to 1965 when President Kenyatta decided to unite the chambers existing before then which were organized along the various ethnic, racial or regional interests. The Mombasa Chamber of Commerce, for example, served businessmen at the coast while the Nairobi African Chamber of Commerce and Nairobi Asian Chamber of Commerce served the interests of the Africans and Asians in Nairobi respectively. Therefore, K N C C I was a merger of the former European, Asian and African Chambers of Commerce and Industry that the country inherited at independence in 1963. The general feeling was that the activities of these chambers contradicted the new government policy of nation-building.

K N C C I was formed with the main objective of protecting and promoting the interests of the business community by responding to the various government measures as they affected business interests. Over the years, however, it has been noted that the Chamber has failed to realize this objective. The fact that it has continued to raise

complaints and voiced concern over the same issues year after year is reason enough to doubt its effectiveness. We are left to conclude that it has not lived up to its stated goals. For instance, issues like export compensation, import licensing, commodity prices, local authority rates, fees and charges, have been on its annual agenda almost since its inception to date. Sometimes what seems to be normal government policy adjustment that by its nature is favourable to the business community is capitalised upon by Chamber officials arguing that this is a result of their lobbying. For instance, in 1978, after considerable lobbying, the Chamber claimed to have convinced the government to institute a system of export compensation which was placed at 20%. However, the whole scheme was scrapped in 1982. Though it was later re-instated, it was not to the satisfaction of exporters.

What is infact more intriguing about the Chamber is the fact that it fails in some instances and succeeds in others. It is given a hearing in certain times and on certain issues but denied the same at other times. This makes it appear as a successful pressure group on one hand and an ineffective voice on the other. This makes it lack a consistent posture. The overall point, however, is that it has been able to realize only minimal successes. This anomaly constitutes a problem worth investigation. Why has the Chamber seemed to deviate from its expected purposes? Could it be that internal structural dynamics are responsible for this or is it the nature and functioning of the Kenyan political system? This is a problem that calls for an in-depth empirical investigation into the activities of interest

groups in Kenya in general and the Chamber in particular in order to establish the role the latter play within the policy framework. Apart from the chamber of commerce, other groups might have a bearing on policy. They might also help to explain the uniqueness or otherwise of the Chamber in the articulation of its interests. As such two other groups will be studied alongside the Chamber. These are: The Kenya Association of Manufacturers (K.A.M.); and the Kenya National Farmers Union (K.N.F.U). Besides providing a comparative analysis, these two organisations also play an important role in the economy and represent quite formidable interests. They operate on somewhat similar lines with the Chamber. Their choice therefore was based on these considerations.

## 1.2 RESEARCH OBJECTIVES

The overall objective or purpose of this study will be to investigate and assess the role interest groups play in influencing public policy with emphasis on their effectiveness or non-effectiveness.

### 1.2.1 Specific Objectives

1. To investigate and assess the role of the K N C C I in influencing public policy. This will entail analysis of such factors as leadership, membership(s), organisation and intra-group relations. Two other groups will be studied in order to

determine whether there is any inter-group canvassing and also whether the Chamber is similar to or unique from other groups. The two are K.A.M. and K.N.F.U.

2. To identify certain policies of the state and assess the extent to which they facilitate or hinder group objectives, interests and activities.
3. To investigate the nature and structure of interest groups and assess how this encourages, balances or limits their activities.
4. Finally to determine the direction of interest group influences and assess the kind of responses obtained.

### 1.3 JUSTIFICATION OF THE STUDY

The proposed study will be a step towards enriching our understanding of the role of interest groups in policy formulation in a third world context. Very little attention in Africa, in general and in Kenya in particular, has been devoted to demonstrating the roots of interest group system in the social structure and to exploring the implications of social change on interest group organisation, membership and internal dynamics. Focus on interest groups is also an attempt to shift from the previous emphasis placed on more formal institutions of government such as legislatures, and the executive. It must be



pointed out also, following Almond, that the kinds of interest groups present in a Society, the specificity or diffuseness of their demands, their conception of the political arena and the rules of the game, the ethos which they bring with them into the political process are the raw materials of politics.<sup>5</sup> A systematic examination of interest groups then, in their complex interrelations and their relations with the government will enable us to get a systematic conception of the political process as a whole.

It is hoped that our case studies will reveal the role of the interest groups in the governmental process. Case study method can be a logical way to begin since we can get a clearer picture of what constitutes an interest group and how it goes about securing its interests given the political conditions at a particular place at a particular time. Case studies add something to the foundation of knowledge. They show something new amidst varying circumstances and how variables handled in abstract models and theories are in practice embedded in human situations.<sup>6</sup> The study is likely to serve as a reference material for both students and policy makers and form a basis for further research in this field.

#### 1.4 LITERATURE REVIEW

The study of interest groups is a comparatively recent one, dating from Arthur F. Bentley's The Process of Government, published in 1908. Two developments in the field of politics gave rise to an interest in

the study of interest groups. One was the new pluralist conception of society which, to some extent, replaced the idea of the individual citizen faced with the monolithic sovereign state. The pluralist theory posits the existence of a series of mediating groups between state and citizen. Some of these groups are well organised while others are not. The groups compete with each other in trying to influence government. In this competition, no one group or coalition dominates across all issues. One group countervails or neutralizes another.

Out of this open competition, the will of the people emerges and ensures democracy as all people can participate, share resources and take part in decision making by bargaining and compromise. This is what the theory of 'Countervailing force' is all about.<sup>7</sup> The other development was the growth of big business and big labour. The large corporations which emerged in some cases seemed to rival the power of the state. This development thus meant that besides the state, there were other important groups whose actions had to be taken into account in policy formulation and implementation. Such big corporations came to be viewed, as it were, as the intrinsic government.<sup>8</sup> But much of the theorizing about interest groups can be looked at under the following themes:

1. Origins and Development of interest groups.
2. Their organisation.
3. Methods or tactics of group influence.

4. Governmental responses to group demands.
5. Group impact on policy.

#### 1.4.1 Origins and Development of Interest Groups.

The importance of interest groups in the development of states was recognized by the great thinkers of the classical era.<sup>9</sup> Modern historians also recognized the importance of the activities of interest groups. Robert MacIver, writing in 1932, for example held that the rise of interest groups could be attributed to the clash of interests and the conjecture of conditions favouring one side and disadvantaging another.<sup>10</sup> This view is by its own nature quite limiting since it only views the rise of interest groups as being the result of clash of interests. Another view that comes close to this one is attributed to Mills and Montgomery. According to these authors, the origins of labour can be traced to the specialization or differentiation of function, making the worker only a producer and not an owner and seller of his product. This state of affairs led to the development of attitudes and interests that were peculiar to each.<sup>11</sup> This can be said to constitute a marxian conception of the origins of interest groups.

The origins of interest groups has also been attributed to the growth and differentiation of society. Because of this, a person's life became more segmented between the various differentiated structures. One outcome of this process was the emergency of a great number of secondary structures or associations. Some of these associations attempted to exert influence on the government, thus assuming the characteristics of interest groups.<sup>12</sup> David Truman, credited with an outstanding investigation into the activities of interest groups in America in the middle of the 20th Century, holds that as society becomes more complex and specialised, it will tend to form additional associations. As these associations grow more complex, that is to say, as highly differentiated and institutionalised groups increase in number, societies evolve even greater numbers of associations. These associations come to be interested in the way policy is formulated and implemented.<sup>13</sup>

Group interests is therefore a phenomenon that has come to characterise the American government. The earliest testimony to Group politics in America is Essay number 10 of the Federalist papers, which contains James Madison's classic statement of the impact of divergent groups upon government and the reasons for their development. Madison himself held that the most common source of faction, which he detested, was the various and unequal distributions of property. Because of this, there resulted landed interests, manufacturing interests, mercantile interests and distribution interests.<sup>14</sup>

Madison therefore concurs with the earlier authors reviewed and his views are similar to the Marxian concept of class except he only substitutes 'interest' for 'class'. In our view, 'class' and 'interest' are very similar; people who belong to the same class have similar interests which they strive to defend vis-a-vis other interests or classes. After the publication of the Federalist Papers, and especially number 10, scholars became more interested in addressing themselves to the activities of interest groups which had become a striking feature of American politics. One such author was Alexis De Tocqueville, who having recognized the increasing role of interest groups at the turn of the 19th Century pointed out that they were now operating sometimes parallel to and sometimes upon the institutions of government.<sup>15</sup> For him, their emergence had become inevitable considering the differentiation in the American society. Bentley, the pioneer of group theory observed that groups had become part of the American political process.<sup>16</sup>

The pluralist school of political philosophers influenced by this new trend produced some brilliant insights concerning the group basis of society.<sup>17</sup> They recognized multiple patterns of groups affiliations and also noted the fundamental and inevitable character of economic and political action on behalf of group interests.

The idea of groups basis of society which is central among pluralists is seen as vital when considering who gets what, when and how in society. The answer is that it is the group which has an advantage

over others because of its control over important societal resources. Pluralists are thus credited with understanding these issues especially in their political and economic interpretations.<sup>18</sup> David Nicholls, a pluralist during the beginning of the 20th century, points out that pluralism was basically a reaction against theories which tended to ignore the important role played by groups in the political process.<sup>19</sup> Other scholars who view the origins of interest groups as having been the rise and development of pluralism include Alfred De Grazia who sees interest groups as instruments of pluralism and an alternative to the program of centrism in ideology and government.<sup>20</sup>

According to Mancur Olson, pluralism is a political philosophy which argues that private associations of all kinds and especially labour unions, churches, and co-operatives should have a large constitutional role to play in society and that the state should not have an unlimited control over the plurality of these private associations.<sup>21</sup> Alan R. Ball, on his part argues that it is the competing group interactions that determines the outcome of many political conflicts and thus providing wider avenues of political participation and also ensuring a wider distribution of power. The state, according to this pluralist argument, is widely regarded as neutral, holding the ring for the contending groups but sometimes intervening on the behalf of the weaker and therefore less privileged groups.<sup>22</sup>

In the Federal Republic of Germany, due to the more democratization of the political system after the second world war, interest groups

emerged and gained importance.<sup>23</sup> They now form an integral part of policy formulation. The most important interest group in Germany today is the labour movement. The reasons for their emergence is somewhat similar to the American situation already reviewed and basically hinge around social differentiation and specialization of functions. In Japan, the quick development and systematization of the political system after second world war necessitated attention to the activities of interest groups.<sup>24</sup>

James Coleman, in addressing himself to the activities of interest groups in Sub-saharan Africa, holds that the European colonialism and westernization initiated and fostered a process of social and economic change which led to the rise of new social and political groupings. He notes, however, that interests based on race, tribe and nationality and in some instances region were the first to manifest themselves in contemporary Africa.<sup>25</sup>

#### 1.4.1 Organisation

The issue of how interest groups are organised is important since this determines their ability to realize their objectives. Truman alludes to this point in his book The Governmental process, when he says that a group's formal organisation is essential to the understanding of its internal functioning.<sup>26</sup> Interest groups are organised variously. Dowse and Hughes deal with the issue of organisation, distinguishing interest groups on the basis of type. They hold that interest groups

may be organised in terms of goal characteristics. In this case, there are protective and promotional groups. The former is organised to defend a section of society, while the latter is intended to promote a cause. Interest groups may also be organised along an issue or along clients. These are called issue-oriented and clientele-oriented groups respectively.<sup>27</sup> The author, however, points out that there is no clear-cut line between these organisational types. An interest group may assume one posture at one time and change to another at another time. For example a group like the 'Maendeleo ya Wanawake' is designed to promote the cause of women. It also strives to defend or protect the same people, and this makes it appear protective and promotional at the same time.

Gabriel Almond has attempted to formulate an organisational structure of interest groups in Politics of Developing areas. In the analysis of what he calls 'Structures of interest articulation', he distinguishes four organisational types: institutional interest groups, associational interest groups, anomic interest groups and non-associational interest groups. He describes each but points out that the associational interest groups are the specialised structures of interest articulation. Business organisations, unions, industrial organisations, civic and religious groups all fall in this category.<sup>28</sup>

On his part, Truman points out that associational interest groups, because of their generic function and their great numbers, are of major concern in the examination of interest groups.<sup>29</sup> Nwabuzor and



Mueller, on the other hand hold that associational interest groups' major purpose is to transmit the explicit needs of a certain group to the government. In this well documented book, the authors add that their organisation gives them a distinct advantage over other types which are loosely organised. They conclude that it is the associational interest groups to which most scholars refer when they discuss interest groups in general.<sup>30</sup> They exhibit an explicit organisational structure which has drawn interest from scholars.

In America and Great Britain, associational interest groups hold the centre stage and especially the great economic interest groups which are normally the big three of business, labour and agriculture.<sup>31</sup> They have tended to relegate other non-associational and institutional groups into a state of oblivion. They are the ones having the most important and decisive influence on policy and governments have come to recognize this role. It is on this basis that Almond and Powell have come to believe that associational interest groups tend to regulate the development and functioning of other interest groups.<sup>32</sup>

Interest groups are organised in a way that within the structure, there is usually the existence of an active minority. This minority has been identified by such terms as 'Oligarchy' or 'Old guard'. Note for example Robert Michels's 'Iron law of oligarchy' according to which a minority within a group always leads the affairs of the entire group.<sup>33</sup> This is true in all organisations irrespective of their size or social standing. The minority takes advantage of their positions to control the resources of the group in most cases to the

disadvantage of the less active majority. Another scholar who concurs with this view is James Bryce. He holds that in all assemblies and organised groups of men, direction and decisions rest in the hands of a small percentage, less and less in proportion to the larger and larger size of the body.<sup>34</sup> But the author did not consider that for the smooth running of any organisation, leadership must be vested in a few hands to whom the majority must comply. Therefore it maybe he healthy organisational tactic which does not necessarily have to work to the disadvantage of the entire group.

#### 1.4.3 Group Tactics of Influence

It is generally agreed that power dictates how groups present their demands to governments. Their goal is to influence power holders. Alan Ball, in discussing the determinants of interest group methods or tactics of influence, identifies five factors: politico-institutional structure; the nature of the party system; the political culture; the nature of the issue at hand and the nature of the group.<sup>35</sup> Throughout his discussion, Ball had in mind a mature and developed political system where institutional structures are quite clearly defined. This is also where there is healthy contest between political parties, a clear ideology, where political culture is dominated by participants and where groups themselves have clear aims and objectives.

Ball thus was talking of a situation that obtains in the advanced western countries but which is not true in developing countries where the opposite is true: Institutions have not developed; Parties have no ideologies; political culture is still lowly with people bordering on parochialism and with groups with no clear aims and objectives. It is important to fill this gap by assessing the role and tactics of groups in such settings. Beer points out that pressure groups exert their major influence at the administrative level which includes both ministerial and official contacts. American interest groups on the other hand, by and large, concentrate on the legislature and the electorate.<sup>36</sup>

With respect to developing countries, Dowse and Hughes argue that an important structural location of interest is the organisation of the state itself which may be the major employer of skilled manpower. Since the state is more important as a source of career, economic opportunity and status than any private sector, it follows that access to the state's decision-making authority is crucial. These scholars conclude that those outside the state necessarily organize themselves in order to obtain access and those inside tend to use the state's apparatus to their own advantage.<sup>37</sup> However, because of the insufficient knowledge about the developing countries, the authors fail to identify other tactics interest groups use to try and influence public policy. While it is true that the state is important, it would have been important to identify other points where groups attempt to penetrate, like individual personalities and even the executive.

Henry Turner believes that interest groups employ procedures or methods which will effectively promote their aims. They attempt to exert influence on every phase of the political process. They endeavour to influence their own members and other groups; urge the political parties to endorse favoured policy; lobby for the selection of friendly officials and attempt to secure favourable decisions from executives, legislators and judicial officials. Turner concludes that the techniques and tactics which any particular group employs will be determined largely by such factors as size, geographical distribution of membership, cohesion of membership, financial resources, prestige, degree of organisation, quality of leadership, relations with political parties and with other organised groups.<sup>30</sup>

Interest groups also find that operating within parties is an important method of gaining access to those in public authority and therefore direct their influence on the parties. This view is held by Bone, although circumstances and times have rendered this view problematic.<sup>31</sup> In developing countries there is no situation where parties are active as policy shapers. What we have are situations of single parties and formation of monoliths which do not welcome opinions. Sometimes it becomes hard to draw the line between party and state functions as the two have become almost fused. There has been a noted decline of the party system with consequent ascendancy of executive powers and personal rulership.

In recognition of the fact that public policy making is the role of government, interest groups seek to influence the originators of

policy, that is the legislature. Garble concurs with this view.<sup>40</sup> However, what we find in the world today and particularly in developing countries is that the executive branch of government has usurped this role of the legislators. The executive has therefore become the most important point with regard to policy making and the efforts of groups are increasingly being directed there, with little or no success. The author's views thus seem to have been surpassed by recent trends.

Mueller and Nwabuzor identify lobbying as one principal channel of expression by groups. They point out that because power is so heavily concentrated in the executive branch of government in Africa, lobbying is usually aimed at the bureaucrats rather than legislators, as is most often the case in the west. They aptly identify other channels of influence as being representation and mobilisation.<sup>41</sup> British interest groups employ some tactics whereby they seek co-operation with the government. Infact, groups are represented on many advisory committees alongside civil servants. A case in point is the National Advisory Council on the training of Teachers. In America, national political campaigns are a most conspicuous tactic of group activity. Such tactic may have significant influence over a long period of time.<sup>42</sup> Most of the literature on group tactics as shown seem to refer to interest groups in the more advanced countries. Interest groups in developing countries have their own tactics which the authors fail to bring out and this is what the present study is designed to do.

#### 1.4.4 Responses to Group Demands

The response of governments to interest group demands is conditioned by a number of factors. Harry Eckstein argues that the structure of the decision-making process is a major determinant in the way governments respond to group influences.<sup>43</sup> For example, Britain has a unitary system of government with a concentration of political power at the centre and in the hands of a relatively strong executive. Pressure groups will deservedly regard their efforts as more successful if they gain access to Ministers and their civil servants than if they are only able to influence MPs in the House of Commons. America has a bicameral legislature in which the Senate and the House of Representatives are of roughly equal political importance, and with the doctrine of separation of powers, groups aim at the administration and the legislature since these are likely to give them a hearing. The division of powers between different centres has increased the opportunities open to groups. Harold Lasswell and Morton Kaplan argue that where the pursuit of corporate interests by political means is normatively held and where also liberal individualist assumptions are deeply ingrained, like in the USA, interest groups are likely to get favourable responses.<sup>44</sup>

In communist countries, there is very close control over the activities of interest groups. In the Soviet Union, for example, the constitution has concentrated and centralised all the power at one centre - the Supreme Soviet - which can be said to be a higher body of state authority and administration. The party is also supreme and

supervises virtually every type of activity, including that of the interest groups.<sup>45</sup> Richard Sandbrook, in writing about organised labour in Africa says that governments, wary of such groups, have tended to control and direct their activities. Governments in Africa have responded to union activity by controlling and regulating them, arguing that unregulated union power may promote the sectional interests of their members.<sup>46</sup> This view is shared by Davis<sup>47</sup> and Ogolla.<sup>48</sup>

It has also been argued that modernization and growth in developing countries have not reached the stage in which the social structure is sufficiently differentiated to create a wide range of specific interests with quite definite objectives. As a result, the few interests that manifest themselves find an uncompromising political climate. Governments have ensured that outspoken and unrelenting union leaders are purged or co-opted. Under such conditions, specific concrete interests tend to appear as either the highly personal demands or assertions of distinctive ethnic, religious or other communal groups. Lucian Pye concurs with this view.<sup>49</sup>

The characteristics of constitutional, legislative and party structure affect not only the tactics of interest groups, but the very goals and objectives which they can reasonably attain. A disciplined party system and a powerful executive, force interest groups to direct their energies to the upper levels of the executive and the bureaucracy. Unfortunately, the responses they get from here are not favourable.<sup>50</sup> The American system is instituted such that it encourages numerous

active groups. The political system, according to Robert Weisberg, is characterised by decentralised decision-making and multiple points of access. Constitutional guarantees of free speech and the right of association also encourage groups.<sup>51</sup>

The form and functioning of the British political system, on the other hand, is predicated upon the assumption that it will be advised, helped and criticised by the specialist knowledge of interested parties.<sup>52</sup> These two views give the impression that interest groups in the American and British political systems always find a ready and favourable response. The truth, however, may be that governments always ensure that the outcome of policy is according to their design and not that of interest groups, but all in all, interest groups in these systems play a profound role in influencing policy and this is recognised by the governments.

#### 1.4.5 Interest Group Impact On Policy

It is true that interest groups perform the function of representation in society by voicing concern over some issues that are specific to respective groups. In the United States, for instance, interest groups are able to give a profound contribution to legislation. This is mostly through committee hearings which is the point of access or contact between interest groups and congressmen. There are various specialised committees which deliberate issues pertaining to their competence and it is here that interest groups make a contribution.



Interest groups therefore play an indispensable role in identifying the interests in society to which the political system must respond. By lobbying in the legislative sphere, interest groups influence policy and one can say that their activities are an input in the process of decision making. Authors who concur with this view include V.O. Key <sup>53</sup> and Irish. <sup>54</sup>

In developing political systems, the demands transmitted into the political system from interest groups are usually vague, diffuse and radically unlike in content and intensity. This is the reason why their impact on policy is minimal. <sup>55</sup> At the same time, an executive-dominated parliament and a unitary constitution make possible a disciplined parliamentary party system which protects the legislative process from effective group penetration.

Due to the cohesion of the party and the concentration of legislative power in the cabinet or presidency, the impact of any single interest group is bound to be quite limited. Instead, the significant political groups which have some impact on policy are elements or cliques within the bureaucracy, the army, informal groupings and powerful families formed within non-associational interests like religious communities, large landowners and wealthy individual businessmen. <sup>56</sup> This view is tenable but the author identifies only one reason as being paramount in explaining the ineffectiveness of interest groups to influence policy-making in developing countries and this is that power is concentrated around the presidency. There

are more reasons than this which should have been identified, like the structure of the interest groups themselves.

On the Kenyan political scene, Julius Waiguchu says that the basic units of interest group politics exist, but they are too weak or too small to make their voices felt and thus influence policy. The weakness of interest groups may be due to a number of factors: low literacy, lack of finance, lack of organisation and bureaucratic hostility to such organisations operating outside their area of jurisdiction.<sup>57</sup> But as indicated earlier on, trade unions have for a long time been quite active and independent in their representations. This was more so in the period of the nationalist struggle when their activities were identified with the wider liberation struggle. Only in the post-independence period and particularly in the last fifteen years have their influence been minimized, as will be explained in Chapter two, pages 75 -76.

It is clear from the foregoing literature review that little has been done by scholars in the developing countries on interest groups. A great deal of the literature reviewed emanate from the west, especially the United States. Probably, this is why the whole study of interest groups has been criticised for its western ethnocentrism. It has been asserted that a biased perspective results because most writings have been done by western scholars. Interest groups are seen as groups existing outside of government. While we agree that extra-governmental groups in the United States, for example, are more numerous and more influential than extra-governmental groups in the

developing countries, governmental groups such as the bureaucracy and the military exert a great deal of influence everywhere. The literature uncovers important facts about the origins, formal organisation and operational techniques of interest groups thus giving more insight into the theory of group politics. However, the reasons for the diversity in styles and tactics adopted by various interest groups in the pursuit of their objectives are not clear. There is no clear understanding of the role of interest groups in the context of political and social change. One is confronted with questions concerning the role of these groups in the policy process, the political system generally and the social structure in a third world setting.

It is clear from the literature that interest groups in the advanced western countries generally direct their activity or influence at legislators and at the electorate or public opinion. This is because of the recognition of the importance of legislators in policy formulation.

In the case of Kenya, the study will seek to find the locus of interest group pressure. We shall seek to determine whether pressure is exerted on the legislators, the Ministers, the bureaucrats or the chief executive. At the moment, no literature is available that focuses on this issue.

Another issue that emerges from the literature is that in the western pluralist conception of democracy, the state is viewed as a mere

arbiter of the various interests. It is supposed to be a limited-purpose organisation. The situation is different in the third world where the state is viewed as a separate, independent superhuman entity whose interaction with the individual should be free from interference by outside agencies such as interest groups. The state is also an interested party. But the situation could be changing. It is becoming increasingly clear that there are interest groups whose activities and influence may be of some help to the general arguments of interest group politics. This points to the need for data on the functioning of interest groups and determine their scope and effectiveness. This is the purpose of this study.

## 1.5 INTEREST GROUPS: A THEORETICAL FRAMEWORK

Interest articulation through interest groups can be analysed from various stand points. Before establishing the theory to be adopted in this study, we evaluate some of these perspectives. One such theory is the Elitist theory. The theory emphasizes the possession of force by a minority. Elitists focus on the cohesion of the elite and the sources of elite domination. The theory also stresses the corporate nature of the elite, deriving from common education patterns, ideology and ethnic origins.<sup>58</sup> Vilfredo Pareto, in his study of elites holds that the primary instrument of government is the manipulation of political followings. According to him, this is the essence of democratic theory.<sup>59</sup>

In systems such as those of the Soviet Union and Peoples Republic of China, there is an effort to penetrate the entire society by the central party elite. Interest articulation takes the form of very low-level suggestions within specific bounds or receives only latent expressions. Important articulation is limited to members of the elite who can utilize their positions in the various political institutions as a base from which to express their demands. Elite representation on behalf of an interest group constitutes a channel of access which can be utilized with great effect by some interests. It may take the form of the presence of a group member in the rule-making structure or sympathetic representation by an independent elite figure. Rather than having to use personal connection or formal channels to gain access, the group that has elite representation can rely on direct and continued articulation of interests by an involved member of the decision making structure.

The Marxist view recognizes the importance of organised groups though it prefers to call them classes. This perspective attributes the origin of these structures to the specialization or differentiation of function making the worker only a producer and not equally owner and merchant of his product. This state of affairs gave rise to the development of attitudes and interests peculiar to each. The same view was echoed by James Madison in the Federalist Papers. He said, as indicated before in this study that unequal distribution of property was responsible for the emergence of various interests and therefore various classes.<sup>60</sup> However, the Marxist perspective holds that the state is far from neutral and that there are great imbalances

in terms of political power between groups. Thus, not only will the state favour business interests against those of organised labour, but there are also wide disparities in resources between the two resulting in what has been called 'imperfect competition'.<sup>61</sup> By concentrating only on the unequal distribution and differentiation of function, the Marxist perspective becomes limited and therefore inappropriate in the analysis of the activities of interest groups.

The Pluralist model can also be used to study interest groups. Pluralism, as a political philosophy emerged at the beginning of the 20th century as a reaction against theories which tend to ignore the important role played by groups in the political process. Pluralists were concerned with denying theories which assert that there must be within every state a person or body of persons which is sovereign.<sup>62</sup> It therefore particularly stands opposed to elitist theory. Pluralists hold that between the state and the individual are to be found numerous associations and groups. These groups absorb much of the life of the individual and have an existence which does not derive from the state.

The model argues that the proper question to ask in any political situation is not how much uniformity we can impose, but how much diversity we can allow and encourage without interfering with the unity of the state.<sup>63</sup> Walter Lippman, in his assessment of Pluralism, holds that a free society, as opposed to totalitarianism, is characterised and protected by the existence of semi-autonomous groups with overlapping memberships, with no single centre of power,

no monolithic body attempting to impose upon the country some total way of life, but rather a benevolent umpire ensuring that all groups are able to have a 'foot in the political door'.<sup>64</sup>

Pluralists also hold that political power in liberal democracies is widely dispersed, and that there is continual competitions between organised groups and new groups are constantly emerging to maintain the balance of influence in the political system. Further, they argue that membership of these groups overlaps, especially in terms of their leadership. Thus the various political elites interact and maintain the overall consensus on political aims and methods which is essential for maintaining political stability. It is firmly held that groups do fulfil the essential democratic function of providing control over the elite through pluralist competition. The pluralist approach may be said to have some methodological flaws. It is argued for instance that the approach ignores the possibility that the political elites may restrict the debate to safe issues and prevent important issues from becoming the basis for political debate. The elite may simply organise out of the political process all issues that may provide real challenge to their values and the basis of their rule.<sup>65</sup> The criticism levelled at the pluralists that strongly undermines their claim to impartial, objective analysis is that they unfairly distinguish between legitimate rule and illegitimate protest. Opponents of the pluralists label as irrational and extremist political movements that they disapprove of.<sup>66</sup>

It is from the Pluralist Conception of society, however, that Groups Theory emerges. It has been argued that the activities of interest groups can best be analysed by this theory.<sup>67</sup> The theory views politics as the process by which social values are authoritatively allocated and that this is done by decisions which are produced by entities called Groups.<sup>68</sup> Owing to the primacy it places on groups, the theory holds that politics is a struggle among groups for control of state power and that in order to understand the phenomenon or dynamics of politics, it is necessary to understand the activities of groups.<sup>69</sup> This, obviously is a position that requires that institutions have grown and matured and that liberal democratic ideals are well cultivated. This is why the theory has often been said to be relevant in analysing Western political systems. But it is important to note that the theory holds that the activities of groups, their numerical strength and their techniques and strategies all have a bearing on the kind of decisions and actions which policy makers come up with.

In the search for a conceptual scheme that would broadly encompass the phenomenon of politics, there has been some effort to develop a theory which would use the idea of "group" as the central or even sole building block. These efforts have culminated in Interest Group Theory. This theory can be said to arise from what we know of the behaviour of men in society. Their differing experiences and perceptions not only encourages individuality but also inevitably results in differing attitudes and conflicting group affiliations. The theory is part of the liberal democratic conception of politics.



It stands opposed to the marxist thought which rejects the concept of interest groups in favour of classes. It is also opposed to the individualist, utilitarian theories of scholars like Jeremy Bentham and John Stuart Mill.<sup>70</sup> It is, instead, based on the belief that any group is always guided by interests. Bently makes it more succinct:

..... any group must have its interests. No interest can be considered to exist unless it manifests itself in group action. Whereas group interests are everything, individual interests are nothing. What counts are the common interests of people, not the losses and gains of individuals.<sup>71</sup>

Gaetano Mosca sees interest in terms of instincts. He says that men have an instinct of herding together and fighting with other herds. This accounts for the formation of divisions within a given society.<sup>72</sup>

The theory holds that political institutions are essentially the arena of group conflict or struggle due to the differing interests; that this struggle itself is the raw material of the political process.<sup>73</sup>

Charles Hagan, in "the Group in a Political Science", points out that when one bases his research on theory, attention is focused on the activity, not the individual. The need to get a more systematic conception of the political process as a whole necessitates analysis of interest groups.<sup>74</sup>

In the theory, the idea of "group" is merely an analytical construct. Though, as Mackenzie notes in an article, "Pressure Groups: a Conceptual Framework", 'group' is used to describe any collection of

individuals having common characteristics,<sup>75</sup> it is in this theory a conceptual scheme that is designed to fill the gap between the individual and the state. Man as a social animal is seen as interacting in a complex network of relations and these relations are seen as having significance for a workable theory of political life. It follows that the phenomenon of interest groups is one of the early attempts in building a more adequate descriptive theory of a liberal democratic process. Interest groups can be said to manage the floor between the individual and the state.

