

THE MANAGEMENT AND ROLE OF PUBLIC ENTERPRISES IN THE
SOCIO-ECONOMIC TRANSFORMATION OF KENYA:
THE CASE OF THE KENYA-TEA DEVELOPMENT AUTHORITY.

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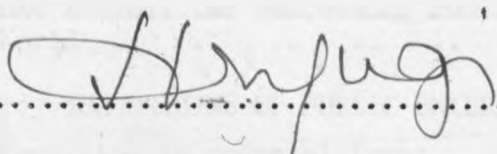


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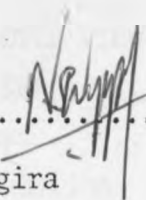
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P R E F A C E

This thesis is divided into six chapters. Chapter one discusses the theory and philosophy of public enterprises. The Second chapter is about the origins of public enterprises in Kenya dating back to the colonial period and gives reasons and factors that lead to their creation and development. In the third chapter, we briefly examine the development of the Kenya Tea Industry as a prelude to discussing the management of the Kenya Tea Development Authority, our case study in chapter four. The fifth chapter analyses the role and contribution of the Authority in Kenya's socio-economic development. We finally summarise our findings and suggest a few policy recommendations aimed at improving the management and performance of these important public institutions in chapter six.

A C K N O W L E D G E M E N T

Several people and institutions made several useful contributions in one way or another towards the research and writing of this thesis. I would have liked to mention each one of them by name in acknowledging their assistance. This has however, not been possible. I will therefore mention only some of them but would like to assure those who made their contributions but whose names do not appear here that I am equally very grateful to them for their assistance.

First I would like to thank the Danish International Development Agency for offering me a two year graduate scholarship to undertake a Master of Arts (M.A.) degree course at the University of Nairobi between October, 1979 and September, 1981. Secondly, I am grateful to all the Kenya Tea Development Authority officials at the head office in Nairobi who very willingly gave me information about the organization during my research as well as giving me access to many official and unofficial documents about the organization. Special thanks should go to the organization's field staff especially Mr. Rukungi the Assistant Tea Officer, Kericho, who took me to all the sixty six tea farmers I interviewed in Kericho. Without the assistance of this officer, I would not have had the cooperation of the farmers whom he knew very well.

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went when the idea of studying and researching on public enterprises came to my mind. This was when he was my lecturer in the Philosophy of the Social Sciences and Research Methodology during the first part of the M.A. degree course. Not only did he encourage me to carry out this study, but it was him who first assisted me in narrowing down the scope of the study.

In writing this thesis and making it what it is now, I greatly benefited and I owe greatest debt and gratitude to my University supervisor, Dr. Walter O. Oyugi and Dr. Nicholas Nyangira both of the Department of Government, University of Nairobi. They supervised the writing of the thesis with the patience and interest that was hitherto unknown to the author. They read each of the several drafts and offered the kind of criticisms, suggestions and advice that all serious and dedicated students and scholars need but rarely get. Without their guidance, this work would not have come to fruition.

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The typing of the first draft of this thesis was done by Miss Geneveve Musumba of the Ministry of Foreign Affairs at no cost at all while for the final draft she was assisted by Margaret Ochieng' Emma Lugalia. These three ladies worked with such patience and carefulness

that encouraged the author greatly. To them I say thank you.

All married post graduate students will no doubt appreciate the kind of problems and experiences their partners have to undergo throughout the course of their study. My wife Atieno and our daughter Adhiambo had to bear many hours and nights when I locked myself in my study room to write and re-write the several drafts of this thesis as well as to proof-read the final copy. All this gave me a lot of encouragement, challenge and motivation to work. I am therefore thanking her here for her love and encouragement.

A B S T R A C T

This study is about the management and role of public enterprises in the socio-economic development of Kenya. Using the Kenya Tea Development Authority as a case study, the study begins with a look at the theory and philosophy of public enterprises in general.

The idea that the state should participate in the management of the economy through public enterprises found its major articulation in the writings of Karl Marx in the mid nineteenth century. Marx's major arguments in this regard centered on the need for workers to control the major means of production and distribution. This he hoped would lead to the abolition of capitalism. These ideological considerations have, since Marx's writings influenced the establishment of public enterprises in some countries. In other countries, purely practical economic and social factors have had the greater influence in the emergence of these organisations.

At the moment almost all the countries of the world use public enterprises for the management of their economies irrespective of their ideology. The specific social, economic and political factors responsible for their creation do, however, vary from one country to another.

In Kenya, public enterprises came to prominence just before and after the second world war. Their emergence during the colonial period is attributed to the following major factors:

1. The efforts by the European settlers to monopolize the production and marketing of cash crops and to exclude the Africans from these activities.
2. The settlers' efforts to develop into agricultural capitalists and to enjoy a privileged position in the colony.
3. The settlers' persistent demand for state assistance in the provision of financial credit (loans) on easy terms.

The colonial government's response to the above and other pressures and demands was to create public enterprises beginning with the 1931 Land Bank.

The dramatic proliferation of public enterprises after independence in 1963 was due mainly to the economic poverty of the country; lack of indigenous private capital and the reluctance of the little private but foreign owned capital to operate in the remote and comparatively less developed areas of the country; the risk and political danger in relying solely on

foreign capital to initiate development; and the need to facilitate the Africanization of the economy by providing them with capital. The more radical members of Kenya African National Union (KANU), at that time, called for Africanisation and the government saw the creation of public enterprises as the solution.

In all these developments, one very important participant was international private capital which had began to operate in Kenya in the 1920's. The Kenya Tea Industry for example was dominated by international capital from about 1924 to 1950 when it was brought under statutory control with the establishment of the Tea Board of Kenya.

The majority of Kenya's present public enterprises including those created during colonialism are joint ventures between state and international capital, with heavy reliance on international capital, a factor that has a direct relevance to the management and role of these organisations in the country's development. One such effect, is the fact that these international donors tend to dominate decision making over major issues affecting these institutions and therefore

leaving the local management only with powers to implement such decisions. The boards and even the Government have, in other words, very little control over these enterprises as they do not control most of their finances. In the case of the Kenya Tea Development Authority the vital control is exercised by the Commonwealth Development Corporation which has a representative on the Authority's Board.

Over centralisation of all other management decisions of the Authority at the head office is in our view not good for this enterprise whose major operations are based in the field. This practice we contend, is largely responsible for the delays in implementing decisions all of which must be communicated from the head office down to the field. Consequently, we recommend that decentralisation and effective delegation of authority should be introduced and practiced by the Kenya Tea Development Authority. The number of the Agricultural extension staff should be increased and the post of other field staff elevated to make this possible. If these were effected in addition to the existing clear cut demarcation of duties and responsibilities and the problem of tribalism and political interference and

support eliminated, the Authority will no doubt be more effective than it is at the moment.

Our study revealed that tribalism and the intrusion of politics are largely responsible for the running of this enterprise as a family concern.

It is the contention throughout the discussion that for the KTDA to effectively serve the interest of the farmers, it must be more fully controlled by the farmers through the Government. An important step towards this direction would be for the Government to eliminate or reduce the degree to which this enterprise depends on international capital. Dependence on international capital has had the effect of impoverishing the farmers and the country, as substantial amounts of the farmer's money is deducted and repatriated to the metropolitan cities as repayment of the loans from the international donors. A lot of money belonging to the farmers is also deducted to repay the local branches of international companies the loans for the farm inputs such as fertilizers, and chemical sprays.

(X)

It is suggested in the thesis that for the small scale tea farmers to benefit from the operations of the Kenya Tea Development Authority, and for the country in general to benefit from her public enterprises, these organizations must be controlled by the government more fully than is the case now. In economic terms this would require disengagement from the present capitalist domination by the developed world and international capital. In political terms this would mean nationalisation of the country's major economic institutions including public enterprises and the restructuring of the country's internal economic policies.

INTRODUCTION

This study is about the management and role of a public enterprise (The Kenya Tea Development Authority) in Kenya's socio-economic transformation or development.¹ The task of development requires enormous resources which to the best of my knowledge no single state the world over has ever had in abundance and in sufficient quantities.

¹The concept of development which I consider crucial to the understanding of the work being undertaken here is, like many other social science concepts, complex and not easy to define. Different people and schools of thought have defined and assigned different meanings to it. Fredrick Engels for example views development as 'a constant process of rejecting old forms of social and economic organization and methods of production and taking up new and more progressive ones. It implies both qualitative and quantitative change. Although some of its aspects may be borrowed, development must be largely indigenous since it is a logical outcome of peoples interaction with the totality of their natural conditions. In effect it touches the concern of the people since, a society will only develop as individuals in it develop their true potential and are prepared to give themselves the social efforts to which they feel personally related and in which they have rights to control their personal destinies'. Fredrick Engels 'The Origins of the family, Private Property and the State' in Selected Works Progress Publishers, Moscow, 1975 P. 191.

The mere fact that both the "developed" and "developing" states engage in intensive and extensive international trade itself attests to the inadequacy of development resources.

Mobilisation of resources both human and otherwise has therefore been a common and major concern and activity of all governments. The difference between states in this respect has been the approach and method used by different states and we should add here that the approach taken by different states has often been dictated by such factors as the country's political ideology and philosophy, history, economic environment and so on. Although resource mobilisation is a dynamic and continuous process it has tended to

In this thesis we agree more or less with the above definition but regard development as a continuous process that involves not necessarily the rejection of the old forms of organization but in most cases and perhaps more important, the improvement of old or existing forms of organization and production, with the aim of achieving a more efficient production. In addition, the improved production must be accompanied with a concern for justice in the form of an equitable or egalitarian distribution of the products so produced.

assume particular significance during and immediately after crisis periods such as after two world wars when states' resources have been depleted by war expenses. Resource mobilisation has also been of great significance to the developing world recently declared politically independent. Shortage of development resources has been particularly acute in these countries, and on attainment of political independence virtually all of them embarked on the exercise of exploitation and mobilisation of any and every available resource for development.

Generally speaking, three different approaches to resource mobilisation and economic regulation and management have been used by different states for different reasons some of which I have cited above. Each of these approaches indicate the nature and extent of state involvement in the country's economic management and is important in distinguishing between states.

The first and perhaps the oldest approach that was adopted by many governments was that which viewed the role of the state in the regulation of economic life as undesirable. This view which was

articulated in the famous Laissez faire doctrine of Adam Smith, viewed the state's role as limited to defence and foreign affairs only and any intervention of the state in the economy was to be resisted. According to this approach, if the state must be involved in the economy at all, that involvement must be restricted to the provision of a congenial economic and political atmosphere in which production can take place. This involves essentially the provision of legal, political, administrative and economic incentives and infrastructure for the private entrepreneurs. Opportunity for private individual or group action must be permitted and the individual must be allowed to give free play to all his energy and aspirations. In other words the state should leave the power to make economic decisions in the hands of the economic agents² or private individuals and groups. The role of the state was only to make possible and guarantee this free activity.

With the development of new technology and the resultant new forms of social relations and

²Smelser, N., The Sociology of Economic Life, Prentice-Hall inc., Englewood Cliff, New Jersey, 1963, p. 6.

institutions more and more people began to regard the role of the state in the regulation of economic activity as desirable if not inevitable. Although this view of the state as a potential actor and regulator of national economic life had been conceived of even during the 17th and 18th century mercantilism. The idea that the state should actually control and manage the nation's economy did not find its major articulation until the writings of Karl Marx in the 19th century. Thus we can say that the idea that the state should actively and directly intervene in production and distribution dates back to the writings of Karl Marx. According to this view or approach to economic management, the state should control all the major means of production through state institutions or public enterprises. This then forms the second of the three approaches to resource mobilisation and economic management. Since this view was articulated, the world has witnessed the proliferation of public enterprises in almost all countries.

In between the two, is the third approach which is really just a combination of the first two main approaches discussed above. According

to this approach, the role of the state and that of the private sector or private economic agents is viewed as complementary and that the two should not be seen as being incompatible. According to the advocates of this approach there are certain areas of economic activity that can best be handled by the state while others are best carried out by private individuals or groups. These will be discussed in detail at a later stage in this introduction. The most important thing to note here is that this approach advocates the utilization of both the state and the private sector in a country's economic management and development.

At the theoretical level it would appear that the first two approaches to resource mobilisation can and must only be used one in isolation of the other. In other words it would appear that a country using the first approach cannot at the same time have elements of the second approach and vice-versa. The third approach therefore seems to be unworkable at least at the theoretical level. In actual practice however, this has not been the case. The trend has been towards more and more countries combining the first two and in effect using the third

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approach. Although it is true that the usefulness of state enterprises for development is quite accepted by virtually all countries³ that of private economic agents and institutions has been equally recognized. The realization that state intervention in the economy and the use of state enterprises is vital is very well demonstrated by the United States of America (USA). USA traditionally was quite suspicious of, and opposed to any degree of state intervention in the economy, but since the 1st World War, it has developed several state enterprises and used these to control and manage its economic activities. This has been alongside private enterprise. The African situation perhaps illustrates the picture more clearly. In almost all the countries in this continent, irrespective of their political philosophy or ideology, public enterprises have continued to operate side by side with the private sector. In fact even in Tanzania which since the Arusha Declaration

³Balog, N., Administrative Management of Public Enterprise, Final Report of Xlllth International Congress of Administrative Sciences, Paris 20th - 23rd July, 1965.

in 1967 decided to rely on state enterprise for the control of the economy we still find that private enterprise plays an important role in the development of the country.

Justification and Significance of the Study

Kenya which right from the time of independence opted for a policy of encouraging the dominance of her economy by the private sector⁴ has nonetheless established and continues to establish public enterprises. While during the colonial period there were only a handful of public enterprises in the country and confined to the agricultural sector only, the situation is not so today.

There are at the moment about sixty six parastatals and country wide cooperatives⁵ in the country and the number will definitely increase as every sector of the economy is 'improved'.

⁴See Republic of Kenya, Sessional Paper No.10 of 1965 on African Socialism and Its Application to Planning in Kenya. Government Printer, Nairobi

⁵Republic of Kenya: Review of Statutory Boards (Chairman; Philip Ndegwa) Presented to the President in May, 1979, Government Printer, Nairobi, p. 2.

The government has every now and again reminded the managers of these public enterprises of the importance and need for proper running of these institutions and their potential for the development of the economy and the country generally. The establishment of commissions of enquiry into the management of these organisations since and even before independence shows the concern that the government has over these institutions.

In spite of the tremendous proliferation of public enterprises in the country and the apparent importance that the government attaches to them as evidenced by the commissions of inquiry set up to look into their management as well as the frequent and numerous complaints from the public and members of parliament, there has been no systematic academic study undertaken regarding these institutions that I know of. Conspicuously lacking is a study of the management or administration of public enterprises (parastatals) in Kenya as well as their effectiveness and contribution to the country's development. In my view such a study is long overdue. Such a study is necessary, first, in order to understand and evaluate the problems that face these organisations, especially the

effect of local and the international socio-economic environment on the administration and effectiveness of these enterprises in trying to achieve their objectives. This is analysed in this study which is an attempt to fill the gap already mentioned.

One public enterprise, the Kenya Tea Development Authority, (K.T.D.A.) was selected for study. Several reasons were in my mind when I decided to select this as a case study. In the first place, sources at the World Bank and even in government cite Kenya Tea Development Authority as one of the most well managed and successful parastatals in Kenya.⁶ It is a unique case in a situation where the majority of parastatals are said and considered to be poorly managed and are in fact considered failures. I was therefore curious and wanted to find out why this particular parastatal has succeeded where the majority have failed. The study hopes to give an insight into the administration of this enterprise with a view to being able to use the Kenya Tea Development Authority example to improve the management and performance of other parastatals in the country.

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⁶ See for example, The Weekly Review, May 4, 1979 p. 28.

Secondly, Kenya Tea Development Authority is a public enterprise that is very heavily dependent on international finance and capital through loans from the Commonwealth Development Corporation (CDC) the organisation of Oil Producing Countries (OPEC), the World Bank etc. In this respect it is representative of most other Kenyan parastatals which, as we shall see in chapter two, depend on loans from private foreign donors. I therefore felt that in studying this particular enterprise, (Kenya Tea Development Authority,) we would be able to unearth and understand the effect of the participation of international capital not only on the performance of parastatal organisations in the country but also on the efforts towards the country's autonomous independent development.

This is significant in the light of [?] and as it hopes to contribute to the theoretical debate that has been going on for the last two decades or so regarding the effects of the relationship between International capital in particular, and the western world in general on the development of the third world.

According to a school of thought labelled 'dependency or under development theorists' of which Samir Amin, G.A. Frank, W. Rodney and G.A. Brett among others are strong subscribers, the third world's continuing dependence on the western world since colonialism and their increasing or increased reliance on international capital in the form of "aid" and investments and joint ventures such as the Kenya Tea Development Authority only benefits the western developed world and some sections or fractions of the third world comprador bourgeoisie and is the cause of the deepening underdevelopment of third world. The dependency theorists see international capital as the force responsible for the extraction and repatriation of the economic surplus from the third world to the developed world thus leaving the third world countries poorer while enriching the centre, capitalist countries. According to Frank the solution lies in the third world cutting off links with the developed world. Amin on the other hand sees the solution as lying in the stopping of the repatriation of the economic surplus from the third world to the developed world.

On the other hand, and opposed to the dependency theory is a school of thought we might call 'conventional or development theorists' among whom we have Bill Warren. The main argument of this school of thought is that underdevelopment of the third world is caused by internal conditions (not classes) within these countries which prevent them from achieving the advances accomplished by the developed countries. They consequently recommend the use of western capital and technology as a means of increasing productivity, income, industrialisation and therefore socio-economic development of third world countries. This western theory has found support in several third world countries as evidenced by their wide acceptance and reliance on international capital and investments.

The development theorists' opposition aside, the dependency theorists especially the arguments of Amin and G. Frank that the problem of underdevelopment in the third world is caused by the unequal relationship between the developed and the underdeveloped (third world) countries have recently been heavily criticised by among

others Weeks and Elizabeth Dore.⁷ These critics point out that the analysis and arguments of the dependency theorists (Amin and Frank especially) ignore one important fact or consideration that determine exploitation and underdevelopment in all countries including the third world. This factor is the nature of the mode of production within the developing world. These critics point out that so long as we have classes within the third world countries which in all societies is determined by the capitalist mode of production, exploitation will continue as the dominant class in these countries will appropriate the economic surplus to themselves, thus exploiting and underdeveloping the majority of the population. This will occur irrespective of whether or not the third world countries cut off links with the developed capitalist world as Frank would recommend they do and also whether or not the third world countries put a halt to the extraction and repatriation of the surplus

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⁷Weeks J. and Dore G. 'International Exchange and the Causes of Backwardness'. In Journal of Latin American Perspective, Issue 21 Vol. VI November, 2, Spring, 1979.

value from the third world to the developed world as Amin would suggest.

The study and discussion on the role of Kenya Tea Development Authority, a joint venture between international capital and the Kenya Government, presented in Chapter Six, touches on some of the issues such as the effects it has on the socio-economic conditions of the small scale tea farmers and the country's development. It should therefore throw some light and contribute to the above debate.

Intellectual curiosity on my part therefore was a major drive in undertaking this study. I was also interested in finding out why a capitalist country like Kenya which has clearly declared that it will rely on the private sector continues to establish and use public enterprises as a means of regulating her economy. These reasons will be discussed especially in chapters two and three and will also be mentioned whenever it is appropriate in the rest of the thesis.

Scope of the Study:

Although this study is on the management and role of public enterprises in Kenya, the focus

is limited to one such enterprise, namely the Kenya Tea Development Authority. In terms of regions therefore, we would be expected to cover and carry out our research in all the thirteen or so districts in which the Kenya Tea Development Authority operates. The possibility of doing this was considered. The author realized however, that given the limited time and research funds and other constraints, a study covering such a large area would not be as thorough as one would wish it to be. The author therefore decided to confine the research to one Kenya Tea Development Authority area of operation. Kericho District was chosen as a major area of study although a few visits were made to Kisii and Embu. One of the reasons why Kericho District was chosen is because the district is one of the oldest and biggest tea growing areas and also where we have both the small scale and large scale growers and large private commercial estates like the Brooke Bond and African Highlands. This makes comparison of the two different organisational styles possible, interesting and valuable. In discussing the management of the Kenya Tea Development Authority, the study focusses on an evaluation and assessment of the weakness and effectiveness of some of the major administrative techniques and devices used by the Authority and how or the extent to which these have contributed to the performance of the Authority.

There is therefore no pretence on the part of the author that this is an exhaustive study of all the aspects of the Authority's management. On the contrary the author feels that several areas of the Authority's management are still open to a critical analysis and study and further research.

Nature of Data and Methodology of Study:

Nature of Data

It is the role of social science and of social scientists to understand and explain social phenomenon. This requires first and foremost that the social scientist has access to the relevant data and then that he analyses the data before he can begin to give reasons and explain why the social phenomenon occurred.

In our case, we set out to study and explain the management and role of public enterprises in Kenya's development and in particular the management and role of the Kenya Tea Development Authority. We wanted to explain why this Authority has performed the way it has and what specific contributions it has made to Kenya's economic development. We therefore needed to and did collect

two sets of data. The first set of data was on the management of the Authority, Kenya Tea Development Authority, and included information on the control structure and system of Kenya Tea Development Authority. The relationship between the organisation and the Ministry of Agriculture which is the parent ministry, the field/head office relationship, decision making and coordination systems in the Authority as well as the problems that face the Authority etc.

The second set of data included data on the role that the Kenya Tea Development Authority has played in improving life in the rural areas, its contribution to th socio-economic transformation of the farmers attached to it, its impact on the national economy and general development etc. We gathered information on farm size, revenue earned by the tea farmers from the sale of their tea to the Authority, consumption and investment pattern etc. among these farmer's.

Methodology of the Study:

In collecting the above data two different research or data collection methods were applied whenever appropriate. For certain types of

information we relied on secondary or aggregate data. This involved going through and reading all the relevant documents such as the Kenya Tea Development Authority Annual Report and Accounts, Files containing information about the organisation that were made available to me, relevant newspaper articles and magazines and any other official documents that were available and relevant. Information from such documents were cautiously analysed and used in this thesis. Content analysis therefore was an important method used in collecting data and information for this study.

There were, however, certain types of information that could not be obtained by the use of the above methods. There were some information obtained by the use of the above methods which needed updating and therefore called for different methods. Information on data such as why a particular Kenya Tea Development Authority farmer does not use fertilizer or why some farms are neglected could not be reliably and adequately supplied by the use of aggregate data or content analysis. To obtain and verify such information we used primary data or the qualitative method. This involved the use of a questionnaire.

The questionnaire and the interview were administered personally with the assistance of one or two research assistants. These assistants were invaluable especially in cases where the author and the respondents could not communicate well either because of the language barrier or because of hostility on the part of the respondent. The assistants were local people who knew the local language, the areas and the people well. In the absence of the above problems or constraints which many researchers do encounter, I preferred to, and did carry out the interviews personally. (See appendix for the questionnaire used). In addition to the research methods discussed above. I also whenever appropriate, and possible used the participant observation method. This involved attending several of the relevant Division and District Tea Committee Meetings. In some of them, I participated by asking questions about what was being discussed and in some of them, I was allowed to make comments. In others I simply sat in the meetings and recorded what was said and which had relevance to this study. Participation in these meetings enabled me to obtain very valuable information and insight into the working, nature, purpose and duties of the tea committees at these two levels as well as the Kenya

Tea Development Authority tea committee system generally. My findings about the committee system is presented in chapter four of this thesis.

As we stated earlier on, two sets of data were collected to enable us carry out this study. We collected data on management and on the effects this Authority has on the farmers. At the farmer level a total of sixty six tea growers (farmers) were interviewed. These were randomly selected. This is certainly a very small fraction or number given the fact that in Kericho alone, there were a total of 15617 tea farmers in 1980. (See table two chapter 5 page 266-): The fact that our sample is small did not however alter the reliability of our findings because as Prewitt⁸ has pointed out, it is not the size of the sample that is important in deciding whether or not our findings are reliable. Rather it is the representativeness or homogeneity of the sample that is the important issue. In our case we

⁸ Prewitt, K. Introductory Research Methodology: African Applications, Institute For Development Studies University of Nairobi, Occasional Paper No. 10, 1974.

found out that the socio-economic and other aspects of the Kenya Tea Development Authority farmers in Kericho were not vastly different one from the other. We are dealing with a sample that is more or less homogeneous in terms of their socio-economic conditions. We are in other words saying that our sample of sixty six farmers is quite representative. Interviews were also carried out among the extension staff in the field including the officers at the Kenya Tea Development Authority office in Kericho. Very valuable information was available from this category of staff since most of them are employees of the Ministry of Agriculture on secondment to the Authority. From them therefore we were able to gather a lot of information regarding the relationship between the Authority and the staff from the Ministry of Agriculture and especially information on how this relationship affects the morale of these workers and therefore the Authority's effectiveness and performance. At the head office, I interviewed all the departmental heads including the General Manager. Each of these were interviewed more than once. In interviewing them, I used mainly oral interviews.

In administering the interviews two major questionnaire designs were used. Although my initial idea was to ask all respondents and particularly the farmers identical questions in a particular order, as the interviews progressed, I realized that being very rigid would not permit me to collect all the relevant information that would be useful for this thesis. Consequently and inspite of the fact that I had a set of questions arranged in a particular order I tended to alter the order in which the questions were asked as the interview situation developed. It should be noted however that I did not modify the questions very drastically as I moved from one farmer to another. This was in realization that doing so would make our analysis of responses rather difficult and cumbersome.

Regarding the questions administered to the management it was not in my view helpful to rely on structured interviewing and therefore relied almost entirely on an informal and flexible approach. Thus one can say that in my interviews of both the farmers and the Kenya Tea Development Authority management, I used both the structured and the unstructured interview. The type of interview used was determined by the

type of information I was seeking and from whom I was obtaining it or seeking the answers.

My questions were consequently both open and closed depending again on the type of information I wanted. In cases where I used open questions and the respondent's answers indicated that they did not understand the question being asked, I made probes by asking additional questions. This is something I would not have done had I not personally administered the interviews.

The reading of the relevant files and documents as well as the farmer's records at the head office enabled me to get the kind of information I could not get by either interviews or observation. The farmers' records were particularly helpful in counter checking the information given to me by the farmers in the field. This counter checking was also done by holding informal discussions with the farmer and the extension officers whenever I met them in bars and other social places. Public barazas organized by Kenya Tea Development Authority officials as well as the Divisional and District

Tea Committee meetings also enabled me to countercheck information and gather new data.

The field research for this thesis was carried out between October, 1980 and December, 1980. I first spent the first five days discussing my mission with Kenya Tea Development Authority Officers in the Kericho office and to request for their assistance in knowing the areas where I was going to operate. On the sixth day I set out to interview the farmers accompanied by the Assistant Tea Officer for the District who knew almost all the farmers' homes and even names. I carried out my interviews without any break until December 5th, 1980, when I went back to Nairobi to organize the data already collected. Between February 1st and March 5th, 1981, I carried out interviews with the staff at the Head Office. In between I made several regular visits and contacts with farmers and field staff in Kericho, Kisii and Embu. The duration of my research was therefore approximately four and a half months.

With the help of the Assistant Tea Officer in Kericho I did not encounter any major difficulties. There were of course problems such as absence of farmers whenever I visited them and occasionally a

farmer would refuse to give information regarding his income and what he does with his income. Sometimes of course, many did give incorrect information on certain aspects of the questions asked. Some of these I was able to find out and therefore correct from the records kept at the head office. The extension staff too did help verify some of these incorrect responses. One farmer for example completely refused to talk to me even though I was with the Assistant Tea Officer who he knew well. I later learnt that two weeks before I met this particular farmer, officials from the Income Tax had taxed his income from tea very heavily and he was still afraid that they were following him. When he realized that I wanted to ask him about the development and progress of his farm, and that I was not an employee of Kenya Tea Development Authority or Ministry of Agriculture, he declined to talk to me. His fear was that I could pass on the information to the Income Tax. On the whole, however, the farmers and the extension staff were very friendly and cooperative.

Finally, I want to state that all along in carrying out this study and when writing the thesis, it was constantly kept in mind that organizations do not operate in a vacuum. Rather they respond to environmental pressure just as much as the environment responds to pressure from the organization in several ways. An organisation's environment can be small or big depending on the nature of the organisation and can include either or both the local and foreign influence. The Kenya Tea Development Authority's environment includes both the local and foreign components. All these do affect the role and working of this organization in one way or the other. Its management must therefore take into account all these important environments and their possible or/and actual influences.

A particularly important guiding factor in the study's attempt to assess and evaluate the management, role and contribution of Kenya Tea Development Authority to the socio-economic transformation of the country is the declared economic policy of the government. The Kenyan development path, as noted earlier, is based on mixed enterprise. This was the situation during the colonial period and was

continued and stressed after the attainment of political independence in 1963. Not only will this policy guide our assessment of the role and contribution of Kenya Tea Development Authority, but we shall also take into account the stage of this capitalist development. This will no doubt have important effects on the Authority's contribution to the development of the country. This, then, is the context within which we shall discuss the management and role of Kenya Tea Development Authority in the socio-economic transformation of the country.

CHAPTER ONE

THEORY AND PHILOSOPHY OF PUBLIC ENTERPRISES

In this chapter, we propose to examine the motives behind the creation and emergence of public enterprises and to attempt a definition of these organisations. We shall discuss the different types of public enterprises in existence, the way they are managed and the problems that affect them especially in the third world.

The Concept of Public Enterprises:

We saw in the introduction to this study that public enterprises as a method of state intervention, regulation, control, and management of the economy is now a popular phenomenon to be found in all types of economies be it mixed type (capitalist) or socialist economies. In spite of this proliferation of public enterprises, opinions still differ and there lacks consensus regarding the precise definition and meaning of the concept. We shall therefore begin this discussion by reviewing some of the definitions that have been offered by various writers and scholars of public enterprises. From these we hope to be able to offer a definition of public enterprise for the purpose of this thesis.

Some writers on the subject have argued that the term public enterprise should be used to refer to any undertaking in which the government is involved in one way or another. These writers include A.H. Hanson who in discussing these enterprises, observes that:-

Clearly, development is a 'total' operation to which all the state machine have to be geared. To ask how much the state shall contribute to economic development is therefore meaningless. The forces of development are not waiting to be unleashed. They have to be created and then - at the very least - fostered and guided. Only the public authorities have or can acquire the resources and the power adequate for this task. Hence the whole process of development might be considered as public enterprise.¹

Here Hanson does not distinguish between the activities of private individuals or groups and those of the public sector in the task of development. He does not use the term public enterprise to refer to institutions but to a process of development which he says is a total operation. His usage of the term public enterprise is, however, too general for our purposes.

¹Hanson, A.H: Public Enterprise and Economic Development. Routledge & Kegan Paul Ltd., London; 1959, p. 115.

In its definition, the Secretariat of the United Nations Economic Commission for Africa said the following regarding public enterprises:-

Broadly speaking, it might be said that public enterprise is a form of government initiative, participation and control of part of the national economy, particularly in productive economic activities. These organisations generally control in full or participate in an undertaking which in the public interest, ought not to be exploited solely for individual gain or profit nor treated as a monopoly².

The definition given by Macauley and the association for African Public Administration and Management (AAPAM) were more specific and comprehensive than the two already given. These two at least talked about how the public enterprises are created, how they are run, and their relationship with the central government. This point about the relationship between public enterprises and the central government is vital when we consider that in some countries public enterprises refer only to those organisations created by the central government while in other countries they include even those enterprises created by local government.³

² 'Improving Performance in Public Enterprises': East African Management Institute/Germany Foundation for International Development. Conference Report Arusha Tanzania December, 2.5. 1975 p. 8.

³ See Balog N. Administrative Management of Public Enterprises. Final Report of Xlllth International Congress of Administrative Sciences. Paris 20 - 23 July, 1965. International Institute of Administrative Sciences. Brussels, 1966.

According to Macauley, . Public enterprise (in this context) refers to those institutions created by government for implementing development programmes and for supplying essential services which by the nature and magnitude of capital involved cannot be left to free enterprise. They are set up by acts of parliament and are an arm of government. In short the term public enterprise refers to marketing boards and government corporations.⁴

The Association for African Public Administration and Management referred to public enterprise as "an institution operating services of an economic or social character on behalf of government but enjoying an independent legal entity; it is largely autonomous in its management though responsible to the public through government and subject to some direction by government; it is equipped on the other hand with independent and separate funds and the legal and commercial attributes of commercial enterprise."⁵

⁴ Macauley, S. 'Management of Public Enterprises: The Sierra Leone Experience by Rweyemann & Hyden (edt.) A Decade of Public Administration in Africa. East African Literature Bureau, 1975.

⁵ Association of African Public Administration and Management. A Profile of African Services in the 1980's, P.60.

The last two definitions given above approximate the one used in this thesis. For us, a public enterprise is an institution created by the Central government, normally by an act of parliament which determines and defines its areas of operation, and through which the government participates directly in the economic and social management and development of the country. It is an autonomous institution in terms of its internal management and is not required to conform to, and strictly follow the bureaucratic rules and procedures required of regular government departments and ministries. As a public institution however, a public enterprise is subject to public control and is accountable to the public through the parent ministry under which it falls. The administration or management of a public enterprise is usually, but not necessarily the responsibility of a publicly appointed board and the employees of a public enterprise are not civil servants.

Later in this chapter we shall give a classification of public enterprises and shall show the degree to which each one conforms to the characteristics described above.

The Origins and Motives Behind the Creation of
Public Enterprises

As we already pointed out, the idea that the state should directly be involved in the management of the economy dates back and found its major articulation in the writings of Karl Marx⁶ in the mid nineteenth century. Having experienced the consequences of the industrial revolution in Europe, on the lives and living conditions of the Western world, Marx formed the opinion and was convinced that the peoples' misery was the direct result of the private enterprise economy which was made possible and encouraged by the theory of limited state intervention in the economic development of the state. Marx's argument in this regard was that private enterprise only led to an intensified exploitation of the majority of the people by the few who controlled state power.

6 Reflections on Public Enterprises in Nigeria.

Conference Paper on Public Enterprises in Nigeria.
Institute of Administration, Ahmadu Bello University,
Zaria, 1970

The alternative of this, he thought, was the system in which the state on behalf of the people i.e. citizens, controlled all the major means of economic production. He consequently called for state enterprises to be established and used as the machinery for the control of these major means of economic production.

Marx's writings about the role of state enterprises in the improvement of peoples' living conditions had a lot of influence on governments and statesmen in both Eastern and Western Europe. In most of Eastern Europe, the establishment of public enterprises were in fact a direct result of the arguments of Marx regarding their role in socio-economic development.

It was in other words the need for the people to control their means of economic production that led many of these governments to establish public enterprises. It would facilitate an equitable allocation of a country's economic social and even political resources.

In 1921 when Lenin introduced the New Economic Policy in Russia, many enterprises were transformed from private hands to the ownership

by the state in accordance with the theory of state control of productive enterprises. The new policy was thus attempting to eliminate private enterprise whole evils Marx had talked about.⁷ Since 1933 all major Soviet industrial and economic enterprises have been based and organised on the principle of state or public ownership.

In the Eastern European countries it was not only **USSR**, however, that developed public enterprises as a result of purely political or ideological considerations as we said earlier. It was mainly ideological considerations for example that were behind the major political and economic changes that occurred in the people's Republic of China under Mao-Tsetung. He was influenced by the economic arrangements in Russia and while rejecting private enterprise he called for state ownership. Many other cases could be cited in Eastern Europe where the major impetus to public enterprise or state ownership was ideological. The two cases will, however, suffice to show that in this region ideological considerations played the leading role.

⁷ Fredmann and Carner, Government Enterprises.
Columbia University Press, 1970, p. 120.

Political motives also played an important role in the creation of public enterprises in Western Europe. It was said for example that in Britain one of the major arguments for or in favour of public enterprises was the exploitation of the worker by private enterprise. Combes says that at the core of the Labour Party's thinking about public enterprise has always been a feeling that public ownership is an indispensable means of socialist economic policy.⁸ Public ownership in Britain started with the nationalisations of British industries by the 1945-50 Labour government. It was the undesirable consequences of leaving large scale organisations introduced in all parts of Britain by the previous conservative government that convinced the 1945-50 Labour government of the need to abolish private enterprise. We are reminded by Combes in this respect that:

⁸ Combes, D. State Enterprises: Business or Politics. London George Allen & Unwin Ltd., Ruskin House, Museum Street, 1971, p. 21.

What really worried Labour leaders and supporters, however, was the effect of leaving large scale undertakings in private hands..... moreover, there was unmistakable antipathy in the labour party to the profit motive. To solve the problem created by private control of monopolies and by the allegedly selfish and wasteful principles of private enterprises, therefore everything was now staked on the policy of abolishing private ownership in certain basic industries....9

It will be remembered that the depression of the early 1930s caused the living standards of the British industrial workers to deteriorate considerably. The result was a lot of discontent among the workers and the population as a whole. All these problems and misery were blamed on the proliferation of private enterprise encouraged by the conservative government that was in power before the labour government. The labour leaders feared that they would be blamed for continued economic misery and saw state ownership and control of industrial enterprises as the only solution. Although these problems seem to have been the major cause in the change to public ownership in Britain, there are reasons to believe that the British Labour Leaders were to a large extent influenced by the ideas of Marx. According to Combes, these ideas of workers

9. Combes, D. State Enterprises: Business or Politics.
London, George Allen & Urwin Ltd. Ruskin House,
Museum Street, 1971, pp. 20 - 21

control were already talked about in Britain in the late nineteenth century after the writings of Karl Marx.

We are aware that political or ideological considerations were also a major motive behind the creation of public enterprises in France. Like in Britain, public enterprises in France started by the nationalisation of its major industrial enterprises after the second world war. The main reason was the need to bring these industries under the workers' control. There were of course other reasons behind the British and French nationalisations other than ideological. Many of these industries for example were nationalised because it was believed that it was not in the "national interest" to leave them in private hands. Even in Eastern Europe sometimes state ownership was motivated by a combination of practical economic and social considerations. The only difference is that in most of Eastern Europe it was mainly ideological considerations that influenced the establishment of public enterprises. In Western Europe on the other hand it is said that politics played a less important role. We shall discuss this later.

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There are very few cases in Africa and the third world generally where political ideology was the major factor or consideration behind the creation of public enterprises. In Africa, after political independence, many countries argued that there was need to demonstrate not only to the rest of the world, but particularly to their own citizens, that they were capable of obtaining economic independence as well. [In other words in most of these countries the only political argument behind the creation of public enterprises was that it would assure the ordinary people that they now controlled their own economy since these enterprises would be owned by the government.] This [PL assurance] was necessary if these new political masters were going to get the support of their people that they so badly needed if they were to stay in power.

In fact some of these leaders particularly the few farsighted and radical ones realized that political independence was not going to be automatically followed or accompanied with economic independence and the economic emancipation of the ordinary people, and that this was going to be unacceptable to the ordinary people since

economic emancipation had been promised to them by the nationalist leaders. The masses had, as a result of these promises, hoped to gain economically by controlling and having a say in the economic system that would follow independence. Having amassed wealth themselves, and fearing that they would lose support of these hopeful masses, and that of the more radical leaders in their ranks, many African leaders and governments decided to intervene in the management and control of the economy by creating public enterprises.

It must be noted that the intention here was not so much to genuinely restructure the old economic system and relations but merely to make the ordinary person or people feel that they now were in control of their economy as well. In other words most of these leaders wanted their citizens to feel that the economy too was truly theirs and to identify with it. This, it was hoped, would create an amount of political contentment and stability needed to stay in power and advance their own interest backed by foreign capitalists. There is no wonder then that most public enterprises in Africa rely on international capital for their operations.

Perhaps the only good example of an independent country in Africa where real political ideology shaped the nationalisation of foreign firms and the establishment of new public enterprises is Tanzania. In Tanzania, political independence was followed by a clear definition of a political ideology embodied in the Arusha Declaration of 1967 which defined a socialist strategy for development.¹⁰ Although the country was just as poor or even poorer than most other countries in the continent in terms of both state and private capital, the Tanzanian leadership through the Arusha Declaration sought to redistribute the little available wealth more or less equitably and to generate more wealth through self reliance. They believed that it was only through.

¹⁰ Mwapachu, B. "The Restructuring of Public Enterprises for Improved Performance." In Improving Performance In Public Enterprises. East African Management Institute/Germany Foundation for International Development. Conference Report, Arusha, Tanzania, December 2-5 1975, P 57

state ownership of the major means of economic production that they would ensure the success of policy of self-reliance and socialism. Many private foreign as well as local companies were consequently nationalised and new enterprises created. It was mainly these ideological considerations that played the crucial role. Outside Tanzania there could only be one or two other countries that were influenced by such ideological reasons and arguments. It means therefore that there must be other considerations that influenced the establishment of public enterprises in most other countries in the continent and in other parts of the world.

Apart from political ideology, purely economic needs or reasons have influenced the decision by many countries to establish and use public enterprises. Many newly independent countries in their attempts to develop their economies have been greatly inhibited by lack of capital particularly private investment capital. In some cases there is private capital but it is not adequate for the purposes of development which as we pointed out is a huge and expensive exercise. We are reminded of a statement in a

British Journal, The Economist, that the most likely field for state enterprise in expanding economy is where private enterprise is underdeveloped:

"in the new industries and new products where the risks are great and the private entrepreneurs in an age of capital scarcity and high taxation of profits - many will hand back"¹¹

In Sweden for example we are told by Verney, that the initial impetus to public ownership (other than the long establishment post office) was primarily economic. "In a country so large, so sparsely inhabited, and so comparatively underdeveloped as Sweden was in the nineteenth century, only the state could provide complete network of railways and telegraphs."¹²

In such cases those with private capital would be reluctant to invest especially in very remote parts of the country. This is because

¹¹Hanson, A.H. (ed) Public Enterprise. A Study of Its Organization and Management in Various Countries. International Institute of Administration Sciences. Brussels 1954, p. 12.

¹²Verney, D.V. Public Enterprises in Sweden: Liverpool University Press, 1959, p. 8.

doing so would be increasing his risks. To develop such areas in a situation where private enterprise is reluctant to operate, the state has no alternative but to intervene. This is especially so when the activity in question is considered vital for the survival of the state or is in the national interest.

Inadequacy and the reluctance of private entrepreneurs to avail their resources for development has been particularly acute in Africa. Most of these countries were subjected to colonial rule and colonial exploitation for several decades. Most of their economies were externally oriented and tied to those of the metropolitan powers especially their former colonizers. The indigenous people were not given a chance to acquire wealth and to develop economically. By the time political independence was won there were hardly any indigenous or local people with sufficient capital that could be invested for general overall development. The only little private capital there was at independence was owned by expatriates who, in many cases, made very quick exit from these countries.

Many of these countries therefore had no alternative but to rely on the state to mobilize and provide the necessary capital for investment and development. It was out of these practical economic necessity that we saw several African countries resorting to the establishment of public enterprises. This was irrespective of the type of economy they adopted. As the Swedish case shows, economic motives are not only confined to Africa and the third world. In fact in several cases even in the developed world such as Britain, usually a combination of practical economic necessity and politics have made it necessary for public enterprises to be created.

One other major argument for the creation of public enterprises especially in the developed world has been the development and existence of large scale commercial and business organisations. With the development and use of these large scale organisations, it became increasingly clear that the traditional civil service methods of administration would not work satisfactorily. New and different structures and methods of organisation were needed which could facilitate quick decision making and yield quick results. This was the case with the coming of the industrial revolution which

has spread almost all over the world. We already said that in Britain the Labour government was rather unhappy with big business being left in private hands. What we did not say specifically was that they considered this state of affairs not only immoral but also inefficient. Public enterprise was therefore regarded first, as a means of abolishing private ownership which was considered immoral. Secondly, it was seen as a means to greater efficiency and an indispensable means of central economic planning.¹³ For these large scale organisations to be run well, it was felt and argued that not only did we need public enterprises but also proper planning. Planning it was thought, would also be made possible and much more efficient if we have public enterprises. Thus we see that public enterprises were being established both as means to greater efficiency and also to facilitate economic planning. This was because planning is usually done by the government and since public enterprises are controlled by the government, it would be easier if the economy was run on public enterprise basis.

¹³Combes, D. State Enterprises: Business or Politics. London; George Allen and Unwin Ltd. Ruskin House, Meuseum Street, 1971, p. 21.

In fact government economic planning has become a very important aspect of development the world over. In Russia for example, since the introduction of the New Economic Policy in 1921, planning has been vigorously used as a means of directing and controlling development. Public enterprises have facilitated this process and the soviet economy as we know, rests on public enterprises since 1923.

In the developing world, development plans are so wide-spread that no country wants to be left behind. In fact here the main reason for planning is that it is a prerequisite for aid from the developed world. Public enterprises in the developing world have been used to get loans as the donors feel more assured of loan repayments if their loans are controlled by government owned enterprises. The donors feel further that their funds would be managed more efficiently by public enterprises under government control. - *gone days*

Although the argument that public enterprises are more efficient than private and other forms of organisations still persists today, the experience

of the developing countries and particularly Africa has done little to support this argument. If efficiency is used to refer to the maximum achievement of organisational objectives with or at minimum cost, then the African public enterprises have not been efficient. Several of them have been poorly managed and in fact run at losses. Mwapachu observed that;

Nonetheless there is no doubt that in many countries public corporations have been moderately successful or fallen short of what was expected of them. If we were to consider the incidence of public inquiries into those operations of public enterprises as indicative of failure, then a larger percentage of them have indeed failed. In East Africa, several public corporations have posted deficits year after year prompting the establishing of public commissions to scrutinize their operations. It is also equally certain that these corporations have often been used to the personal advantage of the few bureaucratic elite with the result that the leadership has amassed enormous wealth over a very short period of time.¹⁴

¹⁴ Mwapachu, B., : 'The Restructuring of Public Enterprises' in Improving Performance in Public Enterprises. East African Management Institute/Germany Foundation for International Development. Conference Report. Arusha Tanzania, Dec-, 2 - 5th, 1975, p. 56.

This poor experience in Africa as shown by the above observations, goes a long way to show that public enterprises in themselves are not necessarily efficient. In other words a mere prescription of rules, structures and procedures as did the administrative theorists and Taylor's scientific management, does not necessarily make an organisation's management efficient. As the case of public enterprises in Africa has shown, for an organisation to run efficiently, it must in addition to its rules and structures, take into account its environment. A hostile environment will have a different effect on the efficiency of an organisation from that of a cooperative environment. Similarly, people's attitude towards an organisation especially that in which they are employed, will affect the efficiency of an organisation in one way or the other. The effect of an organisation's environment on its efficiency was in fact succinctly pointed out by A. H. Hanson when he observed;-

An up to date administrative technique on the other hand is closely related to a particular economic, social and political situation, and cannot be bodily **superimposed** on one of fundamentally different quality. Hence the frustrating irrelevance of many of the so called principles of public administration which Western experts conscientiously teach Africa, middle Western and South Asia Students.¹⁵

¹⁵Hanson, A. H. Public Enterprise and Economic Development
Routledge and Kegan Paul Ltd., London, 1959, p.

In Africa, the people's attitudes towards public organisations are particularly important in affecting the efficiency of these organisations. In Kenya for example, particularly during the 1970s, many people heading parastatal organisations regarded these organisations and their positions thereon as a ladder to acquiring personal wealth and completely neglected the public interest that these organisations were meant to serve. The result was that several of the parastatals were poorly run with huge losses being made year after year. All these prove that public enterprises as such are not necessarily efficient as was believed several decades ago. Other environmental factors must be considered. The idea however, still persists that public enterprises are necessarily more efficient than the civil service.

A further argument that has been commonly used to justify the creation of public enterprises is the idea that because the government has control over these institutions, having been created by them, the government can use the profits generated by them, for further socio-economic development.

Most public enterprises do generate profits although this is not necessarily the aim. Since these profits are public funds, the government can ask or require them to surrender part of this money to the Treasury to be used for further development of the enterprise or new ventures. This is something governments can't do with private enterprises as these institutions cannot be forced to surrender their profits to the government. Even in cases where there is such a requirement, private organisations have been known to cleverly evade taxation through such methods as denying that they are making any profits. Public enterprises on the other hand would find it hard to evade or cheat the government on such grounds.

This argument that public enterprises will make profits which the government can then use for further development is based on two assumptions. First, there is the assumption that these organisations will run efficiently. We have however, seen in the case of Africa that this assumption is not always correct. Most African parastatal organisations have been running inefficiently and making huge financial losses. In fact in

several cases, governments have been forced to lend out money to parastatal organisations instead of getting money from them in the form of profits. The assumption, however, was made and had an influence on the decision to create public enterprises. The second assumption was that the state had the interest of all at heart and would therefore use state enterprise profits to develop all areas of the economy. Although this is a very noble assumption sometimes things do not work that way. Politics and political struggles may not allow this to occur and in spite of the existence of public enterprises, one may still find some or particular parts of the country more developed than the others.

In addition to the above practical political and economic necessities, governments particularly in the third world, were driven into the use of public enterprises because in these countries, the state is regarded as the sole factor in development. This attitude is partly due to the poverty of the masses in these countries caused by the colonial economic and social policies. It is also due to

the fact that many promises were made to the masses by their leaders during the struggles for independence as we already pointed out. Because of the two reasons stated above, the state is regarded in these countries as the only organisation capable of securing the resources necessary for development, or at least, it is expected to set pace for development. This is probably why we find that civil servants in most African countries are charged with the task of directing, controlling, and accelerating development. In Kenya this is certainly the case as was emphasised by Kenyatta when in an address to his district officers in 1965 he said:-

" from now on, civil servants merits will be judged by their contribution to the development plan. They will be called to explain any failure to achieve their targets".¹⁶.

The use of civil servants or the civil service as initiator of development is actually prevalent all over Africa. It is merely a response to the aspiration and expectations of the people in a situation where there is no indigenous private entrepreneurs sufficient to initiate development.

¹⁶ Kuria, G. "The District Officer: A Colonial Shell" in David, K. Leonard (ed.). Rural Administration in Kenya. East Africa Literature Bureau, 1973, p. 43.

Public enterprises in these countries have therefore been established by governments to supplement and assist the efforts of the civil service in development. In fact so many public enterprises have been created in Africa to supplement the civil servants that chief Udoji remarked that:-

If the rate at which these bodies are being created and financed were indicative of economic growth of these countries, or the success of the bodies themselves at least some of the countries would be near the stage of economic take off.¹⁷

The point being made here regarding the use of public enterprises in Africa is that they were established to assist the civil service of these countries in the task of development which as we saw was regarded as the sole responsibility of the central government. Secondly, in the majority of the African states, these organizations were created to supplement rather than replace the available private enterprise.

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Udoji, J .O. "Some Measures for Improving performance and Management of the Public Enterprises" In Rweyemamu and Hyden, A Decade of Public Administration in Africa, East African Literature Bureau, 1975, p. 23.

Finally in discussing the motives or theory behind the creation and use of public enterprises, mention must be made of the social considerations. There are several special social services needed by citizens at low costs and which private enterprise or the traditional civil service cannot supply adequately.

I have in mind here the provision of electricity, water supply, essential foodstuffs and other social amenities considered necessary for any community. These are services that could be very expensive if they were left in the hands of the private entrepreneurs. Many parts of the country particularly the less developed ones would probably not get them as the people there could not afford them. The government being responsible for the development of the entire country usually takes this responsibility and establishes public enterprises to facilitate the supply and distribution of such services.

The provision of these social services is of particular significance to the developing countries where large areas are poor and with big differences in terms of development. To alleviate poverty, reduce these development gaps, governments have been forced to develop public enterprises. These bodies at least can be directed to provide these

social services at costs that the ordinary person can afford and in all parts of the country.

Whether or not all governments have managed to successfully use these institutions to equitably distribute and supply such services cheaply to all parts of the country is of course debatable. As we indicated else where in this chapter, politics may not always make this noble aim possible.

What we have been saying in the last several pages is that political ideology as well as practical social and economic factors have been the major considerations that led to the establishment of public enterprises. One factor or set of factors may determine the creation of these organisations in one country while completely different factors may play the major role in another country. We have tried to show this by indicating how important some factors were in the creation of public enterprises in the developed world as compared to the developing world. We have also done so by showing the most important factor in Eastern Europe as compared to Western Europe and seen that political *ideology* played greater role in the East than in the West.

Types of Public Enterprises:

It should be noted here that there are at present several different types of public enterprises in different countries. The differences reflect not only the type of function these enterprises are meant to perform but also their environment. The first type of public enterprise that was used or established was what is known as:-

The Departmental Management:

Hanson says that the departmentally managed undertaking is the traditional type of public enterprise, both in the developed and in developing countries.¹⁸ These are enterprises that operate more or less as an extension or extended arm of a regular government department subject more or less to the same civil service rules and regulations. Departmentally-managed type of public enterprises have the following distinguishing characteristics:-

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Hanson, H. A. Public Enterprise and Economic Development. London, Routledge & Kegan Paul, 1959, p. 337.

- i) The enterprise is financed by annual appropriations from the treasury and all, or a major share of its revenues are paid into the treasury;
- ii) The enterprise ~~is~~^s subject to the budget, accounting and credit controls applicable to other government departments;
- iii) The permanent staff of the enterprise are civil servants, and the methods by which they are recruited, and the conditions of service under which they are employed, are ordinarily the same as for other civil servants;
- iv) The enterprise is generally organised as a major subdivision of one of the central departments of government and is subject to the direct control of the head of departments.
- v) Whenever this applies in the legal system of the country concerned, the enterprise possesses the sovereign immunity of the state and cannot be sued without the consent of the government.¹⁹

¹⁹Hanson, H. A. Public Enterprise and Economic Development, London, Houtledge and Kegan Paul, 1959, p. 388.

From the above characteristics, it is clear that the departmentally managed public enterprise lacks management autonomy considered vital for the efficiency and success of these organisations. It is considered that without this autonomy its administrative flexibility is greatly reduced resulting in inefficiency.

The Public Corporation:

This is one of the most common public enterprise form today both in the developed and developing world. One of the distinguishing characteristics between this type of public enterprise and the one we have just discussed is in their autonomy and therefore operational flexibility. In terms of its relationship with the central administration, (government) the status of their employees as well as internal management, the public corporation is both more autonomous and flexible than the departmentally managed public enterprise.

According to a United Nations Technical Assistance Administration study, the public Corporation can be recognized by the following principal characteristics:-

- i) It is wholly owned by the state.
- ii) It is generally created by, or pursuant to, a special law defining its powers, *Statutory* duties and immunities and prescribing the form of management and its relationship to established departments and ministries.
- iii) As a body corporate, it is a separate entity for legal purposes and can sue and be sued, enter into contracts and acquire property in its own name.
- iv) Corporations conducting business in their own names have been generally given freedom in making contracts and acquiring and disposing of property than ordinary government departments.
- v) Except for appropriations to provide capital or to cover losses, a public Corporation is usually independently financed. It obtains its funds from borrowing either from the Treasury or the public, and from revenues derived from the sale of its goods and services. It is authorised to use and re-use its revenues.

- vi) It is generally exempted from most regulatory and prohibitory status applicable to expenditure of public funds.
- vii) It is ordinarily not subject to the budget, accounting and audit laws and procedures applicable to non-corporate agencies.
- viii) In the majority of cases, employees of public corporations are not civil servants, and are recruited and remunerated under terms and conditions which the corporation itself determines.²⁰ *(but public servants)*

The Joint Stock or State Company

This is the third type of public enterprise that has been extensively used in Europe and in several parts of the developing world especially in Latin America and Asia. Normally a joint stock company or state company refers to enterprise

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Hanson, H. A. Public Enterprise and Economic Development, London, Routledge and Kegan Paul Ltd., p. 343.

registered as an ordinary private company in which the government has control of some or all the shares. It may be created by private individuals as a private company and later the government may right from the start, create such a company and ask private individuals to buy its shares. Hanson says the following regarding state companies:

The term state company is here used to denote an enterprise, established under the ordinary company law of the country concerned, in which the government has a controlling interest through its ownership of all or some of the shares. It thus covers enterprises wholly owned by the public authorities as well as mixed enterprises, through which the government enters into partnership with private owners of capital.²¹

Companies originally created under the ordinary company law by private groups and individuals but which later attracted government involvement were very common in Europe during the period between the two world wars. Government involvement and participation in such ventures which involve the acquisition of some or all the shares was usually undertaken in companies whose activities were considered vital

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Hanson, A H: Public Enterprise and Economic Development.
Routledge and Kegan Paul Ltd., 1969, p. 351.

for war purposes or vital for rapid economic reconstruction and therefore vital for survival. It was considered necessary that such companies continued to produce and provide whatever services they were created for. We are told that in Europe during this period, government acquired shares in private firms of national importance, in order to save it from bankruptcy.²² These industries were not nationalized in the sense, or in the way that the labour government in Britain (1945 - 50) did with large scale private enterprises. The Labour government's nationalisations meant and involved the complete take over of the private firms and altering their legal status from that of private company to that of a public corporation proper. In the case of the state companies, the legal status of these private companies was not altered. They remained registered as private companies except that the government now controlled them by acquiring some or all the shares. The idea was that after some period the government would re-sell these shares to the private owners.

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Hanson, A.H. Public Enterprises and Economic Development.
Routledge and Kegan Paul Ltd., 1969, p. 351.

In India the state company is a very common type of public enterprise organisation and is regarded as a more convenient and less fussy device of promoting state enterprise.²³ In India as indeed in several other countries, the government right from the start and on its own initiative invites the participation of private capital in a new government venture. The major justification for the use of such an enterprise is that it is an easy way of mobilising capital and technical skills especially so in countries where these are a grave problem. It also accords the government an opportunity to share in the profits of such a company with private individuals. It thus acts as a guarantee for private capital and therefore encourages private capital investment in areas that may otherwise be considered risky by private enterprises. At the same time the government is able to benefit from such ventures by sharing their profits. Such profits can then be utilized for the generation of further capital and development of other sectors of the economy. Many developing countries do suffer from shortage of capital as well as shortage of qualified manpower and for this reason, many of

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Prakash, O.M. The Theory and Working of State Corporations with Special Reference to India. George Allen and Unwin, RUSKM House, Museum Street; 1962, p.77.

them have used state companies and allowed private owners of capital or the company's private share holders to bring in skilled manpower as well. Several ventures are therefore organized in such a way in these countries even if they are not considered vital for the survival of the state. A good example of a state company in a developing country is the Hindustan Steel which was established by the Indian Government in cooperation or conjunction with a German firm - Krupps - Demag. This private firm supplied both capital and skilled manpower to India.

Under the Kenya, Law, there is no specific provision for state companies in the manner we have just discussed. There are, however, several companies registered under the ordinary company law but which are formed by public corporations. In other words a public corporation like the Industrial Commercial and Development Corporation (ICDC) may form a company or subsidiary and register it under the ordinary company law. Since the ICDC is a public corporation having been created by an act of parliament and accountable to the public, we can say that its involvement or control of shares in its subsidiary is really a government involvement. An example is the Kenya Industrial Estate. This is

was until 1978 a subsidiary of the I.C.D.C. and was registered under the ordinary company law. The government through the I.C.D.C. used to own some of the shares of the Kenya Industrial Estates while the remaining shares were owned by international capital. In fact until 1978, the I.C.D.C. acting on behalf of the government used to appoint some of the directors of this company with some of the I.C.D.C. directors also working as directors of the Kenya Industrial Estates.

The major differences between this enterprise prior to 1978, and the I.C.D.C. were that its annual accounts were not subject to auditing by the Auditor General. These were audited by the registrar of private companies since the company was actually registered under company law. Their accounts were also not subject to parliamentary control either. The situation as we have pointed out did change in 1978 when the Kenya Industrial Estates ceased to be a subsidiary of the I.C.D.C. The original I.C.D.C. shares are now owned by the government and the enterprise is now under the Ministry of Industry as the parent Ministry.

The point we are making is that where public enterprises create companies such as the Kenya Industrial Estate was before 1978, such companies are referred to as joint stock or

state companies. It appears however, that the real reason for the use of the term state here is simply ideological. The inclusion of the term state or public when discussing these companies seem really to be aimed at making the public or the people believe that the state and therefore the people control these industries. In actual fact the state may not control these organisations at all. In fact decisions and policies of such enterprises such as the East African Industries (EAI) for example are not made by the Kenya government or the ICDC. (ICDC) holds 34.15% of the shares in East African Industries. Major E.A.I. decisions are made by directors of unilevers the parent company based in the Netherlands. In some cases however, such as was with most state companies in Europe during the period between the world wars, the state actually did control these companies after acquiring the shares.

State companies can be criticised for two main reasons and this should apply to the category of Kenyan enterprises created under the ordinary company law but which are supposedly controlled by public enterprises wholly owned by the government such as the ICDC. First the company device does not subject such an enterprise to the regulations and responsibilities which a state-controlled enterprise has.

They are for example not subject to parliamentary control to the same extent as the wholly government owned enterprise. We pointed out for example that their accounts are not audited by the Auditor General nor are their Annual Reports debated in parliament. Secondly, these enterprises are managed more like private companies and most of their profits may go to the private shareholders with the public only acting as a protector. They are very deceptive.

The Operating Contract

This is the fourth type of public enterprise. It differs from the three already discussed in several important ways. Perhaps the most important difference is in the way this enterprise is administered. To show this difference we shall quote what was said about this form of public enterprise in what is known as the Rangoon (Burma) document. According to this document,

"A comparatively new device for administration of a public enterprise is the operating contract. The government enters into a contract with an established private company for management of a public enterprise and agrees to reimburse the contractor for all costs which he incurs. The contractor is compensated for his services

by a 'fixed fee' set by negotiation within the terms of the contract, which is a management contract leaving less freedom for the managing company than it would have if it were operating privately; the contractor is given full authority to employ and dismiss personnel, determine rates of compensation, purchase supplies and equipment, determine operating policies and so forth. Status applicable to governmental agencies do not apply to the contractor; personnel hired by him are not considered to be public employees. In this way the contractor is able to operate the enterprise to a large extent in the same way as he would if it were a subsidiary of his private company.²⁴

It is clear from the above-remarks that this kind of arrangement does not in any basic way alter the characteristics of a public enterprise as defined in this thesis. The only major difference is that instead of the management of this type of enterprise being made up of a government appointed board, as we said is normally the case with public enterprises, management here is in the hand of a private company. The operating contract in this case is similar to the joint stock company which is also managed by a private or quasi private company. The difference between the joint stock company and the operating contract is that legally the operating contract type of public enterprise is registered as a public enterprise. The joint stock company on the other hand is registered under private company law.

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Reproduced in Hanson, A.H. Public Enterprise & Economic Development, Routledge & Kegan Paul Ltd., London, 1959, p. 375.

All the shares in an operating contract type of public enterprise may be owned by the government. This is, however, not necessarily the case. The major justification for this type of public enterprise is that it facilitates more flexibility and therefore efficiency than do either the departmentally managed enterprise and the joint stock company. This argument is however, debatable because as we said structures and rules alone do not necessarily result in organisational efficiency. This type of enterprise can also be criticised for the same reasons as the joint stock company.

Functional Classification of Public Enterprise:

The four common types of public enterprises that we have discussed thus far are distinguishable one from the other in terms of their structures and management procedures. Public enterprise can however, also be classified according to the functions they perform. To complete this discussion on the major different types of public enterprises we shall briefly look at some of the enterprises based on functional classification. We shall look at the following.

1. Marketing Boards:

These public enterprises are particularly common in developing countries particularly those that

rely on agricultural exports. The main functions of marketing boards have centered around price control and regulation. Most agricultural commodity prices as we know, are subject to fluctuations. They have their origins in the settler (colonial) government's desire to control, regulate and export agricultural products.

Marketing boards are therefore created to help control agricultural prices especially domestically, but at times, these boards also negotiate for price stabilization in the international market. Marketing boards have also been used for the storage, inspection and export of these agricultural and other export products. The Cotton Lint and Seed Marketing Board of Kenya is an example of such an enterprise with some of the above functions. In the colonial period there were several such marketing boards. In chapter two we discuss them in more detail.

2. Finance Corporation and Banks:

These public enterprises are the financial institutions used by governments particularly in the newly independent states to provide loans and credit to indigenous investors and potential entrepreneurs in attempt to indigenise the economy. These economies, we noted before, were for several decades controlled by expatriates during and

immediately after independence. Attempts were therefore being made through public enterprises in the form of state banks and other state owned financial institutions to assist and facilitate local peoples' participation and control of economic activities. It was realized that apart from the legal and administrative barriers to African participation in the economy, lack of finance and capital was another major barrier to indigenous participation. Several state banks and other financial institutions were therefore created very hurriedly in several African countries after independence as they were considered to be well placed for the mobilization of a country's savings for investment in more productive areas of the economy. With financial institutions under its control it was hoped the state could more easily direct and channel any financial surpluses to planned development activities and to Africans assuming the existence of political good-will.

Examples of state owned financial institutions and banks in Kenya include the National Bank of Kenya, the Kenya Commercial Bank, and the state owned insurance and reinsurance companies.

3. State Trading Corporations:

These are public enterprises whose main functions are to assist in the distribution of goods especially consumer goods that are controlled by the state. In some cases state trading corporations do engage also in the control and distribution of some essential foodstuffs and other consumer goods in many developing countries. This is understandable when we consider the unbalanced development, poor or lack of roads and other transport facilities and remoteness of some areas from sources of these goods. Many areas would under such circumstances not be able to obtain certain essential commodities if these services were left in the hands of private entrepreneurs. Private entrepreneurs would most likely concentrate only in areas with less risks and leave large remote areas unattended. This may not be very good for the state or government which is assumed, is interested in seeing that all parts of the country get at least all the essential requirements. State enterprises like the Kenya National Trading Corporation (KNTC) are therefore created to serve this purpose. Usually they operate through appointed agents. The Kenya National Trading Corporation has appointed only Kenyan Africans as their agents in line with its policy of Africanisation.

Other public enterprises based or classified in terms of their function in Kenya include the Agricultural Development Corporation, the Tana River Development Authority, the National Housing Corporation etc. The list is long and could fill pages. The examples we have given will, however, suffice to show that there are enterprises set up for specific functions and are structured accordingly. A point to note here is that the forms and types of enterprise in any country will be determined by the country's development pattern, priorities, economic and political history as well as the country's state of development among other factors.

Control of Public Enterprises

As we indicated in our definition of public enterprises, several instruments and levels of control are exercised by governments over these institutions. Specific methods of control and how effective these are, will of course vary from one country to another. Generally, however, all enterprises are controlled by the government concerned. At the highest level of control in most countries, is the parliament or the legislature. This, usually begins with the debate regarding the creation and establishment of these bodies. Directly involved at this level of debate is the minister under whose ministry the enterprise falls. He prepares, or is required to prepare the bill and introduces it in parliament

where it is debated and when created the act passed by parliament states the objectives and duties of the enterprise. The enterprise is thus controlled by parliament in the sense that it can only operate according to provisions of the relevant parliamentary act. Any major policy changes in respect of the enterprise can only be effected by parliament.

Parliamentary or political control of public enterprises does however, not stop at this level. It continues even after the enterprise has been created and is operational. Normally public enterprises created by parliament are accountable to the public through parliament. They are required to submit their annual reports and accounts to parliament through the relevant minister for debate and scrutiny. This gives parliament a chance to evaluate the management and performance of these enterprises and to recommend improvements where necessary.

This is supposed to be an extremely important aspect of control because if done with seriousness and thoroughness it can act as a check on the administration and mismanagement of these public bodies. In fact in most developed countries debates on these public enterprise reports are taken very seriously and in some countries thorough research is undertaken to understand not only the reports to be

debated but the organisations and their problems generally. In the U.S.A. for example members of congress go as far as employing legislative assistants who advice them on any technical issuses related to parastatals.

Debates on parastatal organisatons in the developing world have, however, been rather disappointing as many members of parliament do not seem to take them seriously. In Kenya for example, sometimes the reports and annual accounts of these organisations are not tabled in parliament in time,²⁵ leave alone being debated and discussed. Members of parliament appear reluctant and lack seriousness in debating public enterprises as has been shown by some of the remarks made by them during these debates. In fact it appears that many of them do not fully understand the complexities involved in the running of these institutions. Many do not carry out any serious research on these organisations and only make general ramarks that do not help or alter the state of these organisations. We shall be discussing this issue in greater detail in a later chapter.

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Shako, R.M. The Control of Parastatals. University of Nairobi, LL.B Dissertation, 1978, p.16.

Apart from parliamentary and ministerial control in the form we have just discussed most countries rely on the boards of management to control those in the running of public enterprises. These boards decide on parastatal policy, and monitor and ensure that these policies are implemented. There are also strict audit and financial control as well as legal control of parastatal organisations deriving from the parliamentary act creating the enterprise.

All the above and several other controls have been necessary for several reasons. The obvious one is that public enterprises are public bodies financed at least initially, by public funds to serve public interest. It is therefore necessary and imperative that those charged with their management do not deviate from this purpose and engage in the promotion of parochial private interest. This is particularly important when we consider that most public enterprises are autonomous institutions in terms of their internal management and are not controlled by the rules and procedures that apply to the civil service, which act as controls and checks on civil servants. For public enterprises therefore other forms of control are necessary if the organisation is to avoid disintegration in the pursuit of private interest at the expense of the public "good".

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In the newly independent and developing countries, these controls imposed on public enterprises is especially necessary. Most of these countries are torn apart by tribalism, sectionalism, regional animosity and so on. The governments in these countries are trying to unite their peoples by reducing these differences and divisive forces. Control of almost every aspect of activities in these countries is therefore vital if these efforts to create a united nation is going to be fruitful. There is fear, and it has been proved real in some countries, that if public institutions like parastatals are not effectively controlled by the state, those charged with their management may use them for their own personal and tribal benefits, thus undermining the purposes of these organisations. This seems to be the situation Kenya faced during the decade of the seventies. It is reported that heads of parastatal organisations during the 1970s wielded a lot of political and economic power and influence and that any politician who wanted to help their constituent's and relatives acquire finance and business had to bow down to these heads of parastatals.²⁶ In doing so they obviously went to those parastatals manned by people from their regional or ethnic

Communities. There seemed to have been very little effective control over heads of parastatals in Kenya during that period, the majority of whom come from Central Province. Dressang and Sharkersky examined the composition of top managerial posts in parastatal organisations in Kenya during this period and found out that of the thirty three top managers 45.5% were held by Kikuyus while the next largest group were expatriates.²⁷ It is therefore clear from the foregoing that it is very necessary to have an effective control over these organisations in developing countries. There are of course many other reasons why control of these organisations are necessary in the third world. The few we have cited will however, suffice to show that these controls should be instituted but as we shall argue later in the thesis, these controls should be exercised with caution.

Problems that inhibit the Success of Public Enterprises in the Third World

Before we conclude this discussion on the theory and philosophy of public enterprises I wish to discuss some problems that (are said to) have inhibited the success and smooth running of these institutions. As we pointed out before, the

²⁷ Dressang & Sharkarsky: Public Corporations in Single Country and Regional Setting Kenya and the East African Community, p. 7.

performance of public enterprises in the third world leaves a lot to be desired. In fact it is said that most of them are failures. This gloomy picture painted about public enterprises has led many governments in these countries to set up commissions of inquiry to investigate and evaluate the performance and problems of these organisations. These commissions have usually been in response to questions raised by politicians, academicians, managers and the general public about the performance of these enterprises.

In this discussion we shall examine those important and prevalent problems and later on in the thesis we shall try and find out whether or not and to what extent these problems affect Kenyan public enterprises and especially the Kenya Tea Development Authority, our case study.

A review of the vast literature on the failures of public enterprises in the third world indicate that failure results from several problems chief among them being lack of clearly defined and specified objectives. Although we said and gave examples of public enterprises created to perform particular functions, it has been revealed that in many cases single public enterprises in the third world have been charged with a wide variety of functions.

In some cases these are conflicting and contradictory, making it very difficult for these organisations to operate efficiently.

This situation is blamed on the argument that public enterprises in most developing countries were created not as a result of careful and deliberately thought out plan but in a great haste. In several cases the enterprises were simply based on those existing in the developed world and were simply imposed on the third world. They did not take into account the conditions here in Africa, with the result that they have proved to be greatly irrelevant. Because of the irrelevance of their structures and form to our local conditions and the wide objectives, many have run into efficiency problems.

Related to the above, is the problem of poor or unclear demarcation and allocation of duties and responsibilities and lack of commitment among those who actually run these organisations. It is said that in many public enterprises in Africa, because of the vagueness of objectives, responsibilities are not clearly defined or demarcated. This leads not only to confusion regarding who in the organisation is responsible for what but also in complacency and tendency to avoid responsibility especially decision making. Nobody wants to be held responsible for anything in the organisation especially when a

decision made leads to chaos or problems in the organisation. This state of affairs is definitely not conducive to efficiency as clear decisions need to be made all the time in an organisation if it has to function well.

Another common factor or problem that has been considered responsible for the poor performance of public enterprises in the third world is the lack of qualified and experienced manpower. *(Not new)* This problem is really the result or legacy of colonial political socio-economic and educational policies. Development in colonial Africa was biased against Africans and in favour of the colonial rulers. Very little if any formal educational facilities and training were given to the Africans. The result was that at the time of independence these countries found themselves without qualified and well trained technicians and even administrators. Public enterprises require very specialised techniques as they operate on principles different from those of the civil service. Since the colonial governments did not train indigenous people to work in public enterprises, we saw a situation in Africa and other areas of the third world, where anybody who had some form of formal education being recruited to work in public enterprises. Many could not understand their job well and the result was

loss of efficiency.

What eventually happened was that several of the civil servants were transferred to work in public enterprises. This was an attempt to solve the problem of shortage of personnel and the poor performance by those who took immediate charge of the affairs of public enterprises. This however, did not improve matters. Instead it created a worse situation as can be seen by the number of commissions of inquiries set up by different governments to probe these institutions. The civil servants came in with a lot of civil service ideas and bureaucratic procedures which do not work well in public enterprises. There developed as a result, slowness and rigidity in decision making contrary to the philosophy of public enterprises.

Related to and compounding the two problems just cited, is the problem of introducing political patronage in the running of public enterprises. This is done through the appointment of political rejects^a or dropouts (those who fail to get elected to parliament) to the boards of these organisations. Usually these rejects are appointed chairmen of parastatal organisations or as directors.

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Kenya has been particularly notorious for this practice.

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At the moment almost all public enterprises have these rejects as their chairmen. The problem with having politicians to head and run public enterprises is that these politicians tend to confuse the status and role of these organisations. In many cases they introduce politics in these organisations. It is common for many of them to use these organisations as political platforms from which they make all sorts of political statements. The problem is that because of political protection these politicians and heads of parastatals often give directives and directions which are contrary to the philosophy of these enterprises. Confusion usually results and the organisation ^{loses} ~~loses~~ control and direction while they still remain heads of the organisation.

In some cases in the third world even when politicians are not appointed as heads of public enterprises, politics is introduced into these organisations in other ways. Usually people heading these organisations are supported by powerful politicians to the extent that they do whatever they want using their official positions in these organisations. This is done because they know they will get support and will be defended for whatever

they do with these organisations. This makes it very difficult for the management to carry out their duties properly especially where duties and responsibilities are not clearly demarcated. In fact these people in public enterprises that have political support usually end up using public enterprises for their own ends. They recruit staff on basis other than merit and misappropriate enterprise funds etc.

We have already mentioned the fact that in Kenya several public enterprises are used by their heads for their own benefits and that of the regions from where these bosses come. This is really the problem of ethnicity and tribalism and is a problem not restricted or confined to Kenya alone. It is a problem common to the entire continent and results in these organisations being run like family concerns, with lots of laxity and incompetence. Related to this problem is that of bribery and corruption.

This last problem of bribery and corruption can be attributed to people's attitudes towards work, their status, and so on. In the developing world, many people tend to regard their official positions in public organisations as an opportunity to acquire and accumulate wealth and power. They do not seem

to regard efficient performance of their duties to the public as their prime responsibility. This to them can come second. It is precisely because of this that many of them use all sorts of methods and ways including asking for, and accepting bribes to get rich. Others simply misappropriate enterprise funds in an attempt to get rich. As a result many public enterprises have experienced financial losses.