While the interest Group theory, if carefully used, permits the orderly classification of many central actors in the political process, it has the danger of not providing a satisfactory explanation for the patterns of action and the policy outcomes one encounters in a developing political system. At its highest level of generality, interest Group theory attempts to answer the question: who Governs? How and by what means can those in power be influenced?

It is now necessary as a matter of tactics, rather than principle, to make the unlimited field of interest groups more manageable. It is natural to cut out groups which do not possess a specified formal organisation. The number of organisations in Kenya is enormous and the more active ones are known. All the organisations or groups may have some reference to politics. Since our interest in this study is to investigate the part played by interest groups in the political process, we shall exclude organizations which have only limited dealings with the state. Trade Unions are outside our scope for a

tactical reason: they have been adequately studied. The exclusions leave a field of organised groups possessing both formal structure and real common interests in so far as they seek to influence the decisions of public bodies. Falling within this field are such groups as associations of commerce, trade, professions, local authorities and the church.

The foregoing notwithstanding, we argue that the interest groups model can provide a better understanding of the nature of political relationships and the political process and a broad enough basis for examining the problems of politics in the third world. It is this theory that we propose to use in this study.

## 1.6 DEFINITION AND OPERATIONALIZATION OF KEY CONCEPTS

In this study, some concepts are used whose meanings need to be made clear.

### 1.6.1 Interests

When a number of men unite for the defence, maintenance and enhancement of any more or less enduring position or advantage which they possess alike or in common, the term 'interest' is applied to both the group so united and to the cause which unites them. Interests will thus be taken to refer to the needs, wants or purposes

of a group. The existence of a group depends on an interest held in common. For example, K N C C I members hold in common the interest or wish to promote business and also secure from the government policies that are favourable to their undertakings.

#### 1.6.2 Group

The concept 'Group' is broadly used to describe any collection of individuals who have some characteristics in common. It is a stable pattern of interactions between a number of people who interact repeatedly. These interactions give any group its moulding and guiding powers. The analysis of politics in terms of groups should not be seen as ignoring or playing down the individual's role. Rather it is an attempt to go beyond the individual and determine how groups also influence public policy. It may still remain that individuals act in the name of groups in these efforts, but groups par se do exist and work as groups.

As pointed out earlier, the idea of groups is merely an analytical tool or construct. Group is used to describe any collection of individuals who have some characteristics in common. This is the sense in which we shall take group to mean in this study.

The concept interest group has been variously defined by scholars. Almond and Powell, for example, define interest group as a group of individuals who are linked by particular bonds of concern or advantages and who have some awareness of these bonds.<sup>76</sup> Another scholar sees an interest group as one whose members share attitudes which result from common objective characteristics. For example, all members of the group are farmers, business people or even plumbers.<sup>77</sup> This study, however, will adopt Finer's definition of interest groups. According to him, interest group is used to refer to all groups or associations which seek to influence public policy in their own favour while declining to accept direct responsibility for ruling.<sup>78</sup>

The groups must also have formal organisation. This definition is preferred as it helps us to exclude tribes from such groups. It also draws a clear-cut line between political parties and interest groups, though it must be pointed out that an interest group can develop into a party. Parties put forward candidates for political office whereas groups do not. There has been much dispute among scholars over the problem of terminology and definition. Sometimes, 'interest group', 'pressure group' and even 'lobby group' are used interchangeably. In this study, however, a distinction is drawn. An interest group becomes a pressure group when it makes claims directly, that is, lobbies upon or through any government institution with an aim of securing a favourable decision. When the claim is realized, it will cease to be a pressure group and revert to its old posture of an

interest group. Strictly speaking then, pressure is merely a stage or phase of interest group activity. In other words, it is an interest group that assumes pressure characteristics when the situation so demands.

#### 1.6.4 Interest Group Politics

This is the politics of policy making in which there is the existence of numerous, vigorously competing groups. In this competition, no one group dominates all issues, but one group countervails or neutralizes another. Interest group politics is concerned with the adjustment of conflicting interests which are manifesting themselves in group antagonism and it is the role of government to facilitate this process. In interest group politics therefore, one group bears the cost of the policy and another group receives the benefits. Each group has an incentive to organise the press for its claims or interests. This shows that groups actually compete with each other and that they actually influence public policy.

#### 1.6.5 Public Policy

In this study, public policy will be taken to mean a decision or set of decisions that establishes a purpose, creates a precedent or lays down a course of action. It is the guiding principle of action for governments and this is why interest group activity is aimed at

influencing policy so that it may be favourable to them. Interest groups are guided by the belief that public policy making and execution is the raison detre of government.

#### 1.7 HYPOTHESES

As a way of focusing the study within the context of the research problem and objectives, it will be our aim to test the following hypotheses:

1. That the higher the level of organisation of an interest group, the higher the chances of the group realizing its objectives.
2. That the less open the governmental process, the lesser the influence of interest groups.
3. That the fewer the members of an interest group, the lower the level of government response to its demands.
4. That the more an interest group directs its demands at the executive arm of government, the more likely it is able to realize its objectives.

## 1.8 RESEARCH METHODOLOGY

In this section an explanation is given of the methods used in data collection and the problems encountered in that process. In addition a description of sampling methods, sample size, units of analysis and selection of area of study is given.

### 1.8.1 Techniques of Data Collection

The following techniques were used for data collection. The interview schedule was the major technique employed. Self-administered questionnaire was also used. All this was supplemented by secondary literature. The use of interview schedule as a data collecting technique was based on belief that the method offered room for more probing and clarification of some points. It also offered a chance to utilize, though to a lesser extent, simple deduction in the course of the interview to get some of the information which could not otherwise have been obtained. The interviews could last 30-40 minutes and were usually conducted within the work place of the respondents, usually at the place of business.

The researcher visited the respondents and sought the information from people who were conversant with how the member (company or individual businessmen) related to the Chamber since the study aimed at seeing how the Chamber represents its members all of whom are engaged in one form of business or another. In most cases, the researcher was given



appointments to come later and only on rare occasions, the respondents accepted to be interviewed on the spot on first request. The respondents were assured that the information being sought was for purely academic pursuits and could not lead to any victimization on the part of the respondent.

The second method used was the self-administered questionnaire. This method was adopted when it was discovered that some respondents preferred to work on the questionnaires themselves at their own private time. The questionnaires could thus be left with the respondent to be collected after a short period, ranging from five days to one week. The questions were straightforward and could easily be comprehended by the respondent without the presence of the researcher. The questionnaire contained both closed and open-ended questions. The open-ended questions were mainly on issues related to opinions and those matters which required elucidation. Closed questions were on those aspects where a specific answer was expected. This method made it possible for respondents to give opinions in a free atmosphere because of the researcher's absence.

Other than the members of the Chamber who were the principal respondents, the researcher also sought information from the elected officials of the Chamber, officials in the Ministries of Commerce and Industry and the Kenya External Trade Authority (KETA). A set of questions to guide the interviewer were put down in a Questionnaire.

The final method of data collection was usage of Secondary sources. An attempt was made to get annual reports, periodical publications and files containing relevant information. Newspaper reports, interviews, reviews and features on the Chamber were also useful as a source of supplementary information.

### 1.8.2 Problems Encountered in the Data Collection Process

In the course of data collection, various notable hardships were encountered. The researcher was dealing with respondents who are by nature and inclination very busy businessmen and industrialists. This came out clearly in the field as some respondents either completely declined to be interviewed or hurried up the interview to attend to "important business matters", leave alone the repeated interruption from incoming calls. Some kept on postponing appointments as a tactic to discourage the researcher. In cases of complete decline, the researcher made an effort to substitute the respondent so as to maintain the sample size but ensuring that the sample type was not interfered with.

Another problem was with the Chamber itself. Most officials were cooperative but those in the higher offices especially the chairman were unwilling to be interviewed and even hostile to the researcher. An attempt to explain the nature of the study was met with opposition. The researcher could not be allowed to attend the annual general conference of 1989 as an observer. Access to vital information

contained in their files was also not possible as the researcher was not allowed to utilize the library. However, since this information was only designed to supplement the information from the field study the research was not rendered impossible. Most members were willing to be interviewed and gave vital information which forms the basis for testing the stated hypotheses.

### 1.8.3 Sampling Procedure

The sample for this study consisted of 103 businessmen of various orientations who are members of the Chamber. The members were drawn from all the categories represented by the Chamber as follows:

Manufacturers	-	44
Distributors	-	29
Professional/Service	-	30

This represented 5% respectively of their total number according to our sampling frame, the 1984-85 Directory of members. The original number intended to be interviewed was 115. The 103 the researcher managed to get information from is quite representative. The sample is regrettably small and questions may arise on its representativeness. Various constraints dictated the use of such a sample size. First the time factor. The short period for data collection was not adequate to cover a bigger sample.

There were also financial constraints which made it impossible to extend the data collection period which could involve more travelling and even engagement of a research assistant. The units of analysis were the members of the Chamber. Choice of the members as the units of analysis is based on considerations arising from the problem and objectives of this study.

The limiting of the study to only Nairobi was based on various considerations. Nairobi is the headquarters of the Chamber and the biggest business centre where the majority of the members of the Chamber are to be found. Also because of time and financial constraints the study could not be extended to the branches. It is, however, believed that the views and opinions expressed by members in Nairobi represents those in the branches.

Since our concern with the other two groups was to investigate their operational resemblance or otherwise with the Chamber and also their relations with the government, information was sought from their officials in their respective secretariats in Nairobi. Additional information was got from their annual reports, publications and from government and Newspaper reports.

## FOOTNOTES

1. Note, for example, the wealth of discussion on interest groups in America starting with pioneering work by Arthur F. Bentley, The Process of Government (Chicago: University of Chicago Press, 1908), thereafter restated by David B. Truman in the book, The Governmental Process: Political Interests and Public Opinion (New York: Alfred A. Knopf, 1951). Others include: V.O. Key, Politics, Parties and Pressure Groups. (New York: Thomas Crowell, 1947); Peter Odegard, Pressure Politics: The Story of the Anti-Saloon League (New York: Columbia University Press, 1928).
2. Joseph LaPalombara "Utility and Limitations of Interest Group Theory in non-American Field Situations", in Harry Eckstein and David E. Apter (eds), Comparative Politics: A Reader (London: The Free Press, 1963), p. 409.
3. Markhan Singh, writing on Kenya's Trade Union movement before independence (1952-56), provided impetus to subsequent writings in this field. In this field, some of the better known works include; Alice Amsden Hoffenberg, International Firms and Labour in Kenya 1945-70 and another piece, The Development of Industrial Relations in Kenya with Special Reference to the Role of Employer Associations, David Brownhood, Trade Unions in Kenya; David Gill Cofer, The African Labour Movement in Kenya, (1960);

Bondi-Ogolla, The State Control and Regulation of Unions Power in Kenya.

Richard Sandbrook, Union Power and Public Interest: A Study of Union-Government Relations in Kenya. (1972) and Bedan Odhiambo, COTU as an Interest Group in Kenya Politics (1972).

These are unpublished works, some in mimeo, available in the 'Africana' collections of the Main University of Nairobi Library.

4. We can mention the following: Henry Bienen, The Politics of Participation and Control in Kenya (1974); P.N. Gitonga, One-Party States. A special reference to K.A.N.U.: Susan D. Mueller, Political Parties in Kenya: Patterns of Opposition and Dissent (1919-69): Nicholas Nyangira, Poverty of issues in a One-Party by-election (1973) and Geore Bennet, The Development of Political Organisation in Kenya. (1957).

These are unpublished works, some in mimeo, available in 'Africana' collections of the Main University of Nairobi library.

5. Gabriel Almond "Comparative Study of Interest Groups and the Political Process", in Eckstein and Apter (eds), op cit p. 398.
6. David J. Murray, "Case Studies", in Adebayo Adedeji and Goran Hyden (eds), Developing Research on African Administration: Some Methodological issues Nairobi: East African Literature Bureau, 1974), p.18.

7. Alan F. Westin (ed), Politics and Government Process in the United States (New York: Harcourt Brace and World Inc, 1965) p.23.
8. F.G. Castles, Pressure Groups and Political Culture (London: Routledge and Kegan Paul, 1967) p.3.
9. This can be exemplified in the struggles leading to the legislation of Solon and Clisthenes in the spartan political system and later in the agrarian reforms of the Gracchi and conflicts which led to the establishments of the principate and the empire.
10. Robert MacClever, - 'Interests', in Edwin R.A. Seligman (ed), The Encyclopaedia of Social Sciences Vol. VIII (New York: Macmillan Co., 1972) p. 144.
11. Harry A. Mills and Royal Montgomery - Organised Labour (New York: McGraw-Hill Book Co., 1945) p. 2.
12. Robert Dowse and John A. Hughes, Political Sociology (New York: John Wiley and Sons Co., 1975) p. 381.
13. David B. Truman, The Governmental Process op cit p. 87.

14. James Madison and Alexander Hamilton, The Federalist Papers, 'No. 10', edited by Max Beloff (Oxford: Basil Blackwell, 1948) p.43.
15. Alexis De Tocqueville, Democracy in America (New York: Alfred A. Knopf Inc., 1945), p. 191. The book was first published in 1835 and 1840.
16. Bently, op cit p. 191.
17. Notable among these are: King Chuan Hsiao, Political Pluralism (London: Kegan Paul Co., Inc. 1927, especially chapter six; John Dewey, The Public and its Problems (New York: Henry Holt and Co., Inc. 1927) p. 73 ff.
18. Mancur Olson. The Logic of Collective Action (Cambridge: Harvard University Press 1972) p. 118.
19. David Nicholls, Three Varieties of Pluralism (Oxford: The MacMillan Press, 1974) p. 5.
20. Alfred De Grazia, "Nature and Prospects of Political Interest Groups", in Annals of American Academy of Social and Political Science, CCXIX, September, 1958, p. 113.
21. Olson op cit, p. 111.



22. Alan R. Ball, Modern Politics and Government (London: English Language Book Society/Macmillan, 1983), p.102.
23. Wolfgang Hirsch-Weber. "Some Remarks on Interest Groups in The German Federal Republic", in Henry Ehrmann (ed), Interest Groups on Four Continents (Michigan: Pittsburgh University Press, 1960) p. 69.
24. Kiyushi Tsuji, "Pressure Groups in Japan", in Ehrmann op cit p.145.
25. James Coleman, "The Politics of Sub-Saharan Africa", in Gabriel Almond and James Coleman (eds), The Politics of Developing Areas (New Jersey: Princeton University Press, 1960) p. 318.
26. Truman, op cit p. 112.
27. Dowse and Hughes, op cit pp 378 - 379.
29. Truman, op cit p. 56.
30. Elone Nwabuzor and Dorothy S. Mueller, An Introduction to Political Science for African Students (London: Macmillan Book Co., Inc. 1985) p. 113.

31. Samuel Beer, "Group Representation in Britain and the United States", in Annals, op cit p. 113.
32. Gabriel Almond and Bingham G. Powell, Comparative Politics: A Developmental Approach (Toronto: Little Brown and Co. Inc. 1966) pp 78-79.
33. Robert Michels, Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy. (London: Janod and Sons, 1915) p.14.
34. James Bryce, Modern Democracies (New York: Mcmillan Co. Inc. 1921) p. 542.
35. Ball, op cit p.103.
36. Beer, op cit p. 133.
37. Dowse and Hughes, op cit pp 381-382.
38. Henry A Turner, "How Pressure Groups Operate", Annals. op cit p. 63.
39. Hugh A. Bone, "Political Parties and Pressure Groups", ibid p. 73.
40. Richard Garble, "Interest Groups as Policy Shapers", ibid p. 84.

41. Nwabuzor and Mueller, op cit p. 145.
42. Ball, op cit p. 109.
43. Harry Eckstein, "The Determinants of Pressure Group Politics", in Eckstein and Apter, op cit. p.408.
44. Harold Lasswell and A. Kaplan, Power and Society (London: Routledge and Kegan Paul, 1950), p.126.
45. Jovan Djordjevic, "Interest Groups and the Political System in Yugoslavia, in Erhmann op cit p. 197.
46. Richard Sandbrook, Politics in Emergent Trade Unions in Kenya. 1952-70. Ph.D dissertation, Uniniversity of Sussex 1970, p.30; "Union Power and Public Interest: A Study of Union-Government Relations in Kenya", paper prepared for delivery in a seminar of African Studies Association, Philadelphia, November, 1972, p.5 ff.
47. Ian Davis, African Trade Unions (Hammondsworth: Penguin Books, 1966) Chapter 1.
48. Dan Bondi Ogolla, The State and Trade Unions: A Study in State Control and Regulation of Union Power in Kenya. An Unpublished LLM Thesis, University of Nairobi, 1980 p. 1.

49. Lucian Pye, Aspects of Political Development (Boston: Little Brown and Co., 1986), p. 233.
50. Marian D. Irish, The Politics of American Democracy. (New Jersey: Prentice Hall, Inc., 1965), p. 404.
51. Robert Weisberg, Understanding American Government. (New York: Random House Inc., 1986) p. 233.
52. S.E. Finer, "The Political Power of Private Capital", part II, Sociological Review, 4, 14, 1956. p. 279 ff.
53. Key, op cit. p. 130.
54. Irish, op cit. p. 253.
55. Westin, op cit. p.206.
56. Gabriel Almond, "A Comparative Study of Interest Groups and the Political Process", in Eckstein and Apter, op cit. p. 403.
57. Julius Waiguchu, "The Politics of Nation-Building in Kenya. A Case study of Bureaucratic elitism", in Phillip Morgan (ed), The Administration of Change in Africa. Essays in the Theory and Practice of Development Administration in Africa. (New York: Cambridge University Press, 1974), pp. 211-212.

58. Dowse and Hughes, op cit. p. 22.
59. Found in P. Bachrach, The Theory of Democratic Elitism, (Boston: Little Brown Series, 1967) p.12.
60. See Federalist Papers, No. 16 referred Supra.
61. Ralph Miliband. The State in Capitalist Society (London: Allen and Unwin, 1973), especially Chapter six.
62. Examples of Pluralist writers include: Walter Lippman, John Dewey, Arthur Bentley, King Chuan Hsiao and Nicholls, all of whom have been referred to before.
63. Nicholls, op cit. p. 2.
64. Walter Lippman, Preface to Morals (London: Allen and Unwin, 1929) p. 25.
65. See P. Bachrach and M.S. Baratz, "The Two Faces of Power", in American Political Science Review, vol. 56 (1962), pp. 947-952.
66. Richard Hofstadter, The Age of Reform (New York: Alfred A. Knopf, 1955). Especially his treatment of American populists.

67. Since its founding by Arthur Fisher Bentley, the Group Theory has been developed further to acquire the status of a simple formulation that can account for the phenomenon of government. Scholars who have contributed further to the theory include: Charles Hagan, "The Group in a Political Science" in Roland Young (ed), Approaches to the Study of Politics (Illinois: Northwestern University Press, 1958); Robert T. Golembiewski, The Groups Basis of Politics (1960); Harry Eckstein "Group Theory and the Comparative Study of Pressure Groups" (1963); R.E. Dowling, Pressure Group: Notes for a Theory, 1952.
68. Hagan, op cit p. 42.
69. Harry Eckstein, "Group Theory", in Eckstein and Apter, op cit, p.391.
70. These two Scholars, among others are the proponents of utilitarianism - the view that the individual is the most important unit of Society and any analysis of the political phenomenon should focus on the individual, first and foremost.
71. Bentley, op cit p. 211.
72. Gaetano Mosca, The Ruling Class (New York: McGraw-Hill Book Co. Inc., 1939) p. 163.
73. LaPalombara, op cit p. 422.

74. Hagan, op cit p. 50.
75. MacKenzie's article is found in Political Studies Journal,  
Vol III, 1955, p. 250.
76. Almond and Powell, op cit p. 74.
77. Ball, op cit, p. 102
78. S.E. Finer, "Interst Groups and the Political Process in  
Britain", in Erhmann, op cit, p. 117.

## CHAPTER TWO

### KENYA: THE POLICY - MAKING PROCESS

This chapter seeks to analyse the policy-making process in Kenya in order to establish a setting within which interest groups operate. This is with the understanding that the patterns of policy formulation and enforcement in a political system determines the extent to which interest groups will go in influencing government policy. Therefore, there is need for a clear understanding of the policy-making process as a whole. We shall analyse the nature of policy-making at various levels with a view to seeing where the activities and influence of groups is felt.

#### 2.1 POLICY-MAKING AT LOCAL LEVEL

Since independence, the Kenya Government has experimented with new ways of administering development. Changes have been made at regular intervals in the approaches, methods techniques, policies, rules and procedures for promoting development. Different programmes, strategies and projects have accompanied changes all aimed at decentralising planning.



In 1968, five years after independence, the district development committees were formed. Soon after the posting of provincial planning officers, the Ministry of Economic Planning and Development asked for project proposals to meet the infrastructural needs and priorities of districts. However, inadequate guidance regarding national and financial ceilings led each district to produce a long shopping list to projects which were not adequately justified. Central Planners were not equipped to handle this response and thus did not incorporate the district list into the national planning process. Consequently, the confidence of central planners in district level planning was undermined and people in the field were frustrated.

Another landmark towards decentralised policy-making resulted from a conference at Kericho in 1966. As a result of this meeting which was attended by academics and policy-makers, a Special Rural Development Programme (SRDP) was set up in six districts as a pilot programme. A second phase was to expand to eight new districts. Local participation was sought and an attempt was made to build an effective planning organisation to link the central government with individuals and groups in the rural areas. We therefore begin to see a recognition of individuals and groups as possible contributors to policy-making.

Though the first Kenya development plan of 1966-70 and the Sessional Paper No.1 of 1965 committed the government to strict central planning, they did set a strong case for decentralised policy-making. The sessional paper especially, acknowledged the need to

promote the participation of all people in the task of nation-building.<sup>1</sup> The SRDP did not expand as there were not sufficiently trained and motivated personnel to implement it. It helped to get central planners out to the field and precipitate decision-making at the district level.

The Ndegwa Commission of 1971, the ILO Report of 1972, the Waruhiu Commission of 1980 and the Development Plan of 1983-88, all strongly argued for devolution of planning and policy-making.<sup>2</sup> The objective was to widen the base of rural development and encourage local level initiative in order to improve problem identification, resource mobilisation and project implementation.<sup>3</sup> It was felt that planning should be reviewed carefully in the light of its effect on the population. There was need also for integrating programmes at the local level since it is at this level that they would have an impact on the lives of the people.<sup>4</sup> It has been realised that planning at a level higher than the district was too general and devoid of the specific advantages of local planning.

The Ndegwa Commission recommended the creation of the post of District Development Office (DDO), under the D.C., with specific responsibility of preparing and monitoring progress under the development plan as well as co-ordinating with district development committees (DDCs). The Ndegwa commission did not go far in envisaging the wide range of representations needed in district planning under the District Focus for Rural Development, it is possible that such people as progressive farmers, leaders of self-help projects, school teachers, leaders of

interest groups as those of women, the Youth, employers associations and trade unions may be represented in policy-making. Such wider representation of local interests in the policy-making process is of great help since it ensures democracy. Leaders can also explain priorities to government officials and the latter can explain national priorities and constraints to the local leaders. All this is guided by the belief that ordinary people, local representatives and local interest groups have a lot to contribute to planning at the local level. If such contribution is to be effective, the people need to get a better grasp of the basic economic issues involved and also an understanding of the underlying technical arguments related to development locally as well as nationally.

The working party on Government expenditure of 1982 argued for an accelerated and equitable rural development since more than 80 per cent of Kenyans earn their livelihood in the rural areas. It felt that the fact that decisions on many rural development matters are made in Nairobi impairs implementation of projects because of delays.<sup>5</sup> From the point of view of any district-level officer, co-ordination of district activities and identification with the needs of the people becomes secondary to satisfying his superiors in Nairobi on whom his promotion depends. There was substantial duplication of functions among the administrations of central government at district level, the county councils and town councils within the district. With decentralisation, more people have come to be involved in the planning and implementation of projects that are district-specific and therefore essential to rapid rural development.

The development plan 1984-88 created the current rural development strategy, the District Focus. However, its first recommendation was contained in the Ndegwa report of 1982 which was accepted and implemented officially by the President in the same year. Responsibility for planning and implementation has been shifted from the headquarters of ministries to districts.<sup>6</sup> The strategy is, however, based on the principle of complementary relationship between the ministries and the districts. The DDCs are the foundation of the strategy. They have a wide membership ranging from the DC who is the chairman, the DDO, the district departmental heads to local members of parliament, chairmen of local authorities, clerks to local authorities and representatives from divisions and non-governmental organisation's (NGOs). This is the point where interest groups have sought membership. For instance local leaders of the K N C C I do take part in the functions of these committees.

Recently, there has been a suggestion to include University students in the committees. In fact in some Districts, they are now fully represented in the DDCs.<sup>7</sup> It is felt that the DDC should encompass many and diverse views so that its approval of project proposals is seen as representing a strong mandate of local support. The DDC's role is to establish local development priorities and to monitor the technical work of its executive and other sub-committees. It is supposed to meet four times a year to review on-going progress in the district, consider new proposals by Divisional Development Committees (DDCs) and establish priorities for future projects and also endorse the District's annual proposals to the ministries.<sup>8</sup>

The idea behind the District focus strategy is local participation between the local community and locational and sub-locational development committees. These are expected to encourage input from community members on development opportunities and problems in their communities and ways to maintain and increase the utilisation of completed development infrastructure.<sup>9</sup>

With the District focus, planning strategies are such that the lower levels of policy-making have autonomy. They are left free to choose the criteria for policy-making. They are also autonomous in setting their objectives and priorities. This therefore implies decentralisation of planning and implementation machinery and process. The strategy is a departure from the top-down process whereby the lower levels of policy-making hierarchy are only involved with the criteria set by the upper levels of the hierarchy.<sup>10</sup> This is what has been prevailing before the District Focus. Lower-level decision making structures were not free in making their policies outside the conditions set by the central government. The whole strategy wants to correct this notion of development planning which was rooted in the colonial period.

The new idea of development seems to be guided by the belief that it is vital to increase the participation of citizens in the determination of their priorities through their involvement in the planning process. This is what the District Focus is earmarked to do. With this strategy, field officers are likely to be the focal points in the attempts by interest groups to improve their position

particularly if they are localised. Groups will seek to seize control of all or part of the field system and use it to their advantage. They will attempt to influence the field officers and compete with them in policy-making. Interest groups may also, by working closely with field officers, reduce the discretion of the government over recruitment, promotion, transfer and even removal of officers. The case of West Pokot where the local church recently wanted to transfer a school head is an example.''

Kenya's institutional setting for rural development in general allows for multiple centres of initiative and participation by a host of specialised agencies and interest groups, all of which are meant to encourage efficiency. These multiple centres of initiative can help to yield a fairly accurate prediction about policy outcomes, especially if the interests of the various agencies and groups are compatible.<sup>12</sup> The District Focus strategy has been designed to ensure co-ordination and flexible procedures for quick adjustments as problems appear. This makes the strategy appear theoretical on paper but fairly workable in practice.

## 2.2 CENTRAL-ADMINISTRATIVE POLICY-MAKING

We have indicated in the preceding section that District Focus strategy is based on the principle of complementary relationship between Ministries and Districts. The ministries represent a sectoral approach to development. They have always held the responsibility for

proposing and directing national policy in their contributions to the preparations of the national development plan and through the preparation of policy discussion papers. In addition, they are responsible for preparing annual policy guidelines for use by the Districts in selecting their priorities. Ministries also do strategic planning by setting long term objectives for ministry-specific and national programmes which are considered of high priority. The financial resources of each ministry are allocated through the system of annual estimates and forward budgets.

With the delegation to the districts of the operational responsibility for rural development, it is necessary for the ministries to strengthen the professional capabilities of their district level staff. The ministries, however, still remain an important target of interest groups. Groups know that ministries retain the overall responsibility in policy-making and implementation. They therefore seek connections with them. They also seek to point out to the ministries the need to be sympathetic to their cause. This is probably why trade unions for example, always prefer a Minister of Labour to be one who is sympathetic to the cause of the workers. COTU, for example has always shown a keen interest in who takes the portfolio of Labour whenever there is an election. The same applies to the Kenya Federation of Labour.<sup>13</sup> Similarly, members of the Chamber obviously would like to see "one of their friends in business" appointed to the Ministry of Commerce. The appointment of Mr. Zachariah Gakunju as an Assistant Minister for Commerce in 1988 must have been welcome news for the Chamber. Mr. Gakunju is the

immediate past National Chairman of the Chamber and according to the Chamber's constitution, he is a member of its governing council.

The Chamber also seeks to have a good working relationship with such Ministries as Finance, Planning and Industry. When the Chamber presents its proposals or memoranda, it expects to get a favourable response. In the U.S., Chambers of Commerce are very interested in seeing who sits on the Commerce Committee of the House of Representatives. In fact, they seek to influence the choice of the committee members.<sup>14</sup>

Central planning in Kenya is done by the Ministry of Planning and National Development through its Planning Division whose responsibility is making, coordinating and implementing the various sectoral plans. This is pursued through formal as well as ad hoc relations with the Treasury, operating Ministries, Parastatals and Associations in the private sector like KAM and K N C C I. Each unit of the division is directed by a planning officer and various specialists and advisers responsible for keeping abreast of sectoral development and principally through ties with counterpart specialists in other ministries and public organisations.<sup>15</sup>

Policy making at the highest level is the responsibility of a committee of the cabinet. However, because of the tendency of the cabinet to meet irregularly, it only deals with the most fundamental issues of policy brought to them by senior civil servants. Even then, the civil service counsel will, doubtless, weigh heavily in their



deliberations. More immediate and pressing issues must of necessity be taken at the Permanent Secretaries' level. Among the most important civil services policy makers are the Permanent Secretary in the President's office, at the Treasury, Planning and the key operating ministries such as Agriculture, Commerce and Industry.<sup>16</sup> If policy making is to be effective in Kenya, it will have to enlist the co-operation of these other ministries and especially their permanent secretaries who are the most important framers of Economic policy within the government.

Strong central planning has characterised Kenya's governmental process in the post-independence period. It is a fact that there has been a history of close control by the central government in every sphere of trade union activity. This tradition of control is rooted in the colonial experience when attempts were made to manage the development of trade unionism from becoming instruments for anti-colonial politics.<sup>17</sup> After independence, the government continued this basic policy and has been especially concerned with securing the support of Unions and their leaders while preventing them from engaging in economically disruptive strike action. If anything, it now seems that Unions are more firmly controlled by the government than they ever were.

Central government's relationship with several public or semi-public agencies clearly reveals the presence and weight of its power. With regard to its relations with rural self-help groups, government administrators have attempted to co-opt the activities of such groups

and channel their energies into efforts which serve the government's development plans. In some cases, local self-help organisations have reversed the process by co-opting field representatives of technical ministries and have thereby been able to take initiative in rural public-policy making.