Finally many public enterprises in the third world especially those dealing with agricultural products have faced the problem of price fluctuation over which they do not have control. Since these countries and some of their enterprises depend on these commodities for their survival, any fall in prices will affect their finance in an adverse manner. There is very little that public enterprises can do to rectify this position. They are therefore constantly faced with lack of money especially during periods when prices are low.

The problems discussed above are certainly not the only ones that face public enterprises in the developing world. There are several others. The ones discussed are, however, the most common. The rate at which these problems occur and the importance of each problem will of course vary from one country to another and even from one public enterprise to

another. We shall in subsequent chapters of this study, discuss those problems that are common and affect the management of the Kenya Tea Development Authority. This discussion will be concentrated in chapter four where we deal with the management of the Kenya Tea Development Authority.

CHAPTER TWO

THE ORIGINS OF PUBLIC ENTERPRISES IN KENYA

Organisations are products of society. They emerge in response to particular socio-economic structures and are usually products of the historical developments of society. To be able to properly understand any organisation therefore, it is necessary to go into the roots of those organisations so that their present status may be appreciated in the light of their total development. The study of parastatals or public enterprises in Kenya requires such a historical approach. We shall therefore in this chapter be attempting to trace the historical emergence and development of these organisations starting with the colonial period. We shall be mainly looking at the factors that influenced the creation of these organisations during the two periods.

The chapter begins with a brief discussion of some of the factors that have contributed to the establishment and use of these organisations in the third world generally. We then discuss the conditions

in the colonial period in Kenya that facilitated the creation of public enterprises after which the post-colonial period is examined. We have divided the study into these two periods because of the vast socio-economic and political differences between the two periods.

In the developing countries, several factors have been responsible for the creation of public enterprises. The extent to which one factor or set of factors will influence their establishment will of course vary from one country to another. This will depend on such factors as the country's past history, colonial experience, political ideology and several other factors. One common thing about public enterprises in these countries, and which is of relevance to our purposes here, is the rate at which they have been and continue to be created. So many are being created so fast in each of these countries that one writer on the subject remarked that "any inquirer about public enterprises today is struck not only by their variety.... (but also)..... by the number of these public bodies, the rate at which they are being created, and the

large amounts of money being channeled into them¹. This remark also makes it worthwhile to briefly examine [some of the reasons behind the popularity of these organisations in the developing world.] ^{long gov.} This exercise is also worth undertaking given the fact that [irrespective of economic and political inclinations of any of these countries, public enterprises are to be found in each of them.] One finds that every country, even those like Kenya which have clearly decided to persue and rely on private economic development and enterprise, make provisions for public enterprises.

A review of public enterprise literature in the developing world in general and in Africa in particular, indicate that practical economic, social and political motives and considerations have been and continue to influence the creation and proliferation of these organisations.] On attainment of political independence, most, if not all, these countries emerged as poor nations especially in terms

¹Udoji, O.J. 'Some Measures for Improving Performance and Management of Public Enterprises.' In Rweyemamu, & Hyden, G: (eds) A Decade of Public Administration in Africa. East African Literature Bureau, 1975, p. 237.

of the availability of economic resources. Availability and perhaps most important, the control of economic and human resources was necessary if these countries were to achieve the socio-economic development which they desired and embarked on. Most development resources during the period of colonisation were owned and controlled by foreigners most of whom fled these countries, together with their resources at independence. The few that remained could not provide sufficient capital for the new countries' needs and in any case the new governments had no control over these resources as they were privately owned. It was therefore politically and economically unwise for the third world governments to rely on these finances.

Indigenous capitalists could not be relied on either as in most of these countries they were either non-existent, too few and weak, or unwilling and reluctant to risk their little capital especially in remote areas of the country. It should be noted that many parts of Africa were hardly developed by the colonial regimes. The result was that several regions in any given African country were underdeveloped and remote compared to other areas. Private

entrepreneurs are normally reluctant to invest and operate in such remote areas. This was the situation most newly independent African countries found themselves in. Something had to be done to generate and mobilize resources as well as to encourage the participation of private entrepreneurs in the remote parts of the country. In almost all the underdeveloped countries the state was regarded as the only organisation capable of generating and mobilizing resources sufficient to carry out the task of development.

It was out of such socio-economic considerations that many underdeveloped countries and particularly those in the third world decided to establish public enterprises. We have already referred to the Swedish case at a similar period in her development and the conditions in the country, at the time which prompted her to create and use public enterprises in an attempt to develop her economy. Most countries of the third world were, as we said before, relatively undeveloped at the time of their political independence. Public enterprises

were therefore justified on these grounds in these countries where the state or state intervention was regarded as inevitable.

Another major socio-economic characteristic of the third world countries and which necessitated the creation of public enterprises in these countries was the imbalances in development within these countries. Colonial development was concentrated mainly in those parts of a country that were economically productive. In countries like Kenya for example, development was confined to the white highlands where cash crops could be and were grown. The rest of the country was generally neglected and remained comparatively ^{un}underdeveloped at the time of independence. (see chapter five). Many private entrepreneurs were, as we pointed out, reluctant to invest in the remoter parts. It was consequently argued that only state intervention and participation could facilitate balanced development in these countries. This was of course based on the assumption that the state has the welfare of all its citizens at heart, irrespective of their places of origin, and would therefore be interested in equal development of

all parts of the country. This noble assumption has not always been correct in many developing countries. In Kenya for example there are always complaints that some parts or regions are gaining more attention than others in terms of employment, education and other aspects of development. It was, however, due to the above assumption that state enterprises were created with the aim of developing these countries equally.

Political motives have also played a part in the establishment of public enterprises in these countries. In some countries the major political consideration was the desire to restructure the socio-economic and political structures and arrangements inherited from the colonial administration. There were, during the colonial period, major racial, economic, social and political discrimination and injustices and inequalities. This was a major problem that faced many of the newly independent countries and their elimination was of primary concern to several of the new governments. In countries such as Tanzania, Mozambique, and to some extent Uganda (before Idi Amin,) serious and genuine

attempts were made to remove the above practices by political methods. In these countries attempts were made to re-establish a more or less egalitarian communal society similar to those in pre-colonial days. To accomplish these objectives, nationalization of foreign owned firms and placing of all the major productive resources in the hands of the state was seen as the political solution. In Tanzania this policy was articulated in the Arusha Declaration of 1967. The Arusha Declaration called for self reliance and declared that public ownership would from then on be the major form of economic organisation. Private ownership was to be discouraged, in fact abolished. Since then Tanzania has witnessed a great proliferation of publicly owned and financed institutions. Old ones were nationalized and reorganized while several new ones were created. In Uganda these policies were contained in what is customarily known as the common Man's charter.³

Another objective that nationalisation and the creation of new public enterprises was meant to

³ Obote, A.M. The Common Man's Charter. Government Printer, Kampala, 1970.

achieve was the need to retain all finances within these countries. During colonial days a lot of money in the form of profits accruing from the foreign firms were repatriated or sent back to the metropolitan countries leaving the developing countries without capital that they could use for their own development. In fact this repatriation of money partly explains the poverty of these countries at independence, at least as far as the dependency theorists are concerned. The practice did not, however, stop with the attainment of political independence. The few foreign firms that remained in some countries (in some countries several foreign firms remained) continued to send money out of these countries. This was in spite of the realization that all available finances were needed for the development of these countries. It was in an attempt to remedy this situation and to stop the depletion of capital that several African countries decided to nationalize the existing foreign private firms and in a few countries to rely solely on public enterprises for development. It was argued by leaders in such countries that profits from such organizations could now be used for further development either of the organizations that made them or for general and overall development of the country.

There are of course several other factors that did influence the creation and use of public enterprises in the developing countries. These factors include: [the need to provide employment], the and need to demonstrate economic independence and to make the ordinary man in these countries feel that he is participating and is in control of his economy and economic destiny; and [the fact that public enterprises appear more pleasant and are more appealing to the masses of the people than private enterprises etc]. What we have discussed will, however, suffice ^{it would} to demonstrate some of the major considerations behind the creation of public enterprises in the developing world generally.

I have that Approval MV wany onle
Don't be stupid?

Public Enterprises in Colonial Kenya:

The history of public enterprises in Kenya dates back to the colonial period. Their establishment or emergence can be attributed to the pressures and needs of the European settlers and the socio-economic and political conditions of the colonial economy. According to Leys,⁴ colonial public enterprises were geared to the service of the settler

⁴ For more details on this issue, please refer to Collin Leys, Underdevelopment in Kenya: London Heinmann, 1975

economy and in particular the interest of the settlers. This perhaps explains why almost all the quasi private colonial enterprises were agricultural in nature as will be demonstrated shortly. The major occupation of the European settlers was farming which was carried out in what became known as the white highlands.

In the next several pages an attempt will be made to examine and explain the socio-economic as well as political conditions and pressures that necessitated the creation and use of the various public and quasi public enterprises most of which are still existing today.

With the completion of the colonisation process more and more Europeans began to settle in Kenya. The settlement and the subsequent activities they engaged in resulted in a socio-economic and political relationship that was later to determine the struggle for the country's independence. While dominating every aspect of life in the colony, they tried to turn Kenya into a white man's country. It is important to note here that the settlers pressurized the colonial administration to ensure that their (settler) interests were paramount and those of the others secondary.

One of the immediate concerns of the colonial government on taking over the administration of the colony was to find ways and means of generating sufficient tax and revenue to stimulate further trade and to make the territory self financing. This was very much in line with the British policy then regarding their colonies everywhere. All that the British government 'back home' was expected to do was to provide the colonies with a framework of efficient administration and then leave the colonies to raise their own revenues to finance that administration and also to facilitate and finance further development. This development was always confined to the European areas.

In the case of Kenya, it was decided that large scale farming and taxation was the only way of raising the revenue required to finance the colonial development enterprises. Since agricultural production was only possible in the interior of the colony, the 'white highlands', the need for an efficient means of communication was felt and this led to the settler pressurizing the administration to build a railway line from the coast to the interior.

The British administration also wanted this railway

How was
railway
built?
1890-1901

more than in Kenya.
N.B. railway was built to
exploit and open up Uganda
that's why it was called

Ugandan railway
it also may be interpreted
unplanned, or philosophical
baseless

to facilitate the development of settler agriculture which was going to be the back bone of the colonial economy as discussed above, several measures were taken by the colonial administration and the British government. We have already talked about the construction of the Uganda railway which not only made communication and transport of agricultural products easy but also encouraged the coming of more and more settlers in the colony. The British government spent a lot of money on the railway and hoped that with the development of agriculture in the colony the cost of the railway would be covered and that the colony would be self sufficient in line with the British colonial policy at that time.

Alienation of African land was speeded up following the completion of the railway and the arrival of more and more European settlers. The Africans were confined to what is commonly known as the reserves. They were then forced to work on European farms. Several regulations were then passed to ensure the success and realization of the interests of the settlers and the colonial administration. One of these regulations was the Crown Land Ordinance of 1902. This ordinance and the others which followed it had several important repercussions and consequences on the socio-economic

and political development in the country several of which had direct relevance to the creation and use of public enterprises in the country. They denied the Africans land, the principal means of production and therefore of their livelihood. Secondly, the alienation of land laid the foundation for the colonial-socio-economic structure in the country which was characterized by inequalities, injustices and exploitation. The entire colonial policy did not facilitate or offer the African a chance to acquire wealth and to develop economically. The wages they earned was low and was heavily taxed in order to provide the colony with the revenue with which to develop the European areas. In the whole socio-economic and political structure the Africans were the 'under dogs'. Wanjohi observed that, the land alienated marked the end of an age of general African egalitarianism and communalism and also the beginning of an age of exploitation and oppression of African people as labourers by the European settlers as the new owners of land, the means of production and as the new ruling class in the country⁶

⁶Wanjohi, N.A Socio-economic Inequalities in Kenya: the Case of the Rift Valley, M.A. Thesis, University of Nairobi, 1976, p. 176.

This situation continued until political independence was won in 1963. In fact my observation is that, there is little evidence to suggest that the position of the majority of the Africans has changed and improved since independence. This is essentially so because no substantial changes were made on the colonial socio-economic system on attainment of political independence. The socio-economic condition of the majority of the Africans remained basically the same. 57

Once the decision was made by the settlers to practice agriculture, several problems were encountered. The first problem was that capitalist agriculture needed labour but the settlers were not prepared to work on the plantation themselves. Secondly, there was the need to acquire and control markets for the products produced on the farms. This was not available in the colony given the low purchasing power of the Africans. Then there was the problem of lack of experience in plantation agriculture by most of the settlers. There was also the problem of lack of money and attractive credit facilities that the settlers could resort to when they ran out of money which they did on several occasions. There was also the fear among the settler farmers that competition from the Africans

would result in the settlers loosing as they would in the first place lose the necessary labour power, all these now being used on the African lands.

Because of all the above and other problems, the settler felt that they needed protection as well as a guarantee for the supply of cheap labour, credit facilities, markets etc. They consequently asked for state assistance. The colonial states response was by passing several labour laws and regulations, the effect of which was to compel the Africans to supply cheap labour to the settlers. This labour had not been readily and voluntarily forthcoming. Brett⁷ has argued that the absence of a completely proletarianized Africans at the early stages of settlement, despite the alienation of land, was the main reason why African labour was not voluntarily forthcoming. The state therefore called on the Africans to pay taxes with the cash derived from the low wages. The tax regulations did not only ensure that the Africans worked for the settlers, but also that the revenue was raised from the African workers for the development of the settler areas. The African taxes alone

⁷Brett, E.A. Colonialism and Underdevelopment in East Africa, Heinemann London, Ibadan, Nairobi, 1973.

produced 60 to 80 per cent of the country's revenue⁸. The heavy taxation of the Africans and the low wages also was responsible for the inability of the Africans to accumulate wealth and develop economically something that had a direct relevance to the creation of public enterprises in independent Kenya. This will be discussed later in the chapter.

Regarding the fear among the settlers that competition from the Africans in cash crop production would jeopardize the settlers' success, especially by interrupting labour supply, the colonial state responded by passing laws and regulations prohibiting Africans from growing these cash crops and by creating institutions that facilitated this situation. These laws were not removed until the late 1950s when ^{Swynerton} Swynerton Plan called for the growing of cash crops among the Africans.

In spite of all the colonial government assistance to the settlers, the agricultural productivity did not improve very much. The alienated land appears to have been used with gross inefficiency and

⁸Sorrenson, M.P.K. The Origins of European Settlement in Kenya, Oxford University Press, 1968, p. 26

(over 35 years)

over 70% of the 2,000 estates (European estate) after 35 years of settlement had hardly begun to be productive.....⁹ Most of these later problems became serious between 1920's and 1930's and after the Second World War. Particularly problematic during these periods was lack of finance and the inability of the sources of credit that was coming from the merchant banks, as well as the problem of the marketing of agricultural produce.

In the 1930s, the farmers were badly affected by droughts, locusts and the general world wide depression. These were real threats to the colonial economy. The settlers argued that unless something was done the entire colonial and settler economy would collapse. The British government having been committed to the colony responded positively. Various support systems, institutions, and regulations were passed. Thus from 1930s we saw in Kenya the establishment of many quasi public and quasi private enterprises established with the participation or at least approval of the colonial state to assist and serve the settlers and their areas.

⁹ Van Zwanenberg R. The Agricultural History of Kenya, East African Publishing House, 1972, p. 9

Accordingly, a good number of these colonial state and quasi state enterprises were agricultural in nature. The enterprises that were created during this period can be broadly classified into the following:-

1. Financial enterprises.
2. Marketing boards.
3. Developmental boards.
4. Cooperatives.

As we have said, all these were used to serve the settlers and their areas.

Financial Institutions (Enterprises):

The biggest problem that faced the European settlers during the 1920s and 1930s was lack of capital. This had direct impact on their ability or inability to succeed in their farming activities. Capitalist agriculture needed adequate capital, and readily available credit facilities on long term basis and at low interest rates. Many of the settlers however, did not have such capital and because of the poverty of the country economically, internal sources of capital could not be exploited.

The only available credit institutions to them were the British Commercial and Merchant Banks. These, however, advanced loans on short terms and high interest rate basis. Because of the poor management and inefficiency of the farms, most settlers could not repay these loans in time and be left with accumulable capital. According to Van Zwanenberg¹⁰ most farmers were badly indebted to these commercial and merchant banks. The problem was particularly acute during the late 1920s and 1930s following the droughts and world ^{economic} wide depression. Most of these commercial banks withdrew their credit facilities thus threatening the survival of the settler colonial economy.

The colonial state responded to the situation and to earlier pressures from the settlers by creating the Land Bank in 1930. The main objective of the Land Bank which the settlers had long asked for, was to provide long term loans at low interest rates. This was done in the hope that it would enable the small farmer (most hard hit by the withdrawal of the credit schemes) borrow capital which

¹⁰Van Zwanenberg, Colonial Capitalism and Labour in Kenya: East African Literature Burea, 1975.

would enable him, given the unestablished position of Kenya Agriculture, an opportunity to survive and continue production. The result was that several farmers borrowed lots of money from this bank both to increase their production and to repay the loans they had obtained from the previous lenders, the private commercial and merchant banks. The Land Bank was thus the first major public or state institution through which the colonial state assisted the farmers by way of provision of agricultural credit. It was, as we have said, established in response to persistent requests and pressures from the farmers way back in the 1920s. It was however, the worldwide depression of the late 1920s and 1930s and the drought that occurred during that period and its threat to the colonial economy that led directly to the creation of the Land Bank. This Bank was later called the Land and Agricultural Bank of Kenya and continued to be the leading Agricultural finance institution throughout the colonial period until 1963 when it was reconstructed and named the Agricultural Finance Corporation (AFC). We shall be talking about the AFC a little later in this chapter.

With the establishment of the Land Bank and the provision of Agricultural credit to the European farmers through this bank European farmers seemed to have regained hope and a general improvement in agriculture was witnessed. The regulations that we cited earlier on regarding labour, taxes and so on were however, still in force. In fact they continued to be in force until towards independence. The improvement in agriculture was however severely interrupted by the Second World War. Not only did it affect the availability of capital for agriculture (lots of money was directed to the war efforts) but it also led to a greater demand for food. It consequently became necessary to give or offer new incentives in order to increase food production that could feed the soldiers, prisoners and others that were involved in the war. There again state assistance was called for and given. In 1942 in response to the above conditions and demands the colonial state introduced a form of agricultural loan and Guaranteed Minimum Returns (GMR) for a variety of crops. Essentially what this state scheme meant was that the state would ensure that if any losses accrued to a farmer, caused by drought or any such problem, the government would compensate

the affected farmer. The Guaranteed Minimum Returns scheme was inherited at independence and remained in operation until 1980 when it was replaced by seasonal credit scheme. A further state action that was taken to save the war situation and its effects was the establishment in 1948 of the European settlement Board a public organisation whose main objective was to purchase all unpurchased crown lands and underdeveloped portions of large farms in order to increase the number of settlers and to increase food production. By the 1950s almost 500 ex-servicemen were settled on 194,000 hectares under the European settlement scheme.¹¹

There were other public or state created institutions to facilitate the provision of finance to the farmers. Notable among these was the Cereals and Sugar Finance Corporation established in 1955. Essentially this was intended to provide finance to sugar-cane growers and other specific cereals. We also had in the 1960s just before independence the

¹¹ Smith, L.D.: 'An overview of Agricultural Development Policy in Kenya' In Heyer, J., etc. Agricultural Development in Kenya, Oxford University Press, 1976, p. 221.

establishment of the Special Crop Development Authority (SCDA). One of the main objectives of this Authority was to raise funds from international sources for the development of special crops. It however tended to concentrate on the development of tea. This Authority was the predecessor of the present Kenya Tea Development Authority, the subject of this study. We shall say more about both the Special Crop Development Authority and the Kenya Tea Development Authority later.

All the above state institutions and regulations had important consequences for the development of Agriculture in the colonial period and later after the country attained its independence. There resulted a lot of increase not only in terms of the number of farmers (settlers) but also the acreage and the volume of food produced. However, this was not enough. Agricultural development does not end with availability of finance and increased production only; it also involves marketing of the produce as well as ensuring high quality of whatever is produced. There were consequently several agricultural marketing boards created by the

colonial state as well as several cooperative organisations established by the large scale settler farmers with state support.

Marketing Boards:

We have argued elsewhere in this study, that one of the problems that faced the European settlers and which they wanted to avoid, was the competition from the Africans in the production of cash crops such as coffee, tea and pyrethrum. It was due to these fears that the settlers petitioned the colonial state to pass laws and regulations prohibiting the Africans from growing the above and other cash crops virtually throughout the colonial period. What the settlers wanted and which they succeeded in doing, was to have a monopoly over the production and marketing of these cash crops. This, they did, not only through the legal prohibition of Africans from growing cash crops but also, through the establishment of centrally controlled and organized marketing boards. Most of these were set up ^{btw} in the 1930s and 1950s, and gave them protection both in production and sale or distribution of these commodities.

There were two types of agricultural marketing boards that were established during the colonial

period many of which are in existence even today. There were domestic marketing boards and the export marketing boards. These boards covered almost all the major crops that sustained the colonial economy. The main function of the export marketing boards was to improve the marketing of exports and get the best possible markets following the depression while that of the domestic boards appeared to be the setting up of a monopoly pricing policy in the domestic market. For the domestic marketing boards the improvement of marketing was only a secondary concern.¹² The domestic marketing boards created in the 1930s include the Wheat Board and the Pyrethrum Board.

In 1950 by an act of the legislature (parliament) the Kenya Meat Commission (KMC) was established to operate a monopoly over the purchase of cattle and small stock slaughter, processing and marketing of beef products in the country and at the international market. Several other marketing boards were established in the 1950s. These included the Cotton Lint and Seed Marketing Board, set up in 1954 and

¹² Heyer, J. 'The Marketing System.' In Heyer, J. et. al. Agricultural Development Policy in Kenya:

began its operations the following year. The main purpose of the Cotton Lint and Seed Marketing Board was to stabilise cotton prices and to improve the marketing of the crop. A regulatory board, the Kenya Dairy Board was established in 1958 to regulate, organise, and to control the marketing and improvement of the quality of milk and other dairy products. As a statutory authority the Dairy Board was expected to have greater powers than the Kenya Cooperative Creameries (KCC) about which we shall be talking shortly.

One of the widely grown and consumed crops in the colony was maize. It was therefore necessary to ensure that it was not in short supply at any time. Moreover, everybody including the Africans were growing the crop although it was the settlers that were growing the crop on large scale. They, however, felt that unless the marketing and production of this crop was protected and well organized, either the prices -domestic prices, would be too low or the production would fall. This was one of the reasons behind the coming together of the large scale settler farmers to form, a farmer's cooperative organisation, the Kenya Farmers

Association (KFA). We shall talk about this later in the discussion.

In an attempt to ensure that there was plenty of maize in the country especially to satisfy the war needs, the colonial state passed a regulation known as Maize Control soon after the introduction of the Guaranteed Minimum Return in 1942. Thereafter in the 1950s several marketing boards were established to regulate the purchase, storage and distribution of maize in the country. In 1955 and 1956 we had the establishment of the Nyanza Province Agricultural Marketing Board and the Central Province Agricultural Marketing Board respectively. Later these were amalgamated to form the Kenya Agricultural Board. This was later reconstituted to the Maize and Produce Board with the Kenya Farmers Association as its main agent. Other colonial marketing boards established between the 1930s and 1950s were the Coffee Marketing Board and the Coffee Authority. The Coffee Board was established in 1933. There was also the Tea Board established in 1950, the Pineapple Authority and the Sisal Board among others.

Cooperative Enterprises:

Like the marketing boards and the financial institutions, cooperative organizations in Kenya

have their roots in the colonial period. Long before the establishment of public institutions to facilitate their protection large scale farmers voluntarily came together to form cooperative organisations on the national scale. Through these cooperatives the large scale farmers could ensure high quality production and sale of their produce at a price determined by them. Later, however, the government established strict control over these institutions including the establishment of prices of the goods in which these cooperatives operated. The major colonial cooperative enterprises that operated more or less like statutory authorities included the Kenya Cooperative Creameries (KCC), the Kenya Farmers Association (KFA), the Horticultural Cooperative Union (HCU) the Kenya Planters Cooperative Union (KPCU, 1937), and the Associated Tea Growers Association, (ATGA, 1938), among others.

In some cases the power and responsibilities between the state owned marketing boards and those of the cooperatives were in conflict. This was the case with the relationship between the Kenya Cooperative Creameries and the Kenya Dairy Board.

Inspite of the existence of the Kenya Dairy Board, a statutory authority created to regulate and control the dairy industry, the Kenya Cooperative Cremaries, a private producer controlled cooperative established before the second world war, continued to control the marketing and distribution of dairy products. The Kenya Cooperative Cremaries has since its inception had complete and effective monopoly over the distribution of milk and milk products in all urban areas. Originally a large scale dairy farmers cooperative, Kenya Cooperative Cremaries now controls even the small scale dairy farmers. All rural small scale dairy producers and cooperatives are under the Kenya Cooperative Cremaries in the sense that all of them have to sell their produce to Kenya Cooperative Cremaries. The control over the dairy industry exerted by the Kenya Cooperative Cremaries is such that the usefulness of the Dairy Board is questionable.

The Kenya Farmers Association was also established by large scale wheat and maize farmers before the second world war. From the outset it had monopoly powers over the distribution of maize and wheat in the country. When the maize marketing boards were created in the 1950s, Kenya Farmers Association retained its position as agents for all

maize and wheat producers. All maize and wheat farmers today are legally required to sell their maize to the maize and produce board only through the Kenya Farmers Association.

The Kenya Planters Cooperative Union was established in 1937 by all the large scale coffee growers in the colony. It has remained a coffee growers organisation till today and is managed by the growers through a board of directors. It now caters for even the small scale coffee growers. By 1977 there were about a total of 176¹³ coffee cooperative organisations in the country and all were under the Kenya Planters Cooperative Union. Although the original purpose of the Kenya Planters Cooperative Union was simply to provide a bulk buying, and to a limited extent, physical stocking of the input requirements of its members, at the moment it is concerned with all aspects of coffee growing, buying and selling that are not carried out by the coffee board. The coffee board is a statutory authority established in 1933.

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Kenya Planters Cooperative Union Bulletin
Published to mark 40 years of its existence.

Most of these cooperatives have operated more or less like government enterprises. In fact even the present small scale *Cooperatives* have been so centrally controlled by the government that they too operate as mere appendages of government departments. Prices of almost all the commodities in which they deal are all fixed by the government and they are not allowed to alter them without government approval. In fact they cannot alter them.

Development Authorities:

According to the investment Division of the Treasury,¹⁴ these are institutions that have been assigned broad economic objectives of securing co-ordinated development on a sectoral, regional basis and are regarded as instruments for the furtherance of a particular defined section of government policy. Under this broad category we can distinguish between the following development authorities.

¹⁴ Investment Division of the Treasury: Mimeo undated

a) Sectoral Development Corporation

These aim at stimulating sections of the economy, especially in policy areas of strategic importance to the national interest.

eg. Tourism under Kenya Tourism Board.

b) National Development Corporations:

These are expected to contribute to the development of all sectors of the economy and where possible, all regions of the country.

c) Regional development Authorities which are normally established to initiate and coordinate development activities within defined areas, and

L.B.D.A, K.V.D.A, T.V.A

d) Commodity Development Authorities which are usually established in the agricultural sector to secure coordinated development of selected commodities of national importance.

Commodity development authorities whether national sectoral or regional did not come into the scene until much later. In fact most of them which were mainly agricultural commodity authorities did not emerge until the late 1950s following the colonial government's decision to encourage the development

of agriculture among the Africans. It was as a result of this change in policy that we had the establishment of Commodity Development Authorities such as the Sugar Authority, the Coffee Authority and the Special Crop Development Authority. These and a few others, as shall be demonstrated shortly, were taken over by the post colonial government. Some of them were restructured at independence while others remained as they were prior to independence.

The Independence Period

On attainment of political independence in 1963 Kenya like most other newly independent African states, was faced with the enormous task of socio-economic development. This included, among other things, the raising of the living standards and conditions of her people and the need to have her people participate meaningfully in the economic, social and even political affairs of the nation. In the agricultural field for example the majority of the people still practiced subsistence farming in an age and in a country where agriculture had been

monetarized. There was therefore an urgent need and problem of how "to transform the African agricultural sector of the economy from subsistence to a market economy"¹⁵ New and relevant development policies were now needed to cater for the Africans, the majority of whom had been largely ignored by the colonial regime.

There were several problems that made the task of socio-economic transformation and particularly the active and effective participation of the Africans in the economy difficult. First there was of course the undesirable situation in which many of the country's strategic resources required for development were not in the hands of indigenous Kenyans. It was for example the case that many of the privately operated enterprises were owned by foreigners. The government could not quite trust and rely on these foreigners and their resources. It was politically unwise to do so. At the same time the government did not quite know what the reaction of these foreign owners of strategic resources would be if their property were to be nationalised, something that was later given some consideration.

To make the decision as to whether or not to nationalise private foreign owned property was particularly problematic given the largely conservative attitude of those who controlled the government. There were of course a few leaders who were more liberal and with radical views but they had little

¹⁵ Republic of Kenya: Sessional Paper No.10 of 1965 on African Socialism and Its Application to Planning in Kenya. Government Printer Nairobi P.25

influence in the government. The second problem and one which is closely related to the first one, was the fact that the country lacked its own human and capital or financial resources. Particularly poor were the majority of the population. To participate in a monetary economy, which was what people expected the government to facilitate, necessarily required 'sufficient' capital which the people did not have. The government therefore had first to solve the problem of lack of capital and find ways and means of getting the indigenous people have access to credit facilities.

One thing the government could have done was to take over and nationalise the economy and particularly the existing foreign owned enterprises and the multinational corporations. This option was indeed considered but was not accepted by the largely conservative Kenya African National Union (KANU) government. This rejection was officially and publicly made known in an official government paper in 1965 when it was stated.

It should be recognized that if, the nation's limited domestic capital is used to buy

(nationalize) existing land, livestock, bulding, machinery and equipment, the nation has not more productive assets than before - only their ownership has changed Further, the money paid for nationalised resources and the people who managed them before nationalisation would most likely leave the country thus increasing our foreign exchange and skilled manpower problems. There is also the likelihood that nationalisation would discourage additional private investment thus, reducing further the rate of growth of the economy.¹⁶

Nationalization it was argued would only be carried out by the government when,

- i) the assets in private hands threaten the security or undermine the integrity of the nation; or
- ii) when productive resources are being wasted; or
- iii) when the operation of an industry by private concerns has a serious detrimental effect on the public interest and;
- v) when less costly means of control are not available or are not effective.¹⁷

¹⁶Republic of Kenya, Sessional Paper No. 10 of 1965 on African Socialism and Its Application to Planning in Kenya. Government Printer, p. 26. ,

¹⁷Republic of Kenya, Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya. Government Printer, Nairobi, p. 27

What was being said in this document on nationalisation and its possible or anticipated adverse consequences was not something new. In fact during the politics of decolonisation and immediately before independence, the question of the status of private and foreign owned enterprises in independent Kenya had been discussed and the country's new leadership had agreed that they would opt for a mixed enterprise type of economy with respect for and heavy reliance on foreign sources of finance and capital.

What the sessional paper was saying was really that the Kenya government feared that nationalisation if carried out so soon after independence, would have the effect of scaring away private foreign investors both potential and actual whom they had encouraged and given hope of participation in our economy. It was necessary to reassure these people after independence that the government was still committed to the policy promised earlier. In fact in the subsequent development plan¹⁸ the government continued to assure and reassure the

¹⁸ See for example, Republic of Kenya Development Plan. 1974 - 78, p. 279

foreign investors not only of participation in the economy but also of the possibility of adequate repatriation of profits. This assurance was also necessary at the time because of reasons already stated. The government was already creating several new public enterprises and reorganising the old colonial enterprises, thus giving the false impression, particularly to the foreigners, that public enterprises might soon become the major form of economic organisation and that all private enterprises beginning with foreign enterprises would be nationalised. Suspicious as they were, these foreigners and especially prospective investors had to be reminded or reassured of the stated government policy. In later years, beginning with the 1970s, the existing fears on the part of the government that nationalisation would scare away investors began to diminish. It was now internationally recognized and accepted that nationalisation with adequate compensation would not necessarily scare away investors. This probably gave fresh fears to the investors and more reasons for the government to keep on reassuring the investors that nationalisation would not be carried out indiscriminately.

The effect of the initial and continued reluctance to nationalize the economy was that it served to perpetuate the dominance of the economy by foreign private firms and multinational corporations. With the guarantee for the repatriation of profits, many were encouraged and indeed huge amounts of money left the country. Interestingly this is one thing that the government had wanted and hoped to avoid by not nationalizing. It became increasingly clear that the continued dominance of the economy by foreigners was not acceptable by the people and by the few radical KANU members in the government who insisted that economic independence must be realized through the peoples' control of the economy. Continuing with the situation as it was, was obviously going to cause political instability and a threat to the power of those who controlled the state apparatus. A solution had therefore to be found.

The government saw Africanisation of the economy as advocated by the more radical of its members as the political answer to the problem. This meant encouraging the African to participate in the economy. But encouragement without assistance would

certainly not solve the problem. New institutions and organisations were needed to facilitate this participation. It will be noted that with political independence, the socio-economic structure in Kenya did not substantially change. The most visible change was the replacement of whitemen with black people in positions of power. There was however, the problem of poverty among these Africans who took over for instance, the former European farms and those who wished to engage in some form of business at independence. This made it very necessary for the government to make available opportunities for these poor Africans. Especially necessary was credit facilities to finance all sorts of undertakings in which the Africans aspired to participate. The areas in which the Africans wanted to participate and for which they needed access to finance and other technical advice included agriculture, industrial and commercial sector, wholesale and retail trade, the construction industry and several other sectors of the economy. Several new public owned institutions were therefore created and old ones were expanded and reorganized to facilitate this participation.

In the industrial field the inherited Industrial Development Corporation was reorganized and expanded to cover the commercial sector as well. Its name was consequently altered to Industrial Commercial Development Corporation (ICDC). Its new role now consisted of investment in large industrial projects, the development of industrial estates, and the development of rural and other small scale industries by providing financial assistance and management service¹⁹ to the African businessmen. The other major public enterprise that gave financial and other forms of assistance to up coming African businessmen and industrialists was the Development Finance Company of Kenya (DFCK) which by 1964 was the principal Government instrument for financial participation in major industrial ventures. Its role is to stimulate the flow of private investment by providing loans or share capital to fill marginal gaps in project finance with emphasis on large industrial, agricultural and mining ventures.²⁰ The Industrial Commercial Development Corporation and the Development Finance Company of Kenya have since independence assisted several Africans to participate in business.

¹⁹Republic of Kenya Development Plan, 1970-74, p. 316

²⁰Republic of Kenya: Development Plan, 1964-70, p.81

In 1965 the Industrial Commercial Development Corporation established the Kenya National Trading Corporation (KNTC) whose objective was to Africanise trade. The Kenya National Trading Corporation has since played a major role in the process of transferring the import-export trade and distribution of essential commodities to Kenyan Africans. It has appointed only Africans as its agents in the distribution of essential commodities such as sugar and salt. The problem has been that although all its agents are Africans, the Kenya National Trading Corporation tends to appoint the already economically powerful and well placed individuals as their agents. This leaves the less privileged Africans out of a business that many of them aspired for and which to them appeared fairly easy to manage.

In the agricultural sector we saw the creation of the Agricultural Finance Corporation (AFC) in 1963. The (AFC) was the successor of the Land and Agricultural Bank of Kenya whose predecessor the Land Bank was established in the 1930s. Since its reorganization the Agricultural Finance Corporation has been the principal Agricultural Financial institution owned by the government. It assists

farmers by offering short and medium term loans. In the construction industry the Kenya government established the National Construction Corporation with the main purpose of providing capital and technical assistance to up coming African contractors. By 1971 there were over 700²¹ African contractors registered with the National Construction Corporation.

While establishing new public enterprises and reorganising the old ones, in an attempt to solve some of the inherited socio-economic problems, the Kenya government acted very cautiously and was very careful not to cause panic among the foreign investors in the country. The government kept on reminding and reiterating its policy of a mixed economy and the sanctity of private ownership of property. Such an assurance was given as late as in the 1979/83 Development Plan when it was said.

The government will continue to maintain the policy of mixed economy. The targeted high growth rate of the public sector require substantial resources for development. The government will only contribute a small proportion to this investment.

²¹Quoted in Collin Leys. Underdevelopment in Kenya. Heineman, 1975, P. 149.

Greater reliance will be placed on the private sector investment which will include investment from abroad.²²

In order to assure and gain the confidence of the foreign investors and at the same time make the Africans feel that they are participating in the economic development of their country, the government decided to establish most of the public enterprises as joint ventures between it, and foreign international capital. In the colonial period these joint ventures were said to be necessary in order to maintain some amount of political contentment among the Africans. While this also played a part, there was the argument that the country was doing so also because it was poor and could not finance these public enterprises solely by local funds. There was also the argument at independence that given the remoteness of some parts of the country, the only way to ensure that private capital was made available to these areas, was through government encouragement by entering into partnership. Given the general poverty of the country, it was argued, the private capital had to come from abroad.

²² Republic of Kenya: Development Plan. 1979/83, p.323

As a result of these arguments and several others, all public enterprises in Kenya are heavily dependent on international private capital. This is a major characteristic of all (our) public enterprises. The DFCK for example is heavily dependent on loans from the (CDC) the Netherlands Overseas Finance Company and the German Development Corporation, each having equal amount of share capital.²³ The Kenya Tea Development Authority as we shall show later is another public enterprise funded by the OPEC and the European investment bank among other donors. The Agricultural Finance Corporation is yet another example of a public enterprise that is heavily dependent on loans and other financial assistance from abroad. Even the recently created Lake Basin Development Authority and the Kerio Valley Development Authority both established in 1979 rely heavily on foreign capital. The list is long and could perhaps cover all the public enterprises in Kenya. The few we have cited will, however, suffice to show that Kenyan public enterprises depend almost entirely on foreign capital for their operations.

Whether or not the creation of public enterprises and their intended objectives have been met

²³ Republic of Kenya: Development Plan, 1970-74, p.319

since independence is of course a matter of debate. It seems, however, rather difficult to see how the generally poor Kenya Africans would have been able within the eighteen or so years of political independence to acquire sufficient capital through the facilities offered by the state enterprises to be able to manage their economy. There are of course a few Africans especially those who occupy positions of responsibility in the public enterprises as well as those in political authority and the highly placed civil servants who have used their positions to acquire businesses. The majority of the indigenous population have not been able to do this as most of them lack the security needed before one can get access to loans.

The increased reliance on private foreign capital over which we have very little control, if any, would seem to indicate that we are still far from being able to control the use of these finances. As will be shown in chapter four, it is the donors of these loans and other finances who usually have a greater say over how the finances are used. In some cases such as that of the Kenya Tea Development Authority, the donors even make the critical decisions regarding the operations of the enterprise. Very little success therefore seems to have been achieved regarding the effective local control and direction of our economy.

The only success we have had is probably in Africanisation, in the sense of replacing white people with black people. The civil service is said to be almost 100% Africanised including top positions in our parastatal organisations and several private firms. However, in terms of African participation and control of the economy there is little to suggest that we have been successful; yet ownership and control of an economy should and indeed is the most important consideration.

A point about the Kenyan public enterprises which is a major concern to both the public and the government is the performance of these organisations. The sixty-six²⁴ or so parastatal organisations in Kenya have, generally speaking performed very badly. This is evidenced by the numerous commissions of inquiry set up by the government to look into the running of these institutions either as groups or individually. The 1979 Committee set up by President Moi to review the state of the parastatals in the country was an

²⁴ Republic of Kenya: Review of Statutory Boards (Chairman, P. Ndegwa), May, 1979. Government Printer, Nairobi, p. 2

example of the concern the government has over the running of these organisations. Prior to that there was another commission set up to examine the structure of the Civil Service including the state of parastatal organisations. This earlier committee set up by the late President Kenyatta was chaired by Duncan Ndegwa and has since been called the Ndegwa Commission.

In the words of the 1979 committee report, parastatal organisations in Kenya are characterized by prolonged inefficiency, financial mismanagement, waste and malpractices.²⁵ One of the chief causes of this poor state of affairs in Kenya's parastatal organisations is poor management by the government institutions concerned. These institutions include the parent Ministry, the Legislature, the Board and so on. It was perhaps in recognition of this lack of control that the 1979 commission recommended and the government accepted to establish the Parastatals Advisory Committee, under the office of the President and the Investments Division of the Treasury, whose functions were superimposed on the traditional

²⁵ Republic of Kenya: Review of Statutory Boards. (Chairman, P. Ndegwa), May, 1979. Government Printer, p. 3

institutional mechanisms of parastatals control. Prior to the establishment of the above bodies, to strengthen the management of parastatals, there was very little direct attention given to parastatals by the government. The result was the displacement of public interest (which these organisations are meant to serve) by private interest with the latter interest dominating.

One of the parastatals that has suffered from this type of problem is the Maize and Produce Board. According to a report in the Weekly Review (1st Feb. 1980 p. 26 - 27) a former Minister of Agriculture had a maize mill that did business with the Board. The Kenya Cooperative Creameries and the Kenya Meat Commission, the Maize and Produce Board are at present in serious financial difficulties.²⁶

Reports of mismanagement have also been reported several times in Kenya Meat Commission. According to the Weekly Review of 30th June, 1978, the Commission has over the years been exporting meat and meat products through middlemen who could be done away with. These middlemen were suspected to be

²⁶Republic of Kenya: Review of Statutory Boards, p. 23.

perhaps some of the commissioners. In September, 1981, the Kenya Meat Commission was reported to be in serious financial debts and was only bailed out by a government assistance of Ksh. 7 million in addition to Kshs. 23 million given to it in the previous year.²⁷

Recently the President blasted the Kenya Dairy Board for its inefficiency and threatened to dismiss its management. The other parastatal that had its management dismissed twice in seven years was the Cotton Lint and Seed Marketing Board. The board in one case had faulted to pay the farmers for cotton actually delivered. The boards' general manager had also been dismissed for allegedly having entered into a questionable ploughing contract with private tractor owners where a cheaper deal could have been settled with the Tractor Hire Unit in the Ministry of Agriculture²⁸

One could go on and on citing cases of mismanagement of parastatals in Kenya. The few we have given will, however, suffice to show how conflicts of interest can, and have led to the poor

²⁷Daily Nation, Sunday September, 20, 1981, p. 1

²⁸See Weekly Review of 26th May, 1978, p. 20

performance of parastatals in Kenya. This is certainly a very undesirable situation given the role that these organisations are expected to perform in our society. Although the 1979 review commission saw lack of control as the cause of the problems and suggested the establishment of the bodies referred to above, it is doubtful whether these controls alone will help. Perhaps one should look at the nature of the political-economic relationship that have emerged in the post independence period. It seems that it is these relationships that cause problems of control, recruitment and general management of these organizations.

In concluding this chapter, it can be stated that public enterprises in Kenya were the products of the historical development of the country right from the commencement of colonialism and colonial rule. Their establishment was due mainly to the attempts by the colonial settler to establish a monopoly and protection over the production and marketing of the agricultural products, the mainstay of the colonial economy. This protection was needed against competition from the Africans who were

not even allowed to grow cash crops. To secure this monopoly and protection the settlers pressurized the government to set up public enterprises. There was also the fact that the settlers lacked not only the experience in large scale farming but also agriculture. Again it was to the colonial state that they looked for assistance which was accorded them through the establishment of state enterprises beginning with the 1930 Land Bank.

The collapse of the colonial rule and the gaining of political independence, left the country without any indigenous capital that could be used to achieve the economic development that the country embarked on. Every sector of the economy during the colonial period was controlled and dominated by foreigners who left on attainment of political independence. There was therefore the need to mobilize resources and capital for development as well as to have local people run the economy. There was also a great need to reduce the unbalanced regional development that characterized the colonial system and period. The government saw Africanisation

of the economy as the political answer. To do this however, shortage of capital had to be eliminated. The government therefore decided to create public enterprises to mobilize the necessary resources and to initiate development in the remote areas of the republic in which the little existing private capital was unwilling to venture into because of the high risks involved. There was therefore the need to provide certain services or facilities of economic and social nature to all parts of the country. Public enterprises were therefore created because the country was poor economically and did not have indigenous private capital with which to initiate development. Many parts of the country were remote and were neglected by the little private capital that was mostly foreign; the need to Africanize the economy and to mobilize resources for this process; they appeared more attractive and appealing than private enterprises not only to the more radical members of the Kenya African National Union government but also to the masses to whom they were an indication (erroniously of course) that the economy was truly controlled by the Africans. It is important to

remember however, that public enterprises were meant to supplement government and private enterprises initiatives and not to replace it.

CHAPTER THREE

THE DEVELOPMENT OF THE TEA INDUSTRY IN KENYA "AN OVERVIEW"

In the previous chapter we undertook a discussion of the origins of public enterprises (parastatal organisations) in Kenya. In an attempt to provide a complete picture of the emergence and development of these state institutions, we traced their origins to the colonial period. We noted that public enterprises in this period were few in number and were established mainly to serve the interests of the White Settler Community. Since the major occupation of these settlers was agriculture, there was a concentration of these institutions in the agricultural sector.

Having done that, we discussed the factors that influenced the establishment and proliferation of public enterprises after the attainment of political independence in 1963. It was noted that various economic, social and political factors were responsible for this development. These included the need to transform the rest of the Kenyan economy

from subsistence to a market economy, the need to encourage and facilitate African participation in the economy with the aim of creating and developing an indigenous private entrepreneurs controlled by the Africans especially in the rural areas. This was a government policy. The efforts to transform the economy from subsistence to a market economy after independence should, however, not be construed to mean that the entire economy was subsistence at independence. On the contrary, the inherited economy had a very large portion of it already under the market economy. This was the result of the efforts of the colonial administration and the white settlers who all along attempted to create a capitalist mode of production as the dominant mode of production in the colony by destroying the pre-capitalist modes that they found in existence. The gist of the matter was, however, that these colonial efforts only succeeded in the areas settled and controlled by the White Settlers. Most of the Africans occupied rural (reserves) areas remained basically subsistence areas. It was mainly these areas that the independent Kenya government wanted transformed by introducing capitalist agriculture based on cash crops.

In this chapter we want to very briefly deal with the development of the tea industry in Kenya and the eventual emergence of the Kenya Tea Development Authority which is the subject of this study. The Kenya Tea Development Authority as we shall see later in this chapter, forms only one aspect, or is only one of the many organizations that are involved in the development of the Kenya Tea Industry. Its activities are centred mainly among the small scale tea growers. It is therefore very vital that we examine the development of the entire tea industry and thereby lay the background within which the contribution and role of the Kenya Tea Development Authority will be placed and discussed.

The Tea Industry in Kenya:

Following the colonisation and the arrival of settlers in what is now known as Kenya, new forms of agricultural production were introduced. This started off a process of agricultural development in the country that goes on to the present day. From the communally based subsistence agriculture, the colonial administration with the White Settlers

introduced capitalist agriculture based on cash crops. These developments however, were mainly confined to the white settled areas as the Africans were not allowed to grow cash crops. The Africans, although denied the chance to grow cash crops, still depended on agriculture for their livelihood. In fact Van Zwanenberg points out that European colonisation in Kenya altered agricultural and pastoral production in many respects, but without altering the fact that agriculture was the sole basis of wealth.¹ This is evidenced by the fact that industrialisation did not occur in the colony till much later, but even then, agriculture has always been the back-bone of the economy.

Towards the end of the colonial period, the colonial administration decided to introduce cash crop farming among the Africans for various reasons some which will be discussed later in this chapter. This decision resulted in the establishment of a government commission headed by Swynnerton, M.J.R. then an Assistant Director of Agriculture, to find out ways and means by which this

¹Van Zwanenberg, R. The Agricultural History of Kenya. East African Publishing House, 1972, p.5.

could be done. This commission came out with what has since been known as the Swynnerton Plan, setting out how cash crops could be introduced to and grown by the Africans. The implementation of the recommendations of this commission was really the starting point in the development of agriculture among the Africans as it introduced cash crops and new methods of agricultural production among them. Among the cash crops introduced were coffee, pyrethrum, and tea.

Tea growing among the Africans in Kenya did not start until the beginning of the 1950s when pilot projects were initiated in Nyeri and Kericho. Prior to this, tea growing and consumption was confined mainly to the European community in Kenya. The first tea in East Africa was planted in 1900 at Entebbe, Uganda. Three years later, in 1903, Kenya's first tea was planted at Limuru.² Very little progress took place in tea growing during initial period. In fact until the 1950s tea growing was, as we pointed out, confined mainly to the Europeans. There were several reasons for this.

²Atim, C.M. et.al. Tea Industry in East Africa, Mimeo, undated p.1.

First, the Africans were legally prohibited from growing the crops apparently because it was feared that the growing of cash crop by the Africans would jeopardise the attempts and efforts of the White Settlers to establish and entrench themselves as agricultural capitalist. Secondly, allowing the Africans to grow cash crops would have meant the interruption of the supply of labour to the European settlers, (the Africans were the only source of labour in the European farms). (see also previous chapter). This would have again weakened the settler efforts. In any case growing cash crops such as tea and coffee would have been difficult and unprofitable for the Africans since the best land for such crops had been alienated and occupied by the Europeans.

Although tea was first grown in Kenya in 1903 which was long after the settlers had tried other cash crops, it was not until 20 years later that planting on a commercial scale began and tremendous expansion of the industry began. This dramatic expansion in the cultivation of tea during this period has been associated with the arrival in Kenya of two British firms namely; the Brooke Bond and

James Finlay. These two companies had been operating in Asia and in the 1920s decided to extend their operations to Africa. In 1924, Brooke Bond formally set up a local branch here in Kenya.³ This found when James Finlay company had already started operating in the country. Several reasons did influence the extension of the activities of the two firms to Kenya. First of all there was the need to secure and establish alternative production areas for export and to capture the Kenyan market. There must have been at the back of the minds of these companies, the idea that it was risky to concentrate production of such an important cash crop in one region only, especially in one colony. Political stability in colonies are not easy to maintain let alone predict. It must have been, therefore in this light that these companies wanted to establish alternative tea growing areas where they could resort to, should disruption in one area occur.

Secondly, there was the fact that it was expected that more and more Europeans would come and

³This information was contained in files of the Brooke Bond Comany in Kericho. The author came across it during some of my frequent visits to a friend working with this company.

settle in Kenya and thus provide a market for tea. With the Kenya soil suitable for the crop, and with the guarantee for cheap sources of labour by the colonial administration in Kenya, the idea of operating in Kenya must have been very attractive to these companies.

On arrival in the country, the two firms bought large amounts of tea land especially around Kericho and soon established themselves as the dominant tea producing and selling firms. By 1934, there were about 12,662 acres planted with tea in Kericho with the dominant firms owning over 10,000 acres between themselves. The rest of the land was shared between another foreign firm the Nandi tea estates, and two local firms Jamji and Buret.⁴ One interesting point about the tea industry in Kenya during this period is the fact that it was dominated not by local firms controlled by local settlers but by foreign based firms. Local settlers did not involve themselves in tea growing to any significant extent. Table 1 below illustrates this

⁴Swainson, N. 'Company Formation in Kenya before 1944 with Particular Reference to the Role of Foreign Capital. In Kaplinsky (R.edt). Reading on Multinational Corporations in Kenya. Oxford University Press, 1978, p.77.

point by giving the production and sales of tea by each of the firms that were involved in tea production during the period under review:

TABLE 1: TEA SALES IN KENYA IN 1937.

COMPANY	QUANTITY IN LBS
Brooke Bond	1,250,000
Buret	300,000
African Highlands	250,000
Jamji Kipkorech	50,000
TOTAL	1,850,000

Source: Brooke Bond Files, Kericho Office.

As shown in the above table, the total amount of tea sold by Brooke Bond and African Highlands, the two dominant foreign firms, was 1,500,000 lbs. while that of the two local companies totalled 350,000 lbs. only. Thus the two foreign companies sold 1,150,000 lbs. of tea over and above those of the local firms. In 1946, Brooke Bond bought out the Jamji Company and in 1971, Buret Tea Company sold its assets to Brooke Bond. Brooke Bond thus

became the single largest tea estate in the country. At the moment it has a total of 5,500 hectares and produces 18% of Kenya's total tea crop.

Several factors account for this dominance by foreign firms and the almost total absence of local settlers in the tea industry. The primary reason was the lack of capital among the local European settlers particularly the small scale farmers. Tea takes a long time to mature and therefore to earn revenue for the farmers.⁵ For poor farmers like the local settlers were, this meant that they needed access to long term loans at low rates of interest at least during the initial years if production was to be profitable. Commercially significant yields starts in the sixth year. This type of credit facilities was, however, not available to them especially during the times when they needed them most as we discussed in chapter two. In the absence of such facilities, these farmers had no alternative but to concentrate on crops that required less capital. Secondly, tea farming was

5 Etherington, D. Small holder Tea Production in Kenya. An Econometric Study. East African Literature Bureau, Nairobi, Kampala, Dar-es-Salaam, 1973, p. 7.

considered economical only if grown on large scale plantations. Small scale tea farming had been tried in several places such as Ceylon and failed. Large scale tea farming requires not only money, which many local settlers did not have, but also a very complex organization. It was only foreign firms like Brooke Bond that had access to the kind of money required for large scale tea farming and the organisational ability given their experience in Asia. They did not need to rely on the private banks which in any case would be willing and ready to give them credit as they could easily repay the loans. In fact, these firms did not pester the colonial state and administration for loans or state assistance and were not bothered whether or not the state did give assistance to the local settlers. They wanted to create a monopoly in tea farming and would probably have resisted any state efforts to assist the local farmers in their attempts to grow tea.

For the above and other reasons, the foreign firms dominated the Kenya tea industry until the late 1950s when as we said, the colonial government reversed its policy of prohibiting the participation

of Africans in the economy and particularly in the production of cash crops. The new policy now encouraged the Africans to grow cash crops and was contained in the Swynnerton Plan already referred to. As one of its recommendations to intensify agricultural development among the Africans, the plan called for land consolidation in the African reserves and the issuing of land title deeds to Africans to indicate legal ownership of land. Thereafter the 1954 plan said that the Africans should be encouraged to grow cash crops, such as coffee, tea, sisal and others under the supervision of Europeans.

Several factors contributed to the reversal of the colonial government policy in favour of African participation in the economy, and in cash crop farming. Perhaps primary among these factors was the political climate of the 1950s in the third world generally and in Kenya in particular. This was the period of intense political struggles in colonies between the nationalists and the colonial governments in most of the third world countries. The aim was the attainment of political independence and the removal of the injustices and discriminatory

practices that characterised the entire colonial period. In Kenya, these struggles had their base on the land problem. The alienation of land and the subsequent deprivation of the best lands from the Africans caused a lot of bitterness and resulted in the Mau Mau uprisings. In fact nationalist and the politics of decolonisation in the 1950s in Kenya, especially in Central Kenya, involved more than anything else, the question of land. This discontent needed some solution and agricultural development in the African areas appeared to the colonial administration as the best solution.

It had occurred to some far sighted colonialist settlers and administrators that the course and progress towards African independence in Kenya could not be halted i.e. that the attainment of independence was inevitable. It was only a matter of time before this occurred. These settlers who later formed the New Kenya Group, a political party, felt that something positive had to be done to diffuse the bitterness and to avoid further outbreak of violence among the Africans. New economic measures and arrangements that would appeal to the Africans and

cause them to believe that the Europeans were after all well intentioned were therefore needed and were in fact contained in the new policy. These arrangements as we shall shortly see were made in such a way that they protected the interests of the Europeans such as ensuring that their services would be needed and therefore that they would remain here in Kenya after independence. The new policy for example emphasised the need for the Europeans to supervise the growing of cash crops, especially tea, among the Africans even after independence.

As is clear from the Swynnerton Plan, the change of policy in favour of having Africans to produce cash crops in medium or small holdings had the political objective of developing a relatively contented group of people in the countryside who would support the existing political system.⁶

⁶The Swynnerton Plan of 1954 called upon the colonial government to encourage African community to own agricultural industries as this would in the long run create "a politically contented and stable community". The idea behind this call coming as it did after the Mau Mau violence must have been that rural political agitation could be stamped out by the creation of a rural capitalist class - Swynnerton, R.J.M., A. Plan to Intensify Development of African Agriculture in Kenya. Government Printer Nairobi 1954, p. 8

we have already pointed out the bitterness of the people in the countryside after the Mau Mau uprisings and the fear that these violent acts may erupt again. To cool down the rural masses, the Swynnerton plan allowed the Africans to grow cash crops such as tea with the hope that the attraction of money from these crops would distract them from their political feelings. They would, the plan hoped, not support the nationalist who the colonial authorities were referring to as agitators or disgruntled elements.

This political objective was supported by the fact that tea planting on schemes advocated by the plan had been tried and failed elsewhere (see page 154). Tea was until the introduction of the Swynnerton plan considered economical only if grown on large estates. The idea therefore that small scale African growers projects was to be introduced in Kenya must have been merely to create some contentment among the African population. The colonial government was not really sure it would succeed. Its introduction would however, at least in the short run, create happiness among those involved and therefore prevent political agitation that was being carried out throughout Africa.

It is against this background i.e. the need to create a capitalist class among the Africans in the rural areas who would support the existing political system, that the Swynnerton plan ought to be understood. The establishment of the Special Crop Development Authority, (SCDA), about which we shall talk more later, was aimed at implementing the objectives of the Swynnerton plan. Before the Authority was established, two Marketing Boards were created in 1956 to process and market the existing African grown tea. These were the Central Province African Grown Tea Marketing Board and the Nyanza and Rift Valley Grown Tea Marketing Board. In the following year, the first factory to process small holder tea was constructed at Ragati in Nyeri District.

Since the establishment of the Special Crop Development Authority in 1961, the tea industry has experienced a very dramatic expansion especially in the small holder sector now administered by the Kenya Tea Development Authority. This expansion, reflected in appendix A, has caused many observers including the Kenya Government to assert that Kenya Tea Development Authority is not only successful but

the most well managed parastatal organization in the country.⁷

Between 1963 and 1980 as shown in appendix A, there was an increase of about 33,688,000kgs. of tea produced by the small holder sector. In 1963, the sector produced only 311,980 kgs. while in 1980, production by this sector alone rose to 44,000,000 kgs. The decline in production between 1963 and 1965 is explained by the fact that tea takes a long time to mature and in the case of the small holder, its production or planting did not start until the early 1960s as we said before. It therefore took sometimes to mature. Secondly, the Africans during these initial stages had not mastered the techniques of growing the crop.

Appendix B, indicates the amount of tea in kilograms produced by both the estate and the small holder sector between 1963 and 1980 as well as the actual amount of money the crop fetched at the international market during that period. As is clear from these figures, the amount the crop earned the country depended on the price of tea on the

⁷The Weekly Review, May 4th, 1979, p. 28

international market which has been more or less constant between 1963 and 1973. 1977 witnessed a dramatic increase in the world price of tea. This is explained by the fact that there was a dramatic decline in the production of coffee in Brazil the biggest world producer and exporter of the crop. Many people therefore resorted to tea drinking thus raising not only the demand but also the price of the crop from 11/10 Kshs. in 1976 to 19/78KShs. in 1977. Kenya being Africa's largest tea producing and exporting country, benefited a lot from the coffee problem in Brazil. Since 1977, however, the price of tea has been dropping steadily. In 1980, for example, it dropped to 13/70 Ksh. per kilogram. There are fears that the trend might continue for sometime to come. Sources in the Kenya tea industry say, however, that tea could soon become Kenya's number one export crop inspite of the price decline. It is expected that the small holder sector will by 1985 have overtaken or at least reached the same level of production with the estate sector.

There are several organizations involved in the Kenya Tea Industry. These organizations which

are discussed below are presented diagrammatically in appendix C at the end of the thesis.

The Tea Board of Kenya:

Kenya's Tea Industry as discussed above operates under the aegis of the Ministry of Agriculture. Initially, however, and during most of the period of upto 1950, as we indicated earlier in this chapter, tea growing was confined to private individuals and firms. It was not until 1950 that the Kenya Tea Industry was brought under statutory control, when the colonial government set up the Tea Board of Kenya. This control was considered necessary given the importance the crop was assuming in the colonial economy. The Tea Board was therefore a statutory organization created to exercise licencing control over the planting of the crop and manufacturing factories with the powers to regulate the methods of planting, cultivation and processing. In addition to these functions the Board looks after the interests of the tea industry and its relationship with the government and the general public.

According to the 1972 revised edition of the Tea Act under which the Tea Board of Kenya falls, the functions of the Board shall include the carrying on of such activities and the doing of such things as are necessary, advantageous, proper or for the benefit of the tea growers and the tea industry, and in particular, but without prejudice to the generality of the foregoing, shall include:-

- (a) the licencing of tea growers;
- (b) the licencing of tea factories;
- (c) the regulation, control and improvement of the cultivation and processing of tea;
- (d) the control of pests and diseases;
- (e) the control of the export of tea;
- (f) the investigation of and research into all matters relating to the tea industry.⁸

The Board then, is the most important organization after the Ministry of Agriculture, which is the parent Ministry in the tea industry. It deals with all aspects of the tea industry unlike other organizations that deal with only particular aspects

⁸ Laws of Kenya: The Tea Act: Chapter 343 revised edition 1972, Government Printer Nairobi, p.5

or sections of the industry. The board is the final authority after the Ministry of Agriculture in the determination of policy relating to the industry in the country, including the promotion of tea sales outside the country, through the international tea councils at which Kenya is represented. These councils operate in the United Kingdom, the Republic of Ireland, Netherlands, the United States and Canada which are also the leading markets for Kenya tea.

Internally the Tea Board is empowered to ensure that all the tea growers and manufacturers contribute $\frac{1}{4}$ of their manufactured tea to the Kenya Tea Packers Association for domestic sale and consumption. This is done by requiring all tea manufacturers in the country to submit monthly returns to the Board showing the amount of tea manufactured and the amount sold to Kenya Tea Packers Association. This is inspite of the fact that the Kenya Tea Development Authority in 1978 assumed the sole responsibility for the blending, the packaging, the distribution and sales of all tea consumed in Kenya through the Kenya Tea Packers Association. In the event of a manufacturer failing to supply his

quota to the Kenya Tea Packers Association, it is to the Tea Board that the Kenya Tea Packers Association through the Kenya Tea Development Authority will report. Kenya Tea Packers Association as we shall see later on, is an organization formed by representatives of the estate producers and the small holder sector i.e. Kenya Tea Development Authority and other private small and large scale producers.

The Tea Board of Kenya is financed by the cess paid to it by all tea manufacturers in the country. This cess is also used by the Board to finance the operations of the Tea Research Foundation situated at Kericho. This is the organization through which the Board carries out functions, (c), (d), (e), and (f) of the Tea Act (see page 163). Every tea manufacturer pays a cess of 31 cents per kg. to the Tea Board. From this it is possible to meet all the administrative and other expenses of the Board which at the moment consists of only one Chairman, one Company Secretary, an accountant, one or two Secretaries, and two or so subordinate staff.

The Tea Research Foundation:

As we already pointed out this is the organization in the tea industry that is responsible for all

matters or aspects of research related to tea in Kenya. Located in Kericho district, the foundation was originally called the Tea Research Foundation of East Africa. The name was changed to Tea Research Foundation following the break up of the East African Community. The foundation was legally constituted as a purely Kenyan organization 1980 and according to sources at the Tea Board, the Tea Research Foundation held its first meeting on 30th April, 1981. It is controlled and financed by the Tea Board through the cess paid by every manufacturer in the country.

The Kenya Tea Growers Association:

This association or tea organization has its roots in the colonial period as do most other organizations in the Kenya Tea industry. As we have pointed out elsewhere, the tea industry during the colonial period was dominated by foreign firms, the principal ones being the Brooke Bond and James Finlay Company (now African Highlands Company). In an attempt to avoid the adverse effects of the competition for the sale of tea manufactured by the foreign firms, the tea manufacturers decided to come together and form an independent organization to sell their tea to the consumers. This was to

consist of representatives from all the major producers and manufacturers. In April, 1938, such an organization was formed known as the East African Tea Growers Association. The main features of this controversial scheme according to Swainson were:-

- (a) Producers were to pay the transport costs of tea from their factories to the packing plant of the distributors, and
- (b) The distributors, for their part, undertook to supply all the necessary financial and sales organization and to use their goodwill trade patents, although the tea packets would also indicate that the tea was from East African Tea Growers Association.⁹ It turned out that Brooke Bond dominated this association and in return for their services, Brooke Bond was to receive a commission of 7.5 per cent on the gross selling proceeds of the tea which they handled.¹⁰

⁹Swainson, N. 'Company Formation in Kenya before 1945 with particular reference to the role of Foreign Capital.' In Kaplinsky (edt) Readings on Multinational Corporations in Kenya. Oxford University Press, 1978, p. 81

¹⁰Ibid., p. 81

After the country achieved independence and particularly after the establishment of the Kenya Tea Development Authority, the East African Tea Growers Association changed its name to Kenya Tea Growers Association. It remained an association of the large tea growers. It is a private organization that has authority and responsibility only over the large estate growers and has nothing to do with the small scale growers attached to the Kenya Tea Development Authority.

The Kenya Tea Development Authority:

The history of the Kenya Tea Development Authority dates back to the colonial period and is one organization in the tea industry that is now very crucial to the survival of the industry given the emphasis on small scale sector by the Kenya Government. In fact the history of this organization is really that of its predecessor the Special Crop Development Authority. The Special Crop Development Authority was an organizational or institutional framework established in 1960 by the colonial government to facilitate the implementation of the recommendation of the Swynerton Plan i.e.

growing of tea and other cash crops among the Africans. It was officially argued that such an Authority was necessary in order to raise loans for the growing of tea among the Africans on small scale basis. Though it is true that a lot of money was needed for this exercise, and that the colonial government may not have been able or willing to supply this money, and that the Special Crop Development Authority did indeed raise the required money, it would appear that these were not the real or actual reasons for the move to establish the Authority. It would appear especially from the composition of the shareholders of the Special Crop Development Authority, that the real reasons behind its creation was the desire and determination of the colonial government to perpetuate the intrusion and expansion of international capital in the country, a process which started in the 1920s.

The 1920s witnessed the intrusion into Kenya of foreign firms like the Brooke Bond and James Finlay and their direct involvement in the production of tea and other cash crops. This

direct expansion and involvement of these foreign firms and capital could not continue unabated especially after or with the rise of Nationalist movements and leaders. Any such further direct expansion and involvement it was considered, could create further political and physical violence. The alternative was through indirect intrusion methods such as introducing schemes involving not only the colonial state but also the local people who were promised great monetary as well as socio-economic benefits. The state would then argue, and this seemed to have happened in Kenya; that it lacked adequate finances to carry out such a venture on its own, and go on to use this excuse to invite the participation of international capital and capitalists. They would then establish joint ventures with the colonial government, a practice that has persisted till today.

It must have been in this light that in 1959 the colonial government after accepting the recommendations of the Swynnerton plan, asked the Commonwealth Development Corporation and other commercial companies to "consider the overall

processing requirements for small holder tea with a view to their investment in factories.¹¹ It is interesting in this regard to note that the main feature of the mission's report was to emphasize the importance of integrated development and to suggest that small holder tea growing be reorganised in such a way which would attract long term finance to enable comprehensive long term development planning.¹²

Following the recommendations of the 1959 government commission, a temporary organization, the Local Land Development Board was established by legal Notice No. 458 of 29th September, 1960 and charged with the responsibility of the development of tea by African small holders. A year later, a legal Notice No. 243 of 21st April, 1961, under the Agriculture Order 1961,¹³ established an Authority known as the Special Crop Development Authority the predecessor of the

¹¹The Authority, Kenya Tea Development Authority, Mimeo, Kenya Tea Development Authority Files Undated.

¹²The Authority, Kenya Tea Development Authority Historical Development. Mimeo Kenya Tea Development Authority Files Undated.

¹³Ibid.

Kenya Tea Development Authority. The Special Crop Development Authority took over the functions of the Local Land Development Board in respect of the development of the small holder tea. On its establishment in 1961, the Special Crop Development Authority took over the assets and liabilities of the two marketing Boards already referred to. According to the Act of its establishment, the Special Crop Development Authority was to work under the department of Agriculture which was responsible for field supervision acting as agent for the Authority.

The only difference between the Special Crop Development Authority and its successor the Kenya Tea Development Authority is that, whereas the former could deal with the development of any cash crops, the latter's activities was confined to small holder tea development. The donors and their relationship with the Ministry of Agriculture remained essentially the same. We shall be discussing the operations of the organization and management of the Kenya Tea Development Authority in greater detail in the next chapter. For now it will suffice to point out that following the country's political

independence, an Act of parliament was passed in 1964 which established the Kenya Tea Development Authority to specifically look after the development of the small holder tea growers.

Kenya Tea Packers Association:

This is perhaps the latest or youngest organization dealing with tea in the country. Its job consists mainly of packing and distributing tea for local consumption from the various tea manufacturers. Prior to its formation in 1978 the Associated Tea Growers of Kenya gave Brooke Bond Limited exclusive distribution rights in the country. Following the persistent tea shortages in the country, the government through the Ministry of Agriculture, directed the Tea Board of Kenya to take over the distribution of tea within the country. This was on the belief that the shortages were being caused by poor distribution.¹⁴ In January, 1978, this policy was changed and the distribution of tea was handed over to the Kenya Tea Development Authority and as a result , a new company, Kenya Tea Packers

¹⁴Weekly Review., January, 19, 1979, p. 30

Association was incorporated under the umbrella of the Kenya Tea Development Authority.¹⁵ Since then all tea manufacturers in the country are required to deliver $\frac{1}{4}$ of their manufactured tea to the Kenya Tea Packers Association for packing and distribution in the country. As we pointed out earlier, the Tea Board of Kenya continues to supervise and monitor that the above directives are complied with by all tea growers and manufacturers.

According to sources at the Tea Board of Kenya, very little promotion of tea sales is done at the domestic market especially since the 1970s. This is because it is argued that local consumption of tea has gone beyond what the authorities would like to see. It is more profitable to sell tea on the international market than on the domestic market hence the preference for international markets.

There are efforts made by the Tea Board of Kenya to convince the government to increase the local price of manufactured tea. According to the Board this move is not meant to discourage local consumption but rather to discourage tea

¹⁵ Weekly Review, January, 19, 1979, p. 30

smuggling out of the country. Smuggling was the main reason given by both the government and the Kenya Tea Development Authority for the shortages of tea that the country experienced between 1977 and 1979, (see Weekly Review of Jan. 1979 and May 4, 1979). It was being assumed by the Tea Board that if prices at the domestic market compared well with those at the international market, then smuggling would not go on as it would not be profitable. At the moment Kenya is the third largest world producer of tea and number one in Africa.

In concluding this general and brief discussion on the development of the Kenya Tea Industry, the following observations can be made. It is evident that both the colonial and the independent governments attached a lot of importance to the tea industry and from around 1950s began to take greater control of the industry's development. This importance attached to the industry is indicated first by the bringing of the industry under statutory control in 1950 when, as we pointed out, the Tea Board of Kenya, a public enterprise, was created to cater for all aspects of the development of tea in the

country. Secondly, it is worth noting here that even after the Tea Board and the Kenya Tea Development Authority have licenced the large scale and small scale tea growers respectively (how this is done was explained in the chapter) the government still regards the crop as belonging to it (the government) and not to the farmer. In fact there are legal provisions that authorises the government to take to court a farmer who uproots or neglects his/her tea in the tea gardens. This is simply because tea is considered a government property and indicates how important it is to the government.

Several reasons account for the importance that the government attaches to the industry and why the above measures or safeguards were instituted. In the first place, these measures were taken because of the government's (both colonial and independent) realization of the important role the industry or the crop was playing in the economy. As we shall point out in chapter five, in terms of its value to our economy

tea has for a long time been Kenya's number two export crop and foreign-exchange earner. In fact sources at the tea industry indicate that it could soon become Kenya's top export and foreign exchange earner. These foreign exchange earnings we point out at a later chapter, is believed to be and considered as crucial for the purchase of foreign technology which the government maintains is necessary for our socio-economic development.

Secondly, not only does the industry employ a considerable number of Kenyans but the fact that it earns foreign exchange makes it very valuable to the government politically. We know that our country is an agricultural country and depends on agriculture. This, it does in two ways. First it depends on agriculture to produce food to feed her population. Secondly, it is agricultural exports that form the bulk of her exports from which she earns her much needed foreign exchange. Tea, therefore because of its contribution to foreign exchange could be said to form the backbone of the economy, together of course with other agricultural exports.

Interfering with the smooth growth and development of the industry is therefore regarded as politically dangerous. It could ruin the economy and result in or cause political instability and even a total collapse of the political system. This perhaps explains why Mr. Njonjo in 1979 strongly warned that anybody caught smuggling or hoarding tea would be severely dealt with by the law irrespective of where he came from or his status and position in society.¹⁶ This was when the country was faced with an acute shortage of tea and with several complaints from both members of the public and the press.

¹⁶See The Weekly Review: Jan. 1979., p. 30

CHAPTER FOUR

THE MANAGEMENT OF THE KENYA TEA DEVELOPMENT AUTHORITY

The purpose of the discussion in the previous chapter was to place the Kenya Tea Development Authority in its proper operational context. This is because, as was made clear in the chapter, the Kenya Tea Development Authority is only one of the many organisations that make up the Kenya Tea Industry. Its operations can therefore be understood meaningfully only in relation to the industry's other organisations and the economy as a whole.

In the present chapter, we want to discuss the management¹ of the Authority and to examine the extent to which certain administrative techniques and practices developed and used by the Authority have affected and contributed to the apparent impressive performance of the organisation. Since

¹In this thesis management is used to refer to the process of achieving organisational goals through the co-operation and coordinated effort of all the organisational members at all levels of the organisation through the use of well defined techniques. It is in other words the combined activities of organizational members. The term management and administration will be used interchangeably.

Its inception, the Kenya Tea Development Authority has in its attempts to achieve its objectives, placed a lot of emphasis on control, centralization, supervision and coordination and planning as prerequisites for success. It is the manner and extent to which these and other administrative devices have been used, and their value or contribution to the organization's performances that will be examined in this chapter. Before examining the management of the Kenya Tea Development Authority, however, we shall briefly discuss the management of public enterprises in Kenya very generally.

The Management of Public Enterprises in Kenya
"An Overview".

The management of public enterprises in Kenya can be analysed at two broad levels; the level of policy making and the level at which policy and decisions are implemented. Several organizations and persons are involved at both these levels. At the policy making level the single most important institution is the Legislature or Parliament.^{1a} Officially, it is at this level i.e. in Parliament, that the overall policy of a public enterprise is discussed and the enterprise created as a result of

1a Oyugi W.O. "Government and Public Enterprises: Some observations on Kenya." In The Role of Public Enterprises in Development in Eastern Africa. Proceedings of a workshop 4th - 7th Nov. 1981. Institute for Development Studies University of Nairobi Occasional Paper No. 39, 1982 P.58-77.

the passing of an Act of Parliament. The initial formulation of policy and initiation of discussion on the creation of a public enterprise is the responsibility of the Minister under whose Ministry the enterprise falls. He is officially expected to introduce the bill and push the debate through parliament resulting in the passing of the public enterprise Act. Whether or not he succeeds in doing this will of course depend on such facts as his powers and forcefulness as well as the general power structure in the country.

There have been cases where this official procedure was not followed strictly. This was the case with the recently created Lake Basin Development Authority and the Kerio Valley Development Authority. In these cases, it was the President who directed the creation of the enterprises on his own initiative without first being debated in Parliament. There have been other cases of a similar nature, but all these should be treated as deviations from the rule.

Once Parliament has created a public enterprise, it is then incumbent upon the relevant or parent Ministry through the Minister to appoint a board of

management. The main duty of the boards include the translation of the enterprise's policy and to break it down into workable guidelines upon which those charged with the actual implementation can work. The board also has the important responsibility of recruiting and appointing staff responsible for the actual implementation of policy. Boards also act as important links between the parent ministry and the government on one hand and the enterprise on the other. For example it is through the boards that policy changes in respect of an enterprise are communicated to the enterprise. The board also keeps the relevant Minister or government department informed of problems and other aspects of the enterprises' operations.