Efforts to co-opt the Church within the mainstream of central decision-making have failed. As a result, the Church has remained one single group seen as influencing the course of government action. In the recent past, it has been vocal and very critical of some government measures. For example, the Church opposed vehemently the "queuing system" before it became the official procedure for nominating candidates for parliamentary and other elections. The Church in Kenya has also raised issue with the government on such matters as Africanisation of the Economy, the perceived inequality and wide gap between rich and poor and land ownership. It has justified its concern with these issues because of its belief on a wholistic approach to the issues that affect the person. It has therefore felt obliged to respond to anything that has implications that might make a person's life less full. Sometimes back in 1967 for example, the National Council of Churches of Kenya (NCCCK), the umbrella organisation for protestant churches published the book, Who controls Industry in Kenya? This was because of its concern about the economic life of the country and more so the question of how Kenyan Africans should participate in industrial development and especially Commerce. The Church felt that it was Kenyans who should be running their own affairs because Industry or Commerce are so central to the economy.

The book was the subject of much criticism from the government and this led to its ban in 1975. It remains in the list of prohibited publications.

Politicians have often been critical of this role of the Church. They feel that clerics should concentrate on spreading the gospel and "leave politics to politicians". This has often led to war of words between the two groups though the clerics have often always enjoyed the immunity of the pulpit from where they issue statements castigating politicians and criticising government policy. The Church sees itself as having a social responsibility. It feels as one cleric put it,

..... concerned about racial prejudice and consequent injustice; the necessity for justice to be done to all the people all the time. Before independence the Church was concerned about political life of Africans and colonialism about inequality, corruption and greed.'<sup>10</sup>

One of the reasons for the Church taking an active interest in political affairs in the country is probably its organisation. The protestant churches, for instance, are organised under the NCCCK which has a membership of 35, with each member church having 10,000 full communicants. This makes NCCCK the biggest council of churches in Africa in terms of membership and operations. It is said to be the second largest in the world, second to the National Council of Churches of Christ of the U.S.A.<sup>11</sup> The Church in Kenya therefore remains a thorn-in the flesh of central government and politicians.

In the discharge of their functions, civil servants constantly disagree with politicians. They claim superiority and mastery of statecraft. However, to the politicians, civil servants were not in the vanguard of the Nationalist struggle for independence. They consider them to be a group of pampered intellectuals who have never really appreciated the sufferings of the masses. The civil servants are still seen as possessing the colonial hangover attitude of mind and patterns of behaviour similar to those of the departing colonial state.

Much of the post-independence politics in Kenya has centered on the issue of bureaucratic influences on policy making.<sup>20</sup> This is true of other developing countries where the bureaucracy enjoys a high degree of institutional autonomy and has come to dominate policy-making than any other group, as Fred Riggs confirmed:

..... a phenomenon of utmost significance in transitional Societies is the lack of balance between political policy-making institutions and bureaucratic policy implementation institutions. The relative weakness of political function tends to be appointed in considerable measure by bureaucrats. Intra-bureaucratic struggles become a primary form of politics.<sup>21</sup>

Civil servants have latent interests in common with other groups in society and they seek to promote them. Kenya has retained the well established central administration of the colonial period. The colonial administration was equipped with a powerful bureaucratic apparatus and mechanisms of government which enabled it to subordinate the so-called native social classes. It is this state apparatus which have been termed "over-developed", that the post-colonial Kenya state

retained.<sup>22</sup> Over the years, administration has overshadowed politics, with the situation being compounded by the absence of a strong ruling party. It is only recently that there have been attempts to revitalise the party. Attempts have been made also to argue for the reduction of the powers of central government. This was manifested in the Majimbo constitution.<sup>23</sup> However, given the instability of the political alliances formed immediately before independence, the first KANU government was unwilling to adhere to the principle of the constitution. Instead it tried to establish a strong centre through the 1964 republican constitution which is still in operation.

The Ndegwa commission of 1971 recommended that civil servants be allowed to engage in business along with their public duties, provided that these interests are publicly declared.<sup>24</sup> As a result of this policy, many senior civil servants gradually became more interested in their own business than in the public offices they held. This has continued until today.

One problem that Kenya faces today in its attempt to build a nation is that of relating the administrative and authoritative structures of government to political forces within it. There seems to be an imbalance between recognised administrative tradition and a still inchoate political process. Power and authority are centred in the realm of administrative officialdom. These administrative structures established during the colonial period when governments were expected to rule rather than to respond to political forces have not been

effectively transformed into agents of popular representative politics.

The decline of the ruling party KANU during the seventies and early eighties was evidence of the decline of political representation which was replaced by the autonomy and vitality of administration. This weakening of the party has been said to have been an ominous development in third world states.<sup>25</sup> After independence, most African countries seemed headed towards multi-party system. However, within a short time, we find party politics dying while administrative powers are used to suppress some parties. An example is the harassment of Kenya Peoples Union by the the Kenya African Democratic Union (KADU). More recently, there have been efforts to strengthen KANU instead of ruling directly through the administrative organs of government.

### 2.3 LEGISLATIVE AND EXECUTIVE POLICY-MAKING

Kenya's constitution recognises the supremacy of parliament which is regarded as one of the pillars of its democratic system. This gives the impression, though sometimes largely false, that the masses have a significant role to play in the government by voting every five years for a candidate of their choice.<sup>26(a)</sup> Parliament is a body of persons assembled for discussion and it is these that act as a mechanism for linking the central agencies of the state to the population it purports to rule. Without well developed linkages -

defined as valued and stable networks for communications and the exchange of resources between government and society,<sup>26</sup> public policy cannot be formulated to respond to the needs of the population. Nor can the population be expected to comply with such policies as the state seeks to carry out if its members do not understand the rationale behind these policies and the benefits they might bring. Since legislators are representatives of local communities, they are expected by the people they represent to be agents of the periphery to the centre.<sup>27</sup>

Legislators have the potential for playing a unique role in the government process because they are frequently the only actors in a position to create and maintain linkages from the periphery to the centre. While legislators may never be an important factor in the actual making of public policy in Kenya, they, however, influence the process by which the state allocates its resources. They have the opportunity to affect the pattern of allocating resources across society at the local level.

The Kenya parliament has served as an institution in which popular demands are articulated and wants made known and a forum for the discussion of opinions on public affairs. It has acted as the mechanism for watching and controlling the operation of government. It has therefore approximated the well known role of supervising and inquiring into the performance and behaviour of government.<sup>28</sup>

Most generally, targets for interest groups would include the legislative level. Interest groups are most conspicuous in their activities in support of or opposition to legislative proposals. They are therefore expected to be most active in the legislative context. However, interest group activity in Kenya has been focused on the Executive level. Rarely do we get interest groups like the Chamber seeking to influence individual legislators so that they can defend them in the house.

Interest groups in Kenya therefore seem to know the reality of the legislature. They know that what legislators do is basically enact laws. They seem to know that a legislative act is simply a framework indicating legislative intent which is left to the executive to implement or enforce. The latter therefore becomes the most important place for any lobbying activity. This is why we find most proposals or memoranda by the Chamber are directed to the executive branch of government rather than to the legislative branch. In modern Political systems, it should be noted, however, that the volume of legislation has increased relative to the number of days that legislatures are in session. Consequently, legislatures have delegated considerable authority to administrators to make rules and regulations which have the force of law. Interest groups are aware of this and will therefore inevitably focus their activities at this level.

Interest groups also know that agencies are headed by human beings. They know that high level administrative posts are filled through appointments and not through election as legislators. Organised



groups know that it is individuals who are going to head these agencies that will influence the direction of a particular agencies' implementation and enforcement of a particular law which is enacted by the legislature. They are therefore extremely interested in individuals who are proposed for appointment to head certain agencies or departments. Industrialists, for example, must have been overwhelmed by the appointment of Mr. Silas Ita to head the Investment Promotion Centre. Mr. Ita was, until his appointment, the chief executive of KAM, the industrialists' lobby group.

What we find in Kenya, just like in other developing countries, is that because of the heavy concentration of power in the executive arm of the government, the lobbying that takes place is directed to bureaucrats rather than towards legislators as is most often the case in the western developed countries.

The decline of the legislature and the ascendancy and glorification of the executive powers has been quite a notable phenomenon in the Kenyan case. After independence, Kenya modelled her government on the Westminster style. But soon after, it changed the pattern and assumed Presidential characteristics. The relationship between the legislature and the executive was not one where the latter derived his legitimacy from the former, nor one in which he was constitutionally separate from the former. It was rather a relationship in which the legislature in reality derived its legitimacy from the President. The Presidency became the primary source of legitimacy for the proposed political policies and social values.<sup>29</sup>

The executive had its powers further entrenched following the first amendment to the constitution in early 1964, providing for republicanism. More importantly, the executive powers lost their diffusion and became concentrated around the Presidency. The President became the head of state, head of government and commander-in-chief of the armed forces.<sup>30</sup> Presently, the President occupies a very central place in politics. He plays a dominant role in the political system. He personifies government in the eyes of the masses and is the ultimate aggregator of interests and wielder of the power concentrated in and around his office by his control over the legal and political structures.

With regard to executive-legislative relations, the powers and functions of the legislature have been assumed by the executive. Since the President of the ruling party is also the head of government and head of state, there can be no serious debate in parliament aimed at criticising or opposing government action and policies. Parliament has thus been rendered incapable of curbing any arbitrary use of government power. The situation is that parliament cannot afford to lose the confidence of the president.

It can be argued that the executive actually 'makes' the laws with the legislature only performing the role of a legitimizer of government-initiated legislation. The executive is the real power holder. This kind of structure protects the legislative process from effective interest group penetration. This, together with a notable revitalization of the monolithic party and concentration of

legislative power in the cabinet, makes the impact of any single interest group quite minimal.

The Kenya government has therefore been characterised by concentration of power in the Presidency. Just like in 1964 when President Kenyatta assumed the dual roles of head of state and head of government, President Moi has continued the practice. The President also appoints the Vice-President and ministers and may remove them from office at will. According to the constitution, the function of the cabinet is to "aid and advise" the President,<sup>31</sup> but there is no provision compelling the President to accept its advice. In practice, he has been free to accept or reject his Ministers' advice. Therefore the Presidency more than the President must be viewed as the basis for the centralization of executive power in Kenya.<sup>32</sup>

The dramatic shift of power to the Presidency has been of considerable importance and can be seen as part of the creation of a tutelary democratic state, a description used by certain scholars,<sup>33</sup> but which can describe the Kenyan framework. The creation of a unicameral legislative structure is a corollary of the centralizing trend of authority. Other factors which bear on the development of the legislative process include the ineffectiveness of specific organised special interest groups. The co-optation of the trade union movement, commercial and professional elite bodies is a feature of the Kenyan government process. Interest groups, one can say, have been integrated to support the smooth functioning of government.

The shift of power from the legislature to the executive has been a gradual but steady process at least in the formal legal sense. The actual power to make laws and control government may never have moved from the executive hands as the country progressed from colonial to independent status.<sup>34</sup> The power vested in the parliament at independence regardless of comparative strength with that of the executive has diminished in real terms in relation to that of the executive. The move to a de jure single party system, and the elimination of formal opposition is an additional indication of the ascendancy of executive powers. The government has been able to shape the development of political activity in its own pattern. In place of militancy, the government has moulded a sensible and stable system from the local level to the centre.

What is the implication for interest groups of this trend? Interest groups' role has been diminished. The trade union movement's militancy has been neutralised. In a developing country without well-endowed organizational structures and leadership cadres, groups have limited influence on policy making. It is true that trade unions deal with the most existential interests of a country's labour force. But what we find in Kenya is that since independence, the government has, by formal and informal means, strengthened its control over the unions and has restricted their industrial activities, in particular their right to strike.

According to Bondi-Ogolla, one of the most prominent features of the development of industrial relations in Kenya has been the concerted

efforts made by the state, both colonial and post colonial, to control and regulate union power.<sup>35</sup> Trade unions initially existed as illegal organisations. When legal recognition was eventually conferred by the colonial state in 1937, it was accompanied with control. The paramount consideration was to mould the emergent organisations into respectable economic bodies into instruments of political agitation whose activities would compromise the stability and prosperity of the colonial economy and policy. This policy of control and regulation has been re-emphasized by the post-colonial state but for different considerations. It has been pointed out that control measures are imperative to safeguard the public interest.<sup>36</sup> It was felt that a developing country cannot afford the uncertainties and upheavals in unregulated union power. It was also feared that unregulated union power had the danger of promoting the sectional interests of their members who are an already privileged class.

#### 2.4 ROLE OF THE STATE IN THE POLICY-MAKING PROCESS

One of the fundamental issues to look at in analysing the decision-making process in Kenya is the nature and role of the state, especially in the post-independence period. Just like other African states the Kenyan state was subjected to colonialism. The colonial experience brought about political and administrative structures taken up by the post-colonial state.

As Alavi notes,

..... the post-colonial state inherits an over-developed administration and political structures through which the operations of the indigenous social classes are regulated and controlled.<sup>37</sup>

The state was also able to directly appropriate a very large part of the economic surplus and deploy it in bureaucratically-directed economic development. This means that it was bureaucrats who had the upper hand in the management of the economy. They dominated every aspect of policy making for a long time. Colin Leys in reaction to Alavi's view holds that everywhere, the expansion of the state has been dramatic. This, according to him, is not proof that the state is over-developed. He says that the states of ex-colonies actually tend to be small, relative to both population and size of the economy compared to the states of the advanced countries.<sup>38</sup>

Whatever views are raised about the post-colonial state in general, the Kenyan state can be said to have assumed an overwhelming presence in nearly all spheres of socio-economic and political life. It is highly centralised, overbearing and restrictive in its operations. It seeks to concentrate in one or two institutions and to make this available to the executive arm of the government, more specifically, the Presidency. It is on this basis that the Kenyan state can be said to have approximated the "interventionist state".<sup>39</sup> In the economic sphere, it has attempted to take control of substantial economic activities. In politics, the state has eliminated all major opposition and allowed minimum discussion amongst citizens.

The practice of limited tolerance and unwillingness to tolerate other people's views even if they may be legitimate has made the work of interest groups even harder. In its attempt to intervene in all spheres of life, the state has come to be viewed as crucial for individuals and groups. Because it has no clearly defined boundaries beyond which it would be reluctant to exercise its powers and authority, the state has become a major hurdle or obstacle for success of any lobbying.

The Kenyan state has been described as "clientelist". Henry Bienen, for example holds that politics of patron-client networks cuts across occupational and ethnic groups.<sup>40</sup> These linkages usually develop between two unequal parties. This inequality could be based either on wealth or political influence.

The maintenance of the relationship depends on reciprocity. Such mutual exchange, however, might and often does involve non-comparable goods and services. It might involve votes or a cabinet post for political support. The point is that the goods being exchanged are not exactly comparable and maintenance of a patron-client relationship rests heavily on face-to-face contact between two parties.<sup>41</sup>

Patron-client relations have manifested themselves in the electoral process where votes are the only things of value which the poor clients can exchange with wealthier patrons. This serves the purpose of representing interests of peasants on the periphery of the political system to the centre. It happens especially in the absence

of a clearly organised party and competitive interest groups. Clientelist structures become the mechanism through which the residents on the periphery get access to the centre not only for the purpose of making demands on central government institutions but providing support to those institutions as well.<sup>42</sup>

As a first step in the development of the clientelist state in Kenya, President Kenyatta stopped attempting to control the many district electoral machines that had emerged during the late fifties and early sixties. He also stopped going to parliament except on special occasions such as the reading of the budget. Instead, he positioned himself above party and parliamentary politics as "mzee", the wise leader or patriarch. In this role, Kenyatta sought to establish what Bienen has described as court politics.<sup>43</sup> Kenyatta was acknowledged as father of the nation and in control of the central government. Elected representatives were given freedom to organize at constituency and sometimes district levels and only pay homage to the President mainly seeking assistance and pledging loyalty.

The Kenyan state is still characterised by the clientelist ties. The President still remains the premier patron and around him are ministers especially those who have demonstrated an ability that they have a wide base of support and are thus capable of controlling their regions. Those who have managed to get themselves elected unopposed have in most cases been assured of ministerial positions. Those who have shown particular closeness to the President have often succeeded in getting themselves elected unopposed. Younger politicians, if



elected become backbenchers. To all intents and purposes therefore, the Kenyan state approximates the clientelist state. It has been established to control the political system through ethnic and regional patrons with only the President above them all.

## 2.5 CONCLUSION

It is important to point out as a concluding remark that there is a constitutional provision for activities of interest groups as they attempt to influence government policy. The 1963 constitution contained provisions that protected certain freedoms and rights of the individual. It guaranteed the freedom of association, that is the right to assemble freely and associate with other persons, and in particular to form or belong to trade unions. This provision still operates. But the right to organise was subject to certain limitations made imperative by the necessity of good government, the demands of law and order and the desire to protect public interest. The state for this reason has reserved to itself legal powers not only to interfere in the organisation of unions and other interest groups but also to delimit the scope of the freedom to organise and define the legitimate jurisdiction of their roles.

With trade unions, the government has instituted a formidable array of legal restrictions and union-leadership co-optation aimed at preserving its power. State power has been used to preserve social relationships and orders that guarantee easy governance. However,

since independence, one can say that Kenyans have enjoyed, largely as a result of deliberate government and forbearance, democratic rights and socio-economic goods to an extent that is uncommon in contemporary Africa.

There has been clearly discernible constitutionalism despite periodic strains of ethnic politics and violations of civil rights. But whether there has been established in Kenya a constitutional and civil tradition that the state would like to fall back on in times of serious political conflicts remains an open question.

In general, the most accurate statement to summarize the nature of the policy process in Kenya is that it involves government dominance in policy-making. The government has been able to shape the development of political activity in general and the policy process in particular. This has been enhanced by a general compliance of individuals and groups resulting in strong government organisation. The policy-making process has not involved the reconciliation of group interests but has remained the preserve of a few people within central government. There is a diminished role for electoral politics. The average Kenyan, whether aware or not of issues of public policy, cannot register his views meaningfully at the ballot box. The policy-making process has thus excluded voting as a major input.

As a result of the policy-making structure in Kenya, interest groups have not been able to cast a weighted vote in the political process by representing their special interests to decision makers. The basic

units of interest group activity exists, but the groups are too weak or too small to make their voices heard. Apart from the nature of the decision-making process, the weakness of such groups may be due to a number of factors including low literacy, lack of ability to finance private endeavours and to generate domestic capital, and lack of organisation.

All in all, the characteristics of constitutional, legislative and administrative structures as analysed in this chapter affect not only the tactics of interest groups but the very goals and objectives which they can reasonably attain. This has been done with the understanding that the patterns of policies enforced in a political system and the nature of the policy-making process are important determinants of the effectiveness or non-effectiveness of interest groups. This is because policy may impinge upon the effectiveness of groups by affecting their size and the resources they command. The subsequent chapters will attempt to analyse the activities of K N C C I.

## FOOTNOTES

1. Sessional Paper No. 10 on African Socialism and its Application to Planning in Kenya (Nairobi: Government Printer, 1965) p. 47.
2. All these reports raised important suggestions on how development planning could be decentralised, giving impetus to the latest developing strategy - the District Focus for Rural Development. They are all Printed by the Government Printer.
3. Republic of Kenya. Office of the President, District Focus for Rural Development. Official Handbook (Green Book) (Nairobi: Government Printer, 1984) p.1.
4. ILO Report, 1972. Employment, Incomes and Equality. A strategy for increasing productive employment in Kenya. p.317.
5. Working party on Government Expenditure 1982. chaired by P. Ndegwa. (Nairobi: Government Printer, 1982) p.50.
6. Republic of Kenya, Development Plan 1983-88 (Nairobi: Government printer, 1984) p.91.
7. This followed a presidential directive that students should be involved in the deliberations of the committees, when he met Kakamega University Students in May, 1989.

8. Development plan, 1983/88 p. 96.
9. District Focus for Rural Development, Revised Edition, 1987, p.8.
10. Ibid p.34.
11. The headmistress who was said to be single had allegedly become pregnant, violating morals which she is expected to impart to her students. The C.P.K. church wanted her transferred. The Ministry of Education was not for this idea. This happened in early September, 1989.
12. Frank Holmquist, "Implementation of Rural Development - Projects", in Goran Hyden, Robert Jackson and John Okumu. Development Administration. The Kenyan Experience. (Nairobi: Oxford University Press, 1970) p.228.
13. Kenya Federation of labour was changed to COTU ~~the~~ the Central Organisation of Trade Unions. The former was a very powerful organisation. COTU seems to have been neutralised and co-opted by the the government.
14. See V.O. Key Jr, Politics, Parties and Pressure Groups (New York: Thomas Y. Growell Co., 1964) especially Chapter 3. 'Government and Trade Unions', p. 49 ff.

15. Robert H. Jackson, 'Planning, Politics and Administration' in Hyden et al op cit p.185.
16. Ibid p. 186.
17. Robert H. Jackson, 'Administration and Development in Kenya. A review of problems outstanding', op cit p.325.
18. The Rev. Samuel Kobia, Secretary-General, MCCK, interview with The Standard July 30th, 1989.
19. Ibid p.4.
20. Joel D. Barkan and John J. Okumu (Eds), Politics and Public Policy in Kenya and Tanzania (Nairobi: Heinemann Books, 1979) p. 103.
21. Fred Riggs, "Bureaucrats and Political Development. A paradoxical view", in I. LaPalombara (ed), Bureaucracy and Political Development (New Jersey: Princeton University Press, 1963) p. 120.
22. This term 'over-developed' was used by Hamza Alavi in his Analysis of the Nature of the Post-colonial societies, in The New Left Review, No. 74 July/August 1972 especially p.40.
23. This was the first constitution to serve independent Kenya.

24. The Ndegwa Commission of inquiry, Public Service Structure and Remuneration, 1971 (Nairobi: Government Printer, 1971) p. 13.
25. Lucian Pye. Aspects of Political Development (Boston: Little Brown Book Co., 1986) p. 73.
- 26(a) Vincent Khapoya, "Kenya Under Moi". Continuity or Change? in Africa Today Vol. 27 No. 1, 1980. p. 20.
- 26(b) Barkan and Okumu, op cit p. 68.
27. Barkan and Okumu, op cit p. 67.
28. Johari, Comperative Politics (New Delhi: Sterling Publishers, 1980) p. 486.
29. Dennis Ocaya and Ali Mazrui, Parliament. Parties and the Presidency in East Africa Experience. Paper presented at the 3rd International Congress of Africanists (Addis-Ababa, Ethiopia 1973) p.3.
30. Kenya Constitution, 1st Ammendment, 1964. We are referring to the Republican Constitution taken up in 1964.
31. Kenya Constitution, Section 17(2).

32. M. Tamarin, "The Roots of Political Stability in Kenya." in African Affairs Vol. 77 No. 308.
33. Scholars like Gabriel Almond have mentioned this regime type. Notice, for example, Almond in Harvey G. Kogbschul (ed), Politics in Transitional Societies (New York Appleton-Century Crofts, 1968) p. 46 ff.
34. For more on the legal interpretation see Y.P. Ghai and J. P. W. McAuslan, Public Law and Political Change in Kenya. A Study of the Legal Framework of Government From the Colonial Times to The Present. (Nairobi: Oxford University Press, 1970) especially chapter VIII.
35. Dan Bondi-Ogolla. The State and Trade Unions. A study in state control and regulation of union power in Kenya. LLM Thesis, University of Nairobi, 1980. p.152.
36. Ibid p. 150.
37. Hamza Alavi, 'The nature of the Post-colonial State' op cit p.60.
38. Collin Leys, "The over-developed post-colonial State. A Re-evaluation", in Review of African Political Economy No. 5, Jan-April, 1976 p. 42.



39. Harry Goulbourne has used this term 'Interventionist' state to describe the African state. See "The State, Development and need for participatory Democracy in Africa", in Peter Anyang Nyong'o (ed), Popular Struggles For Democracy in Africa. (London: United Nations University, Ed. Books, 1987) p. 22 ff.
40. Henry Bienen, Kenya: Politics of Participation and Control. (New Jersey: Princeton University Press, 1974) p.109.
41. John Njuguna N'gethe, Harambee and Development Participations in Kenya. The Politics of peasants and Elite interaction with particular reference to Harambee projects in Kiambu District. A Ph.D Thesis, University of Carleton, Canada, (1979) p. 146.
42. See J.D. Powell, "Peasants Society and Clientelist Politics". American Political Science Review. Vol. 64, 1970, p.40.
43. Bienen op cit. p. 75.

## CHAPTER THREE

### XXCI: ORIGINS AND DEVELOPMENT

Chambers of Commerce trace their history to 1599 when the term "Chamber of Commerce" appeared for the first time in Marseilles, France, although this was preceded by the rise of Venetian maritime traders and the Hanseatic league.' Following the royal decrees of 1701-2, chambers came to be established throughout France. Towards the end of the 18th century, chambers of commerce were established throughout Western Europe. Their principal role was to advise the state on economic questions. These chambers came to assume different structures and functions. The major difference emanated from the different considerations in their establishment and operation. Some were established under private law and others under public law.

In most of Europe, public law came to predominate. In this case, chambers were viewed as public bodies regulated by law, membership being obligatory for all enterprises. In Britain and countries influenced by the British tradition, as well as the Nordic countries, private law came to apply. The most important factor for the establishment of the chamber was the wish and the need of the business community to co-operate on a regional or racial basis. British colonies, like Kenya had their chamber of commerce structured along these lines.

During the colonial period in Kenya, chambers of commerce promoted the interests of the various ethnic and racial groupings and regions, some representing the settler interests, others Indian interests and others African interests. These operated on regional levels. Thus, there were chambers operating in Mombasa and Nairobi which were independent of each other and autonomous. After independence, these various chambers united in the new spirit of nation-building with President Kenyatta in the forefront of these efforts. The general feeling was that the activities of these chambers contradicted the new government policy that aimed at uniting all Kenyans and building a new nation. These efforts bore fruit in 1965 when KNCCI was founded.

The new Chamber had the objective of protecting and promoting the interests of the business community. It sought to do this by responding to the various government measures affecting business interests. From outset then, the Chamber was to be viewed as a pressure group defined as one that seeks to influence public policy in its favour without necessarily wanting to take part in the governing process.<sup>2</sup>

KNCCI operated as a registered society until 1973 when it assumed a new status.<sup>3</sup> At an extra-ordinary general meeting on the 26th June, 1973, members adopted the Memorandum and Articles of Association which made KNCCI a company limited by guarantee without share capital. It was eventually incorporated on the 7th August, 1973 and a letter changing the status of the Chamber as a society was sent to the Registrar of Societies to effect the changes.<sup>4</sup> Following this

legal changes of its status and posture, all its branches became autonomous and no longer required registration individually by the Registrar of Societies. Its affairs were not to be determined by the Registrar of Companies. The officers of the Chamber became the directors of the company. A management committee replaced the executive and general purposes committee. This committee was now composed of the officers of the Chamber, the chairmen of the standing committees and three co-opted members.<sup>6</sup> To date, the KNCCI is bound by the Memorandum and Articles of Association which outline its aims, objectives and guarantees its functioning.

The Chamber considers itself an autonomous unitary and non-profit-making organisation protecting and developing or promoting the interests of the business community. Its overall aim is economic development. It strives to promote the interests of its members in Commerce, Industry, Services and Trade.<sup>7</sup> The Chamber's members themselves constitute the "Chamber of Commerce and Industry" both as a group and through the branches that operate as its official arms throughout the country. The Chamber strives to encompass all sectors of Commerce, Banking, Insurance, Transport and Services and also enterprises of all sizes and legal formulations. It has been argued that this is the only way of ensuring that it is really representative of the entire economic sector in general.

There have been allegations that the Chamber is ineffective because it attempts to represent diverse and often conflicting interests and that if it concentrated on only one, it could become more effective. While

this may be true, it must be pointed out that a Chamber must represent the common interests of an inter-sectoral group of business. It therefore clearly differs from professional associations each of which may represent one sector, for example Manufacturing, Insurance, Construction, Banking or a particular economic function for instance Wholesalers, Shopkeepers, Retailers. A Chamber of Commerce brings together all sectors of the economy and attempts to defend collectively their interests. This is the only way of ensuring that a Chamber is representative and this is probably the reason why at the beginning of the 20th century the name "Chamber of Commerce" was widely changed to "Chamber of Commerce and Industry".<sup>7</sup>

The Chamber pursues its aims by articulating members' problems and seeks remedies from the government and works with groups with similar objectives, for example KAM. The Chamber is also concerned about the way government responds to economic questions. Though it is not a political organisation, it admits that since economic activity is often affected by political action, it considers and responds to the effects of political action on economic activity.<sup>8</sup> This obviously draws it into the arena of politics and finds itself in constant interaction with politicians who act as policy shapers.

Apart from the representational role, the Chamber also provides some specialist services to assist members in the running of their many and varied businesses and provides a two-way channel of communication between the business community and the wider society as a whole. It also seeks to provide information on a wide range of business matters

especially legislation, export trade, customs and excise, pricing, communications, exhibitions, trade promotion, licensing and hosting trade missions.<sup>9</sup>

Article 3 of the Memorandum of Association of the Chamber outlines its objectives. Among these are:-

- (i) to promote, co-ordinate and protect commercial and industrial interests in Kenya in general and of members in particular.
- (ii) in matters affecting the interests of commerce and industry to promote, support or oppose legislation and bureaucratic measures.
- (iii) to foster social unity within and to promote the welfare of the commercial and industrial community.
- (iv) to establish, maintain, organise, manage and finance trade and industrial exhibitions and displays either on its own or in participation with other persons or organisations.<sup>10</sup>

The supreme authority of the Chamber is vested in the Governing Council which is made up of the Management Committee Members, five members elected during the annual general meeting and two representatives from every branch.<sup>11</sup> The Management Committee is comprised of the National Chairman, the immediate past National

Chairman, the first and second Vice-national Chairmen and the chairmen of the various standing committees. It is responsible to the governing council for all administrative matters related to finance and the general day-to-day running of the chamber.<sup>12</sup>

The Chamber functions through standing committees each of which has specific responsibilities. Presently there are eleven committees and three sections. The governing council is empowered to establish any committee it considers desirable to further the work of the Chamber. The council also under article 46 is entitled to form sections for the benefit of any trade, industry or profession or any other interest or group of interests on request from a representative number of such full members of the Chamber.<sup>13</sup>

The main difference between Committees and Sections then, is that while the formation of the Committees is the business of the governing council, Sections may be formed by the council on request by a member or groups of members who view it legitimate to do so. The Africanisation Committee, formed soon after the Chamber started operations, was abolished in 1974. It is not clear why, considering that the issue of Africanisation has been top on agenda of chamber deliberations since its inception. Probably, the non-African element within it, especially the Asians might have lobbied for its abolition.

The rationale behind the working of the Committees is the Chamber's attempt to cater for the various interests it represents. Some of them address themselves to issues relating to specific interests, for

example Manufacturers Committee, Retailers Committee or Distributors Committee; other committees are formed to cater for issues of concern to the Chamber in general. Some of these issues include legislation and local authorities, Communication, Export Promotion and Membership. An effort is usually made to elect people who are competent in the field or issue with which a committee deals. The present chamber committees and sections are briefly presented below:-

### 3.1 CHAMBER COMMITTEES

#### 3.1.1 The Communications Committee

This committee is responsible for all matters connected with communications and transport in so far as this affects commercial operations including freight, insurance, postal rates and railway systems. It works closely with the traffic police who have been co-opted into their committee. They seek to work with them in order to ensure easy travel and streamline the whole process of transportation. Through its deliberations and follow-up, the committee has been able to draw the attention of the government to such issues as bridge stations, container terminals, telephone and telegraph. The committee works closely with the road safety council under the ministry of transport and communications.