The day to day administration of public enterprises in Kenya is the responsibility of what we might call the management staff. This consists of the enterprises' executive staff as well as their supporting staff. Their main job as we indicated before is to implement policy decisions and to assist in the achievement of the objectives of the enterprises. They are in other words directly involved in and responsible for what goes on in the enterprise on day-to-day basis.

Public enterprises in Kenya have for a long time been to a very large extent, autonomous in terms of their internal administration or management. In other words, there was no uniformity in the way different public enterprises were administered. Every public enterprise was left more or less free to run its affairs the way it felt was good for the realization of its objectives. This was unlike the civil service which is required to strictly adhere to common or uniform rules and procedures. A government commission had this to say about the management and autonomy of the two institutions.

While the government has always concerned itself with efficiency in the civil service, very little direct attention has been given to parastatals. Consequently, in the Parastatals sector, unlike in the civil service, there are no uniform and co-ordinated procedures or systems for persuing efficient management and public accountability.²

This relative autonomy was very much in line with the principle governing these organisations which says that autonomy for public enterprise is necessary if efficiency is to be realized. The 1979 Ndegwa Commission, however, attributed the inefficiency and poor performance of Kenya's parastatals to this

²Republic of Kenya: Review of Statutory Boards(Chairman, P. Ndegwa) Government Printer, 1973. p. 3.

freedom in their internal management. A recommendation was consequently made calling for more uniformity in the administration and control of public enterprises by the commission. As a result, two organs were created to assist in the control of the management of parastatals and to look into and control such important aspects as recruitment of staff and adherence to policy. These organs are the Investment Division of the Treasury, and the Parastatals Advisory Committee. The last one is under the office of the President together with the Inspectorate of Parastatals. It is too early to judge how effective these control measures will be since their impact has not yet been felt. There is however, a general feeling of resentment regarding these institutions.

This resentment is found among many parastatal employees who say that these control measures are going to interfere with the principle of autonomy so central to the functioning of parastatals. This argument may, however, not hold much water because as we argued elsewhere in this thesis, mere prescription of rules, principles and procedures do not necessarily make an organization efficient. Several

factors including the organization's environment must be taken into account. It was perhaps the peculiar nature of Kenya's environment that led to the need for and subsequent establishment of the two control organizations mentioned.

In addition to the newly introduced control measures already discussed, the government acting on the recommendation of another commission report³ categorised its parastatals into six major groups A,B,C,D,E,F,. The groups or categories represent or reflect the nature and functions of the parastatals. The first groups comprises the financial, development, commercial and processing activities. The second group constitutes, the regulatory, advisory, educational, professional and other miscellineous bodies (see appendix E for the different categories and salary scales). According to the new system, different salary scales have been assigned to different category of parastatals. It was said that this new system was aimed at bringing about uniformity in the management of parastatals.

3 Report of the Civil Service Review Committee, 1979 -
80 Chairman, S.N. Waruhiu, Government Printer,
Nairobi.

"In order to achieve the harmonisation as well as recognise the varied complexities in the scope and nature of the operations of the parastatals, the government has decided to categorise them and assign salary scales to each category⁴

The idea of harmonising the management of parastatals had been suggested by the P. Ndegwa Commission when it compared the autonomy of these organizations with the uniformity in the civil service(see page 183). It is however, not clear what criteria was used in assigning different salary scales to different categories of parastatals as given in appendix E. What is clear is that those with higher salary scale structures also do enjoy more management autonomy than the others. It is stated for example that the parastatals in category F, will have salaries similar to corresponding grades in the civil service and will also be required to be governed or closely follow civil service rules and regulations.

These differences in salary and autonomy are there irrespective of whether the one is more efficiently run than the other. This could cause several adverse effects on the efficiency of those

⁴ See Daily Nation, February, 28th, 1981, p. 1.

parastatals that earn less than their counterparts but which may hitherto have been running efficiently. It could create some amount of discontent which may lower the morale of these categories of employees and thereby lower their efficiency.

If the idea of assigning different salary scales to different parastatals was aimed at acting as an incentive to certain types of parastatals, something that all workers should be given, then perhaps a system should have been introduced whereby employees belonging to these enterprises were rewarded by means of yearly bonus payments based on profits made or good performance during the year. Thus enterprises expected to make profits would only get the bonus if they actually made profits. If they do not, or if they make losses they do not get the bonus. For non-profit making enterprises other measures of good performance could be devised and used. If this system was used properly it could act as a very good incentive to hard and efficient work. Almost all private companies use the bonus system very successfully and there is no reason why parastatals should not do the same. Some of them are in fact meant to operate more or less on commercial business principles.

Control of parastatals in Kenya are essentially aimed at securing more efficient performance as well as stopping those charged with their management from deviating from the public interest which they are meant to serve, in favour of parochial private interests which eventually would lead to the disintegration of such an enterprise. This control is to be carried out by the two bodies created after the 1979 commission that have been cited here. This control also involves parliament which is required to debate all the annual reports and accounts of all parastatal organizations in the country. Parastatal organizations are each required by law to submit such reports to the relevant Minister who then tables them in parliament for debate.

As individual cases such as that of the Kenya Tea Development Authority show, such debates have either never taken place or, if they do, have lacked the seriousness that they deserve. The problem seems to be with our members of parliament. Most of our members of parliament tend to lack thorough knowledge of parastatal organizations particularly the technical aspects of their reports. They do not seem to have time either to do research on these organizations

as evidenced by some of the remarks they make during debates on parastatal organizations. These debates have as a result tended to be shallow and not helpful at all in their intended purposes of controlling the activities of these organizations.

The public and the local press have also acted to some extent as control mechanism on parastatals. These however, have been least effective. Public efforts have tended to end with the publishing of their complaints and suggestions in the press without any action being taken against them. Attention and hope for effective control is therefore focussed on the newly created control organs that we have discussed on page

The Management of the Kenya Tea Development Authority

The Kenya Tea Development Authority as we know it today was established in 1964 by an order of parliament Legal Notice No. 42 under the Agriculture Act⁵ which specified its powers and objectives. The main responsibility of the Authority was the promotion and fostering of the development of tea among small scale African growers in Kenya. The Kenya Tea

⁵Laws of Kenya: The Agricultural Act (cap) 31.8,p.123

Development Authority Act also provides for the establishment of a Board of management and the appointment of such a Board by the Minister for Agriculture under which the Authority falls. The Kenya Tea Development Authority Board consists of representatives of major donor agencies notably the Commonwealth Development Corporation, representatives from the Ministry of Agriculture and other persons considered necessary by the Minister. According to information available the board currently consists of thirteen(13) members.

Among the most important functions of the Kenya Tea Development Authority board and indeed other public enterprise boards, are the formulation of policy guidelines for the management staff and the recruitment of this category of staff. The Kenya Tea Development Authority Board meetings are held every six months and according to board members these have been held very regularly. It was pointed out by one board member that the only such meeting that did not take place was the one scheduled to take place in August, 1978. The failure of this meeting to take place was due to the death of

President Kenyatta. Decisions of the board are supposed to be arrived at by popular vote but according

to members of the board this has never been necessary as there has always been a consensus of opinion on most issues. During these board meetings the activities and the performance of the enterprise are also discussed, the board thereby acting as a check on the enterprise and to ensure that public as opposed to private interest prevail.

There is however, an aspect of the composition of the Kenya Tea Development Authority board, and which is common to other parastatals in Kenya that has important implications for the realization of public or farmers' interest. This is the presence on the board of a representative from the Commonwealth Development Corporation, the major financial donor to the Authority. Other donors have not insisted on being represented on the board.⁶ The Commonwealth Development Corporation is a multinational corporation established in 1948 and based in London. It was originally established to assist in the economic development of the then dependent territories of the Commonwealth. It has always preferred to engage in economic activities oriented towards export earnings.

⁶ Information given by the Authority's Public Relations Officer during an interview with him in his office in March, 1981. No other donor is actually represented on the board.

Due to the "critical" role played by the Commonwealth Development Corporation in the operations and development of the Kenya Tea Development Authority, its representative on the board has been very influential and decisive in decision making in the board's policy deliberations. The board has always been concerned with the plans of the Authority which have always been initiated by the donor agencies including the World Bank and the Commonwealth Development Corporation. These donors have always insisted on and in fact sent out their own consultants to evaluate the performance of these plans and to prepare other plans which according to information available, have always been accepted and approved by the Kenya Tea Development Authority Board. The Commonwealth Development Corporation representative in the authority's board has been used to present these plans and to make sure they are approved. This is perhaps why there has never been a need to vote in the board.

Participation in policy through consultants and advisors as well as having representative on the board has been a precondition for the Commonwealth Development Corporations's participation not only in

the Kenya Tea Development Authority operations but also on all other parastatal organizations in the country including the Development Finance Company of Kenya. These aspects of the Commonwealth Development Corporation participation have two important implications or consequences on the work and effectiveness of the board as well as for the public interest which these organizations are meant to serve. The first implication is that since the plans of the operations of the Kenya Tea Development Authority are initiated and carried out by the consultants from donor agencies with the requirement that the board simply approves, this has reduced the functions of the board to that of merely rubber-stamping decisions or plans made elsewhere and does not offer them enough room to debate and make their own decisions.

They are therefore not as effective as would be expected of them. The debate on these plans and policy become mere formalities, decisions having been made elsewhere. The Authority's board and the management have merely been acting on the recommendations. It is important to note that both the board and these donor consultants and advisers are paid for

from the farmers money. If the job of preparing the plans and evaluating performance was left to the board a lot of money would be saved and perhaps the farmers would earn more money from their tea which they sell to the Authority.

The second important consequence of the presence of the Commonwealth Development Corporation's representative in the Authority's board is that because this representative is here to protect the interest of the Commonwealth Development Corporation which include ensuring that the Commonwealth Development Corporation's loans are repaid, and because of the 'critical role' of these loans to the Authority, the interest of this organization have tended to predominate as opposed to the interest of the farmers. The Commonwealth Development Corporation loans for example must be repaid by the Authority before payment is made to the farmer. The money for this payment is derived from the cesses levied on each farmer and also from the actual sales of the farmer's tea on the international market. In matters related to the Commonwealth Development Corporation interest such as the one just cited, their private interest are given priority while those of the farmers are treated as secondary.

The Control Structure of the Authority

The Authority as we have indicated is charged with the responsibility of introducing and fostering the development of a very demanding cash crop among widely scattered farmers both in terms of their geographical location and cultural backgrounds. Judged by the number of farmers already introduced to the Authority's programmes, the amount of acreage under tea cultivation and the quality of the tea processed and sold by the Authority, the performance of this Authority has been very impressive. In fact these points have been used as a measure of the success of the enterprise. To achieve this impressive performance, several administrative techniques and practices have been used by the Authority. According to sources at the Authority's headquarters and others⁷, this success has been attributed to the control structure and system of the Authority as well as to its system of supervision, extension work, coordination and planning. It is the system of control, coordination, planning and supervision that we want

⁷ See Etherington, D.M.; Small holder Tea Production in Kenya. An Econometric Study. East African Literature Bureau, Nairobi, Kampala,, Dar-es-Salaam.

to look at here and to assess their value or significance to the operations of the Authority. We shall also examine other factors that could explain the performance of the enterprise judged by the indications already mentioned.

The control structure of the Authority involves several mechanisms and is carried out in order to ensure the production and manufacture of high quality tea as efficiently as possible. In fact one of the reasons why the colonial government prohibited the growing of cash crops including tea, by the Africans was the fear that it would result in the production of poor quality tea and loss of revenue derived from their sales. This is perhaps part of the explanation why Swynnerton in his recommendations in the Plan to Intensify Agricultural Development Among the Africans called for land consolidation and the issue of title deeds. The idea was essentially to be able to know who was growing which crop where, and so could be controlled more easily than if there was no title deed and legal ownership of land. In fact the establishment of the Special Crop Development Authority the predecessor of the Kenya Tea Development Authority, was meant not only

to raise funds but also to ensure the control of the development of cash crops so that this development did not get out of hand. This need for control was stated in the report of the working party which established this Authority. The report stated:-

The working party is unanimously of the opinion that there is a need to set up a new authority to promote finance and control the development of cash crops, particularly tea for small holders.⁸

The control structure of the Authority involves the extension staff seconded to it by the Ministry of Agriculture. Their main duty is to control and improve standards of cultivation and production by advising farmers on these techniques. The leaf collection department or service also forms part of the control structure and supplement the control function of the extension staff by checking the green leaf at the buying centres to ensure that only the right quality green leaf is sold to the Kenya Tea Development Authority. This department is greatly assisted by the newly introduced armytype four wheel

⁸ Colony and Protectorate of Kenya: Report of the Working Party Set Up to Consider the Establishment of An Authority to Promote the Development of Cash Crops for Small holders within the Colony and Protectorate of Kenya, p. 5

drive lorries which help deliver leaf to the factories within hours after plucking. The third element involved in the Authority's control structure is the tea committee system. At the moment there are Divisional, District and Provincial Tea Committees consisting of elected farmers representative and some co-opted Kenya Tea Development Authority and Ministry of Agriculture officials. Over and above all these we have the Head Office which is the overall controller of all the Kenya Tea Development Authority operations. This control structure involves hierarchical relationship which begin from the general manager who is the chief executive of the Authority, down to the junior agricultural assistant and the farmers. We shall say more about this hierarchical relationship later.

The field extension staff consists of junior agricultural assistants, agricultural assistants, assistant Tea Office in some Districts, Tea Officers and Senior Tea Officers. All these are seconded to the Authority by the Ministry of Agriculture which pays all their salaries and meets their other official costs while they are under the direct supervision of the Kenya Tea Development Authority. There are at the moment a total of about

773 extension staff attached to the Authority. This includes the Assistant Tea Officers, Tea Officers and the Senior Tea Officers. In Kericho alone where the bulk of the research was carried out, there were a total of 96 extension officers from the Ministry of Agriculture attached to the Authority.

Each extension officer is allocated a number of farmers whom he is required to supervise and advise. My findings are that in Kericho, each junior agricultural assistant (the junior most officer in rank and the one in most contact with the farmer) has between 250 and 300 farmers under his care. Each extension agent is required to visit each farmer about 10 times in a month according to information available and to record each such visit in a book known as a "field report book". He is expected to record the date of the visit, the farmer visited, the nature of the advice given and later to report on the same book, the response of the farmer to the advice. These books are later collected every six months by the agricultural assistants who check them and forward them to the Head Office through the area Tea Officer. According to several junior agricultural assistants interviewed, it has not been possible to visit farmers as many times as required. This will be discussed

later when we assess the effectiveness of the extension staff.

The agricultural assistants are superior in rank to the junior agricultural assistants and are responsible for the direct supervision of the junior agricultural assistants and to make sure that they carry out their duties well. The agricultural assistants supervisory role involves checking of the field report books as well as occasional visits to the farmers. Apart from this supervisory role of the agricultural assistant, he is also a teacher or instructor in his own right. He too advises farmers on cultivation and production methods and therefore on how a farmer can increase his yields and quality of tea. The teaching role of the agricultural assistant was greatly increased in 1968 when the Authority introduced field group demonstrations as a method of passing on information to farmers. The introduction of this method was done in the face of the increasing number of farmers and the subsequent inability of the junior agricultural assistants to visit them as frequently as desired. It was therefore intended and assumed that it would save time and at the same time attract as many farmers as possible at one go. The agricultural assistants who are the ones

who carry out these demonstrations are required to carry out 8 such demonstrations in one month.

The agricultural assistant in turn is directly controlled and supervised by the Tea Officer and in some cases an Assistant Tea Officer. An example of how rigorous and strict this control is, is shown by the requirement that every agricultural assistant prepares schedules of such demonstrations and other aspects of his duties one month in advance and submit them to the Tea Officer with copies to the head office in Nairobi. These schedules should include information on the dates when the demonstrations will be held, where they will take place, the time and the nature of the problem to be tackled, etc. They also show exactly what each junior agricultural assistant will be doing at any particular time day by day. All these agricultural assistant's schedules must be read by the Tea Officers who directly supervise them. We can therefore see the amount of paper work the agricultural assistants are involved in, checking the junior agricultural assistant's field book, preparing their own schedules, visiting farmers and recording such visits etc.

Over and above all these field extension officers, are the two Senior Tea Officers one on each side of the Rift Valley. Thus we have one Senior Tea Officer East of the Rift Valley and is stationed at Nyeri. The other is West of the Rift Valley and is stationed at Kericho. They are responsible for all matters concerning their respective areas. They are fairly senior people who do attend the Kenya Tea Development Authority board meetings. They explain the Kenya Tea Development Authority board policies to their staff and through these to the farmers. They spend considerable period travelling between tea growing districts under their jurisdiction. Each is given a car for this purpose. The Senior Tea Officer supervises the work of the Tea Officer, agricultural assistant and junior agricultural assistant and helps in solving farmers' problems. Occasionally he organizes public barazaas at which he explains to the farmers the policies and operations of the Kenya Tea Development Authority. He ensures that the head office is well informed of what is going on in the field. This information flows very regularly.

The overall head of the field extension staff is the Chief Technical Officer who is based at the head office in Nairobi. He is assisted by one Deputy Chief Technical Officer and one assistant

Chief Technical Officer. These assist the Senior Tea Officer in supervising the extension officers by making occasional field visits to check on the work done by these officers in the field. These visits offer them an opportunity to discuss the progress and see it for themselves.

An Evaluation of the Extension Service.

According to the Authority's Chief Technical Officer who is in charge of the field development operations, decisions making in the Authority is highly centralized. Decisions are made by the head office who then pass them down to the field staff to merely implement.

In fact this applies also to the employees of the leaf collection department as well as those employed in the factory department, both operations being based in the field. Delegation of authority in the Kenya Tea Development Authority has not been allowed for several reasons. First, there is the fear on the part of the head office that the field staff are not responsible enough to make sound decisions. In the case of the extension staff, the problem is really between that of specialists and

generalists. The assumption is that the work of the specialist is only to apply his special skill as an advisor while decision making should be left to the generalists who in this case are at the head office. There is also the fact that most field officers are fairly junior in terms of rank as compared to the officers at the head office. The leaf Officer for example, who is really the head of the leaf collection department in the field, is a very junior person and as such cannot be entrusted with decision making. Moreover most field officers are ignorant of the Kenya Tea Development Authority policies and any policy changes that may be made. To delegate authority requires that the one to whom authority is being delegated knows what the policy is all the time, is willing and ready to accept responsibility, and that the person delegating authority has confidence and trust in him. This however, is not the case with the Kenya Tea Development Authority field staff who, as we said, rely on the head office for this kind of information and for instructions before introducing anything new. They have no latitude of action as they depend on instructions issued from above. This kills both initiative and enthusiasm in one's work, a problem the author detected among many lower level Kenya Tea

Development Authority employees. Centralization of decision making at the headquarters of an organization, whose major functions are carried out by field based staff and which calls for decisions so made to be communicated leads to delays which may at times be costly to the organization.

An example of a problem caused by this kind of arrangement was the case where farmers in an area felt that there was a need for the construction of an extra buying centre as the number of farmers being served by the existing centre at that time were too many and the centre was no longer centrally situated. These farmers who were from Buret Division were even ready and prepared to finance and construct the new buying centre on harambee basis. They approached the Tea Officer through their committee representatives. The Tea Officer agreed with them at a meeting held at a chief's centre on 7th November, 1980, and which I attended. He however, said that he had to raise the matter at the District Committee which in turn would refer the matter to the Provincial Committee with the final decision coming from the Kenya Tea Development Authority head office in Nairobi. By the time I left the area one month

later, no word had come from Nairobi about whether or not the centre could be constructed. This is a matter over which the lower level staff should be allowed to take immediate action or decision. It was clear that several farmers were inconvenienced as a result of this delay which was the result of over centralization of decision making and lack of delegation of authority.

There are other problems that render the work of the extension staff less effective than is usually thought. Success of the junior agricultural assistants and the agricultural assistants depend very much on their ability to reach the farmers and to actually talk to them. Secondly, one can only be certain that the information they record in their field books is correct, if they are counter checked. This means that they need actual physical verification. There is evidence that both these two important requirements are not always fulfilled.

According to information available most junior agricultural assistants and even agricultural assistants do not visit farmers as many times as is required and assumed. Several reasons account for the inability of the junior agricultural assistants to visit and reach

the farmers. In the first place there is the problem of too many farmers under the supervision of one junior agricultural assistant. There are times for example when a junior agricultural assistant may be called upon to care for about 400 farmers. This happens when for example, a junior agricultural assistant in an adjacent area is on leave or has resigned and there is no immediate replacement, a thing that happens very frequently. The second problem is that in many cases junior agricultural assistants arrive at a farmer's home only to find him absent and away from home. This was in fact causing a lot of concern to the junior agricultural assistants. The junior agricultural assistants do not give prior appointments or notice of their intended visits to the farmers. This is understandable. In the first place, it would only increase the work load of the junior agricultural assistant. Secondly, it would be a very time consuming exercise which in the end would be very frustrating.

The major reasons for the failure of farmers to be found at home during such farm visits is simple to come by. Rural communities of which the Kenya Tea Development Authority farmers are a part, have a

lot of social commitments and roles some of which conflict. Many are village elders and are called upon to solve domestic disputes, are asked to attend public barazaas and self-help groups, pay visits etc. All these places a lot of demand on the farmer who is also required to attend to extension officers. They are therefore not always at home to attend to these officers whom as we said do not give advance warning that they are coming. Over 50% of the junior agricultural assistants in Kericho said this was a major problem and is a source of frustration to them given the great sacrifices they give or make to visit these farms. The sacrifice is really the poor communication that they have to go through. Poor communication is a major problem which makes it very very difficult for the extension staff to reach the farmers and therefore to be effective. Although the Kenya Tea Development Authority through the Ministry of Transport and Communications has built several miles of tea roads, sometimes, especially during the wet season, these roads are very problematic and almost impassable. The biggest problem, however, is that public vehicles are not always available on these roads when needed by the extension officers. Most of these roads in any case

lead mostly to buying centres and to destinations that are not covered by these vehicles because they are not very profitable to commercial vehicles. Only very few such roads are covered by public transport. Transport is therefore very unreliable where sometimes distances to be covered by the extension officers are very vast. The junior agricultural assistants and the agricultural assistants are not provided with official means of transport and none of them had a car, motorcycle or bicycle of their own. Many said the motorcycle allowance or loan offered to them is not attractive because they say the terms are difficult to fulfil comfortably and their maintenance would be too costly for their meagre salaries. They are as a result forced to use public transport which as we have already noted are unreliable. In any case they are also too expensive. These officers are required to pay their travelling expenses first and claim later from the Ministry of Agriculture through the Kenya Tea Development Authority. This takes months to be repaid and leads to frustration among the junior agricultural assistants. These delays completely kills the incentive to spend first and then claim. Many therefore don't manage to get to their intended visits in

time and therefore are not able to visit as many farmers a day as is required. Transport and poor communication is therefore a major constraint and hinderance to the effectiveness of the extension officers attached to the Kenya Tea Development Authority.

The other problem which face the extension staff including the leaf collectors in Kericho District is the presence of large tea estates and companies such as the Brooke Bond and African Highlands. The problem here is that while the Kenya Tea Development Authority extension officers and leaf collectors insist on the farmers plucking only two leaves and a bud, and rejecting anything else, the large companies do not insist on this rule. Their tea pluckers can pluck even three or more leaves and a bud and are acceptable by these companies. The Kenya Tea Development Authority on the other hand, acting on strict instructions from the head office stick to the two leaves and a bud rule. They sometimes reject whole sacks of tea from farmers. This has resulted in bitter hostility between the farmers and leaf collection clerks and the Kenya Tea Development Authority generally. In fact at a public baraza

organized by the Senior Tea Officer, west of Rift, which was held at Litein on November, 1980, to stress to the farmers the need for quality tea and to explain why Brooke Bond and other tea companies can afford to accept three or more leaves and a bud, farmers publicly threatened to uproot or neglect their tea if the collection clerks continued to reject their tea. The problem is that farmers are paid per kilogram of tea they sell to the Kenya Tea Development Authority. The farmers in turn pay their labourers per kilogram of tea plucked. For the farmers therefore, quantity, rather than quality, is the most important consideration. The Kenya Tea Development Authority on the other hand stresses quality rather than quantity. The leaf collectors do not want to take any chances and therefore sometimes reject tea wholesale. They are mainly protecting their jobs given the strict disciplines and high standards expected of them by the Kenya Tea Development Authority. The problem of farmers is made worse by the relaxed plucking rules of adjacent companies such as Brooke Bond which as we already pointed out do not strictly require their workers to pluck only two leaves and a bud.

Earlier on in this thesis we said that an organisation's environment will have an effect on the organization just as much as the organization will influence its environment. The fact that the large scale tea organizations in Kericho have allowed their workers to pluck even three or more leaves and a bud while the Kenya Tea Development Authority insists on their farmers plucking only two and a bud, has according to our observation resulted in poor relationship between the Kenya Tea Development Authority and the farmers. These farmers do not understand why the Kenya Tea Development Authority officials reject their tea simply because the tea pluckers did not stick to the two leaves and a bud rule while the Brooke Bond Company for example will accept even three or more leaves. On occasions, the farmers have disagreed very seriously with the tea collectors on the issue of which quality of green leaf the farmer could sell to the Kenya Tea Development Authority. The result is that the relations between the farmers and the tea collectors is sometimes very strained, a thing that is not in the best interest of both the farmers and and the organization.

A further problem that was revealed to the author by most of the junior agricultural assistants and the agricultural assistants interviewed was that arising from the relationship between the Ministry of Agriculture and the Authority and especially the status of the junior agricultural assistant and the agricultural assistants attached to the Authority. Although there are certain advantages to be gained by the Authority from this relationship, such advantages including the opportunity it accords the Authority to draw on the support of the Ministry of Agriculture to enforce standards of cultivation and to wade off politics and political pressure by appealing and referring to the Ministry of Agriculture, the relationship has caused other problems. Standards of the Kenya Tea Development Authority, an essentially commercial enterprise, are very high and the Authority expects a lot from the Ministry of Agriculture extension officers seconded to it. These officers are aware of this and work very hard because of this expectation and also because the work is very demanding compared to other extension officers directly under the Ministry of Agriculture. Both are however, paid the same level of salary despite the differences in work.

Secondly, for the agricultural assistants and junior agricultural assistants attached to the Authority to be considered for promotion, they must have recommendations from the Kenya Tea Development Authority. They argue that the Kenya Tea Development Authority standards of evaluation being so high, they do not stand a chance when compared to their counterparts in the Ministry. There is therefore a fear of no promotion, however, hard one works. There is no evidence to prove that such do occur but the fear is there and this plus the problem of low salaries kills morale and enthusiasm and leads to poor performance. This problem was expressed by many junior agricultural assistants and agricultural assistants in Kericho. I have no doubt that it affects other junior agricultural assistants and agricultural assistant in other tea growing areas in the country. Many are just not happy or keen. The procedure of processing claims has also caused problems and frustration to the junior agricultural assistants and agricultural assistants. They have to go through many chandels, and this causes delay and kills interest and enthusiasm.

We pointed out earlier in this discussion that the usefulness of the field record book system

depends very much on the ability of the agricultural assistants and the Tea Officers to verify the information contained in them before we can use and rely on them. The responsibility of verifying these books according to the Kenya Tea Development Authority control and authority structure lies with the agricultural assistant. The agricultural assistants are also required to check with the farmers to determine whether or not visits recorded by the junior agricultural assistants in their field books were actually made. According to my finding (confidential report by the agricultural assistants) these verifications are never done. The agricultural assistants say they are too busy with preparing their own monthly schedules and in some cases assisting in areas where a junior agricultural assistant is on leave or where they are sick or have resigned. The agricultural assistants are also busy with their own demonstrations and do not just find the time. In any case the problem of communications and absence of farmers that do affect the junior agricultural assistant apply also to the agricultural assistants.

The problem we have been discussing in relation to the work and effectiveness of the extension staff is partly that of span of control.

For control and supervision to be effective the number of people (subordinates) being supervised must not be too big. The exact or most optimum number that should be under the control of one supervisor is one that has never been resolved by administrative theorists. They, however agree that it should not be too large. In the case of the junior agricultural assistants attached to the Kenya Tea Development Authority, the number of farmers they are required to control is certainly too big rendering control ineffective. This is made worse because of the distances and poor communications. Part of the problem therefore is also that of physical constraints in the form of poor communications and distances. This makes farm visits difficult and therefore ineffective. Finally, there is the problem of frustration and lack of enthusiasm due to the bureaucratic delays and red tape caused by the relationship between the Authority and the Ministry of Agriculture especially with regard to payment of claims to the junior agricultural assistants and the agricultural assistants, salary structure, and levels in relation to the amount of work done and the slim chances of promotion.

Under the present conditions in which the Kenya Tea Development Authority extension staff find themselves, they can hardly work effectively. In fact they are not as effective as is assumed by the Authority and others. What tends to happen is that the information filled in their field report books do not reflect the problems they encounter. They do not reveal for example that they do not at times actually reach the farmers or get them at home. These are concealed for several reasons. Efficiency of the junior agricultural assistants is measured by how often they visit and the advice they give to farmers which is assumed to be what contributes to the good yields by the farmers. Their chances of being considered for promotion also depends(at least the junior agricultural assistants believe so) on their efficiency as demonstrated by the visits and reports they give. Revealing that they are not actually visiting the farmers as frequently as required would be interpreted by the Authority as a sign that they are inefficient and would therefore not be considered for promotion. The junior agricultural assistant have therefore not revealed these problems and have rendered the field book system unreliable. It seems however, that it is a

closely guarded secret that the Authority head office is not aware of. The farmers being generally illiterate, do not seem to insist that the junior agricultural assistants visit their farms. In fact what tends to happen - (this is what actually happens according to many junior agricultural assistants interviewed) - is that the junior agricultural assistants discuss the progress of the farmers wherever, and whenever they meet them. Sometimes they meet them in shopping and marketing centres. The junior agricultural assistants then use these casual discussions as the basis of their reports on the field record books. They are also encouraged to do so by the fact that they know that their supervisors, the agricultural assistants, do not actually counter-check with the farmers whether or not they were visited.

Field Demonstrations:

In 1968, the Authority introduced a system of field demonstrations where each agricultural assistant was required to hold at least 8 demonstrations a month in his area. The idea was that it

saved time spent on travelling from one farm to the other. Several farmers would be required to converge in one farm where such demonstrations were to take place and at each such demonstration, a particular aspect of tea cultivation would be discussed and a demonstration of how or when that particular aspect should be carried out by the farmer is given. For example, during such demonstrations farmers may be taught how to apply fertilizer and the amount to be used per acre. In such cases free fertilizer is offered and used on the farm where the demonstration is being held.

Such demonstrations, it must have been assumed, could greatly assist the agricultural assistant to find out and verify whether or not these farmers are visited by the junior agricultural assistants as it brings together several farmers. However, from the two demonstrations that I attended, such verification was not done. One of the reasons why this was so was because the agricultural assistant more often than not arrived late at the demonstration centres due to the poor communication system and other personal problems. They therefore straight away embarked on whatever was to be done and had no time to discuss anything else with the farmers who were already impatient and tired.

The biggest problem however, which makes the demonstration less effective than they could be is the tendency, which I observed among the agricultural assistants, to concentrate these demonstrations on the farms of those who are generally successful or showing signs of success. The poor or less successful ones are on the whole generally ignored. The two demonstrations that I attended were done on farms that were very impressive. One was a farm belonging to a tea committee member and the other was a councillor's farm. At the councillor's farm, free fertilizer was used and whatever was left over after the demonstration was given to him. I later enquired from the junior agricultural assistants why they do not carry out these exercises among the less successful farmers. His response was that people like councillors and chiefs who happen to be the successful ones usually are respected by the people and many farmers would therefore attend demonstrations held in these places. He said that his experience was that when demonstrations were held on farms belonging to ordinary people especially those that had 'failed', less people attended.

What this officer was saying really is that he was much more concerned with the number of people who attended these demonstrations and that the bigger the attendance the better or the more successful the exercise was considered to be. He did not seem to be concerned about the effect of these demonstrations and to find out whether or not the people attending these demonstrations would later use the examples to improve their own farms. The assumption that mere attendance creates the intended impact is certainly a faulty one. As Mbithi has argued, many farmers in fact leave these demonstrations with the conviction that they cannot reach the standard of the successful farmers⁹ and will therefore not attempt to practise what was demonstrated. This Mbithi, argues, may only lead to isolation of the progressive farmers. This practice of the extension workers confining their demonstrations to the progressive farmers is not confined to Kericho alone and to the Kenya Tea Development Authority staff only.

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Mbithi P., 'Agricultural extension as an Intervention Strategy: An Analysis of Extension Approaches **S** In Rural Administrations in Kenya.' David, K. Leonard (edt) East African Literature Bureau, 1973, p. 83.

Jon R. Moris¹⁰ found a similar practice in Embu among those officers responsible for cotton growing. It is a bad practice but one that is widely used by extension agents. It is therefore very unsafe to assume that the Kenya Tea Development Authority field demonstratoions are effective unless we assume as do the agricultural assistants, that when they receive large attendance they are effective. This however is a wrong assumption as Mbithi's arguments suggest .

Tea Committee System:

The provision in the Kenya Tea Development Authority Act¹¹ for elected growers' representatives with final representation at the Authority's board makes the Kenya Tea Development Authority a very unique statutory Authority. It is unique in the sense that most other parastatals do not have such a system. The idea that there should be special farmers' committee down to the grass roots was considered right from the period of the establishment

¹⁰Moris, J.N. 'Managerial Structures and Plan Implementation in Colonial and Modern Agricultural Extension: A comparison of Cotton and Tea Programme in Central Kenya' In Leornard, D.K.(edt) Rural Administration in Kenya. East African Literature Bureau, 1973, p. 105

¹¹Laws of Kenya: The Agriculturae Act Cap. 318,p.123

of the Special Crop Development Authority, the predecessor of the Kenya Tea Development Authority. It was, however, not until much later that the idea of having elected representatives was accepted. At present there are Divisional, District and Provincial Tea Committees consisting of elected farmers representative and a few officials from the Authority.

Initially the main purpose of having the Committee system was the need felt at the time that the introduction of tea on small holder schemes among the Africans needed popularizing. It was feared that Africans would not be very enthusiastic about the crop especially since it was a very demanding crop in terms of time and techniques. The committee were therefore expected to generate enthusiasm among the farmers by explaining to them what the Kenya Tea Development Authority is all about. Whether or not the campaign by the committee is what was responsible for the interest shown by the farmers in growing the crop is not easy to assess because as we shall see later on, there were other factors that led to this interest.

Another role that was assigned to these farmers' committees was that of assisting in the control of the development of the programme which was considered a precondition for the success of the programme. Although there was a feeling that enthusiasm had to be generated, there was at the same time a feeling that the whole exercise must be controlled especially with regard to the number of growers to be introduced and who should be allocated a licence to plant tea. It was considered that only those people thought capable of succeeding as tea farmers should be allocated a licence. The problem was then how these people should be selected and who should select them. It was decided that the committee members were the ones best qualified to undertake this job. The letter below from the then General Manager of the Authority stressed this role.

I consider that one of the first and most important tasks that can be given to the District Tea Committee is that they should be allowed to make recommendations as to how many stumps should be given to each grower and which growers should get them. This is a matter which is always bringing the Agricultural Department under criticism and I think we can now place the

responsibility fairly and squarely on the shoulders of the growers' representatives¹²

The Divisional Tea Committee would select farmers or potential farmers and forward their names to the District Tea Committee for approval. Thereafter these farmers' names would be forwarded to the head office for record purposes. It should be noted here that the committee do not decide on how many farmers will be selected. This is a policy matter and is decided on by the head office. The only decision the committee makes is who should be selected in their narrow areas of operation.

As the above letter implies, the selection of growers by their representatives would help cover the Authority officials and even the Ministry of Agriculture from criticisms and local politics and political pressures. Any complaints would be referred to the committees. This political role has in fact been very important and, increasingly, these committees are very effectively being used for this purposes. For example, the Assistant Tea Officer in

¹²Letter written by Penwill, J.D., the then General Manager, Special Crop Development Authority "Planting Programme, 1962" to the District Agricultural Officer, September, 18, 1961, Kenya Tea Development Authority files.

Kericho said that he had always used his District and Division Tea Committee as a protection against complaints from farmers and local politicians about new or other changes in the Kenya Tea Development Authority systems and procedures.¹³ He says that he first of all discusses any new policy directives with these committees and obtain their agreement. He then lets them explain to the farmers before he implements the directives. Whenever changes affecting farmers were effected without going through the committee's problems usually arose.

A case in point is the change made in October 1980 regarding the method of recovering fertilizer loans given to the farmers. Previously these were deducted monthly from the farmers' sale of tea after an agreement on how much should be deducted was reached. In October, 1980, however, the head office altered this system and effected the new system without prior consultation or notice to the farmers' representatives or the Tea Officer and his assistant. All the deduction was now done at once during the 2nd payment. The result of this was very bitter feeling by both the farmers and the committee representatives. The farmers blamed their

¹³Interview with the Assistant Tea Officer, Kericho November,

representatives for not informing them of the intended changes while the committee members argued that they too were surprised and were unhappy about the fact that they were not consulted over the issue. In fact at one Divisional Committee meeting in Belgut Divisional Headquarters some farmers representatives argued that the way the Authority acted over the issue only lead to farmers loosing faith in their representatives and could cause problems in future. Some even threatened to resign their positions. The bitterness arose out of the fact that in 1964 the Authority had clearly stated that it would always seek the advice of the committee before making any decisions especially where farmers' direct interests are involved. At one of the board meetings in 1964 the Authority said:

It is clearly laid down on the Kenya Tea Development Authority order that Regional Tea Boards, District Tea Committees and Divisional Tea Committee are advisory bodies. This means that the board of the Kenya Tea Development Authority is the body which makes the decisions, but before making these decisions the Authority's Board is able to obtain the advice of the Regional Tea Board and District Tea Committees¹⁴

¹⁴Government of Kenya, Kenya Tea Development Authority, "Powers and Duties of Regional Tea Boards, District Tea Committees and Divisional Tea Committees" Board Paper No. 121, Nairobi, October 23, 1964, pp. 1-2

From the case we have just cited, it is clear that the advise of the Tea Committee is not always sought by the Authority. In fact what tends to happen is that decisions are made at the head office, and then passed on to the Tea Officers who then call the tea committees to inform them and explain what these decisions imply. They then discuss and agree on what and how best the committee members would present the issue to the farmers so as to obtain their approval. This is what the Assistant Tea Officer in Kericho meant when he said that he consults the committee first and obtains their approval before implementing new directives. Once this has been obtained he then can implement directives with little problem from the farmers. In the case of the fertilizer that we just mentioned, this procedure was not followed hence the problem that it generated. The consultation talked about seem to actually involve finding out how best an idea and a decision already made elsewhere in the Authority's hierarchy can be introduced to the farmers. It does not really take place before such decisions are made.