### 3.1.2 The Fairs and Exhibitions Committee

This committee is responsible for the planning and organisation of the annual trade fair - The New Kenya Trade Exhibition - which is a national indoor show for Kenyan manufactured goods. It is usually sponsored by the Ministries of Commerce and Industry and organised by the Chamber. The committee, under Mr. Timothy Ramtu, since 1975, also assists in identifying external trade fairs in which Kenyan manufactured goods can be displayed and in so doing help to expose Kenyan manufacturers.

Through its functions, the Chamber is able to engage directly in trade promotion because such fairs assist local firms to penetrate the domestic and foreign markets. The Chamber, through this committee is seeking a permanent venue for this event instead of the present arrangement whereby it has to hire a place in the Kenyatta International Conference Centre every year.

### 3.1.3 Export Promotion Committee

The committee seeks to promote Kenyan goods on overseas markets. Its activities include organising trade missions to other countries of the world where demand for Kenyan goods has been identified. The committee is also responsible for hosting foreign trade delegations which visit Kenya for purposes of establishing commercial links with Kenyan businessmen.

#### 3.1.4 Manufacturers Committee

This committee deliberates on issues affecting this specific interest within the Chamber. It addresses itself to problems connected with the procurement of import and export licences and regulations concerning the establishments of new industries. It works closely with the other committees in order to ensure that issues pertaining to manufacturers are deliberated on.

#### 3.1.5 Membership Committee

It deals with all membership affairs including complaints regarding services to members and also reviews these services, with a view to improving them. The committee is also responsible for the recruitment of new members and their admission into the Chamber. Apart from this, the committee supervises other membership affairs like members luncheons and dinners, choosing guest speakers at the functions and ensuring that as many members as possible attend the functions. The chairman of this committee sits on the editorial board of Chamber publications. Total membership of the Chamber presently stands at 7,000.

### 3.1.6 Legislation and Local Authorities Committee

The committee works in close consultation with the Ministry of Local Government and the local authorities throughout the country. The aim is to ensure that no legislation connected with commerce is passed into law or by-law without the parties concerned taking into consideration the effects of such laws on businessmen and industrialists. The committee also seeks to ensure that the local authorities rates, fees, rates and other charges are not too high. The committee has always found itself at loggerheads with local authorities which have kept on increasing the rates from time to time. The committee meets at least once every month, just like the other committees.

### 3.1.7 The Economic and Development Committee

This committee is responsible for monitoring the national budgetary and fiscal proposals and considering their implications to the business community before they become law. As a matter of policy, the committee works in consultation with the price controller, especially whenever there is no longer a need to maintain specific price control on a particular item. It also studies general government economic policies and ensures that these are interpreted to the members so that they become aware of them.

### 3.1.8 The Finance Committee

The committee is responsible for all Chamber finances including the generation of funds and control over its expenditure. It seeks to find new income-generating projects so that the Chamber becomes self sustaining financially. The committee convenes meetings, guides proceedings and ensures that whatever decisions are taken, are implemented. It ensures that proper accountability is done regarding spending and is responsible for production of revenue, preparation and approval of the annual budget and also auditing and approval of accounts.

### 3.1.9 The Retailers Committee

It deliberates on the specific problems which affect retail business throughout the country. Among other things, this committee ensures that prices of manufactured goods remain fair at the retail level because it is the retailer who is the contact person with the consumer of the end product. The committee considers issues like pricing, distribution, licensing, especially as they affect retail traders.

### 3.1.10 The Wholesale and Distribution Committee

This committee looks after the welfare of the distributors and wholesalers who at certain times are one and the same. The committee

works closely with the Kenya National Trading Corporation (KNTC), in ensuring smooth distribution of goods throughout the country.

### 3.1.11 The Educational and Training Committee

This committee is one of the newest in the Chamber. It started functioning in November 1983 after a recommendation by the annual general meeting. The committee is charged with the responsibility of training branch leaders and secretarial staff and Chamber members in general. It is supposed to look for training facilities for the members both locally and overseas. The committee has sought contacts with such public institutions as UNIDO, UNEP, WHO, UNCTAD, KIM and KETA as well as private training institutions, based locally and overseas.

## 3.2 CHAMBER SECTIONS

### 3.2.1 Chamber Hardware Section

This section aims to promote the interests of those Chamber members who are engaged in hardware trade. It is a special section set up and meets regularly to deliberate on issues and especially problems encountered in both the manufacturing and distribution of hardware products.

### 3.2.2 Petrol Station Dealers Section

This section was established by the Chamber in late 1984. An interim committee was elected to deal with the problems affecting the dealers like profit margins, agreement with oil companies, labour problems and transportation of oil. It prepares Memorandum to the government through the Ministry of Energy.

### 3.2.3 Motor Spare Parts Section

This section was set up to deliberate on the issues that are of interest to those engaged in the business of motor spares. The section is concerned about the general importation of motor spare parts and it advocates for a halt to this tendency because those that are available locally are adequate. The section was co-opted in the Autoparts Liason Committee which covers all areas affecting motor vehicle industry in Kenya.

### 3.3 CHAMBER ARBITRATION TRIBUNAL AND OTHER ISSUES

The arbitration tribunal of the Chamber was launched in late 1983. The tribunal seeks to settle cases involving members instead of resorting to the High Court. It is designed to resolve commercial and industrial disputes referred to it voluntarily by agreement between two parties in dispute. The decisions that are taken by it are not

binding but are just dependent on any party in dispute's willingness to comply. Members are under no obligation to refer cases to the tribunal.

The deliberations of the various committees are co-ordinated and executed by the secretariat at the Chamber headquarters in Nairobi. This is manned by professional and administrative personnel and has responsibility for implementing the committee resolutions. The secretariat is headed by a chief executive. Within the secretariat, there is a research and consultancy unit headed by a technical officer. This is of fairly recent creation and is responsible for provision of general market research, consultancy services and pre-feasibility studies. Research on internal and external markets are carried out throughout the year. Reports on trade missions are given. It also prepares papers to be sent to respective authorities.

Membership in the Chamber is unlimited and voluntary. There are two categories of members: ordinary and honorary. Those who subscribe to the memorandum and any other persons who are admitted by the governing council are ordinary members of the Chamber.<sup>15</sup> Individual partnership and bodies corporate are eligible for membership. There are five classifications of ordinary members as shown below:-

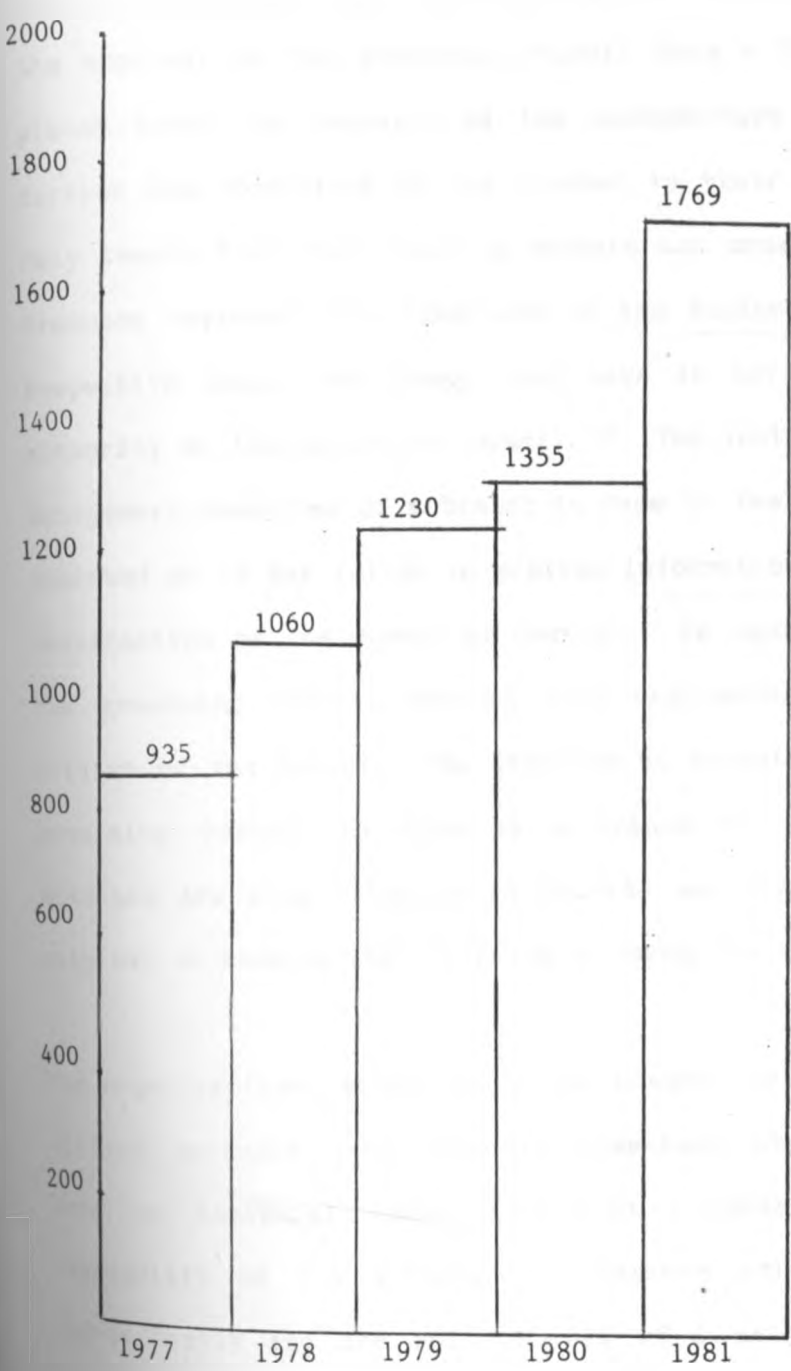
- 1) Individuals
- 2) Partnerships
- 3) Private companies with limited liability.

- 4) Public companies, statutory boards and foreign companies which have established a place of business in Kenya.
- 5) National associations, agricultural societies and voluntary service organisations.

An individual member or the accredited representative of a member nominated by the governing council may be elected to honorary membership at an annual general meeting and such honorary member shall have rights and privileges as may be determined by the council except that he shall not vote. Membership in the Chamber has been growing at an average of 20% annually. For instance membership in Nairobi alone had grown from 827 in 1977 to 1769 in 1981 as shown in the following diagram: See overleaf



Table 3.1: Membership Growth in the Chamber, 1977-81.



Source: Annual report, 1981.

The Chamber operates a network of about 35 branches throughout the country and organised at district level. In accordance with Chamber's articles of association, members of a given geographical area may with the approval of the governing council form a branch. Branches are placed under the umbrella of the headquarters and are designed to further the objectives of the Chamber in their respective districts. Only twenty five fully paid up members can constitute a branch. The branches represent the interests of the business community in their respective localities though they have to act through and with the authority of the governing council.<sup>16</sup> The latter can also dissolve a management committee of a branch in case it feels that the branch has violated or it has failed to provide information in any matter to the satisfaction of the governing council. In case such a thing happens the governing council assumes full responsibility in managing the affairs of the branch. The articles of association even empower the governing council to dissolve a branch at its own discretion.<sup>17</sup> Branches are also supposed to provide monthly returns which is the only way of knowing what is going on among the branches.

The organizational structure of the Chamber as shown in the foregoing differs markedly from chambers elsewhere especially in the west. Here, an essential characteristic of a Chamber of Commerce is the regionality of its structure. Chambers exist in important towns independently and are not branches of a national body; notice for example the Birmingham Chamber of Commerce, or the London Chamber of Commerce in the U.K. KNCCI operated like this before independence. The regional structure, it is argued, is necessary to guarantee and to

stimulate direct contact between the chamber and its members. The argument further contends that only within a well delimited area can a Chamber develop the necessary initiatives and regional characteristics. These characteristics can easily be overwhelmed by other considerations in an organization covering the entire country.<sup>18</sup>

### 3.4 CHAMBER'S SOURCES OF INCOME

The primary source of income for the Chamber is membership fees and annual subscriptions. Membership revenue is considered most important by organisations as it can serve as an indication of the support an organisation enjoys among its members. Even if there are supplementary sources of income, membership fee is the single most important source. This explains why the Chamber has endeavoured to create confidence among its members, the business community. Fully paid up members enjoy such services as business information, search for markets and utilization of such facilities as the reference library, free of charge. However, members pay for certain authorized services including issuance of certificates of origins for exports, management fees, sales of plagues and fee charged for seminars and related courses. There are other activities organised by the Chamber that help to generate supplementary income. The most well known of these are exhibitions like the New Kenya Trades Exhibition which is an annual event. It also gets income from branches through subscription, rental fees and proceeds from sale of some of its publications, like

the monthly Business Journal entitled Ufanisi and also the business directory.<sup>13</sup>

The Chamber also established an investment company in 1983 called the Chamber Investment Company as an additional source of its income. Below is a financial statement showing an example of how the Chamber derives its income.

Table 3.2. Account for the year ended 31 December, 1984 in Kshs

<u>Income</u>	<u>1984</u>	<u>1983</u>
Annual subscriptions	800,925	847,425
Certificates of Origin	158,016	148,049
Interest on Deposit Account	34,201	28,075
Management Fees	254,948	237,567
Branch Subscriptions	88,247	110,067
Other income	29,071	255,522
Deficit on Rental	94,337	54,245
New Kenya Trades Exhibition	203,584	138,939
Business Journal	135,879	-
	<hr/>	<hr/>
	<u>1,610,512</u>	<u>1,711,399</u>

Source: Annual Report, 1984.

As can be seen from this table, membership subscription constitutes the largest single source of revenue and it is illustrative of the argument that for organisations like the Chamber, supplementary sources of income should not be excessive compared with membership fee. It looks like double payment since individual members from such branches have to pay membership fees.

The memorandum and articles of association provide for an annual general meeting to convene not later than 30th April. Members are supposed to be informed of this well in advance.<sup>20</sup> Since its inception, the Chamber has been operating within the provisions of this. Its annual meetings were consistent until 1985-1986 and 1988 when the meetings failed to take place. Prior to 1985, Mr. Francis Macharia the Chamber's national chairman since 1975 had no problem being re-elected. Only once in 1980 did he face token opposition from Mr. Elijah Enane, whom he defeated easily. In 1985, Mr. Macharia got a rude shock when Mr. Nicholas Gor, a former MP and chairman of the Export Promotion Committee decided to run for the post. When the annual general meeting was called for 16th April, Mr. Gor came fully assured for the battle but within a short time, the meeting assumed the tensions and confusion that is characteristic of trade union elections. There were accusations and counter-accusations of irregularities and sabotage which forced the governing council to convene an impromptu meeting which postponed the elections, amidst protests from Mr. Gor and his supporters. Mr. Macharia's group alleged that non-members had been brought with the intention of voting in favour of Mr. Gor. The meeting was never held thereafter and the

Chamber was plunged into a spate of unprecedented squabbles which involved even court wrangles. These issues are dealt with in detail in the next chapter which analyses the chamber's representational role and the factors affecting this.

As already indicated, Chambers of Commerce attempt to bring together all sectors of the economy and seek to represent them. They therefore champion the interests of the national economy in general. However, some organisations seek to protect and promote the interests of one sector, an example is KAM. This is the representative organisation of industrialists. It seeks to promote industrialization by encouraging investment amongst its members and advising the government on the needs of industry. KAM was originally called the Association for the Promotion of the Industries in East Africa. This was formed during the war time (1945-46) to promote the welfare of industrialists and represent the interests of the colonial government.

Its name was changed to Association of East African Industries (A.E.A.I) in 1964 but remained the representative organisation for industrialists in Kenya. The name was further changed to what it is presently: the Kenya Association of Manufacturers in 1970. The changes reflected the changing roles and coverage of this organisation. The original organisation catered for members in East and Central Africa. As the East African countries gained self rule starting the sixties, there was felt a need to re-orient the activities of the organisation to their own specific economic set-ups. KAM is purely a Kenyan undertaking and has the main objective of

promoting the interests of those engaged in manufacturing. It seeks to promote economic activities with an overall aim of economic development. KAM aims to do this by encouraging investors to invest in Kenya, initiating discussion among members on matters related to industry. It also strives to maintain, with the help of government, attractive investment conditions in the country for both existing and potential investment.

Over the years, KAM's activities have grown in scope and dimension. It has become a national body with membership of approximately 700 drawn from small industrial concerns, medium size industries and large scale industries. Membership growth has been remarkable. In 1971, soon after its incorporation, KAM's membership was 171. The industries represented in KAM are of a mixed range and are both of foreign and local origin. There are wholly foreign owned ones operating in Kenya and purely local ones. KAM strives to encourage its members and potential members to go into industrial activity giving free advice on industrial policy. Anybody who is engaged in any form of industrial activities qualifies for membership.

According to the chief executive, KAM was created as a forum through which members are able to share experiences and educate one another. KAM seeks to advise government on the needs of industry and how industrialization can be promoted.<sup>22</sup> It does this through memoranda, proposals and recommendations presented to the government for consideration from time to time. Before the annual budget for example, KAM presents a detailed paper containing the views of

industrialists which the Minister for Finance should look at with a view to incorporating them in his budget proposals.<sup>23</sup> There are also personal contacts with officials in the government.

In this way, KAM has worked to ensure a permanent framework for dialogue at all levels of government. The government seems to be aware of the vital role KAM can play in the economy. This is why it usually seeks KAM's views before any major economic policy enactment. KAM has created a level of confidence with the government. The government has come to recognise that what KAM stands for is credible and its approach to issues is both professional and open. This is confirmed by the fact that various government officials are invited to speak in KAM'S meetings, ranging from executive board meetings to the annual general meetings.<sup>24</sup>

KAM's role can be seen as intermediary between the government and the private sector. It carries out continuous communication with government and industry on the improvement of the investment climate as well as advising the government on the establishment and support of industries. It submits its views and suggestions for inclusion in the development plans. Through careful analysis of investment conditions in the country, it seeks to advise its members appropriately. All this is in recognition of the importance of the growth of manufacturing industry in Kenya as a source of increased employment opportunities. In its representation of the interests of the private sector, KAM works in close co-operation with the Chamber.



The Chamber and KAM have certain degrees of overlapping membership. Manufacturers, who form KAM's membership are also an important category of Chamber members. KAM signed up affiliate membership in the Chamber in 1967. KAM's members are considered very important by the Chamber to the extent that in case of withdrawal, it may find it very difficult to continue operations. It will be adversely affected especially with regard to subscriptions. KAM supports the Chamber because of its belief that the Chamber is a useful organisation especially for upcoming businessmen in terms of giving them advice and service. It is also useful for the economy and the country's growth in general.<sup>26</sup> KAM also gets represented in the economic and development committees. At the moment, it is represented in the economic and development committee, the manufacturers committee, the export promotion committee and the legislation and local authorities committee. It plays an active role in the affairs of the committees in order to enhance the objectives of the Chamber. KAM also subsidises the expenses of hosting trade fairs, more so the New Kenya Trades Exhibition.

KAM, however, is not satisfied with the way the Chamber is run. It believes that the organisation is not professionally run. There is lack of seriousness and proper organisation which hampers its effectiveness. In addition, there are certain contradictions in the Chamber's representational role. It is not opposed to the importation of manufactured goods. This is a tendency that hurts local manufacturers whom it also represents. In fact the Chamber fully supported the recent government legislation which, among other things,

requires that manufacturers do not engage in the distribution of the goods they manufacture.

The manufacturing sector within the Chamber was not happy with this. KAM's view was different on this legislation, especially on the section on distribution. KAM's view is that manufacturers have a right to take part in the distribution of their goods and pointed out this to the government. It urged the government not to put into operation the law until it had adequately studied it. But the provision became effective on the 1st February, 1989.

An issue that KAM and the Chamber agreed in principle was the recent controversy on Scrap Metal industry which raged on for most of 1989. The Chamber and KAM have opposed the exportation of scrap metal contrary to the wish of the Kenya Iron and Scrap Metal Association, an organisation that is spearheading the exportation. The metal dealers argue that the country has more metal than it requires and therefore needs to export some. The Chamber has dismissed this argument as baseless and instead said that the country has kept on importing raw metal because it requires more than available locally. During the 1986/87 financial year, the country exported 4.07 million kilograms of scrap metal valued at Ksh. 56.5 million but in the same year, imported 2.51 million kilograms worth of virgin metal valued at Ksh. 16.2 million. This is why the Chamber is opposed to the exports:

..... we at the Chamber are opposed to the export of scrap metal and support the government and KAM that no licence should be issued for the export of metal out this country now and in future.<sup>27</sup>

Further, KAM and the Chamber argue that the Jua Kali sector uses a lot of scrap metal for a variety of items for the country's use. Exporting the material therefore would be risking this booming sector of the economy. It would also be tantamount to killing the informal sector that neither has the capacity to import virgin metal nor has the access to the import licences and other documents. There is also a feeling that scrap metal should be turned into products through recycling. Probably the most important argument is that the price of the exported scrap metal is determined abroad where the exporters have no say. There is the danger of unscrupulous exporters fleecing the country of its foreign exchange through under-invoicing by claiming export compensation as well. In addition, there is the danger of the traders stealing vehicles, dismantling them and then exporting the pieces abroad where they are likely to be re-assembled and resold to the country at higher prices.<sup>28</sup>

On Wednesday 12th July 1989, at the height of the scrap metal controversy, the dealers threatened to sue the chairman of the Chamber for calling for a total ban on the export of scrap metal. They called his utterances unfortunate. Mr. Macharia reacted to this threat by challenging the dealers to go ahead and sue him. He took opportunity to point out that the dealers were being misused by some elements opposed to the Chamber.<sup>29</sup> The controversy remains unresolved.

KAM has been able to maintain a cordial working relationship with the government. Constant high level consultations confirm this view. In their annual meetings, they are usually addressed by the Ministers in charge of Finance, Commerce, Industry or Economic Planning or any other high ranking government official. In their annual general meeting on 30/4/82, for example KAM was addressed by the Minister for Industry who said:

.... KAM is an important organisation in terms of translating government policy on industrialisation into practical realities. Your association is also a channel of communication between the manufacturing sector and the government. For this to be effective there must be healthy and strengthened dialogue between yourselves and those relevant institutions of government with which your association has to conduct business.<sup>30</sup>

In the executive board meeting held on the 14th July, 1989, KAM hosted the Vice President and Minister for Finance. In his address the Vice President underscored the importance of the private sector in developing Kenya's economy. He observed that the manufacturing sector accounts for 11% of GDP engaging 70% of people in formal employment. He therefore asked the sector, through KAM, to be restructured in order to play a more decisive role in the development process. Professor Saitoti urged KAM to work closely with the government, reiterating that his Ministry was open to ideas from members of KAM and promised to deal with problems of manufacturing without delay.

The presence of the Vice President in this meeting goes along way in showing how KAM is able to present its views. The interactions are close and constantly take place at various levels.

KAM also works with groups other than the Chamber in fostering economic development. Mention must be made of groups like the Kenya Consumers Organisation (K.C.O), the National Farmers Union. It also conducts joint research with institutions like the Kenya Industrial Training, Kenya National Academy of Sciences and African Centre for Technology Studies (ACTS).

### 3.5 DEVELOPMENT AND ROLE OF INTERESTS OUTSIDE BUSINESS: K.N.F.U.

Besides the Chamber and KAM which represent commercial and industrial interests, there are other interest groups whose development, mode of articulation and communication is similar to the above. Farmers, for example, have a specific interest which they seek to promote and defend. They are represented by the K.N.F.U., which was formed specially to present farmers problems to the government.

With regard to its structure, the Union's highest executive authority is the National Executive Committee which meets at least four times in a year to deliberate on issues ranging from the problems of farmers to the administrative matters of the union. There is a chairman's committee which meets prior to the meeting of the National Executive Meeting. The committee advises the chairman on important issues that should be forwarded to the National Executive. There are then standing committees which are specialised in certain aspects of farming for example crops, livestock, land-use, farm machinery and infrastructures.

These committees meet to discuss in detail the problems that fall into their respective areas of responsibility. The annual delegates conference is the supreme law-making authority of the union and it meets once every year to approve and adopt the report of the executive committee and issues of the immediate past conference. The conference debates on motions that are tabled by Area branches and forwards its views to the government which is usually represented in this conference by either the Ministers for agriculture and Livestock Development or their representatives.

### 3.5.1 KNFU's Activities

The issues that KNFU has addressed itself to in the past few years include: AFC loans, late payment for farmers, deliveries, livestock diseases, improvement of rural access roads, animal feeds, wildlife compensation and stock theft cases. For instance, during its 41st annual delegates conference held on the 31st March, 1989 at the K.I.C.C., the farmers expressed an appreciation on the positive action taken by the government the previous year 1988 in writing off AFC bad Debts. This followed numerous representations by the Union. The government responded by writing off bad debts in seven categories namely: the 1984 Seasonal crops loans which failed due to drought, Guaranteed minimum returns (GMR) claims authorised by the Central Agricultural Boards, GMR outstanding balances, bad debts on wildlife damage claims approved but not paid since 1980, bad debts involving

old pineapple scheme given to farmers in Thika between 1967 and 1970, Group farm rehabilitation loans and the seasonal credit scheme.<sup>31</sup>

On payments to farmers, the 1989 conference expressed concern about the late payments by many organised marketing channels on such farmer's produce as cotton, coffee, sugar cane and milk.

The farmers called upon the government to ask all organised marketing bodies to pay for farm produce on time. They also asked the government to introduce severe penalties against offending institutions and intervene promptly to streamline organisations which do not improve and act to ensure that no excessive double interest charges accrue against loanees affected by such delays.<sup>32</sup>

The question of producer prices has featured prominently amongst farmers problems raised year after year. In 1987, for example, the union prepared a comprehensive proposal on producer prices and forwarded it to the Ministries of Agriculture and Livestock Development to consider during the annual price review for the year 1987/88. The recommendations were based on farm level cost increases which the union calculated to have increased over the previous year as follows:-

Table 3.3 (a) Cost Increases of Commodities

Fertilizers	30%	Animal feeds	4%
Herbicides	17%	Feed additions	13%
Insecticides	2%	Farm machinery	18%
Fungicides	2%	Farm implements	5%
Acaracides	23%		

A detailed calculation was made for the major enterprises to establish a firm base-line for the cost indices.<sup>33</sup> Unfortunately, no producer prices for the period were announced by the end of the year. They were only announced in 1988 at the end of the season. Due to repeated appeals for review of producer prices, KIFU has forced the government to respond by raising prices as follows between 1987 and 1989:

Table 3.3 (b) Price Variations of Commodities

	Kshs. 1987	Kshs 1988
Maize	188	201
Wheat	286	306
Cotton	5	6
Sugar Cane 1 tonne	341	368

Source: Annual Report, 1988.



On livestock diseases control, the union has always asked for efficiency on the part of the department of livestock services. There lacks adequate drugs, acaricides and vaccines to promote effective campaigns against dangerous and even notifiable livestock diseases such as foot and mouth and tick-borne diseases. During their conference in 1989, the Farmers called upon the government to strengthen disease control activities and ensure that essential drugs are available at all times and that staff are sufficiently mobile throughout the year. They also asked the government to control the cost of animal drugs which according to them is currently high for many farmers to afford and also act to eradicate tse tse flies from the lake region and elsewhere where they are found.<sup>34</sup>

Another issue that KNFU has been concerned with is the wildlife compensation scheme. It has usually made a determined effort to ensure that the government pays all the outstanding compensation claims arising from destruction of crops by wild animals. Though the government has often compensated, it has of late given priority to compensating human losses. Also the farmers argue that the valuation made for compensation has often been understated and outdated.<sup>35</sup>

During their 1989 annual conference, the farmers reiterated that full compensation for wildlife damage for farm life should be given as stated in the wildlife management Act.\*

\* Act provides for compensation in case of damage.

They expressed displeasure at the continued failure of the Ministry of Tourism and Wildlife to pay all approved claims. The farmers argued that the total amount of claims is very small compared to the tremendous revenue that the farmers generate in support of the economy. They therefore urged the government to vote without delay, funds to pay all outstanding claims and announce a policy of cropping with priority given to plains game whose numbers are in excess of what farms can hold without interfering with their efficient management. They also urged the government to reduce the conflict between farmers and wildlife by moving wildlife away from the farms to national parks.

With regard to infrastructural issues, KNFU has been as concerned about their provision and cost as other groups like the Chamber, KAM and consumer organisations. For example, electricity had increased by 30 percent in early 1987 and went up by another 9 percent at the end of the year. KNFU protested to the government, arguing that this would hamper the rural electrification programme which was in progress. Farmers, who form the bulk of rural population would be affected.

The union has also continued to make representations of the need for improvement of roads throughout the country. Branch chairmen have often sought to lobby vigorously within the district development committees for important rural access roads to be given priority from the funds. In spite of the representations, many important access roads have still not been improved and this makes the movement of farm produce to be very difficult or even impossible. On telephone and

postal services, KNFU in conjunction with the Chamber and other interested parties have urged the government through the Kenya Posts and Telecommunications, to keep up the expansion of these services and especially, improve on them for the benefit of the rural areas.<sup>127</sup> As a result of these proposals, the KP & T embarked on a major expansion programme of replacement of old manual systems with STD, which have now penetrated the rural areas.

On the question of Taxation, the union has continued to take seriously problems that farmers face with regard to income tax. In late 1987, a pilot project was launched by the union to help farmers maintain farm accounts and assess their profits. The union was shocked to hear the government imposing a new tax on farm produce in the 1989 budget proposals. This has prompted KNFU to protest asking the government to reconsider this decision since it is going to be very expensive for farmers to get profit from their farm produce considering the increased costs.

With regard to animal feeds, the farmers have always complained that this is well below farmers' expectations especially for poultry farmers. They argue that this problem arises from the heavy dependance on imports of proteins and minerals in the absence of adequate local supplies. From mid 1989, the country was experiencing an acute shortage of animal feeds caused by lack of grants and the imported components. KNFU has also expressed concern at the high cost of feeds whose retail prices have continued to rise beyond what many farmers can afford. In view of these problems, the union has asked

the government to intervene in the feeds supply and guarantee that all feeds supplied to farmers are of reasonable quality. It also urges the government to ensure that local manufacturing and distribution network is developed in order to satisfy national demand. With regard to imported components, the union has urged the government to take urgent and decisive steps to promote local production of proteins and mineral additives, especially by promoting production of soyabeans, cotton, fish and bone meal.<sup>38</sup>

The issue of stock theft has also been repeatedly coming up in farmers' meetings. The farmers have expressed concern at the recurrence of stock theft in certain areas of the country. Many cases had been reported including from Kisumu, Trans-Nzoia, Laikipia, Meru, Nakuru, Bungoma and Busia districts. The farmers thus have urged the government to decentralize the anti-stock theft unit to more parts of the country beginning with those seriously affected by stock theft activities. In addition, they have called upon the government to tighten movement of stock from district to district and require buyers of livestock to have written evidence of source of such animals and their destinations from both the seller and the local administration.

Focusing on the sugar industry, the union has observed that there are still major problems within it. It points out delays to harvest out-growers cane for extended periods resulting in severe economic hardships among the growers. The union has raised concern about the failed sugar industries especially Ramisi and Miwani. It has also urged the government to expand existing sugar factories, set up new

ones, rehabilitate the collapsed ones and improve their management to an extent that will guarantee timely harvesting of all mature cane.