A very important function of these committees and farmers' representatives and which they have

performed very effectively is that of assisting the Authority's extension staff in the campaign to encourage farmers to use certain farm inputs such as fertilizers and certain chemicals that destroy weeds under the tea bushes. The committee members especially at the Divisional level have been particularly useful in assisting the junior agricultural assistants and the agricultural assistants to supply fertilizer and stamps to farmers when these exercises are being carried out. According to the assistant tea officer in Kericho, the assistance given by the committees in this regard are invaluable given the fact that there are very few agricultural extension workers compared to the farmers who seek these services during peak periods.

The remarks in every Kenya Tea Development Authority Annual Report and Accounts¹⁵ regarding the value of these tea committees is therefore probably not exaggerated given the important role these committees have played and continue to play in assisting in the distribution of farm inputs, their role in legitimizing the Kenya Tea Development

¹⁵ See for example the 1978/79 and 1979/80 Annual Report and Accounts for the Authority.

Authority policies and procedures when passed through them and the cover they provide for the tea officers against local politics and pressures. They have been of great assistance and have indeed contributed positively to the operations of the enterprise.

Planning:

In addition to the control devices discussed above, planning which Leys defines as a process consisting of "selection of objectives, identification of possible course to achieve them and securing action in conformity with the course identified"¹⁶ and which is a very important administrative device, forms a very crucial part of the Kenya Tea Development Authority's operations. In fact all the Authority's operations are based on advance planning. Planning which in the Authority involves simple identification of how many new farmers to be introduced over a given period, and based upon that, how many factories to be constructed in order to meet the planned production, was started in 1959/60. The second plan prepared by the Authority

¹⁶ Collin Leys: The Analysis of Planning.

started in 1966/67. The last plan was completed in 1980. These plans have been necessary and have greatly facilitated the control of the development of the tea industry. The plans have been necessary for the application for funds to the donor agencies by the Authority. These donors are very strict and wish to know on what activities their loans would be spent before they can release the money. This has necessitated the preparation of these plans. Actually most of the Authority's plans are prepared by the donor agencies especially the World Bank and the Commonwealth Development Corporation or at least their representatives must participate in the preparation of these plans. The Kenya Tea Development Authority plans have also enabled the Authority to estimate roughly how much revenue they would get in the form of cess and tea sales which they would use for repaying the loans. Most of the Kenya Tea Development Authority operations as we noted are financed by loans from donors who insist that these must be paid in time after the 7 years grace period.¹⁷

It was therefore the nature of the financial

¹⁷The Authority, Kenya Tea Development Authority, Mimeo Kenya Tea Development Authority files undated.

requirements and obligations of the Authority that these plans have been necessary.

According to information available these plans have on the whole been successful and the target aimed at by these plans have always more or less been met.¹⁸ Several reasons account for the success of these plans. In the first place, the finance for their implementation has always been available whenever asked for. The Authority's officers responsible for signing loan agreements said they had always made sure this was done.¹⁹ Many times they have had to follow the relevant government Ministry especially that of Finance (Treasury) and the Ministry of Agriculture to make sure no delays are experienced in processing loan forms. This is because they say that the whole development of the Authority and its operations depend on these loans. The Ministry of Finance must be involved in loans application because it acts as a guarantor.

¹⁸ Interviews with the Assistant General Manager Kenya Tea Development Authority, February, 1981

¹⁹ Interviews with Mr. C. Irungu, Kenya Tea Development Authority, Company Secretary in his office, February, 1981

Secondly, the Kenya Tea Development Authority plans, as we pointed out, are very simple. They are not as complex as for example National Development Plans. These plans simply consist of an indication of the projected or desired acreages to be planted, and the number of factories that will accompany the increased production and of course how much money needed. The donors are known and are guaranteed. Generating enthusiasm among farmers and therefore getting the planned number of farmers has not been difficult. Reasons for this will be discussed later. Apart from this simplicity of the plans, and the availability of funds and the people to implement them, there is also the fact that politics and political competitions which usually is a major cause of failures²⁰ of planned development do not seem to be a problem in the Kenya Tea Development Authority areas of operation. At least it does not affect the tea programme in Kericho District. As a result the allocation of licences to growers has been done without major problems.

²⁰For details regarding why planning has not always succeeded in the developing countries, refer to Collin Leys' article "A New Conception of Planning" IDS, 1969 Discussion Paper No. 33, pp, 6 - 9.

Although planned crop production targets have not always been achieved with precision, the problem has more often than not been due to natural constraints such as adverse weather conditions such as the one experienced in 1976. During such periods, production has normally fallen short of planned target but such are always envisaged and the Authority makes allowances for them. Other problems include the fact that the Authority has really no control over the behaviour of famrers especially regarding how often and how much tea they pluck. The Kenya Tea Development Authority can only hope that farmers will pluck tea every day but cannot enforce this as they do not have the machinery to do so. Farmers as we pointed out are very busy people and sometimes may not be able to pluck tea everyday. It is not even possible to ensure that labourers pluck tea everyday because in Kericho District the problem of labour is very great. Many labourers run away to work on the large tea estates. This leaves farmers in a very awkward position and it sometimes takes days or weeks before another labourer is employed. This interrupts the supply of tea to the factories. This was pointed out by the Authority's factory Superintendent who said

they have no control on the farmers and cannot know exactly how much tea to expect everyday.

These problems have however not disrupted the operations and plans of the Authority to any significant extent and it can be said generally that the plans have been successful.

Co-ordination:

From what we have said so far about the Kenya Tea Development Authority and its operations it is clear that the Authority has several different but interrelated activities. To begin with we have head office based operations and field based operations. The field based operations include the work of the extension staff seconded to the Authority by the Ministry of Agriculture, the leaf collection department and the factory department. Similar and more departments are operated at the head office. The mere fact that the organization is divided into head office and field operation in itself requires that these operations which are supplementary, be co-ordinated. The involvement of, or the relationship between the Authority and the

Ministry of Agriculture also requires co-ordination. The division of the Authority's operations into several departments also calls for very close and effective co-ordination since all these departmental activities are interrelated.

Co-ordination calls for very clear cut channels and methods of communication which is a very important organizational device without which co-operative effort cannot be meaningful. Communication is therefore very important for the success of the Kenya Tea Development Authority operations and indeed for the success of all other organizations. Several methods of communication and therefore co-ordination have consequently been devised by the Kenya Tea Development Authority aimed at passing decisions from one part of the organization to another. The Kenya Tea Development Authority, as we pointed out already, is a highly centralized organization in terms of decision making and with very clear cut hierarchy of authority. This hierarchy of authority forms the most used channel of communicating decisions and instructions from one part of the organization to the other. Decision making is centred at the head office and are only passed down the organization to the field where they

are implemented. The field staff in other words rely exclusively on the head office to make decisions which are then transmitted to them through the established hierachy.

The problem with this process is that, as we said before, it results in and causes a lot of unnecessary red tape and delays that can be very costly to the organization. The nature of the operations of the Kenya Tea Development Authority is such that there are cases where decisions can best be made by the field staff who are on the spot where actual operations necessary for the success of the enterprise are going on. We cited the case of the delay caused in making a decision as to whether or not to construct an extra buying centre because the idea had first to be referred to the higher authorities. This insistence on hierachy of authority has also been the major cause of delays in processing the claims submitted by the junior agricultural assistants and agricultural assistants, and the resultant frustration and their reluctance to spend in advance of payment. This, as we pointed out, has contributed to the little enthusiasm and interest the extension staff have in their duties of visiting

farmers. We noted that one of the reasons why there is no delegation of authority in the Kenya Tea Development Authority's administrative structure is the fact that the officers based in the field, save for the senior tea officer, who is not a direct employee of the Authority, are all very junior staff in terms of their status and rank in the organization. They therefore, cannot be relied on to make decisions especially those that may involve matters of policy. The Leaf Officer for example who is in-charge of the Leaf Collection Department in the field is very junior. This problem could be solved and control made more effective and efficient if the status and ranks of the field officers were upgraded and the officer made more responsible. For example, there should be one Assistant Factory Superintendent based in the field. At the moment such an officer is based in Nairobi where we also have a Deputy Factory Superintendent and the Factory Superintendent, the overall man in-charge of the factory department. Similarly, there should be at the local level, an officer of a higher rank than the present Leaf Officer. Otherwise the Leaf Officer's post should be upgraded. These people should be allowed to make certain decisions such as

verifying and paying the claims of the extension staff on the spot. It is probably true that the upgrading of these posts will result in a rise in costs to the organization in terms of salaries to be paid to these officers. My opinion is that the advantages to be gained from this in terms of promptness in decision making and thereby increasing the morale and motivation of the field staff do outweigh the costs involved. With increased morale and interest among the extension staff their work may be more productive than it is at the moment.

At the moment the Authority relies on occasional field visits by the senior officers from the head office to assist in the spot identification of problems and to solve these problems. This however, is not effective. There are too many tea-growing areas throughout the republic, making visits by one man not effective at all. According to the Factory Superintendent he is not able even with the assistance of his deputy to make as many as half the visits he would like to make to discuss problems and improvements with his factory managers in the field.

The reason is the distances between factories are just too vast as they are dispersed in several districts in the country some of which are very far apart from one another and certainly from Nairobi. This problem of distance is compounded by the generally poor state of roads in the country making the idea of going on a field trip very unpopular. The Factory Superintendent pointed out that this is why the Authority introduced the system of group factory managers. According to this system, one group factory manager would be in-charge of five or six Factory Managers. It was hoped that this would strengthen the administration of the factory department and introduce and enforce similar standards of tea processing in all the tea factories. The Factory Superintendent said however, that he is still not happy with the system.

Besides the communication system and channels already discussed, the Authority has other systems of communication and co-ordination. Inter-departmental co-ordination especially at the head office was initially done through regular departmental meetings chaired by the General Manager and attended by all heads of departments. Various issues affecting the Authority as a whole as well as those

affecting individual departments would then be discussed and problems solved and decisions made collectively. This practice was, however, stopped by the previous General Manager for what many departmental heads said "for reasons best known to him". The feeling was, however, that he wanted to exert his authority more by making decisions more or less on his own. Instead, the General Manager introduced a system of internal memo requiring each departmental head to write such memos and pass them on to every other departmental head. This then would form the system of passing on information regarding the activities of one department to the others. This method, was, however, criticised by two departmental heads on the grounds that it is time consuming as several of these memos flow in everyday, and if one were to read all of them, he would not have enough time to do other and perhaps more pressing duties such as scrutinizing and signing payment vouchers and planning other official operations etc. Moreover, they said that these memos are very costly in terms of stationery and time used for typing them. It is even possible that some departmental heads do not read all these memos.

The biggest advantage of the departmental meetings was that it gave the departmental heads an opportunity to participate or at least feel that they were part and parcel of the decisions made by the Authority and which they were later responsible for implementing. During these meetings, various issues affecting individual departments and the organization as a whole were raised and discussed. It was also during these meetings that solutions to problems were proposed and certain decisions made by departmental heads as a group. This feeling that they participated in the Authority's decision making no doubt helped to boost the morale and motivation of those officers. With the stoppage of these meetings and reliance on internal memos many departmental heads lost that enthusiasm.²¹ The common opinion expressed by these officers was that the meetings should be re-introduced. Some wanted them re-introduced simply because these meetings facilitated a chance to meet

²¹ This revelation was made to the author by one of the top officers of the Authority who requested that he should not be identified with this opinion. We shall therefore not disclose his name. It should be noted, however, that most of the departmental heads interviewed later, expressed the same opinion although not so directly. These are those who wanted to give the impression that all was well with the organization. They all however, insisted the meeting should be re-introduced.

as a group. It was however obvious that the actual reasons for their calling for the re-introduction of these meetings was that they wanted to participate in the decision making of the Authority.

Internal staff memos and strict adherence to hierachial chain of command as channels of communication supplemented with occasional field visits by head office staff are then the major means of co-ordination used by the Authority. Regular monthly meetings do occur only between the agricultural assistants and the Tea Officers in the field. At the head office, however, these monthly meetings were stopped as we have just discussed and replaced by internal staff memos. In addition to these official channels of communication and co-ordination there are in the Kenya Tea Development Authority several informal channels of communication. These will however, not be discussed here.

Other Factors that Explain the Performance of the Kenya Tea Development Authority:

We have in the preceeding pages analysed the Kenya Tea Development Authority's control structure the work and system of its extension staff, communication and co-ordination systems of the Authority,

field/headquarter relationships as well as planning and the committee structure. This was done with a view to determining their effectiveness and contribution to the Authority's performance. From the analysis, it is clear that the impressive performance of the Kenya Tea Development Authority measured in terms of the rapid expansion of acreage, the increase in the number of farmers attached to the Authority since its inception as well as by the quality of tea processed by the Authority, cannot be attributed solely to the above administrative practices.²² There must be other explanatory factors. It is these that we now wish to examine.

The success of a project such as that of the Kenya Tea Development Authority depends very much on the existence of tea and growers. This has been no problem to the Authority. Before this happens, however, there must be a willingness and motivation on the part of the potential and actual growers to grow the crop and to be attached to the organization whose requirements in terms of standards are very demanding.

²²Most Kenya Tea Development Authority, officials attributed the success of the programme to the tight control over the operations and farmers.

This was a major concern to the colonial government and as we said, was partly responsible for the provision and creation of special tea committees. As we pointed out, one of their jobs was to popularize the tea programme and to encourage farmers to grow the crop. This was because tea was confined only to colonial settlers during the colonial period. It was therefore feared that farmers would be reluctant to grow the crop.

It is, however, possible that many Africans were very anxious to grow cash crops which they were prohibited from growing during the colonial days. The settlers and colonialists lived a better and enjoyed a higher standard of living than the Africans, many of whom were mere sources of labour on the Europeans' farms. The good living standards were attributed to the fact that these people controlled these cash crops from which they received money to buy other items (there were, of course other reasons why the colonialist enjoyed better living standards). There was always therefore a desire and aspiration among the ordinary people as well as among the so called nationalists

to replace the colonialists and to do what they were doing during colonialism. Out of curiosity and the need and feeling that growing cash crops would result in better living conditions, many Africans must have welcomed the removal of the legal and administrative regulations that prohibited them from growing the crops. The colonialists had monetarized the economy hence, the need, even among the Africans, to grow cash crops. It would therefore appear that special committees were not necessary to encourage the farmers. There was always an interest aroused by these conditions created by the colonial regulations.

Our findings are that over 60% of our sample were attracted to the Kenya Tea Development Authority and tea growing because of the possibility of getting money. The Kenya Tea Development Authority farmers are paid monthly for every kilogramme of tea they pluck and sell to the Authority. There are also yearly payments to each farmer based on the total number of kilogrammes sold by the farmer throughout the year. According to records, the Kenya Tea Development Authority has always paid the farmers regularly and in time. This is also used as an indication that the Authority is efficient. It could however be attributed to the fact that the

Kenya Tea Development Authority realized that if they did not pay its farmers regularly, they (farmers) may abandon the crops. As a result the Authority would not raise the revenue required to pay its donors. This would probably lead to the collapse of the enterprise since it is very dependent on the production and sale of tea by the farmers and on international loans. Although there are legal safeguards against farmers abandoning or uprooting their tea, these have never been used. According to the Authority's company secretary, the reluctance to resort to court action is due to the uncertainty on the part of the Authority about what effects court action would have on the organization in terms of the farmers and the public attitude towards them. It is feared, and perhaps with reason, that potential and actual growers may feel fearful and therefore refrain from participating in the programme altogether. This would kill the Authority. To encourage the farmers therefore, a lot of effort is made to ensure that farmers are paid promptly.

There is another factor that has contributed to the apparent success of the Authority. The Kenya Tea Development Authority was for a long time the only

legal source of planting material for its farmers. This monopoly was however, destroyed by the introduction of vegetative reproduction. This could lead to illegal plantings and growers who would then use all sorts of methods to have their tea sold to the Authority. This would obviously interfere with and make the control system less effective. There were one or two cases of illegal growers in Kericho but the Authority was aware of their existence. During the period when the Authority monopolised the supply of planting materials such illegal growers were not there. The Authority was able to control the industry.

To date however, and this is one of the most important contributions to the 'success' of the Kenya Tea Development Authority, the Authority is the only avenue through which farmers can sell their produce. Because of this monopoly, all revenue from the tea is controlled by the Authority. In this, the Authority is very different from other parastatal organizations, because in many other parastatals, there are several other unofficial channels through which their members can sell their produce. These include the Maize and Produce Board, the Kenya Meat Commission and the Dairy Board of Kenya. In the case of the Dairy Board,

dairy farmers can sell milk to individual members of the public, or through small scale cooperatives which are very poorly managed. These have been known to swindle farmers' money. They can also sell direct to the Kenya Cooperative Creameries which is a very powerful cooperative organization. The Dairy Board is therefore left almost purposeless. Similarly maize farmers have several other channels through which they can sell their maize other than to the Maize and Produce Board through the Kenya Farmers Association. In any case, maize is a product that can be stored for a long time by the individual farmer and deny the Kenya Farmers Association and the Maize and Produce Board revenue. Tea on the other hand cannot be stored after plucking and must be taken to the processing factory within hours after plucking. Its transportation also needs special care which many farmers cannot afford hence the building of buying centres near farmers and by the road side. To facilitate the transportation of the tea, the Kenya Tea Development Authority has purchased army type four wheel drive lorries which can travel even on poor roads with very little damage to the tea.

Because of the monopolistic nature of the Kenya Tea Development Authority and the nature of the crop

in which they deal, it has become very difficult for the organization to lose revenue from tea to other illegal organizations or channels. Smuggling can only occur after the tea has been processed and distributed for sale.

It should also be noted that although tea is a technically demanding crop that requires a lot of attention and time, once the basics are known it becomes fairly easy to maintain the quality required. This seems to have been the case with most farmers who joined the project during the early period of the programme. These have also acted as examples and a source of inspiration and encouragement to the new farmers who learn from them. With the existing willingness to grow the crop, mastering the basic techniques of tea cultivation has not been difficult. This has assisted greatly and made the work of the junior agricultural assistants even easier. Perhaps they are aware of this and so are not worried that their ineffectiveness will be discovered.

Success of the Authority has also been greatly assisted or enhanced by the fact that the Kenya Tea Development Authority has very clear cut job

descriptions and duties for their staff right from the top down to the junior agricultural assistants. These are clearly spelled out and each is responsible for whatever failures that may occur in his department. Lack of clear cut demarcation and specification of responsibilities is a source of failure or poor performance of many parastatal organizations in Africa and the third world. It tends to create confusion and reluctance to make crucial decisions thus leading to organizational failure. In the Kenya Tea Development Authority, duties and responsibilities are very clearly demarcated and specialized. Every departmental head strives to make sure that his department works well. The only problem with the Kenya Tea Development Authority regarding this aspect is that lower level staff especially those in the field have been working under great tension and fear and have at times tended to over react to what appears to be mistakes and which may be blamed on them. This is especially so with the leaf collection staff. These clerks, as we pointed out, are responsible for ensuring that only good quality tea is bought from the farmers by the organization.

Quality here means two leaves and a bud. As we pointed out, many adhere to this rule very strictly and do not want to take any chances lest they be blamed for accepting poor quality tea. They, as a result, sometimes reject farmers' tea wholesale once they detect some poor quality leaves. They do not even give the farmer a chance to sort out the good from the bad and sell the good. This has created hostility and poor relationship between the farmers and the leaf collectors. It is also because of this fear and tension as a result of attempts to meet the required high standard that the junior agricultural assistants have been afraid to report their failures to meet farmers to their superiors through the field report books. On the whole however, these clear cut job responsibilities have enabled the Authority to meet its planned target.

We are not in any way suggesting that the work of the extension officers of the Kenya Tea Development Authority, the planning system and the co-ordination as well as other control mechanism analysed earlier have had nothing to do with the apparent success of the Authority. ' On the contrary, we are aware for example, that it is due mainly to

the fact that the Kenya Tea Development Authority has controlled and kept all the record of all farmers attached to it and that this has enabled it to collect all the cess revenue from all its farmers, thus enabling it to meet its financial obligations paid for by these cesses. We are also aware of the valuable work done by the committee members especially during periods of planting and supplying agricultural inputs.

All these have helped in the success of the Authority. We are, however, saying and we have attempted to show that there are certain problems and constraints that have made these processes not work as effectively as possible. We have also shown that in addition to the control system the co-ordination and supervision methods, other factors have greatly contributed to the 'success' of the Authority. These include the willingness by the farmers to participate on the programme, the monopolistic nature of the Authority as well as the nature of the crop. The clear definition of duties and responsibilities has also greatly contributed to the success of the Kenya Tea Development Authority.

Finally, in concluding this discussion on the management of the Kenya Tea Development Authority and factors that affect its efficiency, I would like to discuss the practice or problem of the introduction of politics and political support in the management of this enterprise. It is very clear that towards the end of the 1970s the management of this public enterprise was very heavily supported politically by some very powerful politicians. A clear case in point was the support given in 1979 to the then General Manager, Mr. Charles Karanja by the present Vice-President and Minister for Finance the Hon. Mwai Kibaki. In that year there were persistent tea shortages in the country following the transfer of the distribution of this commodity to the Kenya Tea Development Authority through the Kenya Tea Packers Association. The local press and the public as well as members of Parliament complained of this and demanded an explanation from the Kenya Tea Development Authority's General Manager. On several occasions, the General Manager refused to explain to the public what the problem was. (See weekly review January 26th, 1979, p.31, and February 2, 1979, p. 24). While the blame was being placed on the management of the

Kenya Tea Development Authority, the Vice-President came out in defence of the General Manager and the Authority saying it was one of the best statutory organizations in the way it spent money. He went on to commend the Authority for the good job it had done in promoting small scale tea growing in the country since its formation nearly thirteen years ago. (See Weekly Review May 4, 1979, p.27)

Earlier in the year the same Vice-President defended the authority and its management when it was revealed that the then General Manager was using the Kenya Tea Development Authority factory manager trainees to run his private factory called Ngorongo, in Kiambu. This defence largely explains the General Manager's arrogance when asked to explain the position. He, for example, said about the use of these Kenya Tea Development Authority staff in his private firm "because I control Ngorongo, I can send them there " ²³. Here was a case where a public institution was being used to promote parochial private interest. The Development Authority managers that were used by the private firm were paid by or from public funds. This ruins

²³ Weekly Review, February, 2, 1979, p.24.

the public organizations as many who run it begin to see it as a source of personal advancement rather than for what it is, an institution established primarily to serve and promote public interest. If this political support was not given perhaps the attitude of the General Manager would have been different. It is possible that with this kind of support he could have smuggled or participated in the smuggling of tea outside the country, leading to the claimed shortages.

It is also quite possible that it was due to this political support and protection that only people from one ethnic group headed all the departments of Authority. In our study of this organization, we found out that all the departmental heads with the exception of the Assistant General Manager (administration) were from one ethnic group. The same situation was observed among their assistants and deputies as well as other staff of the Authority.

All these came from one ethnic group. The result is that even when the General Manager was misusing the Kenya Tea Development Authority's factory manager trainees, none of the other staff complained. They all wanted to conceal the weakness

of the General Manager and the organization. In fact nobody in the organization wanted to discuss this issue with the author during my research. They all wanted to protect the image of the General Manager. The reason was no doubt the fact that these employees were all from one ethnic group. In fact the General Manager must, in addition to the political support he got, have been encouraged to use public officials in his private firm, because they would not reveal or complain about this. They were all "his people". The organization was in other words being run like a family concern/affair

We are not saying that the officers and staff of this enterprise are not qualified or that they are inefficient. All we are saying is that the fact that they all came from one ethnic or tribal group tends to make them run the organization as a family or private firm. There tends to be a lot of laxity and reluctance on their part to criticise and point out failures of the organization. The organization eventually loses its original objective. The case of the Kenya Tea Development Authority General Manager using the staff of the enterprise illustrates the point we are making. The problem here is that of tribalism and ethnicity. It is one of those

major problems that has caused the dismal or poor performance of public enterprises in Africa²⁴.

In Kenya as the study by Dressang indicates, tribalism and ethnicity in parastatal organizations is a very common and widely (see Dressang's findings discussed in chapter two) practised phenomenon and is perhaps the major reasons or cause for the failure of these enterprises in East Africa.

Politics was also introduced in the management of the Kenya Tea Development Authority through the recent appointment of the present General Manager by the President. According to the Kenya Tea Development Authority's Act, the appointment of the General Manager is the responsibility of the Kenya Tea Development Authority Board and should be done on the basis of merit. This had been the case with the previous general manager. In February, 1981, however, the President appointed the new General Manager and observers in the enterprise saw this

²⁴See East African Management Institute/Germany Foundation for International Development, Conference Report. "Barriers to Effective Performance in Public Enterprises"

appointment as politically motivated. We have already, in chapter two, discussed the effects of political appointments on the management and efficiency of public enterprises. With the Kenya Tea Development Authority Chairman and General Manager being appointed on political considerations, the enterprise may begin to loose control and consider politics and political pressure as requiring more attention than the administrative efficiency that the Authority has so far been proud of. If these problems of political protection and tribalism are allowed to continue to invade the Authority, then it could soon fall far short of what is expected of it.

CHAPTER FIVE

THE ROLE OF THE KENYA TEA DEVELOPMENT AUTHORITY
IN THE SOCIO-ECONOMIC TRANSFORMATION OF KENYA

In the previous chapter we discussed the management of the Kenya Tea Development Authority. Our main focus was on the effectiveness and weaknesses of some of the major administrative devices and techniques used by the Authority. The aim was to evaluate and assess the extent to which these administrative techniques have contributed to the operations of the Authority.

In this chapter we discuss the role and contribution of the Authority in the development or socio-economic transformation of Kenya. We shall use socio-economic differentiation as a measure of this development.

It was pointed out earlier in chapter four that the Special Crop Development Authority and its successor, the Kenya Tea Development Authority, were meant not only to raise funds for the development of tea among small scale African growers but also

to create great socio-economic and political changes among the farmers attached to them. Specifically, the smallholder tea growers attached to the Kenya Tea Development Authority were expected to be transformed from subsistence to capitalist farmers.

Their transformation into rural capitalists or entrepreneurs was expected to result from the investments that it was hoped or assumed they could engage in after accumulation of revenue derived from their tea sales. With this transformation, the colonial government, which established the Special Crop Development Authority hoped or assumed that political contentment considered so vital for further economic development would be realized.

The aim of creating political stability was later re-stated and reiterated by the independent Kenya government when in the 1964 - 1970 development plan it was said:

Finally greater African participation in the monetary economy will help preserve political stability and will further government efforts to achieve greater national unity.¹

Whether or not political stability and national unity has been achieved and whether it can be attributed

¹ Republic of Kenya: Development Plan 1964 - 1970
Government Printer, Nairobi, p.41

to greater African participation in the monetary economy is of course a matter of debate. It seems, however, that mere participation in the economy would not necessarily result in the desired political stability and national unity. Several other conditions and factors would need to be fulfilled for unity to prevail

Kenya's economic policy especially regarding the role and relationship between the public and the private sector was clearly stipulated and articulated in Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya and in subsequent development plans, and reference to this policy has already been made earlier in this thesis. It is within the context of this economic development policy i.e. capitalist development, that the role and contribution of the Kenya Tea Development Authority shall be discussed. We shall in this case be examining whether or not the presence of the Kenya Tea Development Authority and its operations has resulted in the intended socio-economic changes., the nature and direction of these changes and their implications for further and future development of the country. An answer to the issue or question: Who gains or benefits from such joint ventures between third world governments and international private capital, (see introduction) should come from the analysis of the role of this organization i.e. the Kenya Tea Development

Authority, being undertaken in this chapter. In which case we shall also be contributing to the theoretical debate between the dependency and development theorists referred to in the introduction.

In discussing the above we shall take into account the stage of the country's capitalist development and thereby examine whether or not these changes reflect the stage of capitalist development in Kenya.

For convenience, we shall discuss the role and contribution of the Authority at several levels. At one level, we shall be discussing the role and implications of this enterprise for the relationship between the state and the international capitalist system and the effect of this on Kenya's internal development. This will also involve a discussion of the Kenya Tea Development Authority's contribution to Kenya's foreign exchange and export earnings. At another level we shall be dealing mainly with the Kenya Tea Development Authority's contribution to rural development with particular emphasis on its impact on the rural areas in which small tea growing takes place.

Finally, we shall deal with the Authority's impact on the farmers attached to it. At this level, we shall be interested in finding out the nature and extent of the

socio-economic differentiation that has occurred among the farmers resulting from the revenues accumulated from the tea sales. We shall therefore, at the level of the farmers be interested in discussing and analysing the process and pattern of revenue accumulation, investment and consumption patterns and the effects of these on the general living standards and conditions of these farmers.

The Role of the Authority in the National Economy

The introduction of the smallholder tea project as a cash crop among the rural Africans and the subsequent establishment of the Kenya Tea Development Authority to foster and promote this development has had several important consequences for this country. Since the establishment of the Special Crop Development Authority and its successor the Kenya Tea Development Authority, in the late 1950s, and early 1960s respectively, thousands of formerly subsistence farmers have been drawn into cash crop farming and the monetary economy. In 1958, for example, there were only a total of 289 tea growers in Kericho District attached to the Special Crop Development Authority. By 1979/80, the number had increased to 15,617 in this district alone under the Kenya Tea Development Authority. The total amount of land planted with tea by these farmers had during a similar period increased from 180.39 acres to 18,411.14 acres. The

total number of the Kenya Tea Development Authority farmers in the whole country as at the end of 1979/80 was 129,912.² The table On page 266 gives details of how many farmers were introduced to the Kenya Tea Development Authority project every year between 1958 and 1980. It also shows how many acres of land were planted with tea each year during that period. In terms of numbers therefore, one can safely and with confidence say that the Kenya Tea Development Authority has succeeded in what it set out to do, namely to promote and foster the development of tea growing among the small scale subsistence farmers.

The fact that the Kenya Tea Development Authority has attracted so many farmers is no mean achievement considering the fact that this has occurred in a relatively short time. We noted that the colonial government in Kenya had instituted legal and administrative regulations prohibiting Africans from growing tea and other cash crops. These regulations were not relaxed and finally removed until the last five years of the 1950s i.e. barely five years before independence in 1963. Most farmers therefore did not really start tea growing until the 1960s, hence my statement that the programme started relatively recently. The achievement is also significant when we consider the fact that tea growing on small holder basis

²The Kenya Tea Development Authority, 1979/80 Annual Report and Accounts, p.13

had been tried elsewhere and failed. Finally, note must also be taken of the existence of long established and well managed large tea companies in the country especially in Kericho District.

Table Two

Tea Planting Details in Kericho District per Year
Between 1958/80:(small holder sector)

Year	No. of Growers		Acreage	
	Introduced	Totals	Planted	Totals
1958/59	289	289	180.39	180.39
1959/60	115	444	149.23	329.62
1960/61	451	895	210.75	540.37
1961/62	432	1318	281.96	822.33
1962/63	420	1738	386.75	1209.08
1963/64	13	1751	370.41	1579.49
1964/65	476	2227	344.53	1924.02
1965/66	671	2898	615.24	2539.26
1966/67	813	3711	853.95	3393.22
1967/68	761	4472	947.46	4340.68
1968/69	507	4979	968.70	5309.38
1969/70	704	5683	818.33	6127.71
1970/71	481	6164	833.95	6961.66
1971/72	768	76932	1605.60	8567.26
1972/73	758	7690	1053.00	9620.26
1973/74	1486	9176	1394.40	11014.66
1974/75	1295	10435	1114.23	12128.89
1975/76	1138	11573	661.05	12789.94
1976/77	1196	12769	1499.20	14289.14
1977/78	803	13572	1243.20	15532.34
1978/79	578	14150	1093.60	16625.94
1979/80	971	15121	1785.02	18411.14

(Source: Compiled by the Author from the Kenya Tea Development Authority Records, Kericho Office).

These have offered very stiff and unfair competition with Kenya Tea Development Authority for quality tea.

Reasons for the initial interest in tea growing by Africans and therefore for the ease with which the Kenya Tea Development Authority attracted and obtained the cooperation of these farmers were already discussed (Chapter 4) and will not detain us here. It will, however, suffice here to note that the willingness of the African small scale farmers to participate in the tea programme has greatly contributed to the overall success of the enterprise. (We are here measuring "success" by the number of farmers introduced and attached to the Authority since its establishment). Without this willingness the number of farmers would possibly not have warranted the kind of developments and projects that the Authority has undertaken since its inception. It is also possible that without this willingness created or brought about by reasons already discussed, (chapter 4) more expensive methods of attracting farmers would have been used thus adding costs to the Authority's operations.

By attracting so many growers, the Kenya Tea Development Authority has played the important role of intergrating the smallholder sector of the economy,

previously composed of purely self-sufficient subsistence farmers with the national and international capitalist system. This integration brought about by or as a result of the Kenya Tea Development Authority's operations and activities in this sector was made possible in several important ways. The Authority and through it, the small holder sector is linked to the international economy in the first place by the fact that the Authority relies almost wholly on international loans and finance for its factory construction and maintenance as well as for other of its operations. The principle loaning or donor agencies to the Kenya Tea Development Authority are the Commonwealth Development Corporation(CDC) the World Bank, the European Investment Bank and others (see chapter 4).

In addition to this heavy dependence on international loans and other financial assistance, the Authority imports fertilizer which it in turn loans to the small scale tea growers attached to it. The Kenya Tea Development Authority farmers were required to obtain their fertilizer only from the Authority on loan. Arrangements were then made whereby redemption of these loans was carried out through monthly deductions from the affected farmers' revenue from tea sales. (Not all

farmers used fertilizers although their number is now growing). In October, 1980, however, this system of repayment of fertilizer loan was altered. Farmers were now required to pay for the loan once a year when they receive their annual second payments. This point was discussed in greater detail in the previous chapter. Apart from the imported fertilizer, there are several other farm **inputs** such as tractors and chemical sprays and other machines which the farmers are required or advised to use and which can only be obtained from international firms through their agents or local branches. Through all these farm **inputs** some of which are not extensively used by many farmers, we shall discuss why later, the smallholder or subsistence sector of our economy is in a very significant way integrated with the international capitalist economy.

The third significant way in which the operations of the Kenya Tea Development Authority has facilitated the country's integration with the international capitalist system is through the sale and marketing of Kenya's tea. The Kenya Tea Development Authority relies almost wholly on the international market for the sale of its tea. We have already pointed out that only about 15% or so of all the Kenya Tea Development Authority tea is sold and consumed locally.

The remaining 85% or so is sold on the international market. These markets we noted include Great Britain, Germany, Canada and the United States. On return from his recent visit to West Africa, President Moi reported that he had successfully signed an agreement with Nigeria and Ghana to buy Kenya tea and expressed the hope that soon West Africa will be a major market for Kenya tea.

There are two important points to be noted in regard to the sale of tea on the international market. The first point is that tea sold in this market fetches much higher prices and therefore revenue and profits to the Kenya Tea Development Authority and the country than the tea sold locally at government subsidised prices. The existence of this market is therefore of great significance to the 'success' of the Kenya Tea Development Authority and the smallholder project. Second point to be noted is that, it is revenue earned by the Authority from international sales that are used to pay the farmers what is officially known as the second payment and which the farmers refer to as "bonus". This money is much more than the monthly payments and comes regularly every October. It is very important because it is usually in lump sum and comes at a time when most farmers are

faced with huge expenses such as school fees which consumes a considerable portion of the farmer's money. It is also this second payment which attracts a lot of potential farmers to the Authority as we already noted. The payment is also an important determining factor in the investment possibilities among these farmers. This point will be discussed in greater detail later in this chapter.

The integration of the country and the small holder subsistence sector of our economy with the international capitalist system as discussed in the preceeding pages has had several effects and consequences both to the farmers involved and the country as a whole. One very obvious consequence of this integration for the country is that it perpetuates Kenya's dependence on the developed and particularly the western capitalist world for her own development. The implications and consequences of this economic dependence for the development of the third world of which Kenya is one, has been well analysed and succintly presented by the dependency or underdevelopment theorists such as S. Amin, G. Frank, Walter Rodney and others. In short, their main contention or thesis regarding the relationship between the third world and the developed world is that it has produced and is

responsible for what they call underdevelopment in the third world i.e. the process or situation in which the development of the third world is conditioned by developments taking place in the developed world.³

It creates or results in unbalanced development in the third world where only those sectors that are directly relevant to and in which international capital is involved is allowed to develop while the other sectors of the economy and regions of the country remain unchanged in terms of the existing forms of production.

Public enterprises such as the Kenya Tea Development Authority which rely mainly on international private capital do operate only on specific regions in the country where return to capital is greatest. This is because the main reason for the

³These arguments have been presented more succinctly by Frank, G.A. in Capitalism and Underdevelopment in Latin America Monthly Review Press, New York, and London, 1979 and also by Rodney, W., In How Europe Underdeveloped Africa, Bogle L'Ouverture Publications London, and Tanzania Publishing House, Dar-es-Salaam, 1972, and in Amin's Neo-colonialism in West Africa, Penguin Books, 1973

participation of international capital in the Kenya Tea Development Authority activities is the appropriation of surplus profit which are being continuously transferred and repatriated to the western capitalist countries through the donor agencies with the support of the comprador or satellite third world countries; thus only benefiting the west and the donors.