### 3.6 CONCLUSION

The foregoing chapter has attempted to review the origins and development of the Chamber. It has revealed that the Chamber was born out of the merger of the former European, Indian and African Chambers of Commerce and Industry that Kenya had inherited at independence in 1963. The present structure of the Chamber is considered adequate in the realisation of its objectives. One of its main objectives is to bridge the gap between the business community and the government. Chamber members are drawn from all business sectors especially the private sector under which the bulk of manufacturing and agriculture falls. The private sector accounts for the largest percentage of members from transport, wholesale, distribution, service industry which includes banking, insurance, export and import trade, medical services and general consultancy. The Chamber's standing committees cater for various interests that are represented within it.

The Chamber also does consultative activities with public authorities though to a lesser degree. This is mainly because the government is normally under no obligation to consult the Chamber when formulating policies. Its effectiveness when making proposals therefore depends on the strength of its arguments, its reputation and style of articulation. From what its structure looks like, the Chamber has not

then been able to get the government respond to its demands. More on this perceived ineffectiveness comes in the next chapter which analyses the Chamber's representational role.

## FOOTNOTES

1. Chambers of Commerce under Public and Private Law. A study undertaken by the International Chambers of Commerce (ICC), the International Trade Centre (ITC) in conjunction with UNCTAD, and GATT, Geneva, 1982 p. 5.

2. S.B. Finer "Interest groups and the political process in Great Britain" in Henry Erhmann (ed), Interest groups on Four Continents (Michigan Pittsburgh University Press, 1958) p. 115.

3. The Chamber was registered by the Registrar of Societies under the societies act of 1968. In 1973, it became a limited company whose directors were its officers namely the National chairman, the 1st National Vice-chairman, the 2nd National Vice-chairman and the immediate past National chairman. It was thus registered under the companies Act (cap 486).

4. KNCCI, Annual report, 1973, p. 5.

5. Ibid p. 6.

6. KNCCI Information booklet, p. 3.

7. ICC., ITC, GATT and UNCTAD study, op cit, p. 6.

8. KNCCI Information booklet, p.4.

9. Annual report, 1963, p. 2.

10. M and Articles of association KNCCI, Companies Act (cap. 486)  
Articles 3b, c, d, e, f, p.1.

11. M and Articles, Article 34, p.5.

12. ibid. Article 36, p.6.

13. ibid. Article 41, 46 p.6.

14. This figure was revealed by the incumbent chief executive on the  
Daily Nation Monday 17th July, 1989, p.4.

15. Article 6(a), p.2.

16. Article 6 (b), p.2.

17. Article 72, p.9.

18. MCC, ITC, GATT and UNCTAD study, op cit. p.6.



19. The Ufanisi business news publication is published monthly by the Chamber while the Directory of Members is updated every two years and sold to members.

20. Article 29, p.5

21. The changes within the organisation reflected its changing role. It was felt that the new name - Kenya association of Manufacturers could be a good indicator of its clients and its scope of operation.

22. Interview with Mr. Silas Ita, Chief Executive, KAM, on the 22nd March, 1989.

23. KAM writes such proposals frequently and the contents usually reflect the wishes and desires of those in the manufacturing sector. This is their main way by which they make their claims known to the government.

24. In their annual executive board meeting held on the 14th July, 1989 for example, KAM was privileged to have the Vice-President and Minister for Finance, Prof. George Saitoti address them.

25. Interview with KAM chief executive, supra.

26. See Restrictive Trade Practices, Monopolies and Price Control (Government Printer, Nairobi) especially section on Distribution.

27. See Daily Nation, July, 10th 1989, Back page.

28. See The Standard July 18th, 1989, p. 2.

29. The controversy had reached its peak when the incumbent chairman responded to the legal threat by Kisma, by catigating them further. (see The Standard, July 18th, 1989).

30. Address by the Vice-President and Minister for Finance to KAM executive board meeting op cit 14th July, 1989.

31. See order paper, KNFU, 1987/88 Annual conference, p.4.

32. Order paper, proposal 4.4 op cit, p.5.

33. KNFU, Annual report, 1986/87, p.4.

34. Order paper op cit p.6 (proposal 4:5).

35. KNFU, Annual report, 1986/87, p.5.

36. Annual report, op cit, p.5.

37. ibid. p.6.

38. Order paper, op cit p.8.

39. ibid. p.11.

## CHAPTER FOUR

### THE REPRESENTATIVE ROLE OF THE CHAMBER

The KCCI seems to have given priority to the traditional representational role as the business community's forum for reviewing problems and making known its views on government policies. It has sought to do this by responding to government policy by way of presentation of proposals or memorandum to the relevant government arms. Whether or not it has realized this objective can only be discovered after presentation and analysis of field data. The information obtained from the field is corroborated with existing literature to help assess the extent to which the chamber has been effective in representing the interests of the business community. This will also involve testing of our hypotheses.

It is fitting to point out at the outset that probably what the Chamber can claim to have achieved is the recognition by the government of its legitimacy as the spokesman for the business community. The various government ministries see it as a worthwhile institution representing the private sector. Consultations at various levels help to confirm this view. A past statement by the Chairman of the Chamber alludes to this fact:

..... I wish to say how grateful we are to the government as the Chamber continues to enjoy recognition as the sole (sic) representative of Commerce and Industry.'

#### 4.1 CHAMBER'S REPRESENTATIVENESS

The entire business community in Kenya can be represented by the Chamber because the Chamber strives to group together all businesses of whatever category or orientation. This ranges from manufacturers, distributors, professionals to the one-man shop. The Chamber could, therefore, be a large organisation relying on its large membership to realize its objectives. However, it has not been able to include all those engaged in business under it. Presently, it has only about 7,000 members representing about 5 percent of those eligible for membership.<sup>2</sup>

It is assumed that the total number of business licences given in the country every year represents the total potential membership. In 1988, for example, 130,970 of such licences were given in the whole country covering all sectors.<sup>3</sup> There has not been a rigorous programme or campaign aimed at educating potential members of the benefits to be derived by joining the Chamber. In 1978, the Chamber was given a leeway by the government to recruit members through the administrative machinery of local authorities and trade officers. In spite of this, it has not been able to enlarge its membership. Branch membership returns to the headquarters always show reduced membership. Table 4.1 gives figures for selected districts in 1978. Potential members are determined by adding together the number of trading licences issued in the selected branches.

Table 4.1 Distribution of Chamber Members

<u>Branch</u>	<u>No. of Members</u>	<u>Total No. of potential members</u>
Kisumu	184	2811
Mericho	45	3878
Kombasa	215	8155
Ildoret	82	5124
Nakuru	96	4362

Source: KNCCI, Annual Report, 1978.

The table shows that very many eligible businessmen have not been recruited. Nevertheless, when compared with other organisations, some of which like KAM have almost similar objectives, the Chamber is found to have the greatest number of members. KAM has about 700 members though it is highly organised and able to represent its members more effectively. Therefore an organisation with a small membership but better organised, can get its views heard. This fact helps to invalidate one of our hypotheses which says that the greater the number of members, the higher the degree of response. What we find in fact, the opposite. The Chamber is aware that there are a lot of businessmen who are not members. The membership committee has always tried, through recruitment campaigns to register more members to replace those voluntarily quitting or those de-registered due to

non-payment of subscriptions. For example, in 1976, the committee, faced with problems of membership default and non-registration, engaged in a massive campaign and played an advisory role to the governing council on matters affecting recruitment of new members and the retention of old ones. The Committee only managed to recruit 195 members.<sup>5</sup>

Membership in Nairobi has also been fluctuating over the years and presently stands at just over 2,000. For example, between 1975 and 1976, membership was as follows:

Table 4.2 Membership in Nairobi between 1975 and 1976

	<u>1976</u>	<u>1974</u>
Private Companies	498	453
Public & Foreign Companies	83	79
Affiliated members	25	25
Partnership	164	154
Individuals	25	303
	<hr/>	<hr/>
Total	<u>795</u>	<u>1014</u>

Source: KNCCI, Annual report, 1976.

The figures show that there was a decrease in the individual category of membership. Many individual members served the Chamber with quit notices. This is a problem that the Chamber has been facing through the years. Because of this, it is unable to widen its membership. Nairobi is the headquarters of the Chamber and has always had the largest number of members most of whom are private companies. Membership rose from 1063 in 1978 to 1304 in 1979.<sup>e</sup> Nairobi area, it should be noted again, contributes the largest share of total membership subscriptions, mostly due to its size and the fact that it is the largest business centre. The present total membership of 2000, however, is very small compared to the number of business licences issued in 1987 and 1988. All those who get such licences engage in one form of business or another and thus qualify for membership. The total number of potential membership is in excess of 20,000 as the following table shows:



Table 4.3

Latest Potential Membership in Nairobi (1988)Type of Licence

	B1	B2	B3	B4	B5	B6	B7	Total
1987	2745	840	496	9765	7058	567	-	21471
1988	2592	1236	850	7824	6386	2701	-	21589

**Key:** B1 - Wholesale  
 B2 - Catering  
 B3 - Motor Vehicle Repair  
 B4 - Retail Trade  
 B5 - Miscellaneous  
 B6 - Manufacturers  
 B7 - Distributorship

Source: Republic of Kenya. Ministry of  
 Commerce, Trade Licensing, 1987-88

A careful study of this table clearly shows that only a small fraction of organisations and individuals carrying out business in Nairobi are covered by the Chamber. The main reason seems to be its ineffective recruitment strategies. The lack of proper education on the benefits of membership in the Chamber was voiced during the survey. We got responses from 103 members in Nairobi selected from the different

categories of businesses. All the respondents that were interviewed or filled the questionnaire confirmed that the main reason for joining the chamber was to benefit from the services and also enjoy a forum for expressing opinion and views concerning business in general. We sought to find out from them how often they consulted the Chamber in the last two years preceding the interview. Such consultation can be on any issue either personally or through correspondence. The responses were as follows:

**Table 4.4 Consultation of the Chamber by Members, 1987-1988**

	No.	%
Never Consulted	58	56
Consulted Once	8	7
Consulted between 1 - 5 times	28	26
Consulted more than 10 times	5	4
Not aware of this	4	3

n = 103

Source: Survey data.

Another way of involving members in the affairs or activities of the Chamber is through functions like monthly luncheons and dinners. Such functions are designed to enable members get together to share views and experiences concerning business in general. Usually, guest speakers are invited to speak on any important topic that has a bearing on the economy in general and on business in particular. Very

often, such Speakers are drawn from relevant government ministries (including Ministers), departments, foreign mission offices and from industry. Members can raise any questions and also give comments.

Amongst the members interviewed, it was found that the Chamber makes an effort to invite them to take part in the meetings. However, it was discovered that for one reason or another, a great number of members do not attend these functions. Seventy percent of the members interviewed indicated that they attend occasionally. The reasons given for non-attendance ranged from business commitments (most widespread) to not being enthusiastic about the whole idea of luncheons. In the first place, the luncheons themselves are expensive for ordinary members since they have to meet all expenses. Secondly, the luncheons are usually held during lunch hours which, according to the members, is a very inconvenient hour. Eight percent of the members interviewed expressed the feeling that the luncheons should be done away with altogether as they are both time wasting and financially burdensome.

There was also a feeling that for the meetings to be really beneficial, there is need for attention to be focused on important topics for discussion. Officers from such departments as customs, price controller, tax and even office of the President should be invited to address the members. Such departments play an important role in the management of the economy in general. It was also noted that these meetings are only held in Nairobi. The members interviewed suggested that such functions should be extended to the branches so

that it does not appear as though members at the headquarters are getting preferential treatment than those at the branches.

The relationship between attendance of Chamber functions like luncheons and dinners and the commitment of a member was assessed. The 103 members were interviewed on a variety of issues including whether they attend the functions, whether they pay annual subscriptions and whether they approach the Chamber on their own initiative on any issue. The aim was to measure the commitment of the members to the Chamber's cause. Out of such questions, we constructed a scale of member commitment. The members in the sample were classified into two groups: committed and uncommitted. 53 (51 percent) of the members fell into the committed category and the remaining 50 (or 48 percent) fell into the uncommitted category. We then sought to study the possible explanations for member commitment. This is taken to be the independent variable. Whether a member is committed or not will depend on some other conditions - the dependent variable. Commitment can depend on whether a member attends Chamber functions and we shall take this to be our dependent variable. This is shown in the table below:

Table 4.5

Relationship between attendance of Chamber functions and Member Commitment.

		Commitment	
		No	Yes
Attendance of Chamber Functions	No	1	2 (50)
	Yes	3	4 (53)
		100%	100%
		n = (55)	(48)

Source: Survey Data

This is a cross tabulation table. In cross tabulating two dichotomous variables, a table produces four cells. Each cell represents a possible combination of Scores on the two variables. Stated in another way, each cell represents a possible type of member."

Table 4.6 Attendance of Chamber Functions correlated with  
commitment.

<u>Type of Member</u>	<u>Whether Member Attends Chamber Functions</u>	<u>Whether Member is committed</u>
1	NO	NO
2	NO	YES
3	YES	NO
4	YES	YES

We now want to determine the proportion of each of the four types of members. The stronger the relationship between attendance of Chamber functions and commitment, the greater the number of members who will be either type 1 (they do not attend Chamber functions, and thus they are not committed) or type 4 (they attend the functions and thus are committed). The table with data inserted is below:

Table 4.7 Attendance of Chamber Functions Correlated with  
Commitment

Attendance of Chamber Functions	Commitment		
	No	Yes	
No	64%	32%	(50)
Yes	36%	68%	(68)
	100%	100%	
	n = (55)	(48)	

As can be seen from table 4.7, the values of the dependent variable increase as the values of the independent variable increase. The table shows there to be a positive relationship, though not a particularly strong one. A higher proportion of members (68 percent) who attend Chamber functions are committed to the activities of the Chamber than members who do not attend (36 percent). We can show the strength and direction of the two cross-tabulated variables of commitment against attendance of Chamber functions by using the Gamma measure of association.<sup>6</sup> The formula is as follows:

$$\text{Gamma} = \frac{(AxD) - (BxC)}{(AxD) + (BxC)}$$

$$(AxD) + (BxC)$$

It varies between -1.00 (a perfect negative relationship) and +1.00 (a perfect positive relationship). A gamma measure of .00 indicates lack of any relationship between the variables. In computing the gamma measure on our table of attendance of Chamber functions and commitment, we need to insert the actual numbers rather than the proportions as follows:

Table 4.8 Attendance of Chamber Functions versus Commitment

Attendance of Chamber Functions	Commitment	
	No	Yes
No	35	15
Yes	20	33

Applying the formula for the gamma of these data:

$$(35 \times 33) - (15 \times 20)$$

---

$$(35 \times 33) + (15 \times 20)$$

$$= 1155 - 300$$

---

$$1155 + 300$$

$$= 855$$

---

$$1455$$

$$= 0.58$$

The gamma measure with regard to attendance of Chamber functions and commitment of a member is a positive and fairly strong relationship. Therefore the original hypothesis that attendance of functions is an indication of the commitment of a member to the cause of the Chamber for all practical purposes confirmed and therefore accepted.

The survey sought to investigate the extent to which Members of the Chamber are involved in the day-to-day running of their organisation. This was led with the realization that every registered member of an organisation is entitled to take part in the organisation's functioning. What we found out about the Chamber is that besides the



members not being involved much in its activities, they are themselves even not enthusiastic about taking part in them. The survey established that out of the total number of members interviewed, 68 percent had neither served in any of the committees of the Chamber, nor in the governing council. Only a small proportion, 20 percent, had at one time or other served in the standing committees. On whether members could be willing to serve in these committees or in any other leadership capacity, an overwhelming proportion of 70 percent expressed unwillingness. Again, they cited the fact that they are too committed in their various business undertakings.

#### 4.2 CHAMBER'S ROLE ON SPECIFIC ISSUES

The Chamber's representational role can be assessed by focusing on the issues which it seeks to promote or defend on behalf of members. Such issues include Licencing, taxation, pricing policy, import-export trade and local authority rates and fees. An attempt was made to solicit members' opinion on the Chamber's performance with regard to these issues. The members differ with respect to the nature of the business they are engaged in. There are manufacturers, distributors and professionals. Each category of membership was interviewed to get their opinion and assess to what extent the nature of business undertaken by a member influences his opinion about the Chamber's performance. The following table 4.9 gives the results of an assessment of the members with regard to the Chamber's performance on the issues named:

Table 4.9 Members assessment of the Chamber's performance on the following issues: Trade Licensing, pricing, taxation, interest rates, local authority rates, rank-ordered by nature of business undertaken

Nature/Category of business	Chamber has done substantially	Chamber has done minimally	Chamber done nothing	No Opinion
Manufacturers (44)	8	30	4	2
Distributors (30)	5	20	0	5
Professionals (29)	3	22	0	4

n = 103

The table shows that an overwhelming number of members view the Chamber's role in representing them as being quite minimal. A few manufacturers and distributors acknowledge the Chamber's performance as being fair. These are the ones who happen to be in contact with the Chamber more frequently. Professionals have little interactions

with it other than registration and annual subscriptions. They are often critical of it and this is probably why we find a great number of them (75 percent) viewing the Chamber's role as being minimal. The professionals are also represented more effectively by their relevant professional bodies. For instance, a lawyer would ordinarily be more active in the Law Society.<sup>10</sup> He is only represented in the Chamber by virtue of being engaged in business, though this is not obligatory. The issue of overlapping membership thus works to the disadvantage of one organisation that an individual or company belongs to. Some members of the Chamber are not aware of what it stands for and what benefits or services they are entitled to as members. This is why many manufacturers view the Chamber as having done nothing as table 4.9 shows.

In the course of the data analysis, it appeared as though the frequency of interaction between a member and the Chamber was determined by the nature of business a member engaged in. This prompted us to determine whether this was true through using a rank-order statistic - the spearman rank-order statistic, symbolised as  $r_{s(p)}$ . The example we use compares the ranking of members on two measures: Nature of business undertaken and the frequency of interaction with the Chamber. We wanted to determine whether the latter is a function of the former.

In determining the relationship between these two rankings, we can establish whether the kind of business a member undertakes determines or influences the frequency with which he contacts the Chamber on any

issue either personally or through correspondence. A perfect positive relationship indicates that the nature of business determines the frequency of interaction; the absence of a positive relationship indicates that factors other than the nature of business determine the frequency of interaction. The rankings are given in the table below:

**Table 4.10** Frequency of Member-Chamber interaction

Category of Membership/ Nature of business	Rank-ordered by superiority in membership	Rank-ordered by Av. number of times con- tacted Chamber in 1987	Difference	Difference squared
Retailers	1	0	1	1
Wholesalers	2	5	-3	9
Service	3	4	-1	1
Professional	4	0	4	16
Manufacturers	5	6	-1	1

0 = 28

A quick look at the rankings indicates a near perfect disagreement. Retailers who are the more numerous in the Chamber nevertheless did not contact the Chamber in 1987. Manufacturers who are the least numerous were most frequent in interactions with the Chamber.

In applying the formula we shall get a systematic comparison between the two ranks which visual inspection can not help us do. We therefore apply the formula:

$$\gamma_s = 1 - \frac{6 \times \sum d^2}{n(n^2 - 1)}$$

$$\gamma_s = 1 - \frac{6 \times 28}{5(5^2 - 1)}$$

$$\gamma_s = 1 - \frac{6 \times 28}{5(25 - 1)} = \frac{6 \times 28}{5(24)}$$

$$\gamma_s = 1 - \frac{168}{120} = 1 - 1.4$$

$$\gamma_s = -0.4$$

-0.4 stands for a weak negative relationship between the two rankings. It means therefore that superiority in membership in the Chamber does not necessarily mean more interaction with it. Retailers even if they are the most numerous, do not have dealings with the Chamber. On the other hand, a minority group like manufacturers have a lot of dealings with the Chamber. They may approach it in search of Certificates of Origin for exports. Further because they may be engaged in import and export business, they may need the assistance of the Chamber in processing things like import licences and export compensation claims. Our hypothesis 3 as outlined on page 38 is therefore nullified since superiority in the membership in the chamber does not lead to more interactions.

#### 4.2.1 Export Compensation.

With the regard to specific issues, our study reveals that the members are far from being satisfied with the Chamber's performance. For example on the issue of promotion of exports, the Chamber has for years sought for a conducive climate to facilitate this. Prior to 1976, it had advocated for a review and modification of the system of export compensation payments. This, it was felt would assist to some extent in promoting Kenya's export trade. In 1978 this was accepted by the government and the compensation rate was placed at 20 percent. The Chamber was however surprised when the scheme was scrapped during

It expressed surprise and sought the scheme's reinstatement. The government obliged and this scheme was reinstated from late June 1982 though a new element was included stating that eligible exports would only be compensated at 10 percent of value of the goods declared for export. The present rate of compensation stands at 25 percent. Despite the efforts of the Chamber on this issue, the members interviewed expressed dissatisfaction regarding this compensation and urged the Chamber to be more active and seek a higher rate. 86 percent of the respondents, mainly comprising manufacturers were not satisfied with the 25 percent and suggested an increase to between 30-35 percent. It is then, according to them, that the scheme would be seen to be a real incentive for enhancing export trade.

The members also frequently raised the issue of the procedure for processing and payment of export compensation. As it stands now they consider it improper and inefficient. Manufacturers, especially those whose products are for export, complained that the procedure is quite cumbersome, bureaucratic, and full of red tape. One manufacturer indicated that he had been following his claim since 1982. Considering that there is no interest paid to cover this period the whole process becomes very unproductive. Members called upon the Chamber to put all effort on this so as to help streamline the procedure. Asked for suggestions designed to make the whole scheme more acceptable, all the affected members demanded that competent officers be deployed at customs department. They also called for more efficiency in dealing with this procedure.

The members raised the issue of there being no consistent procedure in the processing of claims. While certain large firms receive their compensation promptly upon presenting their claims, other medium and small firms have been frustrated in attempts to receive their claims. As a result of this, business cannot risk relying on the export compensation in their planning. The general view by industrialists was that much more needs to be done by the Chamber, in raising the issue with the government concerning the latter's seriousness in promoting export trade.

A similar study undertaken by KAM recently came out with the same findings. The subject of export promotion was frequently raised by manufacturers that the study interviewed. KAM's view is that the present system involves a large amount of documentation which should be reduced. Dealings between the various government departments and exporters need to be further streamlined so that the exporter does not deal with so many institutions before the compensation is effected. Therefore KAM and the Chamber have found themselves pursuing this issue with an aim to have the government rectify the procedure.

#### 4.2.2 Import Licensing

Another issue that the study concentrated on was import licensing. The Chamber has made representations to the government on the need for this matter to be taken seriously for a long time. For instance in 1982, it sent several memoranda to the central bank and the Ministry



of Finance expressing concern at the poor state of import licensing especially the fact that they were not being issued at all towards the later part of that year.''' As a result of these efforts, the Central Bank eased restrictions particularly on raw materials and spares and many businesses which were on the verge of collapse were saved. However, the members seemed dissatisfied with the what the Chamber has done as it became clear during the interviews. 76 percent of the respondents expressed dissatisfaction with the way the licences are processed; 22 percent were not affected by this problem while only 3 percent of them indicated that they were satisfied with the way import licensing is processed. The main complaint was on the short life of 90 days for the licences. While this period can be extended, it requires additional time and effort on the part of the businessmen, which increases their operating costs. This erodes profits without complete assurance of success in extending the life of the licence.

In addition, members strongly felt that the time of processing of an import licence was far too long. This takes as long ~~as~~ six months from submission to the Ministry of Commerce to the time of approval. By that time, price quotations from the suppliers many times would have expired. Then the importer has to request for new quotations and if there are changes, the import licences must be amended. These delays, according to the members, have often resulted in the original supplier selling his stocks to other buyers, again necessitating a change in the original import licences. The study by KAM had also discovered the same anomaly. The interviewees of the KAM survey said that while these experiences with processing of licences occur for the

large as well as the smaller companies, in most cases the smaller firms have greater problems. Certain large companies seen as strategic to the country particularly in beverages and tobacco because of their contribution to government revenue, get their papers generally processed without much hassle."

#### 4.2.3 Local Authority Fees, Charges and Rates

This is perhaps one area that has pre-occupied the Chamber for a long time. It has been concerned with the ever increasing land rates, fees and other charges imposed by local authorities. Despite such protests, these rates have been going up. Towards the end of 1982, local authorities throughout the country had presented their proposed fees and charges for 1983 to the Minister for Local Government for approval before taking effect. Without exception the proposed charges were approved. Considering this exorbitant, Chamber branches throughout the country raised objections and appealed for their review.

A strong and comprehensive memorandum was presented to the Ministry of Local Government. When there was no response from the ministry, the Chamber appealed directly to the President on this issue. There was not any favourable response either, but it is clear that despite these representations and pressures, the rates have kept an upward trend. However, services provided by such authorities have not necessarily improved. In some, they have even deteriorated further.

A strong and comprehensive memorandum was presented to the Ministry of Local Government. When there was no response from the Ministry, the Chamber appealed directly to the President on this issue.' There was not any favourable response either, but it is clear that despite these representations and pressures, the rates have kept an upward trend. However, services provided by such authorities have not necessarily improved. In some, they have even deteriorated further.

This issue of local authorities charges featured prominently in the responses of the members as one of the things that the Chamber has failed to defend the members effectively on. When asked to name three problems they face in order of priority and which therefore the Chamber should address itself to, the members cited the rates and fees by local authorities, apart from import licensing and export compensation which were of priority one and two respectively. It became clear therefore that the rates and fees is a pertinent issue and considered a handicap to business pursuits. In their meetings, Chamber officials and members alike have often mentioned this issue of escalating rates and fees. In their monthly meeting on 29.7.1988, for example, the chairman expressed the fear that the charges had become so high that many businessmen faced collapse:

..... these charges have not been published in the normal manner nor has time been given for any objections from those affected. These days you just get a bill. Even water charges now are as high as the price of petrol.'"

The members interviewed also urged the Chamber to urgently make presentations to the government for revision of the rates. The non-response of the government on this matter has left the Chamber disappointed:

..... We are disappointed that our representations on matters concerning with (sic) difficulties faced by traders in, for example, import licences but especially on local authorities rates and fees and various other resolutions passed by our members at our meetings and passed to the government have not been acted upon.

The Chamber is not alone in voicing concern at the way local authorities have been raising the fees and charges. KAM has also objected to this trend. During their annual meeting on the 21st April 1989, for example, KAM members complained bitterly regarding this issue urging the Minister for Commerce (who was present) to stop the local authorities from exploiting manufacturers in this way. KAM chairman Mr. Riitho Ndungi said:

..... very many of these authorities are insisting that manufacturers delivering or selling goods in their areas of jurisdiction must pay manufacturers licence, travelling and fee and even export-import licences.<sup>20</sup>

With the recently introduced service charge, the members of the Chamber interviewed wondered why the authorities have not reduced or stopped levying the other dues. It was felt that the revenue from service charge if carefully utilized is enough to meet the cost of giving service to residents of municipal and county councils.

In a recent interview, the Minister for Local Government said that the service charge was introduced to help local authorities establish a firm financial base. By so doing, they will be able to offer the required services to their residents. Since it started operating in the early 1989, the service charge collected amounted to Ksh. 131 million as of July 1989. This is only a small fraction of what is hoped to be collected from workers, businessmen and farmers. People earning less than Ksh. 700 per month are exempted from payment and the maximum contribution is Ksh. 100. The money is intended towards capital development including such facilities as road, sewerage, hospitals and community services. Therefore with the regular fees, rates and other charges there is no reason why local authorities should not be able to give better facilities and services to their residents. As things stand now more should be expected of these authorities with these added revenue base.

#### 4.2.4. Africanisation and Distribution

The issue of Africanisation has featured amongst the matters that the Chamber pursues. The argument has been that the African businessman needs to play a greater role in the economic activities of his country. This question arose due to the long perceived domination of Asians in business. The Chamber had an Africanisation committee which was abolished in 1975. Prior to this, it is clear the Government had since independence encouraged through material and political backing, the upcoming African businessman. The immediate

post-independence economic blue print, African socialism and its Application to Planning in Kenya, had itself given impetus to the policy of Africanisation. President Kenyatta was in the fore-front of this. During a meeting with Chamber members on the 25th July, 1975 for example, he urged the Chamber and the Minister for Commerce and Industry to speed up the Africanisation exercise "so that Africans can occupy their rightful place in the economic activities of their country." All these efforts were designed to correct the imbalance and ensure that Africans also actively took part in economic activities.

The policy of Africanisation gained so much currency in the early 1970s that any other policy that was seen as undermining Africanisation was resisted. In 1971 for example the Ndegwa Commission on Public Service Structure and Remuneration, had recommended that civil servants could engage in business. This was perceived as a threat to the already organised business and Africanisation policy. The Chamber voiced concern:

..... We deplore the current trend by many civil servants to engage in business thereby using their positions to get business for themselves and their relatives as a result of which the whole country suffers. We urge the government to stop this trend and take corrective action.

A strong memorandum was passed on to the government but no response was heard.

The Ndegwa Commission recommendations are in operation today. It is on manufacturing that the Chamber has mostly advocated for Africanisation. This is the sector where Africans play a minor role when seen against other races. The Chamber has brought to the notice of the government the fact that the majority of the country's commerce and industry is not undertaken by Africans and has often called upon the government to take steps to correct this imbalance. However, it is on distribution that the Chamber has sought direct government intervention to ensure that Africans are involved. It has proposed that all locally manufactured goods be distributed by African businessmen only. This proposal is not new. It goes back to its early days. During this time (1960s), there was considerable struggle between the larger businessmen and small traders to obtain the most significant distributorship of goods.

From the late 1960s, there had been strong pressure from the small traders represented by the Chamber to be allowed better access to the "spoils" of wholesale trade through the Kenya National Trading Corporation (KNIC). KNIC had been set up in 1965 with the intention of taking over the import-export trade but it came to be used more as the primary agency for the Africanisation of distribution in Kenya.

From 1969 onwards, the Chamber launched a campaign to encourage the government to impose legislation to ensure that the distribution of all manufactured goods went through the African citizens. This brought antagonism between the Chamber and that section of the bourgeoisie which had already benefited from monopoly retail

distribution rights. These included foreign capital and a section of the Kenya bourgeoisie who had political and economic power. Foreign firms such as B.A.T., Cadbury Schweppes and Bata had operated sole agency systems for the retail distribution of their goods which is what the Chamber was against."

Due to the fact that some prominent Kenyan businessmen were already distributing goods manufactured by foreign firms, the Chamber was not able to successfully push for legislation until 1975. Incidentally, KAM tended to be the mouthpiece of the alliance between sections of the Kenya bourgeoisie and foreign capital and it attempted to resist the moves to introduce legislation on distribution. The chairman of KAM, who was also the chairman of E.A.I. implied that the Chamber's demands on the issue of distribution was unreasonable. In a letter to the Minister for Commerce, KAM complained of the:

..... continued harassment of industrialists by the chairman of the Chamber. There is no doubt that the continued criticism of both foreign and local investors by Mr. Macharia (KNCCI chairman) in his various addresses and public announcements is eroding many possibilities of the manufacturing side of the industrial economy.

The matter of compulsory distribution reached a high point in 1975 and had to be personally arbitrated by the President who in 1974 issued a statement to the Chamber that all foreign firms should appoint citizen distributors. However, this was not put into effect until 1975 after pressure had been exerted by the Chamber on the Minister. An amendment of the Trade Licensing Act was then passed to the effect that all goods manufactured by foreign firms in Kenya should be



distributed through KNTC-appointed citizen agents. This move cut out a substantial proportion of the whole trading profits to the foreign corporations and brought a wider range of commodities under the control of Africans.

However, the Chamber has not registered successes in all distributor trade. A lot of manufacturing firms still also distribute their own commodities. The case of cement distribution illustrates this point. By 1974, KNTC had forced the foreign manufacturers to distribute through agents chosen by it. In spite of strong objections, however, a new cement distributing company called KENCEM was set up in 1978 under the ownership of Bamburi and Portland Cement Companies. This contradicted the policy of handing over the distribution of locally manufactured goods to appointed citizen distributors, a policy which the Chamber advocated. Subsequently, the Chamber recommended that in order to bring fairness to the distribution of locally manufactured goods, the government should establish a mandatory body consisting of members of KNTC, KAM and the Ministry of Commerce and one independent person. The body should then be charged with the responsibility of appointing distributors and also advise on terms of trade between manufacturers and distributors. This recommendation, however, was not taken up.

In pursuit of the same issue, KAM accepts the new government policy contained in the document: Restrictive Trade Practices, Monopolies and Price Control.<sup>31</sup> KAM is, however, of the view that certain of its provisions need to be re-examined. On the section on

manufacturing and distribution, for example, KAM states that though manufacturers have no business distributing their goods, they have, however, an interest in the distribution and promotion of their goods. Thus the manufacturer will have reason to follow his products all the way to the final consumer.<sup>32</sup> In an annual general meeting on Friday 21st April, 1989, KAM appealed to the government to give manufacturers a free hand in selecting and appointing distributors. The chairman indicated that although the association supported the government's directive that distribution business should be left to indigenous Kenyans, manufacturers have specific and legitimate interests which impinge on distribution:

..... we consider that once the government has decided who should get trading licences for distribution, wholeselling or retailing, the manufacturer should be left to select from within the ranks of those issued with licences.

In his speech at this meeting, the Minister for Commerce avoided to respond to KAM chairman's views. He only expressed support for KAM's campaign of encouraging people to buy Kenyan manufactured goods challenging them to launch a similar one aimed at export trade. KAM's campaign entitled "Buy Kenya to keep Kenya working" is aimed at discouraging people who prefer buying foreign manufactured goods to local ones.<sup>34</sup> KAM's argument is that by buying foreign goods, we would be exporting jobs and therefore killing local capacity. An almost similar campaign was undertaken by the government in 1973. It differs, however, from the present campaign in that the present campaign is initiated by KAM, representing the private sector.

The Chamber and KAM seem to differ in their interpretation of the Restrictive Trade Practices, Monopolies and Price Control Act. While the Chamber fully supports the government's directive, KAM, as already shown is opposed to this. KAM feels that manufacturers should participate in distributing, or supervising the distribution of their goods. The Chamber's position is likely to disenchant the manufacturers whom it also represents. The interviews proved this correct. 68 percent of the manufacturers interviewed, representing 66 percent of the total number of respondents, strongly felt that the Chamber should formulate a clear policy on distribution. They expressed surprise and dismay that the Chamber would support the government's directive on distribution. The Chamber, besides supporting the government, had even suggested that the distributors should be African businessmen. At the same time, the respondents who support this directive (distributors) indicated that the Chamber had done nothing to ensure that the directive is complied with.

Our findings on the issue of Africanisation help to corroborate the foregoing views. On inquiring whether in their own opinion the Chamber has been beneficial to the African businessman, 59 percent of the members indicated that it has done so especially by helping him solve certain intricate business problems especially with regard to import-export trade, investment opportunities and taxation.

It must be pointed out that this response was given by African members. The members called on the Chamber to impress on the government on the need to offer more incentives to enable them play a

more active role in commerce and industry. Non-African members, especially Asians were non-committal on the question of Africanisation. They preferred to talk about Kenyanisation. One Asian interviewee indicated that the Chamber cannot be said to have helped the African members more than others without appearing racist. These members felt that since the Chamber represents the business community as a whole, it would be improper for it to spearhead the cause of one racial group. Twenty seven percent of the members said that the Chamber has not benefited the African businessman to an extent where the latter can equally compete with other groups in commerce and industry.

We also sought to find out what the members view as the most important role of the Chamber. The findings were as follows:

Table 4.11 Members' Perception of the Role of the Chamber.

	No.	%
(a) Promoting Trade	50	48.5
(b) Presenting members problems to the government	32	31
(c) Offering Services to Members	5	48
(d) Don't Know	16	15.5

n = 103

All these alternatives are roles supposed to be played by the Chamber. Our intention was to find out what members consider its most important role. More so, we sought to understand whether the members are conscious of its representational role. As the table shows, only 31 percent are aware of this. The majority view the Chamber's role as promoting trade purely. 15 percent of the members had no idea what the Chamber stands for. Some of the members regard membership in the Chamber as a formality - a general trend, as one member put it. This once again brings to issue the fact that members have not been adequately educated to know what the Chamber stands for.

#### 4.2.5 Interest Rates and Taxation

Additional issues on which we sought members' views include interest rates, corporate and sales tax. These issues affect business in one way or another. With regard to interest rates especially those charged by commercial banks and non-bank financial institutions, members felt that the rates of 15 and 20 percent respectively is high; they called on the Chamber to make appropriate representations aimed at their reduction in order to stimulate the expansion of credit.

The Chamber itself has from time to time made such representations but to no avail. It has also suggested to the government that the housing mortgage institutions should reduce their interest rates in order to allow more people to take advantage of mortgage loans. The members also said that both sales tax and corporate tax are too high

in Kenya and should be reduced to enable firms to realize good profit margins. The fact that most of the Chamber's recommendations with regard to these issues have not been heeded leaves a lot to be desired on the Chamber's capability of influencing government and the latter's willingness to listen to demands of such group as the Chamber. The members concurred with this view. They felt that the Chamber should seriously re-examine its work with a view to streamlining it and that the government should be more responsive to the needs of the business community since they contribute a great deal to foreign exchange acquisitions.

#### 4.3 INTERNAL ORGANISATION PROBLEMS AND THEIR INFLUENCE ON THE CHAMBER'S ROLE

The study also solicited members views on the alleged organisational and leadership problems that inhibit the effectiveness of the Chamber. Seventeen percent of the members indicated that the Chamber does not operate in a vacuum and is thus not free from political interferences in its functioning. Politicians have vested interest in the affairs of the Chamber. Officials of the Chamber themselves have to ensure that they cultivate a good relationship with politicians both in government and outside to ensure their support. But an overwhelming proportion of members (68 percent) expressed the view that the most notable and serious problem affecting the Chamber's effectiveness is internal rather than external.

Internal organisational and leadership squabbles were cited by the members. This was not a surprise, however, because recently, especially 1985-88, the Chamber has had to contend with severe leadership squabbles. Sometimes, this has turned violent necessitating police action and protracted and unprecedented legal tussles.

The Chamber was unable to successfully convene its annual general meetings three times in 1985, 1986 and 1988. This contravened its own memorandum and articles of association according to which it is supposed to hold an annual general meeting:

..... An annual general meeting shall be held in every year not later than the 30th day of April on such a day and at such a place and time as the governing council may determine. "

A meeting was convened for 20th April 1985 but was adjourned before business was completed. It was alleged that there were some irregularities detected whereby non-members were turning up to vote. A second meeting arranged for 29th July, 1985 was postponed by the Minister for Commerce and Industry apparently after having sensed trouble. A group of members who had become disillusioned by the incumbent leadership and also opposed to the proposed changes in the Chamber memorandum voiced concern about the repeated postponement of the general meeting. They petitioned the Registrar of Companies (R of C) to act and ensure that the Chamber followed its constitution to the letter. In their letter, they pointed out the irregularities surrounding the events of that April which concerned the convening of

the AGM. They supported their claims by citing the relevant articles. In view of the irregularities which breached the memorandum, they requested the R of C to do the following three things:

First they wanted him to direct that the AGM be held under the supervision of the Registrar especially "in view of the fact that there are no dejure officials of the Chamber". Secondly, they demanded that under section 164 of the Companies Act (cap 486), the R of C investigate the Chamber to determine the reasons behind the apparent concealment of its true financial affairs. Lastly, they asked the R of C to ensure that a meeting of the governing council called for 25.5.85 be stopped pending action by the registrar as per this request.

It is clear therefore that there were deep internal divisions and differences in the Chamber. Incidentally some of the members forming the opposition group were officials and in fact members of the management committee and the governing council. They formed a kind of splinter group motivated by tribal sentiments. The deep disagreements came out clearly from a letter to the R of C written on the 21st May 1985. This letter which also dwelt on the aborted AGM read in part:

..... a tendency has recently developed whereby incumbent officials of some organisation (sic) who are themselves candidates at their general elections always pose as returning officers at the same elections, ..... these officers on realising that they face defeat call in the police to disperse people and declare the elections postponed not only to give them time to prepare for the future elections, but also to continue in



the office in the meantime ..... In a democratic country like Kenya, such individuals should not only be allowed to interfere with the constitutional rights of members of the organisations to freely and democratically elect people of their choice. Because the recently postponed Chamber elections caused a lot of unnecessary inconveniences, the practice should not be allowed to continue ..... We are therefore seeking your assistance to arrange for officers to supervise the planned elections ..... This is to ensure that voting cards are printed by the government printer with serial numbers and officers of the Chamber should be ordered to surrender the register of members .....

The Chamber's inability to hold its AGM raised the concern of the government, which had been watching the activities of the warring factions". The Minister for Commerce attempted to intervene by calling the elections. The Minister's letter to the Chairman of the Chamber stated in part:

..... you and I agree that the Chamber is a very important organ of our Commercial and Industrial development. It is important that elections of office bearers be seen to have been impartially done. Your articles require this ..... I wish to assist to present the image of fair and free elections ..... For this reason, I suggest that we agree to have an impartial supervisor, a kind of presiding officer ..... Such an officer could come from the supervisor of elections office.

The Chairman was not keen on this move. In a rejoinder to the Minister, he argued the case for non-involvement by outsiders in the Chamber affairs - referring to the suggestion by the Minister that Chamber elections be supervised. The letter justified the management and governing council meetings of the 11th and 12th July, 1985 respectively. According to the chairman, these meetings were

legitimately held and had deliberated on how the AGM was to be held, especially on the list of those who would be eligible to vote during the elections, the chairman said:

..... The Nairobi Provincial Administration and the Kenya Police have been requested to provide the necessary security and in view of this, we do not consider it necessary to request the supervisor of elections. We also feel that such a request would make members lose confidence in the Chamber and give the impression that it is unable to conduct an AGM on its own without outside influence.

As indicated earlier, a meeting scheduled for 29th July, 1985 could not proceed since it was postponed by the Minister.

One major cause for the repeated postponement of Chamber elections, as indicated earlier, was a disagreement regarding proposed amendments to the memorandum. These proposed amendments were quite drastic and could have had far-reaching consequences on its future functioning. They were orchestrated by the chairman together with a few officials. About six other officials were opposed to these changes. Among the justifications for the proposed amendments were that they were designed to, among other things:

..... remove any weakness, which had given problems in the past since it has lasted for a long time and seemed to be outdated in several aspects. This is why we propose the amendments so that the Chamber is in with changing times''-

The Chamber had appointed a committee to suggest the amendments. The committee worked by collecting evidence from the members and was able

to present a revised document containing the proposed amendments by the end of June, 1985. The chairman had approved the changes and circulated the revised version amongst all members for comments. The governing council met on 21st August, 1985 and discussed the amendments and proposed that an extraordinary general meeting be convened towards the end of October to discuss and approve the proposed amendments. But it is interesting to note that those opposed to the changes were in the governing council which is said to have convened a meeting and approved the amendments themselves.

The proposed amendments meant a major overhaul in the Chamber's objectives and especially its conventional posture as the business sectors spokesman and defender of their interests. For instance clause 3b of the memorandum on the objectives of the chamber which states:

..... to promote, coordinate and protect commercial and industrial interests in Kenya in general and of members in particular,"<sup>43</sup> was replaced by the following:

..... to establish, organise, state, maintain and finance trade and industrial exhibition and displays in Kenya or in any other part of the world either alone or in conjunction with others.

Clause 3 f that "in matters affecting the interests of commerce and industry to promote support or oppose legislation and bureaucratic measures",<sup>44</sup> was to read as follows:

... to promote facilities for study, enquiry and research into commercial, industrial and agricultural matters and to make known the results thereof by publishing, copywriting, producing and distributing, pamphlets, films,

posters and in such other manner as may be thought fit.

The amendments, besides having had to do with deletions and replacements also involved additions of clauses. For example, a new clause 3w was proposed:

..... to promote and operate banks, financial institutions, trusts and other commercial and agricultural organisations.

In addition, Articles 1, 7 and 11 were to be deleted and new ones proposed to replace them. Article 1 is about the powers of the governing council while the proposed article 7 was designed to give provision for the seat of patron of the Chamber.

When carefully analysed, these amendments seem to have been designed to realise a few new objectives and give the Chamber a new image. Clause 3b stand out as the most important in showing the Chamber's role as promotion and protection of the interests of its members - the business community. The clauses give it its posture as an interest group from which point of view we are analysing it and which Chambers all over the world are known for. By calling for the deletion of these two clauses and replacing them with others which are in complete contrast, the Chamber was going to lose its representational role, at least legally.

It looks as though the two clauses had for long portrayed an antagonistic impression of the Chamber vis-a-vis the government. It is therefore almost obvious on the need for these amendments. The

Chamber may have been pressured to correct its image by changing its legal status. A statement like "oppose legislation and bureaucratic measures" or "promote and protect commercial interests", may have given it an unfavourable impression. It may have been uneasy about the clauses. The Chamber was desirous to curve for itself a new image that would give it a a positive social standing. But at stake was its representational role. Could the Chamber be able to influence government policy in favour of its members? Certainly this role would be affected legally.

Another interesting thing about the amendments was that the Chamber wanted to lay more emphasis on income generating ventures. Notice, for instance the clause: "to promote and operate banks, financial institutions, trusts and other commercial and industrial exhibitions". It must be remembered also that the Chamber operates an investment company called Chamber Investment Company. The proposed article 7 seems to have been designed to portray the Chamber as having the blessing of the head of state - for whom the seat of patron is reserved. The amendments, however, were vehemently opposed by a group of officials who instituted a court injunction restraining the Chamber from registering the resolutions that would have approved the amendments passed on 25th October, 1986 by an extraordinary general meeting. On 26th October, 1986 a high court judge granted by consent of parties, an interim injunction prohibiting the R of C from registering the resolutions. The substance of those opposed to the amendments was that the amendments would amount to "total alteration of internal structure of the Chamber and fraud on the Chamber."

They cited a provision in the Chamber's constitution which the proposed amendments was contravening:

..... No addition, alteration or amendments shall be made to the memorandum for the time being in force unless the same has been previously submitted to and approved by the R of C.<sup>47</sup>

They further argued that the Chamber, composed of 3464 members then, needed three quarters majority to effect any amendment. In the high court ruling, it was felt that the amendments were tantamount to changing the Chamber's corporate status to society status because the Chamber officials supporting the amendments wished to change to the system of voting by delegates rather than by members. It was argued that this would deprive the members their sacrosanct right to vote. Further, notice for convening an extraordinary general meeting had not been passed as required by the constitution. Article 31 states:

..... The notice convening the extraordinary meeting shall be given in writing to each member of the Chamber not less than 21 days before the date of the meeting. Such notice shall state the time and place of the meeting and the business to be transacted.<sup>48</sup>

Since such notice had not been given to every member, the whole issue was illegal.

The ruling was delivered on the 1st of April, 1987 which extended the injunction which had been given on the 12th November, 1986. The high court judge allowed the Chamber to hold its general meeting in accordance with the memorandum without amendment. The ruling read in part:

..... I wish to make it clear that there is nothing to stop the defendant (the Chamber) from convening a meeting in accordance with its articles as the same stand, that is, as registered and not as prepared to be registered.<sup>49</sup>

The proposed amendments had raised the attention of the R of C who, being aware that they contravened its own constitution, reminded the Chamber:

..... In all these endeavours your company has been making to introduce changes to your memorandum, the directors have not thought of the implication of the provision of your company's memorandum as no draft of the proposed amendments have been submitted to this office for approval.<sup>50</sup>

The proposed amendments had, therefore, disregarded constitutional provisions and procedure. This point to the attitude of neglect assumed by a section of the Chamber without due consideration of the feeling of the majority and implications for its role.

Beset by the constitutional challenge and because of the pending injunction in the high court, the Chamber again wrote a letter to the R of C asking for postponement of an AGM slated for April 1987. We shall quote this letter at length:

..... We had expected to hold the AGM at the end of November 1986 but after the extra-ordinary general meeting, the new amendments proposed at the meetings were challenged in court by a group of our members. A temporary injunction order not to register the new proposed amendments was issued on November 12th, 1986 and a hearing set for 20th January, 1987 ..... We cannot hold the AGM until this matter is settled. Grant us more time. The existing constitution says that the

AGM be held not later than 30th April but the new proposed amendments had proposed an extension of this period to 30th June every year.

The Chamber was able to hold its AGM in late July 1987 under the memorandum as it was from incorporation. However, it was unable to convene an AGM for 1988 for several reasons. First the Chamber felt that an AGM had only taken place in July 1987 since 1984 and that there had been no enough time for elected officials to settle down to carry out their schedules of work as most of them were new. This reason is not justifiable as those who had been elected to various offices had been working in various capacities in the Chamber starting from the chairman who had himself been elected. Secondly the chairman argued that the difficulties which had beset the Chamber had made it impossible for the branches to hold their AGMs before holding their annual general meetings at their headquarters. The chairman thus requested the R of C to allow them to hold the AGM in all branches before March 30th 1989 after the normal 30 days notice and the AGM of all members to be held not later than 30th April, 1989. The chairman managed to convince the R of C who granted this request. All the elections were held in 1989 as had been promised. The incumbent chairman as expected was again re-elected for another term. The high court case seeking to block the changing of the memorandum remains pending. The Chamber continues to be governed by the memorandum as incorporated in 1973.

The survey sought to get members' opinions regarding present Chamber leadership. There was a wide spread feeling (70 percent) that the



leadership should be flexible and allow for change. A proportion of 18 percent of the members interviewed expressed no idea as to what the present leadership looks like.

On whether the Chamber has realized the objectives it sets out in its constitution, 41 percent of the members indicated that it has done so minimally, while 35 percent held that it has played a substantial role. However, 18 percent of the members said that the Chamber is unable to realise its objectives because in the first place it is not serious in trying to realise them and secondly, external factors like an unresponsive government do not give it a chance. With regard to whether government policy in Kenya has catered for the interests of business, the members reponses are given in table 4.12

Table 4.12      Extent to which Government Policy caters for  
Business Interests. (Members View).

a) To a very large extent	8.7
b) To a considerable extent	87.3
c) To a very small extent	2.9
d) None at all	0.9

n = 103

The government, conscious of the needs of business in general has tried to cater for these needs by providing a favourable business

climate. Thus an overwhelming majority of the members expressed a positive view of the government in support of this view.

The overall assessment is that the Chamber as the spokesman for business has worked marginally. 82 percent of the respondents held this view. The Chamber has tried to raise the problems of businessmen from time to time. Sometimes it gets a hearing but in a majority of cases it has not attained its objectives.

This chapter has addressed itself to the effectiveness of the Chamber's representational role. It has identified specific issues which are of interest to those engaged in business and assessed the Chamber's performance in its attempt to represent the members on the issues.

It has been discovered that members are far from being satisfied with the Chamber's performance and have called upon it to re-examine its role and ensure that it represents the members more effectively. The issues identified relate to import-export trade licensing, local authority rates, fees and charges, taxation and interest rates. Members' views, opinions and reactions have been presented backed up with statistical tables. The chapter also dwelt on internal problems facing the Chamber as a factor hindering its effectiveness. Such problems have been exposed and backed up by specific cases. It is in our belief that the issues dealt with in the chapter have helped confirm or invalidate the hypotheses as set out on page 38. For instance, we have found out that the fact that an organisation has got

a large membership does not necessarily mean that it can be able to realize its objectives. The case of KAM and KNCCI have been used to illustrate this. We have also confirmed that the more an organisation is beset by organisational and leadership problems to which it devotes its time, the less it is able to realise its stated objectives. The Chamber has been a good case to illustrate this point.

#### 4.4 CONCLUSION

The foregoing discussion reveals that the Chamber has to a considerable extent successfully raised the concerns of its members on specific issues as outlined. We must, however, point out that the issues outlined in the foregoing chapter are just a few of what it is expected to address. Moreover, it has not addressed them in a manner that is of complete satisfaction to the members.

The field data has enabled us to understand the perceptions of the members of the Chamber on their organisation. What comes out clearly, however, is that the current membership of just over 7000 is not representative of those eligible for membership by virtue of involvement in one form of business or another. We conclude that the Chamber has not been able to recruit a substantial membership and this why its concerns have not been understood quite clearly by a great majority of businessmen.

The question of wrangles and in-fightings as has been shown has worked to undermine its activities. The problem has only acted to distract its attention from its main agenda of representing the interests of its members. We conclude that organisational and leadership problems do not augur well for the smooth functioning of any organisation. This has been the great undoing of the Chamber. KAM and KNFU have been spared of this problem and their perceived successes can be attributed to the harmony and credibility that is in their respective leadership.

### FOOTNOTES

Chamber annual report, 1972. p.4

This is the latest figure as revealed by the Chamber's acting executive, Mr. Charles Gathirimu. See Daily Nation, Monday 17th July, 1989, p.4. 7000 members represents only about 5 percent of 141,706 potential members throughout the country. This information is based on the current standing in the issuance of Trade Licences (1988) by the Ministry of Commerce.

The total figure of Trade Licences per district were given by the Internal Trade Department of the Ministry of Commerce.

Interview, 22nd March, 1989. The official (name withheld) chairs one of the Chamber's standing committees and is a member of the governing council.

KICCI, Annual report, 1976, p. 21.

Annual report, 1979, p.2.

See Kenneth Prewitt, Introductory Research Methodology: East African Applications. IDS/OP 10, 1978, p. 111.

8. An extensive discussion of this statistical technique is given by Prewitt, ibid p. 113 and also by Dr. Gatheru Wanjohi in an unpublished book: Methods of Data Analysis: An application to Social Research in Africa February, 1989. pp 158-164.
9. These issues are important to anyone engaged in any business activity. Businessmen are always concerned about how favourable the "business climate" is. Once these issues are favourable to them the business climate is considered favourable. This is why the Chamber strives to ensure it gets a fair deal from the government with regard to these issues.
10. The Law Society of Kenya is a representative organisation of Lawyers in Kenya. It seeks to promote and defend the lawyers' interests and the interests of the rule of law and good government.
11. Certificates of Origin are documents required for the importation of all or certain kinds of goods or to obtain preferential treatment in accordance with preferential tariff systems. It is a document which is sometimes required to be raised for export sales, usually in cases of exportation of goods to countries where preferential import duties are granted to consignments of goods from specific countries. The document is usually issued by the local Chamber of Commerce stating the existence of the goods. The KNCCI, like Chambers in most countries is therefore entrusted with the issuance of general certificates of origin.

12. KNCCI Annual report, 1980, p. 16.
13. KAM: Rural Industrialization in Kenya. Opportunities and constraints in providing basic infrastructure. (Nairobi: English Press, 1989) p.49. KAM has also written another book: Price controls: Experiences and Opportunities in Kenya's Manufacturing (Nairobi: English Press, 1989).
14. The KAM Study - Rural Industrialization in Kenya. concentrated on KAM members across all types of manufacturing and processing with interviews in Nairobi, Mombasa, Thika, Nakuru, Naivasha, Gilgil, Eldoret, Athi River and Machakos.
15. KNCCI Annual report, 1982. p.4.
16. KAM. Rural industrialization in Kenya. op cit p. 49.
17. It is not unusual for the Chamber to petition the President. The fact that they did so indicated the seriousness they attached to the matter.
18. See The Standard. July 29th, 1988. Lead story.
19. KNCCI Annual report, 1972, p.5.
20. See The Daily Nation April 21st, 1989, p. 5.

21. Service charge was introduced in February 1989 as a means of raising revenue for local authorities in order for them to meet the increased costs of offering services.
22. The Minister for Local Government and Physical Planning, Hon. William Ole Ntimama was interviewed on 17th July, 1989 on the role of his Ministry. Among the things he dwelt on was the Service Charge.
23. 'Africanisation' here is to be viewed as a policy designed to correct economic imbalances created by colonialism by encouraging Africans to take a more active and increasing role in economic activities.
24. Sessional Paper No. 10, 1965. African Socialism and its Application to Planning in Kenya (Nairobi: Government Printer, 1965). This policy document gave an analysis of the Africanisation Policy, see especially pp. 27-29.
25. KNCCI Annual report, 1975 p.4.
26. The Ndegwa Commission. Public Service Structure and Remuneration: (Nairobi: The Government Printer, 1971) see paragraph 32 p. 14.
27. KNCCI Annual report, 1972 p. 10.



28. Nicola Swainson. The Development of Corporate Capitalism in Kenya, 1918 - 1977 (Nairobi: Heineman 1980) p. 188.
29. *ibid* p. 188.
30. KNCCI annual report, 1977, p. 16.
31. The Bill on Restrictive Trade Practices, Monopolies and Price Control was first tabled in Parliament in 1978. It was, however, in late 1988 that it was revived, discussed and passed into Law and became effective on 1st February, 1989 as an Act of Parliament.
32. The views were expressed by the Chairman of KAM, Mr. Riitho Ndungi during an interview in The Daily Nation, Sunday February 26th, 1989 p. 10.
33. See Daily Nation, 21st April, 1989, p. 5.
34. Such goods are sometimes mysteriously found in Kenyan markets where they sell cheaply. This suggests that proper import restrictions have not been instituted. For example, in May 1988, local manufacturers were stunned to hear that foreign manufactured breakfast items were selling in Kenyan supermarkets. The Chamber has always called upon the government to act and curb these unscrupulous importers.

35. See for instance Chamber Proposals to the Minister for Finance prior to the 1984 budget proposals, especially p. 8 of the document.
36. Article 28, Chamber memorandum, printed by City Printing Works, 1973, p.4.
37. The Chamber was unable to produce annual reports for 1985 and 1986 because of the problems which led to cancellation of the annual general meetings.
38. Letter written by 9 members of the Chamber addressed to the Registrar of Companies, dated 25th April, 1985.
39. Letter to the R of C, 21st May, 1985.
40. Letter from the Minister for Commerce and Industry Mr.Okondo to the Chairman of the Chamber in the wake of ~~the~~ election controversies, 15th July, 1985.
41. Letter by Chamber chairman in response to the Minister's letter, 18th July, 1985.
42. Emphasis added. Letter by the Chamber to the R of C, 26th November, 1986. A revised document of the Memorandum and Articles of Association was presented on 29th June, 1985.

43. Clause 3b, Memorandum p. 2.
44. Clause 3f op cit p. 1.
45. Proposed clause 3w.
46. Excerpts from the judgement of the High Court.
47. Object 4, Memorandum p. 3.
48. Article 31, p. 5.
49. High Court ruling, 1st April, 1987. This ruling can be found in the Chamber's file found in the office of the R of C, Nairobi.
50. Letter from the R of C to the chairman of the Chamber, 5th December, 1986.
51. Letter from the chairman of the Chamber to the R of C, 28th November, 1986.

## CHAPTER FIVE

### GOVERNMENT RESPONSE TO CHAMBER REPRESENTATIONS

It is important to point out from the onset that the Chamber has no constitutional and/or statutory authority to demand compliance to its representations and other concerns. It can only advise, persuade or bargain in seeking to attain its objectives. Therefore, its effectiveness and the meaningfulness of its cause will depend upon the political and diplomatic skills which its officials bring to bear on their representations and the goodwill and understanding of the government. The Chamber's activities fall in the realm of Commerce and Industry which are very important sectors within the economy. Government responses to the wishes and concerns of the Chamber is, therefore, conditioned by the way government views Commerce and Industry in general. It will also depend upon its view of the roles the business interest groups play within the economy. It is to these issues that we now turn.

## 5.1 GOVERNMENT POLICY ON COMMERCE AND INDUSTRY

The government is well aware that today, Commerce and Industry rank second after tourism, in terms of their contribution to the national income. The growth of these sectors is allied to the improvement of the standards of living of the average Kenyan through the provision of necessities in market centres throughout the country. The government is also aware that the growth of Commerce and Industry is the fastest in Sub-Saharan Africa. Thus, given the necessary incentives it could play an even greater role in revitalizing the economy. This is why the government has been giving incentives to industrialists expecting them to utilize the resources available efficiently so that the economy can grow. This is also the reason why it has sought to work closely with associations like KAM and KNCCI.'

It has been the government's aim to involve as many people as possible in Commerce and Industry. By indigenization, the government hopes to inculcate modern business skills into aspiring entrepreneurs. Establishment of such institutions as the Kenya Institute of Business Training (KIBT) is evidence of the importance the government attaches to the improvement of opportunities for self-employment for the youth. The government set up the Industrial and Commercial Development Corporation (ICDC), in 1967 in order to support and facilitate the expansion of Industrial and Commercial activities in Kenya.

Through the small loans programme, ICDC has supported retail, wholesale and distributive business. It has provided loans for the

acquisitions, by indigenous Kenyans, of business premises in rural and urban areas. ICDC has now acquired the status of a major development finance institution in Kenya. With intent to Africanise distributive trade, the government established KNIC in 1965. It was given monopoly status in the distribution of basic commodities like salt and sugar and later others like nails, cement and roofing materials. Similarly the joint loan board (JLB) was set up to facilitate the Africanisation of trade and industry and provide the means through which emerging African businessmen could gain experience in commercial activities. It was hoped that this would raise their level of credit-worthiness and allow them to play a more effective role in the economy alongside non-indigenous businessmen. Other organisations that have been involved in the expansion of the Commercial and Industrial sectors in one way or another include the Industrial Development Bank, the Kenya Commercial Bank and the Kenya Industrial Estates. The government has been working with these organisations to develop the Commercial and Industrial sectors.

Since independence, the government has been committed to a policy of Industrial and Commercial diversification. Sessional paper No. 10 of 1965, underscored the importance of industrialization. It encouraged industrial development with the private sector playing a major role. The industrial strategy set out in the sessional paper was echoed in the country's first development plan, 1966-70. This paper stated the government's policy towards investment and industrialisation pointing out that it is positive and non-restrictive characterised by encouragement and support. This was needed in order to secure a

maximum rate of economic growth and the structure and location of industry which will benefit the country most.<sup>3</sup>

In the context of the sessional paper No.1, 1986 on Economic Management for Renewed Growth, the development of the industrial and commercial sectors occupies, in priority, the second position after agriculture. While agriculture was seen as the base for overall growth, employment and foreign exchange generation, the industrial and commercial sectors were seen as the main engines for faster growth. The development proposals were to make investment in those sectors less costly, less risky and more profitable.<sup>4</sup>

The government is aware that Kenya has depended on agricultural sector exports for foreign exchange earnings. This dependency on primary commodity exports whose prices are unpredictable results in unfavourable terms of trade and serious problems in the management of the balance of payments. The government is therefore determined to attain effective diversification of the export base through promotion of non-traditional exports. In this regard, the industrial and commercial sectors are likely to contribute to this diversification strategy. Dispersion of industrial and commercial activities away from the major urban to smaller towns and rural areas in line with the rural-urban balance strategy is also likely to play a useful role in this diversification objective. Industry and Commerce are also seen as best suited to make a major contribution toward the stabilisation of the balance of payments position through increased direct foreign

exchange earnings from exports and by lowering demand for imports of manufactured goods.