It is incontestable that international capital will not participate in ventures that are not economically profitable to them, hence their major concentration in export oriented projects especially those producing primary export goods. The involvement or integration of the small holder sector to the international capital has had the effect of creating different categories or classes of people in the rural areas and in the country as a whole. Since for a long time during colonialism there were only a few projects in only a few parts of the country, in which international capital operated, we have had, in Kenya areas that are highly developed while others comparatively underdeveloped. For several years for example, the Nyanza Province was not affected by the introduction and activities of international capital in the country, these having been concentrated outside the

region; the tea plantations in Kericho, sisal plantations in Eastern and Coast Provinces and state employment particularly in Nairobi. Many people from Nyanza therefore immigrated to supply labour to the plantations in the neighbouring provinces and towns with the result that most of their little investments as well as expenditures were concentrated outside the province. It is this migration of labour outside the province that among other things led to the process of undeveloping the province.⁴

Other areas particularly where international capital was involved witnessed the introduction of new forms of economic organization and production which as we pointed out in the introduction are important components of development. Nyanza on the other hand did not have these new forms of economic organization and production; instead it witnessed the immigration of labour. It is interesting to note here that since the recent introduction of sugar complexes in Nyanza (Awendo, Muhoroni etc) with the participation of international capital, tea plantations in places like Kericho now do experience labour shortages. My observation is that the labour that was originally coming from Western and Nyanza Provinces is no longer forthcoming as they now prefer to stay nearer home. There has been no complaint or reports of shortages of labour in the sugar plantations in Nyanza. In fact there is abundance of such labour.

⁴See Anyang' Nyong'os remarks in paper entitled The Economic Development of Nyanza since 1945, Prepared for the Economic Workshop. The Reunion of the Luo Student's League, Christmas 1980.

The integration of the country with the international capitalist economy has not only caused regional imbalances such as the ones discussed above, but has also caused or resulted in inequalities within the areas where international capital is directly operating. In the case of the Kenya Tea Development Authority for example, there are clear signs of this type of situation. Our observations were based on the situation obtaining among the Kenya Tea Development Authority farmers in Kericho district. Out of the sixty six respondents interviewed, only fourteen had some amount of investment in more productive enterprise but as we shall show later, these had other sources of income apart from tea. The majority therefore do not invest. We are therefore getting a situation whereby very few people are getting richer or better off while the majority are getting even poorer within the tea farms.

The reasons why this is happening among the tea farmers is not difficult to come by. Tea cultivation we noted is a very demanding activity. It is demanding both in terms of the cost of the required inputs such as fertilizer and chemical sprays as well as the amount of time and attention it requires. The majority of the farmers can not afford to purchase all the necessary inputs and are therefore not able to succeed

very well. At the same time these people cannot ignore or abandon their tea once they have been licenced to grow the crop. They are legally required and compelled to care for and attend to the tea once they plant the crop. In any case, they still do get some money however little from the tea, and given the fact that our economy and people's lives is very much dependent on money, these farmers pay a lot of attention to their tea. This leaves them with very little time to grow other cash or subsistence crops. (This is discussed later.). The result is that they actually get worse off since they have very little subsistence crops on which to rely and at the same time, the little money they get from their tea is not enough to buy all the necessary items from the market on which they are increasingly dependent.

Only very few are therefore able to buy all the required inputs and therefore to transform into rural entrepreneurs or capitalists. These are however, very few and cannot create adequate investment in the rural areas. The fact, however, is that these activities of international capital do create new social contradictions in the rural areas within which they operate and in the country generally. This

situation is of course desired by the international Capitalists as it ensures continued operations and appropriation of profits through the sale of their technology and 'expertise' to the country. For the country, these social contradictions may create political instability and disunity, thereby defeating one of the major intentions in creating joint ventures such as the Kenya Tea Development Authority and other parastatal organizations. This dependency syndrome caused by the activities of international capital is certainly more beneficial to the foreign capitalist and Kenya's comprador capitalists than to the ordinary farmer involved in the Kenya Tea Development Authority and other people in the country.

It is clear from what we have been saying that the increase in productivity arising from the operations of the Kenya Tea Development Authority does not necessarily result in an egalitarian distribution of the resultant cash incomes. As will be demonstrated later in the chapter, more and more farmers are in fact finding it increasingly difficult to improve on their yields and therefore to improve their income and living standards. This increase in productivity and incomes is confined to a relatively few people. The result is a tendency towards a widening income gap which will no doubt result in socio-economic

inequalities and contradictions that may have adverse consequences for the political system.

These unequal developments between regions and communities in the country brought about by the operations of this enterprise which, as we said before, is heavily dependent on international capital, is of course, very much in line with Kenya's economic development policy which favours the formation and development of classes. Our contention is that if inequalities and exploitation in the country is to be eradicated, then we must not only re-examine our relationship with international capital but perhaps more important we must re-examine and re-structure our internal economic development structure and modes of production. In other words, we agree with Weeks and Dore that the internal mode of production is an important consideration in all this debate about the causes of underdevelopment in the third world. To the extent that the capitalist mode of production was a colonial imposition on the traditional pre-capitalist modes of production in Kenya (some of these pre-capitalist modes still exist), we tend to agree with Frank and Amin that the relationship with the developed western capitalist world in general and with

international capital in particular, must also be taken into account in addition to the internal economic structures within the third world countries.

A further important consequence of the presence of the Kenya Tea Development Authority and which is related to the fact that the organization has integrated the smallholder sector into the international economy is that it has caused the majority of the small scale growers who were originally purely subsistence farmers to become increasingly dependent on the market for their production and reproduction. This point will be discussed in greater detail at a later stage in this chapter. For now it will suffice to point out that about 80% of our 66 respondents said that since they started receiving money from the sales of their tea to the Kenya Tea Development Authority, they have become more and more dependent on this revenue for the purchase of foodstuffs and therefore for their livelihood. Prior to this period, most of them relied on their land for the production of subsistence crops on which they lived. With the cash from tea they are now buying most other foodstuffs from the market. Their eating habits too have now changed.

It is not being suggested here that the process of integrating the smallholder sector with the market economy is a new phenomenon which came to Kenya only with the establishment and emphasis on agro-industrial complexes such as the Kenya Tea Development Authority. On the contrary, we are aware that this process dates back to the coming of colonialism and the entire colonial period. The colonial system introduced and imposed the cash economy on the African people whether subsistence farmers or not. This monetarisation of the economy during the colonial period did not however, have a big impact on the African subsistence farmers since the cash economy was actually confined mainly to the settler areas. None of the Africans were really allowed to grow cash-crops for example. However, what seems to be worth noting and which is new in this process of integration is the speed at which it is currently taking place as a result of the introduction of agro-industrial complexes and other public enterprises that rely on international finance capital. The process is taking place at a speed unknown before and has several implications for the socio-economic transformation of the rural small scale farmers. Some of these we have just discussed in respect of the activities of the Kenya Tea Development Authority and

the tea farmers.

The tendency among the farmers to rely on the market for their foodstuffs could also be explained in terms of the availability or non-availability of time for substantial subsistence crop farming among the small scale tea growers. It will be remembered that tea farming is tedious and requires one to work throughout the year. It takes several hours every day and this tends to leave farmers with very little time for growing subsistence or food crops. Many who value money therefore concentrate on tea farming and use this money for buying their daily food requirements from the market, thus abandoning or paying very little attention to food crop production.

This change of emphasis has also been encouraged by the emphasis placed on the value of cash crops by our government and some political leaders in the country. So much value has been attached to money that mere possession of it however little, and from whatever source has become a major preoccupation of everybody. Perhaps this explains why people in this country use all sorts of methods including their official positions in government and parastatal

organizations to acquire personal wealth. In the previous chapter: we cited a case where a former General Manager of the Kenya Tea Development Authority admittedly used his official position to run his own private factory.⁵ There were in the 1970s cases where civil servants were accused of corruption and all sorts of malpractices⁶ which resulted in inefficiency. The point is that no one wanted to be left behind in this drive to acquire money and wealth. The tea farmers are no exception and their tendency to prefer growing cash crops to subsistence crops should be explained partly by this drive to possess money, the desire having been brought about by the monetarisation of the economy and the stage of the country's development.

I do not have evidence in the form of figures to indicate whether or not food production, in the cash crop growing areas, has fallen but almost every respondent said that he no longer produced food crops such as maize, beans and vegetables on the same scale as before the introduction of tea. A colleague of mine currently finalising his M.A research found out

⁵ See Weekly Review, February, 2, 1979, p. 24

⁶ Nyamu, H.J.: The State of the Civil Service: Government Printer, Nairobi, 1975.

that the current tendency for food shortages occurring in the third world is to a great extent attributable to the introduction of and emphasis on agro-industrial complexes like the Muhoroni Sugar Scheme, the Kenya Tea Development Authority and others⁷ with their emphasis on cash crops. If the statements given by the respondents regarding this question and Odhiambo's findings are anything to go by, then the effects of the activities of this public enterprise on food production in the areas where it operates are obvious. The operations of complexes like the Kenya Tea Development Authority may in the long run result in so less or little food being produced that the country may become dependent on the developed world even for food. This would make our dependence on the developed world complete. In fact the agricultural situation in most of the third world countries worsened in the 1970s forcing several of them to import food from the developed countries. This was the situation Kenya found herself in at the start of 1980s forcing her to go begging for help in the form of maize from the U.S.A. and other countries.

⁷Odhiambo-Mbai, A Conjuncture of State and International Capital on Agro-industrial Development: The Political Economy of Petty Commodity Production. The Case of Muhoroni Settlement Scheme in Kenya, 1960-1980, M.A Thesis, University of Nairobi, (forthcoming).

The Authority as a Foreign Exchange Earner:

One of the major reasons given for the introduction and acceptance of joint agro-industrial complexes such as the Kenya Tea Development Authority is that they assist in the increased productivity of cash crops on which the third world countries depend so much for their foreign exchange and export earnings.

Kenya being so heavily dependent on agriculture and in particular cash crops was only too pleased to join hands with international capital in the formation of the Kenya Tea Development Authority. This helps get foreign exchange. In fact the Kenya Tea Development Authority's record in terms of its contribution to Kenya's export earnings and foreign exchange has been very impressive. Between 1963 and 1980 for example, the Kenya Tea Development Authority's sector earned the country about Ksh. 3,041,459,230.8 as compared to the estate sector's Ksh. 6,607,739.890 during the same period. (see appendix B for more details of Kenya Tea Development Authority value for individual years during this period)

In relation to other principal agricultural exports the tea industry has for many years been second only to coffee as the table shows.

TABLE 3:

PERCENTAGE OF DOMESTIC EXPORTS PRINCIPAL
COMMODITIES 1970 - 78 (VALUE K'000)

	PERCENTAGE OF TOTAL VALUE								
	1970	1971	1972	1973	1974	1975	1976	1977	1978
Coffee	21.6	18.2	20.1	22.2	18.2	16.4	29.3	42.5	33.7
Tea	12.8	11.4	13.4	10.5	9.2	10.7	10.7	14.5	17.1
Sisal Fibre	1.8	1.4	1.7	3.0	3.0	3.4	1.3	0.8	1.1
Pyrethrum Extracts	2.1	3.1	3.7	2.3	2.7	2.2	2.2	1.3	1.3
Pinneaples(Tinned)	0.7	0.0	0.7	0.9	0.7	1.7	2.2	2.2	2.6
Cotton-Raw	1.2	1.1	1.1	0.9	0.5	0.6	0.4	0.1	0.4
Wool-Raw	0.4	0.2	0.3	0.5	0.3	0.2	0.2	0.2	0.2
Cashew-Nuts ✓	1.5	0.7	0.9	0.4	0.8	0.5	0.3	-	-
Beans, Peas	0.8	0.7	1.4	0.8	0.8	1.1	0.5	0.6	0.6
Maize	0.1	-	0.4	4.0	1.2	2.4	1.3	0.1	0.2

Source: Statistical abstract 1979. Central Bureau of Statistics.

The most important point to be made and noted when examining the value of tea as given in appendix B, and in the above table is that it is the Kenya Tea Development Authority's smallholder sector that has experienced the most dramatic expansion in the tea

industry. It is therefore this sector's contribution that has made it possible for tea to occupy the position it enjoys now in terms of its value to the country's foreign exchange and export earnings. In fact sources in the tea industry say that as soon as the small holder sector (the Kenya Tea Development Authority) overtakes the estate sector which they are confident it will, (see also the Kenya Tea Development Authority rate of expansion in appendix B) tea will surpass coffee and become Kenya's number one foreign exchange earner. Foreign exchange earnings are considered important for Kenya's overall development because it facilitates the purchase of Western technology on which the country depends so much for her own development. Perhaps this is why the Kenya government will not allow any opposition to these agro-industrial complexes.

The Authority and Rural Development:

In addition to the above consequences and implications of the presence of the Kenya Tea Development Authority for Kenya's overall development and economy, we can pinpoint several other specific changes that have occurred in the rural areas that can be attributed to the activities and operations of the Kenya Tea Development Authority. It should, however, be pointed out right from the outset that most of these developments are more incidental than planned

or even envisaged. They have, however, occurred and since they have relevance to the efforts and concept of rural development defined as "an increase in the ability of (rural) individuals and community to increase its span of control over factors which affect it,"⁸ We shall discuss them as part of the Kenya Tea Development Authority's contribution to rural development. There are several factors which make it very difficult for rural residents and communities to raise and improve their living conditions and standards and it is these factors that rural development efforts aim at reducing. These factors include unemployment, poverty, lack of income, poor means of communication and transport systems and other social and physical amenities and facilities. If these were completely eradicated, then we could be certain of raising and improving the living standards of the rural communities. It is therefore significant to note that some of these obstacles to rural development have been and continue to be reduced by the activities and operations of the Kenya Tea Development Authority

⁸Mbithi, P.M., 'Agricultural Extension as an Intervention Strategy: An Analysis of Extension Approaches' in Leonard, D.K.(ed) Rural Administration in Kenya. East African Literature Bureau, 1973, p.85

One area in which the Kenya Tea Development Authority's operations have been contributing to rural development as defined in this thesis is in the field of transport and communications. The Kenya Tea Development Authority has played a great role in the provision, development and maintenance of roads in the tea growing areas. For the Kenya Tea Development Authority to transport green leaf (green or fresh tea leaves) from the buying centres to the factories without causing damage to the weight and quality of tea, the organisation requires good and passable roads, in addition to the special four wheel drive lorries that it has purchased. The Kenya Tea Development Authority and the government recognised this need and both embarked on the construction of what were called "tea roads". These roads were called tea roads because originally they were meant to be used only by the Kenya Tea Development Authority's vehicles and the farmers when transporting their green leaf to the buying centres and not for the general public.

The importance of these roads, (built to serve the Kenya Tea Development Authority) to rural development is considerable. One thing they have helped to do is open up the rural areas both within and outside

the tea growing areas. As a result these areas have become much more accessible and attractive both for the rural residents as well as to those urban dwellers with rural families and other rural ties. The point is that several thousand miles of tea roads constructed by the government at the request of the Kenya Tea Development Authority throughout the tea growing areas are no longer confined to the use of the tea farmers and the Kenya Tea Development Authority vehicles only. They are now used by the general public within and outside the tea zones. These roads have as a result provided very good and important means of transport and communication in the rural areas.

The existence of these roads has reduced distances greatly and made general travelling much easier. According to my respondents, the volume of passenger vehicles along these tea roads has increased tremendously over the last several years. Many urban dwellers can and according to our information from Kericho residents, are now travelling frequently to their rural homes because of the existence of these roads. It gives these people an encouragement and opportunity to develop many productive and other projects in the rural areas. Previously this was not easy or possible because of poor or lack of roads.

The frequent visits to rural areas by urban elites has also no doubt the effect of increasing the circulation and volume of money in the tea growing rural areas. This is a healthy phenomenon for rural development as it has facilitated the establishment of several commercial enterprises in the rural areas. This increases the purchasing power of the rural dwellers and will probably in the long run make rural life much more meaningful.

This might reduce the country's rural urban migration. Several businesses such as road transport are now developing in these areas and this provides employment for rural residents and therefore an incentive to stay in these areas.

Perhaps we should point out here that the actual construction and maintenance of the tea roads is not paid for by the Kenya Tea Development Authority as such. This responsibility rests with the government through the Ministry of Transport and Communications. The government through Ministry of Transport and Communications allocates some money annually, to the Kenya Tea Development Authority for the construction and maintenance of these roads. The plans for these

roads as we pointed out were made by World Bank and the Commonwealth Development Corporation consultant teams. The Kenya Tea Development Authority does however, press for the construction of these roads and for their maintenance when they become impassable due for example to heavy rains and poor maintenance.

During my research in Kericho District, I attended several Divisional and District tea committee meetings and noticed that one item that was always in the agenda of these meetings was the issue of the state of these roads. It was given so much prominence that there was always a representative of the Ministry of Transport and Communications present at these meetings. Almost every committee member urged the representative of the Ministry of Transport and Communications to do something about the tea roads. The impression given by this representative was that of sympathy with committee requests. On the whole, the government has always been willing and ready to improve these roads.

Another important aspect of the Authority's operations which has had a positive impact on rural development is the construction and maintenance of

the Kenya Tea Development Authority's factories. This is an exercise that is always going on in one tea area or another and the construction of one such factory takes up to two and a half (2½) years or more. At the moment as we have already pointed out, there are about twenty nine (29) operational Kenya Tea Development Authority tea factories all over the country. (See list and location in Appendix D). The importance of the contribution of these factories to rural development is that it does provide employment to local rural dwellers. It is the policy of the Kenya Tea Development Authority that all the labourers or labour used for the construction of these factories is recruited from the factory surrounding areas. For example a factory in Buret will get labour only from Buret etc. Once the factory is completed a lot of junior staff who work in these factories are also recruited from the local areas according to the policy of the Authority.

Employment for local people is also provided by the leaf collection department. Nearly all the Kenya Tea Development Authority leaf collectors and leaf clerks in Kericho were people from the district as were all the Kenya Tea Development Authority leaf collection drivers. The point we are trying to make here is that the Kenya Tea Development Authority

provides employment to many rural people. This gives the rural people income which increases their purchasing power. The implications of this for rural development have already been discussed in an earlier section of this chapter.

When talking about employment for rural people we must also remember that there are those who are employed by the farmers themselves to pluck and care for the tea. These are not included in the category of those employed formally by the Kenya Tea Development Authority. They are however, quite a number when we consider that about 68% of our 66 respondents said they relied on wage labour for tea farming. We have also said that most farmers rely on tea farming for their livelihood.

Apart from the above category of employees or employment, the Kenya Tea Development Authority, as an organization has other personnel in several of its other departments. We found out that the number of people employed by the Kenya Tea Development Authority in 1980 was 3,527 excluding the extension officers and other officials of the organization seconded to it by the Ministry of Agriculture. There were 730 extension officers and other Ministry of Agriculture officials

attached to the organization. In total therefore, there are about 4,300 people employed by the Kenya Tea Development Authority i.e. those in the Kenya Tea Development Authority's payroll in the whole country.

We pointed out earlier that employment or lack of it is one of the major obstacles to rural development. From what we have just said in the preceeding paragraphs, it is clear that the Kenya Tea Development Authority is doing a lot to reduce this obstacle in the rural areas as well as in the country as a whole. The fact that the Authority helps in the provision of employment is particularly important when we consider that unemployment is one of the biggest problems and of great concern to our government. According to the 1980 Economic Survey,⁹ there were 120,000 job seekers registered with the Ministry of labour whose total included 67,397 brought forward in 1979. According to the same survey the number of registered job seekers was as high as 260,000 in 1979. The survey explained the increase

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Economic Survey, 1980. Central Bureau of Statistics, Ministry of Economic Planning and Development, p.63

in registration in that year as being the awakened interest in employment prospects as a result of the presidential decree calling on all employers to take on an additional 10% of their total workforce. It should be noted however, that the figures quoted above do not reflect or show the exact number of all the unemployed people. It only shows the few that cared to register as such. Otherwise sources at the Ministry of Economic Planning and Development say that the number is much bigger than the figures given and that more would register as unemployed if by doing so they were assured of getting jobs.

Apart from the provision of employment and the improvement of communication and transportation in the rural areas, the Kenya Tea Development Authority does facilitate rural development in several other ways. It was found out that tea farmers and several other rural residents have taken advantage of some of the Kenya Tea Development Authority facilities such as water and electricity. Although initially the water was meant for the tea factories, and for the Kenya Tea Development Authority staff who reside within the vicinity of these factories, and not for the general public, I learnt that several tea farmers

and other rural dwellers particularly those living around the factories do use these facilities. Several, simply walk to where water is installed and physically fetch the water in containers for their domestic use. There are a few who have bought their own water pipes and have used these to take water to their houses.

There were other people who said they had bought pieces of land adjacent to, or near the factories because they realized they could make use of both the water and electricity from these factories. A case in point is the present Principal of Kericho Teachers Training College. He recently bought a small piece of land near Litein Tea Factory and has now built a big permanent house on the plot. He said he did this because of the availability of good clean water and electricity at the factory. The factory and his house are only separated by a road. While I was carrying out my research, this gentleman was in the process of installing water in this house from the Litein factory. He said he would soon do the same with electricity. Lack of good water at reasonable distances as we know, is one of the gravest problems facing rural residents in this country. Lack of good water is particularly disturbing. Many people

have to walk long distances to fetch water which in most cases is not clean and fresh. The result is that many rural residents have suffered from various waterborne diseases. In the Kenya Tea Development Authority areas of operation this problem is being eliminated and the provision and easy access to clean water could reduce the incidence of water borne and other diseases in the rural areas. With a healthy population the rural areas may become more productive than it is now.

From what we have said, it is evident that the Kenya Tea Development Authority is playing *some* role in the development of Kenya's rural areas. This is in spite of the inequalities that have resulted from its operations. It has provided employment, income communication and transport systems and water to rural dwellers. It has also played and continues to play an important role in the country's foreign exchange earnings. The implications that all these have for the country's development are many. For the rural areas where the Kenya Tea Development Authority is involved, the presence and operations of this Authority may very well lead to total socio-economic transformation of these areas and people. In fact it is already leading to a change of people's attitude towards rural life. At least they are now beginning to think that conditions in these areas can be improved and made

better. Previously most rural dwellers had a very negative attitude towards rural life. In my research, most respondents said that the Kenya Tea Development Authority had helped in the improvement of their lives generally. What they were referring to in fact was the little money they get from their tea sales and the fact that they are able to buy some domestic requirements with this money. What they call improvement in their lives may in fact be a reflection of lack of perception on the part of the farmers. If one were to take into account the amount of labour, time and money they spend to produce tea and to compare these with the money they receive in return then one cannot talk about improvement in their lives as the farmers put it.

The point is made however, that attitudes towards rural life are changing from negative to more positive ones. This may as we have already said result in a reduction of the rural-urban migration. This will have a further effect of reducing urban congestion with its socio-economic problems which are already being experienced in Kenya's major towns particularly, Nairobi.

The Process of Revenue Accumulation Consumption and Investment Patterns among the Farmers attached to the Authority:

So far in this chapter we have discussed the contribution of the Kenya Tea Development Authority

to Kenya's National Economy especially its contribution to export earnings, its role in perpetuating Kenya's economic dependence on international capital as well as the Authority's contribution to rural development. In this section, we want to very briefly examine and discuss the role the Authority is playing in the socio-economic transformation of the small scale tea farmers attached to it. As we pointed out in the opening remarks of this chapter, we shall use socio-economic differentiation as a measure of this transformation. It was the aim and intention of both the colonial and independent Kenya government, in allowing and encouraging Africans to participate in cash crop growing and in establishing the Kenya Tea Development Authority, to promote this development, to transform the subsistence rural farmers into rural capitalists or entrepreneurs in line with the country's mixed enterprise policy. In this section therefore we want to examine whether or not and the extent to which this aim or objective has been or continue to be realized, taking into account the stage of the country's capitalist development.

The assumption guiding the task we have set out to do here is that socio-economic differentiation among these farmers will be determined not only by the amount

of income they derive and accumulate from tea sales but also and perhaps more important by:-

- (a) Whether or not the farmers are able to create a surplus and whether or not that surplus is created with the deliberate aims or intentions of investing this surplus in other more economically productive enterprises. If this were the case we should be able to detect a clear cut pattern of investment and therefore patterns of capitalist development among these farmers.
- (b) The extent to which production of tea and other cash crops grown by the farmers relies on wage labour and whether that labour is permanent or casual. Capitalist production to a very large extent depends on exploitation of labour by those who own the means of production. This is why we are concerned in this discussion with the use of wage labour by the tea farmers.
- (c) The degree to which the process of land centralization has been and is still taking place. Land centralization in a few hands will have the effect of creating a group of landless

people in the tea farming areas who can only survive by selling their labour to land owners. We are therefore interested in finding out the process and extent of proletarianization of the less successful farmers.

It is necessary to start this analysis by giving a brief background of the farmers we are dealing with in order to be able to have a clear picture of the extent to which the operations of the Authority has affected their socio-economic conditions. The majority of the farmers we are dealing with were introduced to tea growing and therefore to the Kenya Tea Development Authority only about thirteen or so years ago. Only about 6% of the sixty-six farmers interviewed had been growing tea since before the establishment of the Kenya Tea Development Authority in 1964. Slightly over 50% of our respondents were purely self-sufficient subsistence farmers and did not have any other source of income at the time they joined the Kenya Tea Development Authority project as small scale tea growers. About twenty-four or 36.4% of the respondents had at the time of starting to grow tea, some source of regular cash income. Among these were junior civil servants, drivers and primary school

teachers while some worked in junior positions in the private sectors especially in the big commercial tea estates and factories around Kericho District. The remaining 6% or so of the farmers were at the time of joining the smallholder tea scheme, engaged in some form of business or another in the rural areas. Some of them owned retail shops, beer halls, while others owned small rural hotels.

By the time the author carried out interviews among the Kenya Tea Development Authority tea growers about 14% of the twenty-four who by the time of starting tea growing were in some kind of employment, had left this employment. They had either retired or resigned their formal employment to take up tea farming. By the time we were carrying out the interviews therefore, about 70% of our respondents i.e. the tea farmers, had only tea growing to rely on for their source of cash income and livelihood. They, of course, do engage in some kind of subsistence farming but as we shall see later in this chapter, they pay more attention to their tea since it is the only source of 'reasonable' regular income.

It is therefore no wonder that over 60% of our respondents said that they were attracted to tea growing mainly because it would provide them with

regular income just like those who are formally employed. There were of course, as we already pointed out (chapter four) other reasons that led to the interest in growing tea among the Africans. Chief among the initial reasons was the removal of the legal and administrative barriers to African participation in cash crop farming. (see chapter four). Several reasons were given by the colonial government to justify the imposition of these rules (see chapter three). With the relaxation of these rules many Africans took up tea farming even before independence was achieved. More serious interest however, came on attainment of political independence which was followed by a call from the country's political leaders to the Africans to grow these cash crops. In fact in the case of tea, there was a feeling that because of the tedious nature of the tasks involved in its cultivation, many people in the tea growing areas would not be willing to take it up. Consequently, special farmers' committees were established by the Special Crop Development Authority and later by the Kenya Tea Development Authority to popularize the idea and thereby attract many farmers. We, however, argued in the last chapter that there were several reasons why Africans got interested in

tea production and that even without these special committees the Authority would still have got the number of farmers necessary for the success of the project. These reasons were given in the previous chapter.

As time went by and as the effects of the Authority began to be felt many farmers joined the organization mainly to be able to obtain the regular monthly and yearly cash incomes from tea sales. These yearly or second payments are probably more attractive because it comes to the farmers in a lump sum. It is the sum of the total number of kilograms of tea sold by the farmer to the organization every month times the purchase price on the international market. For example, if a farmer sells three hundred kilograms of green leaf to the Kenya Tea Development Authority every month, in one year he will have sold three thousand six hundred kilograms of green leaf. If the average monthly price of tea for the year at the international market where this tea was sold was ten shillings per kilogram, then the farmer should earn thirty six thousand shillings (36,000/-) as second payment that year. There will of course be some deductions from this money to meet some of the administrative expenses of the Authority and some to

help in the redemption of the Authority's loans from the international donors. It should also be noted that the price of tea both at the local Mombasa auctions and at the international markets will vary from time to time and in one year there may be as many price variations as there are sales that year. Nevertheless the second payments still do come in a lump sum and is very attractive.

The monthly incomes on the other hand are relatively meagre. They too depend on the price per kilogram of tea sold by the farmers to the Authority. This however, is fixed and at the moment, the amount paid to the farmer by the Authority for every kilogram of green leaf is one shilling. From this one shilling the Authority deducts 31 cents per every kilogram of green leaf sold and therefore every shilling. The cess goes towards some of the administrative expenses including the Authority's contribution to the Tea Board of Kenya. (See chapter four). For those farmers who borrowed or bought fertilizer on credit, the Authority until October, 1980, used to deduct an average of eleven cents per kilogram although many farmers said that it depends on agreement reached between them and the Authority.

Thus we see that after deducting the 31 cents for cess and the 11 cents for the fertilizer a farmer is left with only 58 cents per every kilogram he/she sells to the Authority. This however is not the net monthly income to the farmer. This farmer has still got to pay his labourers from this money. Labour for the tea pickers for the small scale farmers is between 30 and 35 cents per kilogram of green leaf sold. It is therefore possible that the farmer only gets twenty three cents(-/23) per every kilogram of tea sold. We saw that about 68% of the farmers use wage labour and about 70% depend on tea for their cash income. It is therefore very clear from the information given above that the net monthly income to a farmer is very little. In fact over 30% of the farmers in our sample had monthly incomes as low as 100/-. It is however, valued very much because of their dependence on the market for various items such as food and clothes. It is, however, the second payment that is valued most and most farmers are always looking forward to the day when it would come. It is used for payment of school fees and is also a fundamental factor that determines the possibility of accumulation and investment by the farmers.

According to our sample, forty (40) or sixty per cent of the farmers received yearly incomes of below Ksh. 5000/-. The majority of this sixty per cent however earned between 1,000 and 2,000 Kshs. The average income for the whole sample was 2,000/-. A total of 16 farmers or 24.2% of the whole sample got yearly incomes of over Shs. 5,000/-. There were also a few farmers who got a yearly income of 10,000/-. These were, however, very few and comprised mainly those farmers with larger farms of more than the average size which was 2.2 acres. These farmers sometimes had several small pieces of land with tea in different parts of the district some of which were registered in their children's names.

Their incomes of 10,000/- therefore included incomes from all these pieces of land. These were also people with other sources of income and sometimes these farmers are able to care better for their tea since they are able to pay labourers well and therefore retain them for a long time without interrupting the frequency of tea plucking. We noted that this interruption of tea picking due to the frequent cases of desertion by labourers is a major problem facing the small scale Kenya Tea Development Authority

farmers in Kericho. Those with other sources of income and with many pieces of land are therefore in a better position than the others to retain their labourers as they are able to pay them well.

One of the reasons why some farmers have decided to have several small pieces of land with tea in different parts of the district or division is because initially, the Kenya Tea Development Authority restricted the number of acres a farmer could plant with tea. This was in an effort to facilitate proper planning and control of the development of tea. They wanted to know roughly how much tea to expect in the factories every day in order to plan for their processing and marketing. It is this control that the farmers wanted to beat by having different plots, some registered in their wives' and children's names. Restriction of the amount of land a farmer could plant with tea was also done because the government wanted to ensure that every tea farmer was left with some land on which he/she could grow subsistence or food crops. Although all farmers in Kericho do have pieces of land for the purpose of growing subsistence food crops, we found out that for various reasons already discussed, these farmers are not growing as much food crops on these pieces of land as they did prior to their involvement in tea production.

We pointed out earlier in this chapter that the monthly payments to the farmers are by any standards very meagre and is not enough to allow for any savings at all. It is used for labour and other daily domestic necessities.

One of the main assumptions made by the Kenya Tea Development Authority during its inception was that tea farmers would rely on family labour and that this would facilitate or enable the farmer to earn a lot of money. While that assumption might have been correct at the initial period, it is certainly not so at present. We have already noted for example, that 60% of the Kenya Tea Development Authority farmers in Kericho, where the bulk of our data was collected, relied on permanent wage labour for tea production while only about 15% said they used family labour. The remaining said they used a mixture of family and casual wage labour. Several reasons account for the increasing use of wage labour by the small scale tea growers. First, is the fact that since the introduction of 'free' primary education in Kenya most children of school going age who could help in tea farms are now not available. Family labour therefore means only a father or mother or both.

These are however, too few to manage the tedious tea jobs. Secondly, rural residents as we already noted are very busy people and are called upon to do various time consuming and sometimes conflicting roles leaving them with very little time for tea growing. They therefore are forced to resort to the use of wage labour as a matter of necessity.

Thirdly, and this is a problem that is perhaps only peculiar to Kericho tea farmers, is the historical fact that for a long time due to the absence of industries in the neighbouring Nyanza and Western Provinces, a lot of labour from these provinces was available to the Kericho growers. Since this migrant labour was in abundance it was relatively cheap and so many farmers thought they would afford it. Recently, however, this has not been forthcoming due to the introduction of agro-industrial complexes such as sugar companies in Muhoroni, Mumias, Miwani and Awendo. Now labour is not only scarce but very expensive.

The farmers however, find that because most children go to school and therefore there is no strong family labour force, they have to supplement family labour with wage labour. They, however,

cannot use local labour because of the local people's attitude towards the job. The people ... around Kericho traditionally were maize farmers and cattle rearers and have very little admiration for tea jobs.¹⁰ In fact many of them shun jobs such as tea weeding and picking. This means that the farmers have to look for and employ the scarce expensive labour from the neighbouring districts. This consumes almost all their monthly incomes that they get from tea sales to the Authority. If they did not engage in wage labour their monthly incomes would probably be sufficient to cater for their daily needs such as food and other domestic requirements. However, because of the insufficiency of monthly incomes to purchase the farmers daily requirements, they are always looking forward to the second payments to supplement these monthly incomes. They also use this to pay for their children's school fees and to build their houses, maize store etc. From the figures we gave regarding the yearly incomes of these farmers, however, it is very clear that not many of them can be able to save any of it after paying for school fees and purchasing items for domestic consumption. Without savings they can hardly invest.

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See Daily Nation, Tuesday January 1981, p.9

Our findings revealed for example that the average number of children per family in Kericho is five with an average of three children per family going to secondary school. Most of these we found out attend Harambee or Private Secondary schools which are very expensive. In fact the average amount of fees paid per year by a parent was Kshs. 3,000/-. Most of this came from tea as the majority of the farmers were found to be relying almost solely on tea incomes. These and other expenses make it almost impossible for the farmers to save and invest part of the second payment.

In fact the little investment there was among farmers, was recorded only among the few who got a yearly income of Kshs. 5,000/- and above. These were also those farmers with additional sources of regular income and with several pieces of land. Even among these however, there was no clear cut pattern or indication of a deliberate tendency to invest. Not all those in this category of income bracket invested and some who invested said they were actually doing so on the advice of either their educated sons or daughters but not as a deliberate personal decision. In fact, of the sixty six farmers interviewed only 14 of them actually said they had invested part of

this 'tea money.' The major investment we found out were in rental buildings, retail shops, small rural hotels and 'matatus'. The matatu business is becoming very popular in Kericho both among the tea farmers and other residents of the area. This could be attributed to the roads in the area built to serve the Kenya Tea Development Authority.

It is interesting to note that no investments were recorded in farm inputs such as tractors. Out of the 14 farmers with investments seven of them were people without any other source of regular income but had larger farms while six had other sources of regular income and with more than the average acreage. One of the 14 was a businessman before starting tea production. It means that the other three farmers who had business before taking up tea production and who are included among the 14 with investments did not actually engage in further investment. We can therefore see that the tendency to deliberately invest is very low and is taking place at random. The major reason seems to be that the majority of the farmers are not able to increase their productivity and therefore their income. Secondly, it is because the little money the farmers earn from tea is all spent on the purchase of daily requirements necessary for their reproduction.

This seems to be the most immediate concern of most of the farmers. Investments are not their immediate priority. One finds that many farmers use their cash incomes from tea for constructing food stores, residential houses and for purchasing food-stuff. The building of these houses and stores takes years to complete since their yearly incomes from tea is also spent on several other items. It appears therefore that it will be quite sometime before the farmers think of and can be able to save and invest part of their money in more productive ventures as a deliberate policy.

There is however a tendency towards the concentration of land in a few hands, a tendency that may, in the long run, lead to rural capitalism in Kericho. There was a tendency for those farmers whose yearly incomes was Kshs.5,000/= and above to purchase more and more land especially from the less successful farmers in the district hence the phenomenon of several farmers with several pieces of land. I did not manage to obtain detailed figures to show the degree of land transactions in the district and particularly between or among the tea farmers. However, I found out that

6 of the 16

farmers who got 5,000/- and above and with additional sources of income had bought pieces of land elsewhere in the district with the intention of planting tea or other cash crops. What is clear and seems to confirm the tendency towards land transactions is the value of land in Kericho. Over the last ten years, or so the value of land in Kericho has been rising pretty fast. In 1964 for example the price of one acre of land in the district was Kshs. 500/-. By 1970, this had doubled to 1,000/-. Three years later in 1973 the price doubled again to Ksh. 2,000/-. In 1974, it was 3,000/- and 1979 the price per acre had risen to Kshs. 10,000/-. The process of land centralization in a few hands however, seems not to have taken a definite pattern or been carried out extensively. In the long run however, it could have important implications for capitalist development in the area. With land centralization, the fundamental means of economic production will be controlled by only a few with the result that the majority of the population will be forced to be mere labourers for the few land owners. This is an important step in the development of capitalism. Our own economic development policy favours and permits this situation where only a few are able to control a major means of production like land.

The only explanation I was able to obtain regarding the reluctance of many farmers to sell their land was because of the anticipated future needs and requirements of their children. Most farmers do not own large amounts of land besides the ones on which they grow tea as we already pointed out. With the average number of children per household being five many farmers fear that if they sell their land now, their children may not be able to own any land when they become of age. This may lead to fights between or among them. In fact, in two farms reportedly neglected by the owners, the author discovered that the problem was that too many sons or brothers claimed the right to the land which was too small for further subdivision. In one of these farms the father of the four sons had died before dividing the land to the sons. The brothers all wanting to benefit from the tea left by their father, could not agree on how best to realize their aims. Each tried to prevent the others from using the land and plucking the tea. The result was that tea plucking was abandoned and the land turned into bush. I later learnt that quarrels between brothers or sons for a piece of land left by a deceased father was becoming a big problem. The problem is worse when the father had two or more wives and this is a common practice among the tea farmers in Kericho.