These two sectors have run into numerous structural problems since the late 1970's which need to be addressed if they are to meet the challenges ahead. First, in placing too much emphasis on consumer goods substitution, there were no incentives for the development of intermediate and capital goods. Secondly, the import-substitution strategy adopted in the early 70's worked to make capital relatively cheap compared to labour and other potential domestic inputs so that the entrepreneurs were able to establish capacities for greater than the domestic markets could cope with.

With relatively high levels of effective protection in the domestic markets, the sectors have become progressively inward-oriented as many local firms have reaped high profits in the domestic market, while operating at low levels of capacity utilisation. Under these circumstances, such firms see no reason to take risks inherent in the external export markets. Industry and Commerce have therefore become a major drain on foreign exchange resources earned mainly from agriculture and tourism. In view of this, opportunities for further expansion must lie in production for export, thus export promotion strategy.<sup>5</sup> The government has ensured that public policies and strategies are clearly stated and consistently applied. It has published widely information on procedures for the establishment of industrial and commercial concerns, laws and regulations that govern



trade and manufacturing and rules relating to business practices both at home and abroad.

It is fitting to point out here that the importance attached to the Industrial and Commercial sectors also derives from their perceived contribution to employment. In line with the projected employment targets in sessional paper No. 1, 1986 and more specifically in the development plan 1989-1993, modern sector employment is expected to grow at 4.4 percent per annum rising from 1.37 million in 1988 to 1.7 million by 1993. Employment in manufacturing alone is projected to grow at 4.6 percent per annum rising from 177,000 in 1988 to 222,000 by 1993. Employment in commerce and trade is expected to grow at 7.0 percent per annum rising from 100,000 in 1988 to 153,000 by 1993. The rapid growth of these sectors is expected to expand the domestic market for goods and services thus leading to higher incomes and increased employment opportunities in all sectors of the economy.

With rising efficiency and employment of more labour absorbing technologies, the sectors will be capable of employing more workers as output increases. The Development plan 1989-93 accords high priority to the sectors so that they can continue playing a key role in achieving faster rates of growth in the economy. These sectors have witnessed fast growth already. Their share of overall GDP increased from eight percent in 1963, to over 26 percent in 1987. This performance according to the plan, has resulted from the industrial strategy of import substitution propped by high protective tariffs and administrative controls adopted at independence. The import

substitution served Kenya well in that the share of consumer goods in total imports fell from 27 percent in the 1960's to only 6.4 percent in 1980-87. The next phase of the country's industrialisation will be promotion of consumer and intermediate goods while laying the base for the eventual production of capital goods.

The government's commitment to industrialisation can be seen through the incentives it has provided: taxation laws, exchange control regulations and investment and legislation on foreign-manufactured goods. With regard to investment, the government has introduced a scheme to include investment allowance of up to 50 percent of fixed capital investment, capital allowance, allowances on industrial buildings, plants and machinery of different types, 20 percent payment of the free on board (FOB) value of specialised goods declared for export under the apprenticeship scheme.

The government is also committed to a policy of a mixed economy in which the private sector and public sectors play a complementary role in development. While the dynamic entrepreneurship of the private sector is essential for accelerating industrial development, the government continues to support this by providing to private investors basic infrastructure, training facilities and finance through a number of development finance institutions. The government has decided to progressively shift away from involvement in Industrial and Commercial activities that are better run by the private sector, except where such concerns are deemed to be of strategic importance. This is another indicator of the importance it places on the development of

these sectors. The flow of foreign investment is further encouraged through the Foreign Investment Protection Act.

The strengthening of ministries directly responsible for development of Commerce and Industry is further boost for the sectors. The ministries are charged with the responsibilities of accelerating the development of Commercial and Industrial Policy. The Ministry of Commerce, especially deals with, among other things, the licensing of trade premises, import-export licensing, arbitration of cases arising from renting of business premises, obtaining of information on distribution of commercial commodities, seeking foreign markets for local commercial products and verifying weighing and measuring equipment.

The Ministry of Industry is responsible for pre-investment feasibility studies, formulation and promotion of industrial projects, industrial planning, promotion of small-scale industry, dissemination of industrial information and industrial extension. In performing the above functions, the ministries intend to achieve a fair and efficient distribution of commodities, in particular, the essential ones and availing them to all corners of the country. They also aim to increase foreign exchange through promotion of local industries. In this way, the work of the ministries is seen as helping in the promotion of the sectors.

The government's determination to support the sectors can also be assessed through its efforts to streamline certain measures that

affect these sectors. On import licensing, for example, the Ministry of Commerce has taken steps to renovate the import-export licensing offices. The lay-out of the renovated offices is similar to that of a banking hall to allow officers to deal with import licence applications promptly and efficiently. Installation of computers is expected to bring about further efficiency in the processing of the licences. The government has made it clear that the issuance of import licences will continue to be guided by the need to supply the local industry with the essential inputs to enable them continue producing efficiently while reducing dependency in imports.'''

The government's efforts to streamline the import licensing system has won approval from KAM and KNCCI. For example, the chairman of KAM expressed his satisfaction when he said:

..... To be fair on the government there has been a lot of improvement on licensing. We are also encouraged to hear from recent announcements that the system is being improved, computerised so that it becomes smoother and faster.''

All the foregoing help to show the commitment of the government in expanding the Industrial and Commercial sectors. This is because of the importance it attaches to these sectors as prime movers in the strategy to expand the country's resource base and lead to the economic development in general. Recent government legislation and policy is testimony to its determination to boost the growth of these sectors.

## 5.2 GOVERNMENT VIEW OF THE MAJOR BUSINESS INTEREST GROUPS: KNCCI AND KAM

One of the main objectives of the Chamber and KAM is the promotion of Industrialization and Commerce. These groups' interest therefore coincides with the government's. The two groups seek to work together with the government for the benefit of the entire business community whose prosperity depends ultimately on the ability of local manufacturers to provide goods; of the trader to sell the goods and of importers to provide the community with the required imported goods. The government seems to have recognized the roles of these associations in accelerating economic development. KAM, for example, besides protecting the interests of manufacturers and industrialists, seeks to promote Industrial and Commercial growth by co-operating with the government at all levels. These objectives combine well with the overall government policy of economic development. This is why the association's activities are viewed as an important input into the development process. The Chamber itself was formed under the Companies Act (cap 486) as a company limited by guarantee but without share capital in 1973. Prior to this, it operated under the Societies Act.<sup>12</sup> Among its objectives is the promotion and co-ordination of Commercial and Industrial concerns in the country. It is recognized as an institution representing the private sector.

The government has also provided legal contexts within which the groups work. The independence constitution for example contains provisions that protects and guarantees freedom of association for

the promotion of group interests. The government views the cause of the Chamber and KAM as legitimate. Regular consultations between the government and the groups at various levels confirms this view.

The government is aware that the activities of the Chamber are very important in the generation of revenue and enhancement of the job opportunities. The activities of the Chamber are seen as the backbone of the economy. The government is also satisfied with the Chamber's role of working to ensure an increasing participation of the majority of the people in commerce and industry. The Chamber's aims and purposes play a complementary role to the government's policy of promoting commerce and industry with an overall objective of improving the standards of living of the average Kenyan through provision of basic necessities. In this way the Chamber is an important organisation translating government policy into practical realities. Testimony to this view is the fact that the government has often called upon the Chamber to give opinion and advice before formulating important economic policies. The Chamber is entrusted by the government with some official duties. An example is the issuance of Certificates of Origin which are required for the exportation of certain kinds of goods. The certificate of origin is a document supposed to certify that the country of origin for the goods exported is Kenya. The Chamber has mandate to issue certificates for only exported goods.

The Chamber is also responsible on behalf of the government, for organising and hosting trade missions and leading the same abroad. It has especially been entrusted with the responsibility of organising the New Kenya Trades Exhibition. Through this event, the government has been able to display to the local and outside world, some of the products and services available locally. The event is usually sponsored by the government through the Ministry of Commerce.

The Chamber is represented on various government and semi-government bodies. At the moment it is represented on bodies like the Joint Industrial and Commercial Consultative Committee (JICC), the Investment Promotion and Advisory Centre, the Business Rehabilitation Committee and Export Promotion committees. This recognition and support of the Chamber's cause has been demonstrated by the close interactions between it and the ministries of Commerce and Industry on important issues concerning business. The Chamber has worked hand in hand with the government in its efforts to promote the development and maintenance of strong and expanding Commercial and Industrial sectors capable of competing successfully with other countries in international markets. The Ministry of Commerce reiterated the government's commitment to the Chamber in enhancing trade:

..... We in the ministry are committed to the work of the Chamber to boost exports and thus make them the driving force in our economic growth. A large measure of any success in these efforts will doubtedly come from members of the Chamber.'

In these efforts, the guiding principle has been the recognition that co-operation with the Chamber may result in better utilization of

resources. The government, for example has increasingly engaged in the trade promotion intended to assist and develop local manufacturing, an aim pursued by the Chamber. The Chamber has gained knowledge of the local business scene and this has prompted the government to utilise this by entering into co-operative ventures with it.<sup>14</sup> However the support of the Chamber is not only because it may benefit the members alone, but the business community as a whole: The government also sees the Chamber as playing a role in promoting the interests of local manufacturers particularly the smaller ones.<sup>15</sup> It is also aware that it serves this country's business community by inter alia promoting and protecting Commercial and Industrial interests in general, though with special emphasis to its members. The Chamber membership covers the entire spectrum of the economy excluding only the civil service. It is thus the largest business organisation in the country.<sup>16</sup>

The government recognizes the important role the Chamber plays in the management and trade promotion programmes. It has therefore tended to facilitate this through the establishment of the KEIA and IPC. These bodies have clear and elaborate working relationships ruling out any likely conflict of interests. The principal role of Chambers of Commerce the world over, as analyzed in chapter three is that they are expected to advise the state on economic questions. This was the reason for the establishment of the French Chambers, the earliest recorded in history.<sup>17</sup> As the Chambers of Commerce represent the common interests of an inter-sectoral group of business, they also promote the national economy. One of the other aims of the Chambers



of Commerce is to inform local, regional and national governments their opinions on economic policy and economic measures and to undertake studies and make proposals for the improvement of the performance of the economy. These consultative activities which explain why Chambers are also called "corps consulaire" are supposed to take place at all levels.

The government's concern about the functioning of the Chamber was shown for example, when it intervened to ensure that elections were peacefully held in 1985-88 as discussed in chapter four. The Minister for Commerce pointed out then that the controversies were having a negative effect on the Chamber which he otherwise described as an important organ of Commercial and Industrial development. ' '

The government views KAM, as an important organisation translating government policy on industrialization into practical reality as stated for example by the Minister for Commerce to KAM annual general meeting on the 30th April, 1982. He said in part:

..... Your association is a channel of communication between the manufacturing sector and the government..... the importance of your association in Kenya's economy cannot be minimized because in terms of the GDP the contribution from the manufacturing sector is about 18 percent which is quite substantial. The government and in particular my ministry is aware of the important role played by the members of your association in creating employment and consequently in alleviating poverty. I am pleased that your association represents about 500 members. -''

Quite clearly then, the government recognises the role KAM plays within the economy. It has even called for dialogue between KAM and government bodies which conduct business with it. Associations like KAM are viewed as useful in the creation of employment and in the alleviation of poverty in the country.

Because of this, the government has promised to constantly examine suggestions from manufacturers through KAM and to make appropriate changes. The Vice-President and Minister for Finance, at KAM's annual executive board meeting on 14th July, 1989 pointed out that whilst the manufacturing sector accounts for 11 percent of the GDP, it engages 10 percent of the people in formal employment. He therefore called for the restructuring of the sector to play an even more decisive role in the development process. He assured KAM that their ideas are welcome and are usually taken seriously so that where there are errors in government policy they can be corrected without delay.

KAM's role as a promoter of industrialization and private enterprise in Kenya has acquired a positive image and stature. This has made it possible for government and other development agencies to channel assistance to local industry through it. This assistance is usually in the form of funds and training opportunities. Some of the agencies that have established a working relationship with KAM include USAID, Kenya Management Assistance Programme (K-MAP), Kenya Rural Enterprise Programme (K-REP), and the Kenya Industrial Energy Development Programme (KIEMP).

KAM's work has increased over the years. For example, in 1986 the association, together with other local and international agencies and the government co-sponsored several meetings including a meeting on trade between India and Africa on the Enabling Environment and one on Kenya's industrialization strategy.<sup>22</sup> The thrust of the association's participation at these conferences highlights once again the recognition by the government on the private sector's crucial role in the socio-economic development of the country. KAM also collaborated with the government to undertake a project on industrial energy and on private sector promotion in Kenya with USAID. It also undertook a Contract Promotion Programme (CPP) which was funded by the Commonwealth Secretariat to assist industrialists at their places of business.<sup>23</sup>

Through dialogue with the government, KAM has been able to highlight the development role of industry in all aspects of socio-economic advancement of the country. KAM takes part in various international conferences and meetings and with ministries and organisations locally including the office of the President. Issues dealt with have usually centred on the improvement of both the investment climate and the performance of Commercial and Industrial sectors. The JICC remains a permanent forum through which most of industry's views are expressed and recommendations acted upon. The seriousness with which the government takes KAM's views was seen in the 1987/88 budget proposals. They were referred to as pro-industry in the sense that most of the recommendations of KAM were accepted and incorporated into

legislation. Some specific proposals and legislation are set out in the last section of this chapter.

It is important to point out that the government is willing to work with the organised groups as long as they do not present an image of pressure groups whose aim is to force government to comply with their demands. Kenya, like most other developed countries has not reached a stage where the government can base its operations on the belief that it can be advised, consulted and influenced by interest groups to an extent of succumbing to their wishes and desires. Groups, as we have seen are given a legal recognition but they go only to a considerable extent in influencing government policy and only on specific issues.

The government welcomes views, suggestions, recommendations or proposals from groups like KAM and KNCCI because it considers them as vital in enhancing the growth of the economy. It is not because they bring pressure to bear on it and acts in their favour. What may be viewed as success in the representations by the groups may in fact be coincidental with what the government plans to do. However, the groups have influenced the government to adopt particular policies as shown by some specific cases below.

### GOVERNMENT RESPONSE TO SPECIFIC DEMANDS

This section addresses itself to specific cases of representation made to the Chamber and also KAM and the kind of responses they get. This

will help to test our hypothesis 4, which says that the more an interest group directs its demands at the executive arm of the government, the more likely it will be able to realize its objectives

The field of distribution is an essential part of Kenya's economic life. The distribution of the essential commodities is a very sensitive area which has often called for careful government policy. The Chamber has made representations to the effect that Africans should be more involved. In 1975 for example, it issued a comprehensive statement on this issue. The statement called upon the government to come up with a formula which could enable more Africans to take part in distributive trade. Following this, the policy on distribution of locally manufactured goods was modified when the government passed the miscellaneous amendment bill to the trade licensing act which required manufacturers to obtain licences to distribute goods they manufactured. The government was in favour of distribution by appointed distributors, preferably Africans.

A more comprehensive legislation on distribution came in 1989 with the enactment of the Restrictive Trade Practices, Monopolies and Price Control Act which replaced the Price Control Act of 1975. This latest act sets out clearly and succinctly that manufacturers should not at the same time engage in the distribution of the goods they manufacture.

Though KAM expresses reservation on certain aspects of this act, KNCCI accepts it and sees it as resulting from its representations. One can

say that the government came up with this legislation to clarify the issues impinging on price control and restrictive trade practices which had been the subject of proposals by the groups.

During 1982, the Chamber dealt with several important problems among them export trade. A paper was presented to the Minister for Finance regarding the necessity to have export incentives to enhance the country's export trade. It recommended measures such as export compensation, export credit guarantee scheme, and the setting up of an industrial duty free zone. Most of these recommendations were implemented.<sup>23</sup> In the same year, the Communications Committee wrote to the Minister for Transport and Communications proposing that the Chamber be consulted on matters relating to Transport and Communications. As a result the Chamber was co-opted onto the Road Safety Council, a body responsible for enhancement of safe road usage.

The chamber has always sought to have representatives on government committees that deal with the matters directly affecting the interests of the private sector. As a result the Chamber has gained representation on committees like the JICCC, the Business Rehabilitation Centre, the District Development Committees, the latter being in line with the District Focus Strategy for Rural Development. The Chamber is still pursuing to be represented on other committees including the Import Licensing Management Committee, and the Price Control Review Commission and Awards to Industry and Commerce Committee.

On the issue of price controls, KNCCI and KAM have urged the government to decontrol the price of some commodities. Their main argument has been that although price control may be necessary due to lack of a perfect competition in the market place, time has come that the whole policy should be reviewed as the system is unfavourable to profit-minded businessmen. It has been the wish of the groups to ensure that manufacturers and wholesalers are all receiving adequate profit margins. Detailed papers have been submitted to the government requesting for the establishment of a pricing structure which ensures adequate and fair profit margins to each category of enterprise. For example, in a proposal to the Minister for Finance in 1987, the Chamber noted:

..... we are grateful that the president recently announced that some products would shortly be removed from the price control system. For the products which will still be controlled, we suggest that the pricing structure should give more equitable profit margins to manufacturers, wholesalers and retailers. The price control system should be reviewed periodically in order to ensure that all concerned get adequate returns.

These organisations have suggested the establishment of a Price Commission in which enterprises, consumers and other interested parties will be represented. Following these representations the government did so. In 1986, eleven items were price-decontrolled and the 1956 Cost Determination order was revised to include a wide range of overhead costs. The government has formed a Price Commission with representatives from industry and consumers. The Restrictive Trade Practices, Monopolies and Price Control Act also sets out

government policy justifying price decontrol. This legislation seeks to protect local manufacturers.

It is common knowledge that enforcement of price controls in the absence of controls on monopolies is futile. Economic sabotage and blackmail thrives in such circumstances to the detriment of both the state and the consumer. For instance, there is nothing to stop a monopoly from either cutting back on its production or placing dealers of certain essential commodities on blacklist to force price increases or squeeze competitors out of the given market. These are among the problems that the legislation addresses. The Act deals with three matters: namely the Restrictive Trade Practices; Controlling Monopolies and Controlling Prices.

As the associations had requested, time had come to couch price control in the larger context of implementing the intent of all the previous control legislation: that price control should be viewed as a temporary expedient.<sup>261</sup> The argument which seem to have been taken note of by the act is that with Kenya's industrial investment at a virtual standstill in the 1980's, price decontrol would help remove one serious hurdle to investment. Prospective investors have usually expressed their fear thus: how can I invest where somebody determines the price of my products? Price decontrol would therefore provide incentives for private sector investment if the goals set in sessional paper No. 1, 1986 are to realised.



Some old elements in the price control act, however, seem to have been carried forward to the new act. For instance, the Minister for Finance still retains the powers to fix a maximum price for any product or item so that a manufacturer wishing to raise the price of such an item must first apply to him.

The act seems to have incorporated the views of manufacturers and the entire business community that there should be law not only designed to promote the national economy by providing meaningful incentives to the investor, but also ensuring adequate safeguards to the consumer who, more than anybody else, needs an effective verifiable law for his protection. What the new act seems to have incorporated which is against the wishes of the business community is the anomaly of the old price control system with regard to the distribution of control authority. This is split among several ministries. While the specific and general controls are the responsibility of the Minister for Finance, agricultural producer prices, for example, are determined by the Ministry of Agriculture while bus fares are set by the Minister for Transport and Communications. Prices in the Energy sector are set by the Minister for Energy.

Following the unsuccessful coup in Kenya in 1982, many businesses were affected by looting. Financial losses amounted to approximately 400 million shillings. Many businesses, especially in the city centre suffered great losses. KNCCI and KAM appealed to the President to do something about businesses that were affected. The President, in

response took opportunity to issue a policy statement on the economic situation in the country. We quote this statement at length:

..... After more careful consideration of the loss and damage, we have assessed it to amount to no more than 400 million shillings. This loss has already been reduced by the combined efforts of the police, the administration, the business community and the public at large in recovering looted property ..... the problems facing the business community still remain and we will continue to find ways and means to reduce them further. I have appealed to insurance companies to assist our business people who suffered in this situation..... We shall appoint a special committee to undertake this task drawn from insurance groups, the business community and the government..... The government would like to see more Kenyans advancing in the business world in order to correct any imbalance without appearing discriminating against any race or community.<sup>31</sup>

The President promised to deal with some of industry's problems which had constantly been raised:

..... I know you have so many problems. I have listened to them and discussed them with some of you. We appreciate any development that increases employment and earnings for the nation. In the light of the prevailing circumstances, I now wish to announce several measures aimed at assisting industrial development and growth.<sup>32</sup>

The President then identified specific areas which would be streamlined. Firstly, he promised to re-introduce the export compensation scheme to reward those who increase their achievements in the field of export at a rate of 25 percent of their export earnings. Secondly, he promised a more rapid and just allocation of import licences reviewing the existing administrative machinery to do away with delays. Thirdly, the President talked on the need for more

investment through joint ventures between Kenyan firms and overseas companies.

The President's policy paper raised issues which had been of concern to both industrialists and businessmen. The issues stated in the policy statement can thus be said to have been a response to the representations of the business community, more so following the coup. On another issue, the government had to rescind its decision in response to demands by the Commercial and Industrial community. This regarded the proposed five-day working week in 1986. The government had attempted to introduce this to enable workers in the private sector work like their colleagues in the civil service. The argument was that the workers needed to rest after five days of working. Some of them needed to travel to their upcountry homes to join their families and work on their farms and those belonging to church groups like Seventh Day Adventist could go to pray.

The directive was contained in a presidential speech to mark the labour day celebrations on May 1st, 1986. It was considered a bonus for workers. COTU, the umbrella body for trade unions in Kenya was pleased by the decision as they were the ones who had been making representations to that effect. This directive, however, created total confusion in industry. Many industries sacked workers who did not report on Saturday and Sundays. Companies like East African Spinners, Elliots, Henkel Chemicals sacked hundreds of their workers. They complained that the decision would disrupt their operations some

of which needed to run 24 hours. Though the President directed that workers sacked be reinstated immediately, this was not done.

The five day working week had also contravened the existing tri-partite agreement between the government, the Federation of Kenya Employers (FKE) and the Central Organisation of Trade Unions (COTU).<sup>33</sup> Though the President had directed the Minister for Labour to liaise with the other parties in order to work out modalities for the scheme, this turned out to be a complete failure mainly because of the disagreement on which two days should be taken up for rest and also differentiation between essential and non-essential operations.

KAM made several presentations to the Minister urging him to ask the President to reconsider this decision.<sup>34</sup> As a result of these representations and the confusion in the industries, the government reverted to the old system. The government thus succumbed to pressures from industry represented by the groups.

It has become clear from the foregoing that all or most of the representations by the KNCCI and KAM are directed to the executive branch of the government. They are usually addressed to the Minister responsible for a specific business-related portfolio. This is deliberate and tactical because the groups are well aware that the Ministers or their Permanent Secretaries control the formulation of the public policy. The executive is viewed as the most important in terms of translating government policy into practice. This is why the groups seek first and foremost to have the Ministers listen to their

proposals. Only on rare occasions do we have representations directed to the legislators. This suggests, as discussed in chapter two, that the Kenya legislature is not important with regard to the making of policy.

The real power holders are in the ministries and in our particular case, the economic ministries: Finance, Commerce, Industry and Economic Planning. Bureaucrats in these ministries prepare policy proposals which are given a political backing by their ministers. The more representations are placed on the executive, the more the chances of their being given a favourable response. Our hypothesis is therefore confirmed. What matters in government are the bureaucrats and their political masters. These are the people interest groups seek to influence. On very rare occasions, appeal is made directly to the President.<sup>35</sup> Even in such cases, such an appeal is camouflaged as a "courtesy call" or "good will" visit or even loyalty pledge to the President. It is under such cover that Groups or individuals can raise their problems to the President. But the Presidency in Kenya is such a revered position that no attempt is made to bother it with petitions. In almost all cases, groups and/or individuals try to keep a good relationship and image so that they can undertake their activities confidently. Even the representations to the ministers are usually put in a positive language and in friendly terms.

#### 5.4 CONCLUSION

In conclusion, it is important to point out that the responses of the government to group demands is not so much dictated by the styles and tactics of groups but rather it is the willingness of the government to accommodate the views of groups hoping that such views can help in shaping the direction of government policy and bringing individuals and groups close to their Government. The way the system works is not where the government has an obligation to listen to groups. Government has got its own interests to protect and when such interests are threatened by those groups, then the government is likely not to give in. This is why as indicated earlier, the success of any group in terms of getting its demands met is dependent upon the willingness and understanding of the government.

## FOOTNOTES

1. The Standard. 14th July, 1989 p.28.
2. Republic of Kenya, Development Plan, 1989/93 (Nairobi: The Government Printer, 1989) p.159.
3. Republic of Kenya, Development Plan, 1966-70. op.cit p. 235.
4. Republic of Kenya, Sessional Paper No. 1, 1986, Economic Management for Renewed Growth (Nairobi: The Government Printer, 1986) p. 3.
5. Development Plan, 1989-93, p.141.
6. ibid p. 142.
7. ibid p. 139.
8. KAM, Rural Industrialization in Kenya. Opportunities and Constraints in Providing Basic Infrastructure (Nairobi: The English Press, 1989) p.17.
9. The Foreign Investment Protection Act 19 seeks to give incentives to prospective foreign investors. Among other things, there is guarantee of repatriation of profits.

10. See Economic Paper by KNCCI, on the Economy. addressed to the Minister for Finance and Planning, 1986, p.6.
11. See Daily Nation. February 26th, 1989. p.5.
12. KNCCI, Annual Report, 1975, p.23.
13. Excerpts from an address to a Chamber luncheon, 17th March, 1989, p.10.
14. Such ventures or collaboration may range from co-sponsoring of Trade exhibitions like the New Kenya Trades Exhibition, to sending Trade missions abroad.
15. KNCCI, Annual Report, 1980. p.15.
16. KNCCI, Annual Report, 1984, p.11.
17. ICC/UNCTAD/GATT study, Chambers of Commerce Under Public and Private law, Geneva, 1982, p.5.
18. ibid p.9.
19. Letter by Minister for Commerce to the Chamber 15th July, 1985.
20. See The Standard. 30th April, 1982, p.30.



21. See The Standard, July 14th, 1989. Back page 28.
22. KAM, Annual Report, 1986, p.3.
23. KAM, Annual Report, 1987, p.4.
24. KAM, Annual Report, 1986, p.2.
25. KNCCI, Annual Report, 1982, p.24.
26. Chamber Proposal to Finance Minister 16th April, 1987, p.3.
27. KAM, Annual Report, 1986, p.2. See also KNCCI Economic Paper to the Minister for Commerce, 1987 16th April.
28. See Part IV, Sections 33-63.
29. KAM, Price Controls. Experiences and Opportunities in Kenya's Manufacturing (Nairobi: English Press, 1989) pp 52-55.
30. Extracted from Policy statement by His Excellency the President Daniel T. Arap Moi on the Economic situation following the August 1st 1982 coup attempt, p.1.
31. ibid p.2.
32. ibid p.3.

33. This tripartite agreement provides that the parties must consult, discuss any issue relating to industrial relations before any action is taken. The Government therefore must incorporate the views of these parties where matters affecting them are concerned before enacting any policy.
34. KAM, Annual report, 1987, p.3.
35. This first happened in 1975 when members of the Chamber paid a courtesy call at State House Nakuru to pledge loyalty. However, they took the opportunity to raise the issue of Africanisation which they wanted speeded up. In reply, the President urged the Minister for Commerce, who was present, to help speed up the Africanisation exercise. In 1981, the Chamber made an urgent appeal to the President after what they called "persistent non-response from the ministries" in connection with local authority rates, fees and other charges. Despite this, the rates have kept on increasing.

## CHAPTER SIX

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 6.1 SUMMARY AND CONCLUSIONS

The preceding chapters have attempted to show the activities of the KNCCI as an interest group. An overview of the issues tackled shows that it is important to consider the following points when assessing the effectiveness of an interest group in influencing policy. First, there must be a clear understanding of the existing policy framework and the important elements that form the government process.

In chapter two therefore, we demonstrated that the policy framework and the constitutional structure have not been particularly conducive to the activities of interest groups in Kenya. We showed that whereas groups are accorded legal recognition, the extent to which they go in influencing the behaviour of government in their favour is minimal. Consequently, what the Chamber has set out to do in its Memorandum and Articles of Association is hard to realize. The Kenyan governmental framework can therefore be said to be closed to the extent that groups do not get a free hand in articulating their demands. This therefore confirms hypothesis 3 as stated earlier on page 38 that the less open the governmental policy framework, the less influential the

activities of groups become. This observation applies to all other groups whose aim is to influence the government.

Secondly, it has been shown in chapter three that the more organised a group is, the more it is able to realise its objectives. The chapter traced the historical development and organisation of the Chamber. We noted that the Chamber originated from government efforts in 1964. The government desired to re-orient the activities of the hitherto existing regional and racial chambers in line with the policy of nation-building. The Chamber's change from society to company status in 1973 meant that the top three officials, that is, the chairman, the 1st vice-chairman and the 2nd vice-chairman assumed the role of directors of the company. The Chamber has from then on been governed by the Memoranda and Articles of Association setting out its aims and objectives.

Thirdly in chapter four, the Chamber's representational role was assessed by way of presentation and interpretation of field data. The hypothesis that "the fewer the members of an interest group, the lower the level of government response to its demands," as stated on page 38 was nullified in the case of the Chamber. It was demonstrated that the fact that the Chamber is superior in terms of membership to other groups with similar aims and objectives, as exemplified by KAM does not mean that it is more effective. KAM, with a well-organised membership, though very small compared with the Chamber, has proved an effective spokesman of the industrial community. At the same time, however it was revealed that the Chamber has failed to recruit the

majority of individuals and companies engaged in business. Only about 5 percent of those eligible for membership have been recruited. The majority of businessmen and industrialists have not been involved in the activities of the Chamber. They remain merely potential members. Based on evidence from existing literature as corroborated by the field findings, the Chamber's effectiveness has been adversely affected by its own internal disorganisation. Hypothesis number 1 that the higher the level of organisation of an interest group, the higher the chances of the group realizing its objectives becomes valid and therefore confirmed. The chapter examined the severe infighting and power struggle that have rocked the Chamber in recent years. Coupled with this is a low level of organisation.

It is unfortunate and a sad affair that the wrangles have persisted within the ranks of this important body. The wrangles have distracted the Chamber from its mainstream of being a body to cater for the interests of the business community. It is also unfortunate that these wrangles have marked the beginning of the new decade of the 1990s.