Even after land consolidation some children or rather sons feel they should have more right to their father's land than the sons of other wives. As a result many farmers are very reluctant to sell their land now. But with increased worsening of their living conditions they could very well start selling their land to the more successful farmers and become mere sources of labour to those land owners.

Finally, I want to say that the lack of clear cut patterns of investment either in land or in other economically productive enterprises among the tea farmers could be explained also by the fact that we are dealing with people who were introduced to cash crop farming and the monetary economy only a short while ago. (Stage of our economic development). Most were subsistence farmers at the time of joining the tea industry and were very poor in terms of money and living standards. The money they received from tea is therefore first and foremost, spent on immediate everyday domestic and other needs such as building houses and stores etc. They are in other words first and foremost concerned with improving their living standards and conditions rather than with long term

investments. Any investment done is not as a result of deliberate plan but only accidental or incidental, hence the randomness of these investments as we have tried to show in our analysis. Decision to invest is not the result of a deliberate and rational plan aimed at obtaining the highest or maximum profit now or in the future. We shall also add and note here that a particular mode of production cannot be simply replaced over a short period of time by another. Even during the colonial period in Kenya, rural differentiation and acceptance and adoption of the new methods of economic production and organization introduced by the settlers occurred only to a limited extent. It takes time and several conditions must be fulfilled before a completely new mode of economic production can be accepted and assimilated by any group of people. Capitalist mode of production among a rural community that was for a very long time purely subsistence farmers require a long period of time before it can be accepted by the tea farmers.

What seems clear however, is that among the Kenya Tea Development Authority farmers in Kericho despite the absence of clear cut pattern and tendency to invest, new economic relations are beginning to emerge. At least we can no longer talk of a completely

self-sufficient group of subsistence farmers or a clear cut and dominant capitalist mode of production. We however, find it difficult to agree with Steeves that the operations of the Kenya Tea Development Authority have created sharp class distinctions between owners of the means of production (land) and labourers. Our findings are that there are as a result of the operations of the Kenya Tea Development Authority, in Kericho, new economic and social relations developing but these are not yet as clearcut and distinct as the study by Steeves suggests.* It is true however, that the assumed increased productivity attributed to the Authority's superior technology and organization has not been equitably distributed among the tea farmers and this to some extent explains the development of the economic cleavages that are developing among the tea farmers in Kericho.

"Attempts by the author to obtain Steeves' original thesis entitled "Class Analysis and Rural Africa. The Kenya Tea Development Authority" failed. However an abstract to this thesis was available in The Journal of Modern African Studies, 1978 p.123-132. It is from this abstract that Steeve's conclusions referred to were obtained.

CHAPTER SIX

SUMMARY AND CONCLUSIONS

The purpose of this chapter is to summarise the major findings arising from the study. A few policy recommendations and suggestions for further research on public enterprises and especially the Kenya Tea Development Authority will be given.

The central concern of this thesis has been to discuss and throw some light on the management and role of public enterprises in the socio-economic development of Kenya, using the Kenya Tea Development Authority as our case study. The thesis is organized around two major themes. In the first instance it analyses the manner in which the Kenya Tea Development Authority is administered or managed and examines certain administrative techniques and devices used by the Authority, how they have been used and assess their implications for and contribution to the Authority's effectiveness measured in terms of its ability to achieve its laid down objectives. The second major theme centres on assessing the role of the Kenya Tea Development Authority on the socio-economic transformation of Kenya. In carrying out this

assessment we took into account the fact that the Kenya Tea Development Authority is heavily dependent on international capital. We were therefore asking and hope we answered the question, What is the impact and effect of international capital on the development of the country and the third world generally? The impact of the Kenya Tea Development Authority on rural development, the impact on the small scale tea growers attached to it and the implication of its reliance on international capital for their country's independent or autonomous development are raised and discussed.

The central concern of chapter one is to trace the emergence and development of public enterprises i.e. the theory and philosophy of public enterprises. It was noted in this chapter that the idea of public enterprises being used in the management of the economy found its major articulation in the writings of Karl Marx in the mid 19th century. The major motive behind Marx's call for the use of these institutions was political and centred around the need to socialise the economy by having the workers to control the major means of economic production and distribution. Marx was actually advocating for the

abolition of capitalism and the institution of private property.

We noted further in this chapter, that since the writings of Karl Marx, the use of public enterprise has gained world wide acceptance and that their establishment has been influenced by politico-socio-economic factors, the specific factors responsible for their creation in specific countries being varied from one country to another. In some countries especially those of Eastern Europe political factors based on these countries ideological inclinations have been mainly responsible for the use of public enterprises. In Western Europe on the other hand, it has been mainly economic factors such as the reluctance of private capital to initiate development and to participate in economic ventures involving high risks and the general poverty of a country that have tended to play the major role. In certain cases we noted, the establishment of public enterprises was influenced by 'national interest' usually taking the form of fearing the dangers of leaving certain economic activities considered crucial for the survival of the state, in private hands. The important thing to remember in this discussion of the theory and philosophy of public enterprises is that broadly speaking their

establishment has been influenced by political, social and economic factors and that the extent to which one factor was responsible varies from one country to another. It is also important to remember that these organizations are now used world wide irrespective of the country's political ideology.

In chapter two we traced the emergence of public enterprises in the developing world generally and in Kenya in particular. The discussion in this chapter as in the first one is historical in approach and traces the emergence of these institutions during colonialism and after. Several important points emerged out of this discussion. We noted for example that public enterprises during the colonial period were few in number and were confined to agricultural sector which was in every respect dominated by the white settlers which they were meant to serve. These institutions we pointed out, came to prominence just before and after the second World War. Several factors were noted as having a direct influence on the establishment of the colonial public enterprises. First was the fact that the European settlers who came to practise

plantation agriculture were poor and lacked experience in large scale farming. They, therefore, needed state financial assistance or better terms than they got from the private credit institutions. They also needed to establish a monopoly over the production and distribution or marketing of the cash crops and protection from competition by Africans. The colonial government responded by creating publicly financed institutions starting with the Land Bank of 1930. Most of these public institutions during this period were regulatory and marketing boards.

The collapse of the colonial rule and the subsequent attainment of political independence in 1963 left the country in dire need for development capital and other resources. Colonial socio-economic policies did not permit the economic development of the Africans and at independence there was no indigenous private capital or substantial capital owned and controlled by the state. There was also the fact that vast areas of the country were hardly developed, were remote, and the little private capital that there was, was reluctant to participate in these areas because of the high economic risks

involved. There was at the same time an urgent need for the Africans to participate in the economic management of their country. This however, could not happen unless they had access to capital. It was to the government that people looked for assistance. The government realized how dangerous politically it would be to let the situation be the way it was, and responded by establishing public enterprises in almost every sector of the economy. This would facilitate the Africanisation of the economy which the government saw as the political answer or solution to the problem. The public enterprises were also seen as means to redressing the uneven or unbalanced development of the country. The point we noted in this chapter and which is of great relevance to the discussion of the role of these enterprises is that they are heavily dependent on international capital. It is also worth noting here that public enterprises in Kenya were not meant to replace private capital, rather they were meant to supplement it. This explains why most public enterprises in Kenya are actually joint ventures between the government and private capital, mostly international capital.

As a prelude to discussing the actual management of the Kenya Tea Development Authority the thesis discusses in chapter three the development of the Tea Industry in Kenya right from 1903 when the first tea crop was planted in the country by a European settler near Limuru. Several important points emerged from this discussion and are worth noting here. Our findings are that the Kenya Tea Industry was for a long time dominated by large foreign private companies notably Brooke Bond and James Finlay, now African Highlands. The local settlers were unable to grow the crop apparently because it was believed at the time that tea could only be successfully cultivated on large scale farms, something the local farmers could not do because they were poor and lacked the organizational experience. It was pointed out that the tea industry in Kenya was brought under statutory control only in 1950 with the establishment of the Tea Board of Kenya, a public enterprise. This development we noted was due to the colonial administration's recognition of the important role the crop was assuming in the colonial economy.

A further important point worth noting here is that even after the industry was brought under

statutory control, it was still dominated by foreigners with very little local's participation. It was not until the controversial 1954 Swynnerton Plan was published that Africans were allowed to grow the crop on small scale basis with government assistance. The recommendations of this plan resulted in the establishment of the Special Crop Development Authority the predecessor of the Kenya Tea Development Authority. These Authorities were given the objectives of promoting the development of tea growing among the Africans. We noted that the plan did have the political objective of appeasing the Africans in order to create some amount of political contentment that was considered necessary for the survival of the colonial political system. In 1964, the Special Crop Development Authority was replaced by the Kenya Tea Development Authority and we noted that since then the African smallholder sector has expanded dramatically from about 4,471 hectares in 1964 to about 51,575 hectares in 1980. This sector has contributed a lot to the number two position that the tea industry now occupies in terms of its value to the country's foreign exchange and export earnings.

The chapter also discusses the other organizations that make up the Tea Industry. These included the Tea Research Foundation, the Tea Board, Kenya Tea Packers Association, etc.

In chapter four we discussed the management of the Kenya Tea Development Authority. Prior to this however, we undertook a brief overview of the management of Public Enterprises in Kenya generally. Several important points were noted in this discussion. In the first place we noted that public enterprises in Kenya are officially created by acts of parliament which define their objectives, duties and responsibilities. It was also noted that all public enterprises in Kenya are run by boards of management usually appointed by the relevant Minister under whom the enterprise falls. The Chairman of parastatal bodies are usually appointed by the President.

For a long time Kenya's parastatals enjoyed a very large degree of internal autonomy as compared to the civil service. This autonomy and lack of uniformity in the management of these organizations was considered responsible for the poor performance

of these enterprises by a government commission set up to study their management. The problem was that the autonomy was not accompanied by responsible administrative behaviour and management. The result or tendency was towards misappropriation of enterprise funds by those who managed these organizations. Several attempts were therefore made as a result of the recommendations of this commission to establish some amount of control and uniformity in the management of these organizations. These measures included the establishment of the parastatals Advisory Committee under the office of the President and the categorisation of parastatals into six major groups with each group having specific rules and regulations governing their operations and management. These may in fact introduce a certain amount of rigidity that may not be good for the efficiency of these organizations.

Regarding the management of the Kenya Tea Development Authority, our discussion focussed on the major administrative techniques and devices used by the Authority in its attempts to achieve its objectives efficiently. These include the control, structure and system in the Authority, the extension

staff and how they operate, coordination, planning and centralization of decision making etc. We assessed their contribution to the effectiveness of this enterprise taking into account the manner in which they are used and the environment in which the enterprise operates. It was noted that although the way in which the above administrative devices have been used has greatly contributed to the apparent impressive performance of the organization, they have not functioned as efficiently and as effectively as is generally believed. Several problems face the attempts by the extension staff, for example, to work efficiently. These problems include vast distances between farms, too many farmers under the control of any one extension officer, too much work required of them etc. all these plus other physical and administrative problems make their work difficult. In several cases we found out that they hardly visit the farmers as required yet their field report books do not, reflect this. This makes it rather inadvisable to rely on these field reports as the information contained in them is hardly ever verified. Field demonstrations carried out by the Agricultural

Assistants were also found to be ineffective as they are usually concentrated on the farms which are already successful. Most farmers feel they cannot reach the standard of these successful farmers, thus making the impact of these demonstrations very minor.

We noted that there are several advantages that the Authority enjoys from the existing relationship between it and the Ministry of Agriculture. Such advantages include the fact that the Authority can use the Ministry to defend its actions when under attack from the public. In spite of such advantages however, our research revealed that there are also several administrative problems that arise precisely due to this relationship. For example the requirement that all official claims made by the Authority's extension staff be passed through the Authority before they are finally paid by the Ministry causes a lot of unnecessary delays which we found out has had the effect of killing the morale and initiative of most of the extension staff attached to the Authority. Most of the affected officers expressed unwillingness to spend their own money in advance of payment as

they pointed out the reimbursement takes a very long time.

There was also the problem of the promotion of the seconded extension staff being dependent on the recommendation by the Kenya Tea Development Authority. Many extension officers felt that they have no chance of promotion because the standards of the Kenya Tea Development Authority are very high compared to those of the generalist staff directly under the supervision of the Ministry of Agriculture. This feeling that they are at a disadvantage in comparison with their generalist counterparts has also had the effect of lowering their morale and therefore interest in their work

Our discussion of the decision making process revealed that the current centralization of decision making at the head office is not good for the efficiency of the organization. This is because the nature of some of the Kenya Tea Development Authority operations are such that certain decisions could be best made at the field level. One of the reasons why delegation of decision making powers is not practiced in the Authority, we noted, was because

of lack of confidence the head office has on its field officers all of whom are of very low rank and status. It is our recommendation that the status of these officers be raised and that they should be given decision making powers in some areas of responsibility. Departmental heads at the head office should also be given a chance to participate in decision making through regular interdepartmental meetings instead of leaving all decision making powers in the hands of the General Manager, the Chief Executive of the Authority.

In the recent past it was noted, a lot of political support and influence in the affairs and management of the Authority has been very evident. The whole process started in the mid 1970's when during acute tea shortages in the country a very powerful politician defended and supported the then General Manager of the Authority from attacks by both the public, the press and members of Parliament. This defence was given despite the evidence that the General Manager was actually using the Authority's trainee Managers to run his own private tea factory at the expense of the Authority. Intrusion of politics was also seen in the recent appointment of

the General Manager by the President, which according to sources at the Authority was done on political grounds. Previously the General Manager's appointment and this is stipulated in the act, was the responsibility of the Board of Management.

Political interference aside, our study revealed that all the departmental heads including the General Manager and the Chairman were all people from one ethnic group. The same was true of all the deputies and assistants. All these plus the heads of departments came from the same one ethnic group. These two factors i.e. political interference and tribalism has encouraged this Authority to be run like a private family concern with private interest replacing public interest. If not checked this situation may lead to the disintegration of the enterprise. The fact that the Authority has very clear cut division of responsibilities and duties between departments was regarded as very important for the achievement of its objectives. Everybody in the organization knows which department does what and what is expected of each and everybody as an employee of the organization. This clear cut division of duties and proper perception of one's

responsibilities facilitates prompt action and makes everybody work hard. The lack of clear cut division of responsibilities and duties are responsible or greatly contribute to the poor performance of public enterprises in Africa.

In chapter five we discuss and analyse the role and contribution of the Kenya Tea Development Authority to Kenya's socio-economic transformation taking into account the fact that the enterprise is heavily dependent on international capital. The discussion also takes into account the country's internal socio-economic development policies within which the Authority has to operate. We noted that several tangible benefits have accrued from the operations of the Authority in terms of good roads, provision of clean water, electricity as well as its contribution to the country's foreign exchange earnings and rural employment. We also noted that in terms of promoting the growing of tea on small scale by the Africans, the Authority, has on the whole been successful. This is because in terms of numbers the Kenya Tea Development Authority has attracted thousands of small scale tea growers now attached to it.

The problem we found out, however, is that this success measured in terms of the number of growers attached to the Authority has not been accompanied by an egalitarian distribution of income and improvements that arise from the activities of this Authority. The tendency has been for more and more to get poorer while only a few get richer. Factors accounting for this included the fact that the tea growing is a very demanding crop in terms of inputs and time. Only very few farmers are able to afford these expensive inputs and time to care properly for the crop so as to be able to acquire reasonable cash incomes.

A point was also made that the fact that the growing of tea is very demanding especially with regard to the amount of time and attention it requires, most farmers do not have enough time left for the growing of other crops especially subsistence crops. The result has been a tendency towards the production of less and less food crops and further dependence of the country on imported food stuff. This situation in which the country found itself in at the beginning of the 1980's may, if allowed to continue, be very dangerous politically. With less food and little money the majority will feel discontent and this will increase the existing socio-economic contradictions and intensify the struggle

between the few who own the wealth of the country and the poor a major phenomenon that is encouraged by the country's internal economic development policy.

Some Recommendations and Suggestions

From our discussion of the theory and philosophy of public enterprises, it was noted that one important aspect of these institutions considered vital for their efficiency is management autonomy including financial as well as personnel management. Traditional Civil Service rules and regulations were found to hinder the efficiency of large scale organisations and was one of the reasons that gave rise to the creation of public enterprises in many countries especially in Europe. It is because of the need to have some amount of internal management autonomy that this study strongly recommends that the new control measures particularly those requiring some parastatals to follow closely the rules and regulations of the civil service should be introduced and exercised with caution. They should not be applied at the expense of the parastatal's efficiency.

Perhaps in this regard the Kenya Government should learn the lessons and reasons behind the success of the famous Tennessee Valley Authority established in 1933 by the U.S.A. Congress. According to a study of this authority by Philip Selznick¹, one of the major reasons for its success

¹Selznick, P. T.V.A. and the Grass roots: ,A study in Sociology of Formal Organisations. Harper and Row, 1966.

was the fact that it insisted on managerial autonomy especially in terms of having personnel and financial control and management. The management considered that internal management autonomy was essential for the success of this organization. The Tennessee Valley Authority and its managers were happy that the U.S.A. government permitted this. It avoids possible red tape which in many cases is a major cause of inefficiency.

It is recommended further that:

1. If the Kenya Tea Development Authority wishes to ensure that the extension staff visit the required number of tea farmers in their efforts to improve the quality of tea grown, then their numbers should be increased. At the moment their numbers are too small compared to the ever increasing number of farmers. It is difficult at the moment to attribute the good quality of tea to the work of the extension staff as they hardly visit all the farmers adequately.
2. A method should be devised by the Authority to ensure that the information contained in the junior Agricultural Assistants' field report books reflect the true picture of what is happening before they can be relied upon. One way to do this would be to increase the number of Agricultural Assistants whose job would only involve the supervision of the junior Agricultural Assistants. Farmers could also be required to sign these books each time they are visited.

3. Regarding the use of field demonstrations as a method of educating the farmers on how to improve their yields we came to the same conclusions as did Mbithi in 1973 that these demonstrations should not be done on the farms of the successful farmers but on the farms of the less successful farmers. We consequently suggest that even though the Ministry of Agriculture and therefore the government has been reluctant to implement the Mbithi recommendations, it is an idea worth trying. It might create the intended impact by encouraging the less successful farmers to emulate what is demonstrated. At the moment they regard the standards set by the more successful farmers as too high for them to achieve.
4. One of the bottlenecks in the administration of the Kenya Tea Development Authority is the inability of the field level staff to make decisions that affect their operations in the field. Decision-making in the organisation is highly centralized at the Head office. This has caused delays in making and implementing several important decisions in the field.

The field level staff are not allowed to, make decisions partly because their positions are very junior in the organization

and they lack knowledge of many aspects of the Authority's policy. We have therefore recommended that in view of the importance of quick decision making in organizations, the positions of the field level staff of the Authority be elevated and qualified people appointed. This is particularly important given the fact that most operations of this enterprise are based and carried out in the field. If this recommendation was implemented the efficiency of this enterprise would most likely increase.

5. It is suggested that in view of the lack of reliable transport for the extension staff, the Authority should provide them with reliable transport. This can be done for individual officers or in groups. This would make their visits to farmers easier. At present they depend on public transport which is not only unreliable but also expensive.

6. The Authority should also look into the method of payment of claims made by the extension staff in respect of all official costs incurred by these officers. At the moment all these claims have to pass through the Kenya Tea Development Authority to the Ministry of Agriculture which pays them. This takes a long time and is not good for the morale of these workers. As a result they are very reluctant to incur expenditure on official work in advance of payment. The Authority should pay them and claim from the Ministry of Agriculture.

Economic Control and Nationalisation.

Real independence implies that a country's development is not controlled by events and activities or developments taking place in another country. An independent country should therefore decide on its own development policies and priorities. It must also have firm control and direction of its economic institutions especially those which are regarded as vital for its economic development.

The situation in Kenya is that her internal development has, to a large extent, been dictated by developments and activities occurring in other countries, particularly in the developed Western countries. This has been the case precisely because many of the country's vital economic resources and institutions including her public enterprises are controlled and sometimes owned by foreigners. Our public enterprises, considered very vital for the economic and social development of the country are almost wholly dependent on and controlled by international capital. Government shares in Mumias Sugar Company for example is only 12%, the rest being controlled by foreign international capital.

International capital, according to dependency theorists whose arguments I tend to agree with, is a force that is only interested in and is responsible

for the extraction and repatriation of economic surplus produced in the third world countries, to the metropolitan cities. This as we already noted results only in the improvement of the developed economies while underdeveloping the third world economies especially the people in the third world. In the case of the Kenya Tea Development Authority we saw that the increased productivity is not equitably distributed and that the majority of the farmers attached to this organization are getting poorer and poorer. One of the explanations for this is that part of the money that accrues from the increased productivity is shared by many organizations including international capital in the form of donor organization which tend to appropriate more of this income.

This situation has of course been encouraged and made possible by our own internal economic development policies as spelled out in Sessional Paper No. 10 of 1965, on Socialism and its Application to Planning in Kenya. This policy encourages the development of classes and the domination and exploitation of the majority by a few. It is this development policy also that has encouraged the

domination of the Kenya economy and development by international capital. It seems clear therefore that if the country has to operate her public enterprises in a way that would benefit the majority of population then it must re-examine her internal economic arrangements and development policies with a view to being self reliant. Secondly, this would require the control of the economic institutions and other development resources by the people through the state. In economic terms this would require the disengagement from the present capitalist domination by the developed world and international capital. In political terms this would mean nationalisation of the country's major economic institutions and means of production especially public enterprises that at the moment rely ^{on} and are controlled by private international capital.

It is only through true public ownership and socialisation of the economy that the majority of the people can hope to benefit equally from their operations. But nationalisation or collective ownership will not only facilitate the liberation of the majority of the people from exploitation whether internal or external, it will also liberate the local comprador nationalist and capitalist from oppression

and exploitation by international capital and imperialist control. This will require that our political leaders radically alter their thinking and attitude which at the moment is not in the interest of the majority. It is in fact advisable that they change their thinking because as capitalism which they are bent on promoting develops and matures, it will create two dialectically opposed classes whose struggles to control state machinery may not augur well for the comprador nationalist and the system they are now defending.

Finally this study does not claim to have covered all that can be studied about public enterprises in Kenya and certainly it has not covered everything about the management and role of the Kenya Tea Development Authority in socio-economic development. As we pointed out at the beginning, we had to limit the scope and area of our study and focus because of the constraint of time and financial and other resources. This is for example why the study did not cover all the areas in which the Kenya Tea Development Authority operates. A comparative study of the impact and role of the Kenya Tea Development Authority in the different areas in which it operates would be quite useful in telling us the overall

effects of this organisation. This is an area where future research on parastatals and the Kenya Tea Development Authority should probably look into.

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APPENDIX A

JAN TO DEC	ESTATE		SMALL HOLDER		TOTAL	TOTAL		TOTAL EXPORT KGS	LOCAL CONSUMPTION
	PLANTED HECTARES	PRODUCTION KGS	PLANTED HECTARES	PRODUCTION KGS	ESTATE/SMALL HOLDER HECTARES	ESTATE/SMALL HOLDER PRODUCTION KGS	ESTATE/SMALL HOLDER PRODUCTION KGS		
1963	17,921	17,770,383	3,527	311,980	21,448	18,082,363	15,353,636	2,728,727	
1964	18,591	19,615,777	4,471	624,853	23,062	20,240,630	16,422,313	3,820,217	
1965	19,327	19,027,163	5,429	796,011	24,756	19,823,174	16,823,174	3,766,235	
1966	20,102	23,846,177	7,238	1,527,481	27,340	25,481,658	23,282,084	2,155,574	
1967	20,809	20,563,555	9,269	2,248,059	30,078	22,811,614	18,115,977	4,695,637	
1968	21,329	26,359,730	12,233	3,402,760	33,562	29,762,490	27,839,247	1,924,243	
1969	21,840	30,333,367	14,685	5,777,160	36,525	36,060,527	32,951,963	3,108,564	
1970	22,289	33,109,169	17,985	7,976,425	40,274	41,077,594	33,851,055	5,659,318	
1971	22,838	28,221,634	20,528	8,068,220	43,366	36,289,854	30,072,656	5,691,416	
1972	23,268	40,193,463	26,493	13,129,006	49,763	53,322,469	47,483,857	5,838,612	
1973	23,635	41,505,197	31,161	15,072,903	54,796	56,578,100	50,528,200	5,049,900	
1974	24,087	37,259,318	34,648	16,180,350	58,735	53,439,668	49,646,800	7,075,987	
1975	24,337	38,814,557	37,205	17,915,22	61,542	56,729,779	52,632,600	7,472,129	
1976	24,539	40,521,833	41,412	21,462,626	65,951	61,984,459	59,154,300	8,068,210	
1977	24,859	55,554,370	43,641	30,737,048	68,500	86,291,418	75,257,865	9,578,493	
1978	25,159	58,552,159	46,910	34,821,260	72,069	93,373,419	80,791,032	11,004,360	
1979	25,424	61,641,351	48,876	37,633,936	74,300	99,275,287	88,984,528	12,462,391	
1980	26,025	66,000,000	51,575	44,000,000	77,600	110,893,358	96,500,000	13,500,00	

Source: Compiled by the Author from Tea Board of Kenya Statistics.

ACTUAL VALUE OF KENYA TEA DEVELOPMENT

AUTHORITY TEA, 1963 - 1980

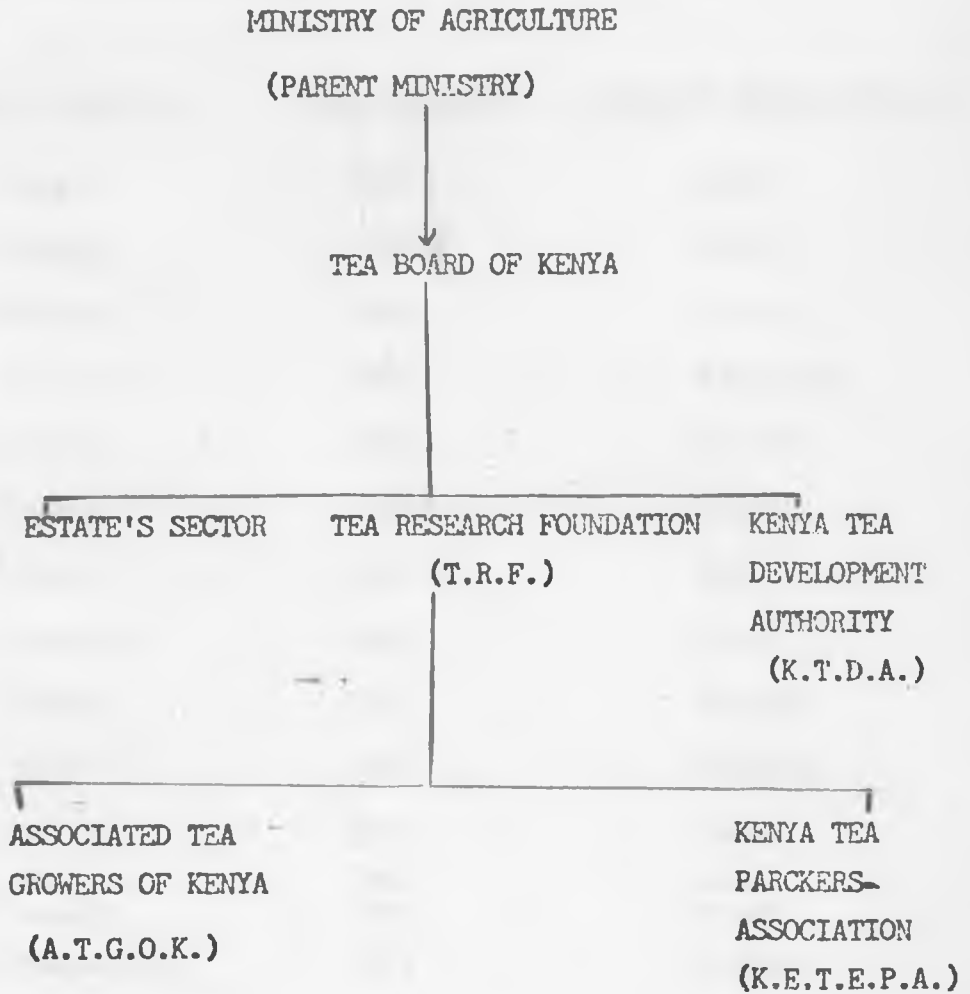
APPENDIX B

YEAR	PRODUCTION (kg)		VALUE kg (Shs.)	TOTAL		VALUE (SHS.)		
	ESTATE	SMALL HOLDERS		ESTATE	SMALL HOLDERS			
1963	17,770,383	311,980	7.21	128,124,460	2,249,375.8			
1964	19,615,777	624,853	6.77	132,798,810	4,230,254.8			
1965	19,027,163	796,011	7.39	140,610,730	5,882,521.2			
1966	23,846,177	1,572,481	6.99	166,684,770	10,991,642			
1967	20,563,555	2,248,059	7.61	156,488,650	17,107,728			
1968	26,359,730	3,402,760	6.28	165,539,100	21,369,332			
1969	30,333,357	5,777,160	5.67	171,990,190	32,757,497			
1970	33,101,169	7,976,425	6.61	218,798,720	52,724,169			
1971	28,221,634	8,068,220	6.69	188,802,730	53,976,391			
1972	40,193,463	13,129,006	5.95	239,151,100	78,117,585			
1973	41,505,197	15,072,903	6.13	254,426,850	42,396,895			
1974	37,259,319	16,180,350	8.45	315,841,230	136,723,950			
1975	38,814,557	17,915,222	8.55	331,864,460	153,175,140			
1976	40,521,833	21,462,626	11.10	449,792,340	238,235,140			
1977	55,554,370	30,737,048	19.78	1,098,865,400	607,978,800			
1978	58,552,159	34,821,260	13.36	782,256,840	465,212,030			
1979	61,641,351	37,633,936	12.37	762,503,510	465,531,780			
Estimate								
1980	66,000,000	44,000,000	13.70	904,200,000	602,800,000			
GRAND TOTAL					6,607,739,890	3,041,459,230.8		

Compiled by the Author from Tea Board Statistics

APPENDIX C

KENYA TEA INDUSTRY : ORGANIZATIONAL CHART



APPENDIX D

THE LOCATION OF THE 29 OPERATIONAL KENYA TEA DEVELOPMENT
AUTHORITY TEA FACTORIES.

<u>NAME OF FACTORY</u>	<u>YEAR COMPLETED</u>	<u>DISTRICT WHERE SITUATED</u>
1. Ragati	1957	Nyeri
2. Chinga	1964	Nyeri
3. Mataara	1964	Kiambu
4. Kangaita	1965	Kirinyaga
5. Litein	1966	Kericho
6. Nyakoba	1966	Kisii
7. Imenti	1971	Meru
8. Kebirigi	1971	Kisii
9. Ikumbi	1971	Muranga
10. Tegat	1972	Kericho
11. Chebut	1972	Nandi
12. Mungania	1972	Nandi
13. Kiambaa	1973	Kiambu
14. Kanyenyaini	1973	Muranga
15. Nyansiongo	1973	Kisii
16. Githongo	1975	Meru
17. Kiamokama	1975	Kisii
18. Thumaita	1975	Muranga
19. Kapkoros	1975	Kericho
20. Githambo	1978	Muranga
21. Gathuthi	1978	Nyeri
22. Njunu	1979	Muranga
23. Kimunye	1979	Kirinyaga

<u>NAME OF FACTORY</u>	<u>YEAR COMPLETED</u>	<u>DISTRICT WHERE SITUATED</u>
24. Nyanache	1979	Kisii
25. Iriani	1980	Nyeri
26. Gatunjirini	1980	Muranga
27. Kaptet	1980	Kericho
28. Ganyanyi	1980	Kisii
29. Thete	1980	Kiambu

FACTORIES UNDER CONSTRUCTION DURING 1981 YEAR

<u>NAME OF FACTORY</u>	<u>DISTRICT WHERE SITUATED</u>
. Ndimu	Nyeri
. Mau	Meru
Makomboki	Muranga
Tombe	Kisii.

APPENDIX E

CATEGORIES AND SALARY SCALE FOR THE CHIEF EXECUTIVE
OF PARASTATALS

CATEGORY A : Kenya Commercial Bank, National Bank of
Kenya.

Salary Scale: K 8,718 x 360 - 9,789 x 420 -
11,058 p.a.

CATEGORY B : Industrial and Commercial Development
Corporation, Agricultural Finance Corporation,
Kenya Re-Insurance Corporation, Kenya.
National Assurance Company, Industrial
Development Bank, Cooperative Bank of Kenya.

Salary Scale: K 7,854 x 288 - 8,718 x 360 -
9,798 p.a.

CATEGORY C : East African Power and Lighting Company,
Kenya Railways Corporation, Kenya Post and
Telecommunication Corporation, Agricultural
Development Corporation, Kenya Airways, Kenya
Tea Development Authority, National Housing
Corporation.

Salary Scale: K 7,098 x 252 - 7,854 x 288 -
8,718 p.a.

CATEGORY D : Tana River Development Authority, Kenya Posts Authority, Kerio Valley Development Authority, Lake Basin Development Authority, Irrigation Board, Kenya Industrial Estates, National Cereals and Produce Board, Kenya National Trading Corporation, Kenya External Telecommunication, Kenya Planters Co-operative Union, Kenya Co-operative Creameries, East African Portland Cement, Kenya Farmers Association, Kenya Tourist Development Corporation.

Salary Scale: K 5,946 x 216 - 6,594 x 252 -
7,350 p.a.

CATEGORY E : National Construction Corporation, Pyrethrum Board of Kenya, Kenya Meat Commission, Cotton Lint and Seed Marketing Board, Coffee Board of Kenya, Kenya Pipeline Company, Kenatco Transport Company, Kenya Cargo Handling, Kenya Post Office Savings Bank, Kenya Film Corporation, Milling Corporation of Kenya,
-> Kenya Cashewnut, Mumias Sugar Company, Chemelil Sugar Comapny, South Nyanza Sugar Company, Uplands Becon Factory, African Tours and Hotels, East African Sugar Industries.

Salary Scale: K 4956 x 186 - 5,511 x 216 -
6,162 p.a.

CATEGORY F : All the regulatory, consultative, advisory, Educational and other miscellaneous institutes.

Salary scale for these parastatals shall be identical to those payable in respect of similarly graded posts in the civil service.

Note: These salaries are fixed only for the Chief Executives. The rest of the employees' salaries are negotiable but must take into account the salary of the Chief Executive; there is therefore bound to be differences in salaries between other staff of different categories.

Daily Nation, Friday Feb. 27, 1981.

THE QUESTIONNAIRE

1. Name of farmer WANYANDE P.
2. Plot No. 21380 GONG'
3. Size of Plot 1 ACRE
4. Age of farmer 41A
5. Marital Status Married/Single
6. Sex M Male/Female.
7. No. of wives 10
8. No. of children..... 50
9. No. of children going to school NONE
10. Farmer's original place of birth District
Location
11. If not born in this District/Location/Village give reasons why you came to settler here.
1. -.....
2.
3.
4.
12. When did you settle here?
(No. of years ago)
13. How did you acquire this/these piece(s) of land?
(a) bought.
(b) inherited from parents
(c) allocated by government.
(d) other - specify.
() Grabbing*

14. How many pieces of land have you got?'
15. In which areas are they situated?
16. How did you acquire all these pieces of land?'
17. How many of these pieces of land are under tea?'
18. When did you first grow tea?
 - (a) before independence
 - (b) immediately after independence
 - (c) just a few years ago.
19. What was the size of the first crop?
20. What is the present size?(No. of acres).....
21. Do you grow other cash crops? Yes/No.
22. If No, why not?'
23. If Yes, name the crops 1.2.3.....
24. What is the approximate acreage of each of the above cash crops?.....
25. Do you grow subsistence crops Yes/No.
26. If No, why not?
27. If yes, how many acres of subsistence crops do you have?
.....
28. Which of the above is more difficult to grow.
 - (a) Tea
 - (b) Other cash crops
 - (c) Subsistence crops.
29. Has the growing tea affected the cultivation of
 - (a) Other cash crops.
 - (b) Subsistence crops.
30. If yes, please explain in which way this has happened.
.....

31. What was your occupation before you started growing tea.
 - (a) subsistence farmer
 - (b) Businessman
 - (c) Civil servant (salaried worker)
 - (d) other specify.
32. If businessman, please specify the type of business.....
33. What led to your interest in tea growing?
 - (a) attracted by the regular monthly cash incomes.
 - (b) attracted by the regular yearly cash incomes.
 - (c) persuaded by officials of the Ministry of Agriculture and those of the Kenya Tea Development Authority.
 - (d) Any other - specify.
34. How often is your farm visited by officers from the Ministry of Agriculture and of the Authority?.....
35. Where did you obtain the capital (money) for your first tea crop?
 - (a) loan from the Kenya Tea Development Authority
 - (b) loan from a co-operative society.
 - (c) Personal Source.
36. If you obtained a loan from the Authority, please indicate the method of and source of repayment.
37. How do you carry out your tea production?
 - (a) by permanent wage labour?
 - (b) casual labour
 - (c) family labour
 - (d) other-specify

38. If by wage labour, please indicate how much you pay the labour per month per year at any other time when labour is used?
39. Do you experience any problems with the availability or any other aspect of labour? Please explain
40. How frequently do you harvest your tea? Please indicate how many kilograms of tea you harvest every day. How are you paid for the tea you harvest?.....
41. What is your monthly income from tea?.....
42. What was your last month's income from tea?.....
43. What was your last yearly income from tea?.....
44. What was the largest yearly income from tea?
45. When did you get this money?..... (year)
46. Does the Authority deduct any amount from either your monthly or yearly incomes? Yes/No.
47. If Yes, how much is deducted and for what reasons? (Please explain).
48. What farm implements and inputs have you bought and do you use to improve your tea cultivation.
 - (a) tractors
 - (b) fertilizer
 - (c) chemical sprays
 - (d) any other-specify.
49. How much fees do you pay yearly for your children who go to school?

50. Are you able to save any of the money you earn from tea sales? Yes/No.
51. If No, why not?.....
52. Do you invest part of your income from tea? Yes/No.
53. If No, why not?.....
54. If yes? on what do you invest?.....
55. How do you market your tea?
- (a) through a co-operative
 - (b) individually
 - (c) any other
56. What problems do you encounter in marketing your tea?
- (a) transport.
 - (b) quality.
 - (c) any other.