Fourthly the responses of the government to the demands of the Chamber was outlined in chapter five. This was found to be dictated by factors discussed in chapter two regarding the nature of the government policy-making process. In spite of the fact that the government views Commerce and Industry as being vital to the economy and recognises the legitimacy of the Chamber in representing the interests of these sectors, the response it gives to these demands

have not always been favourable. This is partly due to the failure of the Chamber to represent its demands more articulately and partly because of the political culture prevailing in the country. Political culture is here generally taken to mean peoples perceptions and orientations towards politics in which case Kenya represents a case of insufficient political participation. The government does not necessarily believe that it can be advised or influenced by groups. The structure of the policy-making process also pre-empts attempts by groups to influence. The overall assessment therefore is that most of the Chamber's representations have not been favourably met.

The foregoing lead to the conclusion that the Chamber has been able to realize only to a considerable extent, its stated objectives. While it has been able to receive favourable responses on some issues as indicated, it has not yet received the same on others.

As already indicated on page 183, the Chamber represents only a small segment of the Kenyan business community. The reason for this is not entirely attributed to the Chamber, but also the fact that a great deal of businessmen are oblivious to belonging to organizations without guarantee of immediate gains. On its part, the Chamber has not come up with a clear membership education programme aimed at recruitment.

The field findings revealed the constant complaints by members on specific issues, notably import licensing, export compensation, interest rates. We conclude that this is so because the Chamber has

not fully tackled issues to the extent that is required by the members. While it is not possible to satisfy such members fully, it is possible to do so for a great majority of them.

Finally, inspite of its achievements, we must point out that any guarantee of successful future performance will greatly depend on the Chamber, above all, avoiding wrangles and in-fightings which have almost come to characterize it. Thus for the Chamber to assume its intended role as a viable organization managing the flow of influence between the government and the business community, a set of recommendations are suggested.

## 6.2 RECOMMENDATIONS

### 6.2.1 Recommendations for the Chamber

First and foremost, it is our view that for the Chamber to regain its image as a worthwhile organisation, there is need for it to re-orient its activities to reflect its stated objectives. In assisting the government to improve the economic conditions for the country, the Chamber needs to take a more active role in advising and encouraging the government to focus attention and resources toward those activities that will contribute to the growth of the economy. The pronouncements of development plans and sessional papers without serious and sustained action have led to unsuccessful programmes.

Effective industrial and commercial activities will only happen with a long term strategy focused at providing a conducive atmosphere for industry and its supporting activities. This calls for a strong working relationship between government and the industrial and commercial sectors as represented by the Chamber. It is by so doing that the desired goal of economic growth can be achieved.

The Chamber must be vigilant in clarifying to the government in general, policies which interfere and frustrate objectives for growth. Such an important task requires daily analysis and follow-up in order to anticipate unsuspected shifts of policy and implementation such as the new Act on Monopolies and Price Control dealt with in chapter four. To be able to advise government on such issues as development planning and management of the economy, the Chamber needs to undertake serious studies to enable it present clear and articulate proposals. Given that key decisions concerning economic policy are taken in the city, the Chamber needs to organise properly at the headquarters and adopt a strategic position from where it can present its case to the government on legislative and administrative questions affecting business.

With regard to trade promotion, the Chamber needs to initiate a dialogue with the government aimed at facilitating trade. Such a dialogue should include co-operation between the government trade promotion agencies like KETA and itself. In this way, a division of labour might be envisaged according to which the trade promotion organisations would be responsible for export marketing strategy and



research. The Chamber would handle the day-to-day business of giving information to exporters on foreign trade regulations and helping them to establish contacts on markets abroad. Trade missions could be organised jointly by the government and the Chamber. There are other important areas in which the Chamber can play a significant role on behalf of its members. It can explore new markets for Kenyan products and encourage joint ventures with foreign firms. Such ventures will create employment as well as help the country earn the much required foreign exchange. The organisation should endeavour to provide better service to its members by providing the necessary information and advice over business connections in overseas countries. It is a fact that many businessmen in export-import business are yet to be conversant with export documentation, processing and even procedures of trade licence renewals. All these areas are of paramount importance to the Chamber members although they receive little or no attention.

The Chamber should provide its members with information through bulletins and/or monthly publications. Further, in order to keep abreast of changes in legislation, business trends and development on foreign markets, it is important for businessmen to participate in courses and seminars. The Chamber may provide this by holding more advanced training seminars either on its own or, jointly with other business associations, trade promotion agencies, universities or management centres. Such courses can be financed by participant fee and those that are deemed beneficial for the promotion of exports, for example, may be subsidised by the government. This is with the

understanding that seminars are good incentives for recruiting members. Seminar documentation can also be sold to persons unable to participate in the seminar itself. KNCCI has from time to time done this though financial constraints hamper further initiatives.

The Chamber should make the government realize that it is the permanent representative of the business community whose views should be heard. In some countries, notably the Federal Republic of Germany, France and Switzerland, the constitution requires the government to carry out consultations with chambers.' In order to exert any influence, the Chamber needs to take the initiative of presenting its views at the highest level possible before relevant legislation is adopted. It should also distribute to its members texts of legislative bills and government policy papers in order to keep them up-to-date on important matters.

The Chamber's secretariat should be strengthened with a competent cadre of staff. Its executive officer should be highly trained, preferably with a university degree and practical experience in business and administration. He also needs to know several languages commonly used in international business circles. He should have legal knowledge as well. All this is necessary because of the increasing complexity of the business world which is also very dynamic involving a lot of interactions and interrelationships.

The Chamber needs to be thoroughly familiar with the prevailing economic situation. It must keep itself informed about its members'

firms through regular questionnaire on their output, means of production and types of operations. It should be computerising the information it obtains so that it establishes a data base containing facts about its members. This is happening in France and Switzerland and also in French-speaking African countries like Ivory Coast and Senegal.<sup>2</sup> KNCCI should take up this challenge.

In many countries, a Chamber is a natural place for businessmen to meet and exchange views through luncheons and dinners. The KNCCI does this on a monthly basis. Our recommendation, however, is that for such meetings to be more beneficial to members, prominent people in politics, government and business should address them and even answer their questions. Besides serving to disseminate valuable information to the participants, these events can function as a business club financed by registration fees covering all expenses. KNCCI luncheons, as the survey found out, have not been able to attract many members mainly because they are expensive since members meet the costs. Again, often uninteresting topics are on agenda.

The changing economic conditions cause new problems and create new tasks, necessitating shifts in emphasis in the work of the Chamber. Only a less bureaucratic organisation can react rapidly and efficiently to the exigencies of the changing conditions. A Chamber of Commerce cannot fulfil its objectives unless it is independent of the state. It should not be seen as an extension of government policy and administration but must have the independence necessary to put forward the opinions and interests of the business community. This

notion also implies that the state must not exert undue influence on the Chamber. The business community must be able to elect its representatives without outside influence. Elected leaders should avoid petty squabbles and put members' interests ahead of their personal or parochial interests.

Elected leaders should know that leaders come and go while organisations remain. Therefore flexibility and willingness to change when such change is due is good for an organisation. New and innovative ideas are likely to come up and this dynamism is good for an organisation. This should be a challenge to KNCCI which, unfortunately has been led by leaders who are not only unwilling to relinquish their posts even when it is clear that such course of action is due, but also block attempts by others to get such seats. It should not be a body where interests of the members are sacrificed because of differences in the leadership.

Furthermore, expulsion of officials and their firms because of differences in opinion, will not help improve the management and leadership of an organisation. What ought to be done is to encourage dialogue in order to solve any differences. Parties in dispute can also use the Chamber Arbitration Tribunal set up in 1984.

Finally, as chambers, by law or tradition have at least a semi-official status, they cannot restrict their services to members only. Most chambers based on voluntary membership like KNCCI regard non-members as potential members to whom they must provide service as a

membership incentive. Chambers of commerce are further regarded by the general public as a source of information on commercial matters such as consumer protection, trade agreements and even prices of commodities. KNCCI is challenged to render such services, within their general budget, to non-members. In so doing it will be seen as a liaison organ between the community and the government. This is the way it should be seen and not a body where interests of the members are sacrificed because of differences in the leadership or where personal scores are settled.

#### 6.2.2 Policy Recommendations

The government should create an environment conducive to the activities of various interests so long as those activities are in line with overall government policy. Because of the importance of the private sector, the government needs to change its strategy for promoting the industrial and commercial sectors. This should be done by a shift away from direct intervention to a supporting and facilitating strategy. One way would be to involve those group initiatives that facilitate the development of the commercial and industrial sectors.

The approach taken by governments in most developing countries has been primarily interventionist. The results have been disappointing. Programmes to sponsor private sector growth through direct government interventions have been very costly. Adopting a non-interventionist

strategy involves acknowledging that some functions are best performed by the private sector and that government should limit its involvement to areas where it has unique capabilities. As a facilitator, it is better placed to create the appropriate environment in which entrepreneurs can emerge, develop and grow.<sup>3</sup>

Government is uniquely qualified to provide infrastructure such as transportation networks, electricity, water and communication. It is in a position to enact monetary, fiscal, legal and trade policies which create a stable investment climate. The government should apply policies consistently and uniformly to ensure fair and equal treatment for all sectors and firms. It should also extend considerable autonomy to entrepreneurs in their investment and managerial decisions and allow for the activities of interest groups which enhance commerce and industry.<sup>4</sup>

The government should realize that the private sector needs to be more involved in promoting its own interests. In the past, there has been much more reliance on the government to provide leadership and direction for commercial development. This has changed. It should accept opinion and views from groups such as the Chamber. It should also consider legislation as a regulatory tool originating from the institutions of society that represent various interests. It should focus its attention and resources towards those activities geared towards the improvement of economic conditions. There is need for a long-term strategy focused at providing a conducive atmosphere so that commercial activities are enhanced. This must be backed by a strong

working relationship between the Government and Industry. This is where the activities of such groups as KNCCI and KAM should be considered. Their views should be included in the overall government policy which should also aim at encouraging the greatest number of its citizens to share in the benefits accruing from the development of the economy.

Finally, it must be pointed out that the Commercial and Industrial sector involvement in the development of the current resource base must be more extensive because of the need for employment creation between now and the year 2000. Kenya being dependent on private sector to develop, new business initiatives which in turn can provide additional jobs, major emphasis should be given to these sectors through the right mix of government incentives. Further research is needed to explore this area and come up with policy options regarding incentives for the development of the sectors. The role of private business organisations would be important in such an endeavour.

## FOOTNOTES

1. Organisation and Structures of Chambers of Commerce. An International Chambers of Commerce (ICC) study, 1982 p.2.
2. ibid, p. 13.
3. KAM: Rural Industrialization. Opportunities and Constraints in providing basic infrastructure (Nairobi: English Press, 1989) p.55.
4. Republic of Kenya. A strategy for Small Enterprise Development in Kenya. Towards the year 2000. An ILO, UNDP, GOK study. (Nairobi: 1989). p.2.



## BIBLIOGRAPHY

- Adedeji, A and Hyden, G. Developing Research on African Administration. Some Methodological issues. Nairobi: East African Literature Bureau, 1974
- Almond, G and Coleman, J. The Politics of Developing Areas. New Jersey: Princeton University Press, 1960.
- Almond, G and Powell, B. Comparative Politics. A Developmental Approach. Toronto: Little Brown Series, 1966.
- Bachrach, P. The Theory of Democratic Elitism. Boston: Little Brown Series, 1967.
- Barkan, J.D. and Okumu, J.J. Politics and Public Policy in Kenya and Tanzania. Nairobi: Heinemann Books, 1979.
- Ball, A.R. Modern Politics and Government. London: English Language Book Society/Macmillan, 1983.
- Bennett, G. The Development of Political Organisation in Kenya. Oxford: Institute of Commonwealth Studies, 1957.
- Bentley, A.F. The Process of Government. Chicago: University of Chicago Press, 1908.
- Bienen, H. The Politics of Participation and Control in Kenya. New Jersey: Princeton University Press, 1974.
- Bryce, J. Modern Democracies. New York: Macmillan Co. inc; 1921.
- Castles, F.G. Pressure Groups and Political Culture. London: Routledge and Kegan Paul, 1967.
- Davis, I. African Trade Unions. Hammondsworth: Penguin Books, 1966.
- Dewey, J. The Public and its Problems. New York: Henry Holt and Co. inc., 1927.
- Dowse, R. and Hughes, J.A. Political Sociology. New York: John Wiley and Sons, 1975.
- Dowling, R.E. Pressure Group: Notes for a Theory. New York: Henry Holt and Co. inc., 1952.
- Eckstein, H and Apter, D.E. Comparative Politics: A reader. London: The Free Press, 1963.
- Ehrmann, H. Interest Groups on Four Continents. Michigan: Pittsburg University Press, 1960.

- Ghai, Y.P. and McAuslan J.P.W. Public Law and Political Change in Kenya: A Study of the Legal Framework of Government from the Colonial times to the Present. Nairobi: Oxford Press, 1970.
- Hofstadter, R. The Age of Reform. New York: Alfred Knopf Co. inc., 1955.
- Hsiao, C.K. Political Pluralism. London: Kegan Paul Co. Inc., 1927.
- Hyden, G. Jackson, R. and Okumu, J.J. Development Administration. The Kenya Experience. Nairobi: Oxford Press, 1970.
- Irish, M. The Politics of American Democracy. New Jersey: Prentice Hall, 1965.
- Johari, V. Comparative Politics. New Delhi: Sterling Publishers, 1980.
- K.A.M. - (i) Rural Industrialisation in Kenya. Opportunities and Constraints in Providing infrastructure.  
 (ii) Price Controls: Experiences and Opportunities in Kenya's Manufacturing. Nairobi: English Press, 1989.
- Kegbschul, H.G. Politics in Transitional Societies. New York: Appleton-Century Crofts, 1968.
- Key, V.O. Politics, Parties and Pressure Groups. New York: Thomas Crowell, 1974.
- Lasswell, H. and Kaplan, A. Power and Society. London: Routledge and Kegan Paul, 1950.
- LaPalombara, J. Bureaucracy and Political Development. New Jersey: Princeton University Press, 1963.
- Lippman, W. Preface to Morals. London: Allen and Unwin, 1929.
- Madison, J. and Hamilton, A. The Federalist Papers. Oxford: Basil Blackwell, 1948.
- Michels, R. Political Parties: A Sociological Study of the Oligarchical Tendencies in Modern Democracy. London: Janod and Sons, 1915.
- Milliband, R. The State in Capitalist Society. London: Allen and Unwin, 1973.
- Millis, H.A. and Montgomery, R. Organised Labour. New York: McGraw-Hill Book Co. 1945.
- Mosca, G. The Ruling Class. New York: McGraw-Hill Book Co. inc. 1939

- Mueller, M. and Nwabuzor, E. An Introduction to Political Science for African Students. London: Macmillan Book Co. Inc., 1985.
- Mueller, S.D. Political Parties in Kenya: Patterns of Opposition and Dissent, 1919 - 69. Ph.D Thesis, Microfilm, New Jersey: Princeton University Press, 1972.
- Ng'ethe, N. Harambee and Development Participation in Kenya. The Politics of Peasants and Elite interaction with particular reference to Harambee projects in Kiambu District. Ph.D Thesis, University of Carleton, Canada.
- Nyong'o, P.A. Popular Struggles for Democracy in Africa. London: United Nations University, Ed Books, 1987.
- Odegard, P. Pressure Group Politics. The Story of the Anti-Saloom League. New York: Columbia University Press, 1928.
- Ogolla, D.B. The State and Trade Unions: A study in state control and regulation of Union Power in Kenya. LLM Thesis. University of Nairobi, 1980.
- Olson, M. The Logic of Collective Action. Cambridge: Harvard University Press, 1972.
- Pye, L. Aspects of Political Development. Boston: Little Brown Series, 1986.
- Sandbrook, R. Politics in Emergent Trade Unions in Kenya. 1952-70. Thesis: Microfilm. Sussex: University of Sussex Press, 1970.
- Seligman, E.R.A. The Encyclopaedia of Social Sciences. New York: Macmillan Co., 1972.
- Singh, M. Kenya's Trade Unions, 1952-56. Nairobi: Uzima Press, 1980. (New Edition).
- Swainson, N. The Development of Corporate Capitalism in Kenya. 1918-77. Nairobi: Heinmann, 1980.
- Tocqueville, A. Democracy in America. New York: Alfred A. Knopf, 1945.
- Truman, D.B. The Governmental Process: Political interests and Public Opinion. New York: Alfred A. Knopf, 1951.
- Weisberg, R. Understanding American Government. New York: Random House inc., 1986.
- Vestin, A.F. Politics and Government Process in the United States. New York: Harcourt Brace and World inc., 1965.

### Government Publications

- Republic of Kenya. Sessional Paper No. 10, 1965. African Socialism and its Planning in Kenya. Nairobi: Government Printer, 1965.
- " " " Development Plan, 1966-70. Nairobi: Government Printer, 1966.
- " " " Development Plan, 1970-74. Nairobi: Government Printer, 1970.
- " " " Development Plan, 1979-83. Nairobi: Government Printer, 1979.
- " " " Development Plan, 1984-88. Nairobi: Government Printer, 1984.
- " " " Development Plan, 1989-93. Nairobi: Government Printer, 1989.
- " " " The Mdegwa Commission. Public Service Structure and Remuneration. Nairobi: Government Printer, 1972.
- " " " Working Party on Government Expenditure. Nairobi: Government Printer, 1982.
- " " " Office of the President. District Focus for Rural Development. Nairobi: Government Printer, 1984.
- " " " Sessional Paper No. 1 1986. Economic Management for Renewed Growth. Nairobi: Government Printer, 1986.
- " " " A Strategy for Small Enterprise Development. Towards the year 2000. Nairobi: ILO/UNDP/GOK, 1989.
- " " " Restrictive Trade Practices and Price Control Act. 1988.

Unpublished Works

Ocaya, D. and Mazrui, A. Parliament, Parties and the Presidency in East African Experiences. Paper presented at the 3rd International Congress of Africanists. Addis Ababa, Ethiopia, 1973.

Prewitt, K. Introductory Research Methodology. East African Applications, (105/OP 10, 1978).

Wanjohi, G. Methods of Data Analysis. An application to Social Research in Africa. Forthcoming, 1989.

Journals and Periodicals

Africa Today - Vol. 27. No. 1, 1980.

African Affairs. Vol. 77. No. 308, 1980.

American Political Sciences Review. Vol. 56, 1962.

Annals of the American Academy of Social and Political Science  
CCXIX, 1958.

New Left Review. No. 74, July/August, 1972.

Sociological Review. Vol. 4, No. 14, 1956.

K.N.C.C.I. Annual Reports.

K.A.M. Annual Reports.

K.N.F.U. Annual Reports, Order Papers.

Appendix A.

Questionnaire for Chamber Members

1. Member's Name .....
2. Address .....
3. Nature of Business .....
4. (a) What year did you become a member? .....
- (b) What prompted you into membership? .....
- .....
5. Membership of the Chamber entails a wide range of benefits including the organisation of trade missions, defending the interests of members regarding such matters as trade licensing, commodity prices, interest rates, import licensing, corporate taxation etc. In your opinion what has been the Chamber's performance with regard to representing the members on these issues?

	Substantial	Minimal	None
i) Trade Licensing			
ii) Commodity Prices			
iii) Import Licensing			
iv) Corporate Tax			
v) Interest Rates			
vi) Local Authority Rates			

6. In which area would you like to see the Chamber taking the most active role? .....
7. Have you ever felt that the Chamber did not seek a fair deal on an issue of interest to you as a businessman or industrialist, YES/NO. If answer is YES, please name the issue(s) concerned  
 (i) .....  
 (ii) .....  
 (iii).....
8. On the important question of Africanisation, do you think the Chamber has been beneficial to the African businessman or industrialist? YES/NO.  
 If answer is NO, what do you think has been the reason(s) for this? (i) .....  
 (ii) .....  
 (iii) .....
9. The Chamber is a legal entity which strives to bring together divergent business groups ranging from industrial, wholesale and retail sector to the foreign trade sector and the services sector. Do you in your opinion think that this posture affects its overall effectiveness as the spokesman of business in general? YES/NO.  
 Elaborate your answer .....
10. How many times in the last two years have you approached the Chamber secretariat on any issue either personally or through correspondence?

Personally Through correspondence Other

- 
- 1) None  
 ii) No. of Times



11. What kind of response have you been receiving? (select one only).
- (a) Prompt
  - (b) Delayed action
  - (c) No action at all

12. Have you been enjoying easy access to the elected Chamber officials? YES/NO. If answer is NO, what do you attribute this to? .....

.....

13. On articulating members' interests to the Government, the Chamber usually adopts one of the following tactics:
- (i) Representation
  - (ii) Proposals
  - (iii) Memoranda
  - (iv) Recommendation

Which ones are adequate? .....

Suggest any other tactic you think the Chamber should adopt .....

.....

14. Which category of membership or type of business do you think the Chamber has benefited most?
- (a) Manufacturers
  - (b) Distributors
  - (c) Wholesalers
  - (d) Retailers
  - (e) Indigenous businessmen
  - (f) Foreign intreprenuers
  - (g) All categories

List all the categories of business in order of which has benefited most and which has benefited least.

- (a) .....
- (b) .....
- (c) .....
- (d) .....
- (e) .....
- (f) .....
- (g) .....

15.1) It is alleged that one of the problems the Chamber has been facing is internal leadership squabbles. What is your opinion on this? .....

.....

.....

(11) What do you think of the present Chamber leadership? .....

.....

16. Among its objectives, the Chamber is designed to oppose legislation and bureaucratic measures adversely affecting the interests of Commerce and Industry. Would you say that the Chamber has realised this objective? YES/NO.

Elaborate your answer .....

.....

.....

17. To what extent would you say that Government policy in Kenya has catered for the interests of the business community?

- (a) To a very small extent
- (b) To a very large extent
- (c) To a considerable extent
- (d) To no extent at all
- (e) I don't know.

18. Would you say the Chamber has been instrumental in influencing Government Policy in favour of business interests? YES/NO. If Yes, how? .....

.....

If not, why not? .....

.....

19. How often do you as a member get invited to participate in Chamber functions such as monthly meetings, luncheons and dinners?

- (a) I have never been invited
- (b) I'm invited occassionally
- (c) I'm always invited

When you are invited, do you attend?

- (a) Always
- (b) Occasssionally
- (c) Not at all

20. Which of the following do you view as the most important role of the Chamber?

- (a) Promoting trade (foreign and local)
- (b) Offering practical business services to members
- (c) Receiving problems of members and communicating them to the Government.
- (d) I don't know.

21. The current compensation rate of exports stands at 20%. In your opinion is this sufficient as an incentive? YES/NO.

If the answer is No, should the Chamber fight for a different rate? YES/NO. If YES, what rate? .....

22. The current procedure of processing and payment of export compensation has been criticised for being slow and cumbersome especially at the customs. According to you, is this view correct? YES/NO.

Elaborate .....

23. Suggest two things the Chamber should do in order to make the whole scheme easier (1) .....

(1) .....

24. Are you satisfied with the present import licensing regulations or procedures? YES/NO. If answer is NO, give reasons and suggest Two ways which the Chamber could pursue in order to make it more acceptable.

Reasons (1) .....  
(11) .....  
Suggestions (1) .....  
(11) .....

25. Do you support Price Decontrol? YES/NO.  
Give reasons for your answer .....  
.....  
.....

26. Are you satisfied with the present Sales Tax? YES/NO.  
Elaborate on your answer .....  
.....

27. What is your feeling on the rate of Corporate Taxation in Kenya?  
(a) Too high (b) High  
(c) Too low (d) Low

28. How do you view the interest rates charged by the following institutions? Commercial Banks 15%, Financial Houses 20%  
(a) Too high (b) High  
(c) Adequate (d) Low

29. Do you have any opinion on the requirement that professional practice must have Trade Licences? YES/NO.  
If YES, what is your opinion? .....  
.....  
.....

30. What, in your view has the Chamber done with regard to ensuring that manufactured goods are distributed by African businessmen as a way of increasing the share of Africans in the country's economy?

- (a) Nothing
- (b) Very little
- (c) Fairly much
- (d) A great deal

31. What is your reaction/suggestion on the need for Chamber functions such as monthly luncheons and dinners?

- (a) Very necessary
- (b) Unnecessary
- (c) Should be extended to branches
- (d) No comment

32. Do you have any suggestions as to how these functions could be improved? YES/NO. If YES, explain .....

33. Are you or have you ever served on any committee of the Chamber? YES/NO.

Would you be prepared to serve on any committee if asked to? YES/NO.

If YES, which one .....

If NO, why not .....

34. What new services would you like the Chamber to introduce as a priority for the coming years? .....

35. Do you in your opinion think that there are forces external to the Chamber which inhibit its effectiveness? YES/NO.

If answer is YES, identify two of them.

(1) .....

(11) .....

36. Do you think that the Chamber serves the members at the branches and those in the National HQ equally? YES/NO.  
If answer is NO, why do you think so? .....

37. What is your overall assessment of the Chamber as the spokesman of the business community?  
(a) A very ineffective spokesman  
(b) A very effective spokesman  
(c) It has worked marginally  
(d) I don't know

38. Do you have any other comments?  
(i) .....  
(ii) .....  
(iii) .....  
(iv) .....

Appendix B.

Questionnaire for Chamber Officials

1. Official's Position ..... Sex .....  
Education .....
2. How long have you been in your present post? .....
3. Briefly, describe your accession to the present position.  
.....  
.....  
.....
4. Please give a brief description of the role you play in the  
Chamber. ....  
.....  
.....
5. Members of the Chamber have specific demands for services. What  
are some of these services and how far has the Chamber worked to  
satisfy the members' demands? .....
6. How would you describe the Chamber's relationship with the  
Government? .....

7. The experience of many countries proves that co-operation between Government trade promotion activities and local Chambers of Commerce results in better utilization of both their resources. Is this true of the KNCCI and the Government? YES/NO.

Elaborate on the answer .....

8. In one of its publications (Ufanisi, pg.4) the Chamber denies being a political organisation but says that Economic activity is often affected by political action and therefore that one of its functions is to consider and respond to the effects of political action on Economic activity. Doesn't this seem to be a contradiction? YES/NO.

Explain .....

9. What are the Chamber's sources of income? .....

10. Which, from among these would you say is the most important posture of the KNCCI?

- (1) Pressure Group
- (2) Mass Movement
- (3) Private Limited Company
- (4) A Public Organisation
- (5) Any other, specify.

.....

11. It has often been alleged that the Chamber is such an amorphous organisation whose effectiveness is hampered by its attempt to represent diverse and often conflicting interests, eg. Manufacturers, Bankers, Farmers, Retailers etc. Briefly comment on this view .....

.....



12. How does the Chamber articulate and make known its views to the Government?

- (i) Through the Press
  - (ii) Meetings with relevant authorities
  - (iii) Proposals/Memoranda
  - (iv) Any other, specify
- .....

13. Does the Chamber seek to influence the following? If so how?

- (i) MPs
  - (ii) Minister of Finance
  - (iii) Central Bank
  - (iv) Ministers of Commerce/Industry
  - (v) Any others, specify
- .....
- .....

14. What does the Chamber consider to be its most important arm of the Government where to lobby for members?

- (i) Ministers of Commerce and Industry
  - (ii) Ministry of Economic Planning
  - (iii) Minister of Finance
  - (iv) Central Bank
  - (v) Any other, Specify
- .....

15. Does the Chamber appeal (or petition) to the President on issues of its concern? If so, under what circumstances?

.....

.....

16. What can you say has been the response of each of the following to the Chamber's requests or demands?

	Prompt hearing	No hearing	Delayed action
Ministries of Commerce/Industry			
Treasury			
Ministry of Economic Planning			
Central Bank			

17. Have there been cases of non-response from the authorities?  
 YES/NO. If answer is YES, what does the Chamber do in such  
 circumstances? .....

.....

.....

18. As the Chamber works for the entire business community in Kenya,  
 how does it relate with other more specialised associations, like  
 the following:

<u>Association</u>	<u>Response</u>
(i) Kenya Association of Manufacturers	.....
(ii) Insurers Association	.....
(iii) Kenya National Farmers Union	.....
(iv) Architectural Association of Kenya	.....
(v) Kenya Institute of Engineers (IEK)	.....

19. Is there any working arrangement on co-operation and/or coordination between the Chamber and other specialised associations, for example,

KNCCI & ASSOCIATION

Working Arrangement

- (i) KAM & KNCCI .....  
.....  
.....
  
- (ii) K.N.F.U. & KNCCI .....  
.....
  
- (iii) HOTELKEEPERS & KNCCI .....  
.....
  
- (iv) TAXI CAB ASS. & KNCCI .....  
.....  
.....

20. In what way can you say the Chamber is a recognized partner in the Development process? .....  
.....  
.....

21. Does the Chamber work in cooperation with other groups, for example K.A.M in trying to influence the Government? YES/NO.  
If answer is YES, Elaborate .....  
.....  
.....

22. Are there times when the Chamber has been or felt powerless in the effort to realize its objectives? YES/NO. Elaborate the answer .....  
.....  
.....

23. Give a brief organisational structure of the Chamber.  
 .....  
 .....
24. Is this structure the most suitable in terms of facilitating the tasks of the Chamber? YES/NO.  
 If NO, explain .....  
 .....  
 .....
25. Do past immediate officials of the Chamber play any role in Chamber activities? YES/NO. If answer is YES, Elaborate .....  
 .....  
 .....
26. Are there occasions in the past when the Chamber has failed to live up to its constitution, for example annual general meetings? YES/NO. If YES, explain and state the problems that lead to this.....  
 .....  
 .....
27. Are there other problems the Chamber faces that hamper its effectiveness? YES/NO. If YES, state two of them.  
 (1) .....  
 (2) .....
28. How does the Chamber get informed of current economic issues?  
 .....  
 .....  
 .....
29. Does the Chamber serve non-members? YES/NO. If YES, how?  
 .....  
 .....

30. Is the Chamber affiliated to any bigger international body or bodies concerned with trade and industry? YES/NO. If YES, name them .....
31. Does the Chamber play any role within the Preferential Trade Area, PTA? YES/NO. If YES, elaborate .....
32. Does the Chamber play any role in ensuring that industrial and commercial practices in Kenya conform to international standards? YES/NO. If YES, elaborate .....
33. How would you assess the Chamber's activities over the last 5 years? .....
34. As the Chamber has recently celebrated its Silver Jubilee, what would you say has been its most important achievements? .....
35. Does the Chamber assess the views of its members? YES/NO. If answer is YES, elaborate .....
36. Does the Chamber educate the members and potential members of the services it offers? YES/NO. Elaborate on the answer. ....

37. Does the Chamber encourage importation of raw materials? YES/NO  
 If answer is NO, why not? If YES, elaborate.  
 .....  
 .....
38. What is the Chamber's reaction to the fact that nails will now  
 have to be imported? .....  
 .....  
 .....
39. What role do the Chamber branches play and how do they relate to  
 the centre? .....  
 .....  
 .....
40. Do officials from the Headquarters visit the branches? YES/NO.  
 If YES, how often?  
 (a) Often  
 (b) Very often  
 (c) Rarely  
 (d) Never  
 If NO, why not? .....  
 .....
41. What would you say are the major priorities of the Chamber in the  
 years ahead? Name three:  
 i) .....  
 ii) .....  
 iii) .....
42. Any other comments? .....  
 .....  
 .....